Stephen Girard's Bank

When Stephen Girard established his private bank in South Third Street, Philadelphia, on May 12, 1812, the citizens of Pennsylvania were permitted to watch the progress of a novel experiment in the relationship of business and government. The new bank was unincorporated and unchartered, and seemingly was to be dependent for its success solely on the good name of Philadelphia's wealthiest citizen, Stephen Girard. Time, however, made it clear that the bank survived and thrived, primarily because Girard foresaw the growing importance of government financing, and anticipated the commercial and financial advantage of the forces that were working towards unification and centralization in the nation. Finally, of course, much was owing to his skillful manipulation of the relationship between his bank and the United States Treasury. In fact, nothing could be more interesting than to note the difference between the financial concepts and practices that showed themselves in an earlier bank like the Bank of North America, and the concepts and practices of Girard. We have left the world of the mercantilists and entered that of the Rothschilds and the nineteenth century.

Girard was a naturalized American citizen of French birth who, as a youth of fourteen, began his career as a seaman and commercial agent in the West Indies trade plying between Bordeaux and the Caribbean seaports. In 1773, nine years later, he became a licensed captain and started in trading for himself, changing the scene of his activities next year to the coastal trade between New York and Hispaniola. While thus engaged in 1776, he was chased into the port of Philadelphia by a vessel of the blockading British fleet.

After one more voyage to the island, prevented from returning to Bordeaux by debts which his slim resources did not encourage him to pay, and tiring of the dangers of the seaman's life, Girard resolved to settle ashore at Philadelphia, sold his half interest in the small

*This article is based on material gathered by permission of the Board of Directors of City Trusts from the papers of Stephen Girard for a doctoral dissertation prepared for Temple University.
ship that he had commanded, and opened a little general merchandising business in North Water Street, whereupon he promptly married.

During the early years of the Revolution and the brief succeeding period of the Confederation, he was inconspicuous and rather poor. After the establishment of the Republic, however, he began to prosper on a small scale, and, when the Napoleonic Wars crippled the mercantile trade of western Europe, his wealth grew by leaps and bounds. Increase in wealth brought with it increase in fame. By 1800 the name of Girard was a household word in Philadelphia, principally because of his public spirited activity during the yellow fever epidemic of 1793; while on the bourses and in the counting houses of the great international merchant-bankers, such as Baring Brothers, London; Perregaux, Lafitte & Company, Paris; Hope and Company, Amsterdam; and a score of others located at the centers of world trade, his prestige was even greater because of his wealth and already well-known commercial acumen.¹

During the decade from 1800 to 1810, Girard devoted all his energies to international trade. His ships, variously named after the great French philosophers Voltaire, Rousseau, Helvetius and Montesquieu, plied the seven seas. The Far East, South America, Hispaniola, the Baltic and the Mediterranean were all regularly visited by the "philosophers," their calls guided by Girard's judgment of the possible profits to be made from estimated shortages or surpluses of goods at the key points in the web of world trade. These judgments were based on an elaborate system of reports from his supercargoes and correspondents, reports in which commercial and political conditions were recorded in detail and exhaustively analyzed.

However, Orders in Council, Embargoes, Decrees and Non-Intercourse Acts made international trade hazardous even for shipping carrying the American flag. These many difficulties obstructing normal trade and the rapid spread of Napoleon's empire made Girard resolve, in 1810, to withdraw his funds from the continent of Europe and to concentrate them in the hands of Baring Brothers and Company.² Then, as the strength of the British seemed to ebb in the great struggle, Girard lost confidence in the stability of the

¹ Girard's Blotter for the year 1794 shows a gross business of $1,400,000.
² Stephen Girard's Letter Book No. 12, letter No. 211, February 23, 1810.
pound and decided, upon the advice of his confidential emissaries, Joseph Curwen, David Parish and Charles N. Bancker, to bring all his fortune to the United States and there to concentrate it in Philadelphia. His European capital at this time was over $1,000,000.

The movement of Girard’s funds was from Hamburg, Riga and Copenhagen to London, and then, as his doubts grew, from London to the United States. He used various devices to effect the final shift from England to the American continent. One was to purchase a large quantity of British manufactures and German linens and to ship them in his own vessel, the Good Friends, to Amelia Island, a notorious haven for American smugglers just off the coast of Georgia. We may believe Girard’s intentions were legitimate, for he instructed his captain to await the repeal of the Non-Intercourse Laws at Amelia, which was Spanish territory. If the laws should fail of repeal he was to proceed to South America. Unfortunately for Girard’s plan, General Mathews of the United States Army took the place into what would today be called protective custody, and the island was declared United States territory. Girard and the other American owners who had ships in the harbor at Amelia were then sued for violation of the Non-Intercourse Laws. Although Girard had to pay double duties to settle the case, the Good Friends’ voyage netted him a large profit.

A second method of transferring funds eliminated the danger of loss from both capture and adverse exchange rates. This was to purchase in England both United States securities and stock of the Bank of the United States. These enterprises Girard confided to two Philadelphia merchants, Joseph Curwen and Charles N. Bancker, each acting independently of the other through the medium of the Barings. The mode of transfer involving the purchase of American securities abroad was Curwen’s idea.

3 Stephen Girard’s Letter Book No. 12, letter No. 293, July 8, 1811.
4 In the years 1810-1812 Girard brought to the United States 550 shares of United States stock, par 100; 950 shares of stock of the Bank of the United States at about $400; $20,000 in silver, and $600,000 in merchandise—a total of about $1,235,000.
5 Stephen Girard’s Letter Book No. 12, letter No. 211.
At first, since prospects seemed favorable for a rechartering of the Bank of the United States by the Pennsylvania legislature, Girard made heavy purchases of its stock in England. Then it became known that the application had failed. In the interest of his large holdings, Girard sought information and advice from various of the directors and its cashier, George Simpson. He was told that the Bank's property would, in all probability, be profitably liquidated. Thus advised, he continued to purchase British holdings of the stock of the now defunct bank, and, in addition, began to buy up blocks of United States government securities. According to Stephen Simpson, a contemporary biographer of Girard's, it was Girard's original intention to devote his entire European fortune to an investment in funded debt of the United States. It was probably because of the counsel received from Stephen Simpson's father, George Simpson, that Girard revised his plans and began to study the possibility of establishing a bank.

We can say with a probability of accuracy that Girard had decided to establish a bank by December, 1811, for in that month he refused a loan of $20,000 to his friend, Thomas W. Francis, one of the group lobbying at Lancaster for the recharter of the Bank of the United States, and gave a hint of his intentions. Francis had written:

Pinning a strong belief on your Judgment that the Charter will be granted to the Bank of U. States, I am unwilling to sell the shares I have, yet I have an opportunity of making a little money just now with Cash, and should you have about $20,000 unemployed I would propose a loan on my Note at 6 mos. and a deposit of a satisfactory number of shares as collateral.

While Girard was sincere in his desire to see the passage of the bank recharter bill, he was nevertheless preparing himself against the possibility of its failure, and was not to be deterred in his purpose by a friendly application for an accommodation which at best could profit him little. He replied:

I am extremely sorry that it is not in my power to comply with your views. All the Cash which I have at my command and all the discount which I may

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11 Ibid.
12 Ibid., Stephen Girard, p. 111.
13 Letters received in 1811, No. 565.
be able to obtain from our Banks will be insufficient to meet one half of the sum which will be wanted for the execution of an operation which I have undertaken.\textsuperscript{14}

Girard was thus doubly prepared. If the recharter bill passed, he would be one of the largest stockholders of the reestablished bank, owning one twenty-fifth of its capital shares.\textsuperscript{15} If it failed, he had the trustees' assurance that his investment could be profitably disposed of, although his own idea was very likely to use it as part of the capital of a private bank. Thus, while Girard did not reveal the nature of his plans, it may safely be assumed, in view of subsequent events, that Stephen Girard's Bank had already been conceived and was in its formative stages when he wrote Francis on December 10.

With the trustees of the Bank of the United States Girard arranged to purchase the bank building on South Third Street and the cashier's house around the corner for $115,000, about one-fourth of their original cost.\textsuperscript{16} By another agreement, Girard was to receive on deposit all the funds and accounts of the late Bank arising from and pending its final liquidation.\textsuperscript{17} Simpson says that the amount of specie alone was $5,000,000,\textsuperscript{18} but that figure is probably a considerable exaggeration. However, the records of Girard's Bank show total deposits for the last half of 1812 of $2,272,266.89.\textsuperscript{19}

While Girard had the funds of the late Bank of the United States under his roof, general confidence in his new establishment must have been greatly enhanced. When to this was added the name of Simpson, the late Bank's cashier, the Bank's imposing building, and the popular belief in the fabulous wealth of Mr. Girard, it is little wonder that the enemies of the old bank became the enemies of the new, and attacked it at every opportunity, fearing the substitution of another powerful banking house for the Bank of the United States, which they had recently rejoiced to see killed.

On April 30, 1812, the business of the Good Friends, detained at

\textsuperscript{14} Letters received in 1811, No. 568.
\textsuperscript{15} The Bank of the United States was capitalized at 25,000 shares, of which Girard owned at this time approximately 1,000.
\textsuperscript{16} Unclassified Mss., Memorandum and Agreement, May, 1812.
\textsuperscript{17} Letters received in 1813, No. 1757.
\textsuperscript{18} Simpson, \textit{op. cit.}, ii.
\textsuperscript{19} First Teller's Book, May—December, 1812. Account of the Bank of the United States.
New Castle by the collector of customs on her way home from Amelia, required Girard's presence in that city and at Wilmington for the better part of two weeks. A daily correspondence between him and his man of business, J. H. Roberjot, reveals how matters progressed during his absence with regard to the opening of the new bank. Although the purchase of the banking building was not effected until May 9, rumors of Girard's latest strategem were already being discussed and criticized by hostile Philadelphians. On May 4, Girard wrote from New Castle:

I observe with pleasure that our citizens are recreating themselves in planning for me the best mode of disposing of the late U. S. Bank, but I am sorry to notice that they are going so far as to insult some respectable and ancient officers of that institution by saying that I have purchased them.

On May 5, Roberjot informed Girard:

Every one is talking about your purchase of the House belonging to the late Bank U. S. they are very busy in making plans for you, about what you are to undertake with that building.

Meanwhile, Simpson seems to have been in negotiation with the trustees of the late Bank, for, on May 7, Girard apologized for his absence:

Please to call on Mr. Lenox and Mr. G. Simpson and to inform them of the cause of my detention. . . . I have seen Mr. Castagnet, who has informed me that several persons are making jealous remarks on my supposed late acquisition, particularly Frenchmen. . . .

The next day Roberjot countered, humorously enough:

Several others called to make enquiry, if you were going to establish a Bank, to get rid of them I tell them you reserve the House for an Hospital. . . .

On May 13, Girard came up to Philadelphia for a day, being anxious to settle the final details of his purchase of the late Bank's

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buildings and to see the operations of his new institution get under way. While in town, Girard drew three checks on three different banks—a total of $71,000—and these were his initial deposit to the capital stock account. They bore date of May 12 and, although they were not handed to George Simpson for deposit until the fourteenth, all the records of Stephen Girard’s Bank commence as of May 12, 1812.

After operations had been in progress some two weeks, the first teller, on June 1, summarized a number of items charged to the credit of the capital stock account. This list included 948 shares of stock of the late Bank of the United States which Girard had purchased in England, capitalized at $379,200; sundry United States and Philadelphia municipal securities, capitalized at approximately $180,000; $450,842.38 in bills and notes resulting from the auction sale of the British manufactures brought over in the Good Friends; and $125,298 in the form of a check drawn on Stephen Girard’s Bank and payable out of his personal account.

On December 1, 1812, Girard paid for the premises of the late Bank of the United States out of the capital stock of the Bank of Stephen Girard, and thereafter the buildings were carried as part of the capital stock. Again at an important moment Girard was at New Castle, the case of the Good Friends being still unsettled, and Roberjot, who handled matters for him in his absence, wrote on December 1:

I went to Mr. Geo: Simpson this morning, he has acquainted me with the transaction relative to the Stock of your Bank, and the purchase money of the Banking House, &c. I have made memorandum of it in your Books accordingly.

As the bank began to show a modest return, Girard decided to turn back the net profit into the capital stock account. The State Book of 1813 illustrates this policy and the source of the early profits:

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24 Memorandum Book, May 14, 1812.
26 First Teller’s Book, June 1, 1812.
27 Ibid., passim.
28 State Book, 1812.
The capital is increased by
Net profits from May 19 to December 31 (1813)
Viz,
Discount received .................. $22,886.12
Interest on public stocks ............ 9,947.94
__________________________
$32,834.06

Deduct
Salaries ..................... $8,089.80
Expenses .................... 2,199.86 10,289.66
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$22,544.40

Former capital .................. $1,305,881.38

Present capital .................. $1,328,425.78

At the very start of operations at his bank, Girard began to issue banknotes. The hostility of his Philadelphia competitors immediately showed itself. Girard complained:

The Banks of this City do not appear friendly to my Establishment although I take their notes, and still have an account with the two oldest, yet they uniformly refuse to take my Bank Notes but generally receive the checks drawn on my Establishment.30

This was only the beginning of trouble. Girard was opposed by both the conservative and radical financial interests of the State. In Philadelphia, the Bank of Pennsylvania, the Farmer’s and Mechanic’s Bank and the Philadelphia Bank refused to honor his banknotes and later sought to embarrass his specie supply by simultaneous presentation for payment of drafts for large sums. In the western parts of the State, the radical elements—the groups who had killed the plan for recharter of the Bank of the United States in 1810—fought his bank. As a final result of this enmity two pieces of legislation appeared, one a bill in the Pennsylvania Assembly that would make it unlawful for unincorporated parties to issue banknotes, the other a bill in the Congress of the United States providing for stamp duties on banknotes.

30 Stephen Girard’s Letter Book No. 12, letter No. 507, June 20, 1812.
The pressure of these attacks and the experience acquired in meeting them, especially those involving contact with officials of the national government, may have served to awaken speedily in Girard’s mind an awareness not only of the extent to which private finance and governmental activities were linked, but of the possibility of turning the relationship into a system of mutual support and profit. Yet it is impossible to say how conscious he was at any given moment of the 1810’s of the long range value of attaching his bank to the financial activities of the federal government. He had been shrewd enough, however, to see and seize upon the golden opportunity that the gap left in national financial affairs by the passing of the old Bank of the United States provided, and hastened to fill in the void with the surplus funds he had so recently managed to get out of Europe. It mattered little to Girard from the investment point of view whether he sank his idle capital in stock of the Bank of the United States, or, that being defunct, in his own creation, the Bank of Stephen Girard. This is borne out in 1816 when the second Bank of the United States was chartered and he handed over quite readily to that institution a large portion of the capital of his own bank in exchange for the new bank stock, decreased to some extent his banking activities, and began to experiment with foreign exchange.

In the beginning, however, he probably worked his way through a series of problems and then, with momentary issues solved, found himself caught up in a relationship with government which he proceeded to exploit in terms of his banking necessities. It must not be supposed, on the other hand, that his primary consideration in these dealings was ever any other than what he would have described as “the best of my interest.” Yet, even if this is so, he conducted his side of the negotiations in an unprejudiced way, unhampered by past mercantile traditions and supported by remarkable powers of anticipating national economic trends.

The first opportunity of entering into financial relations with the federal government came in July, 1812, when Albert Gallatin, Secretary of the Treasury, began to hunt money with which to pay for the war effort of 1812-1814. Congress had declared war on England in the face of bitter opposition from the financial interests of New England, one of the most important sections of the country.
The difficult task of raising an initial $10,000,000 for the war chest fell to Gallatin.

At this time Girard’s Bank had been in operation about two months and profits had been modest, to say the least. Of the $7,700 gross profit for the bi-monthly period, over $3,900 was interest on the government funded debt that the bank held. Most of the bank’s great capital lay idle. Gallatin, who was experiencing real difficulty in raising funds, now turned to his old friend, George Simpson, erstwhile cashier of the Bank of the United States, now cashier of Girard’s Bank.

To Simpson, it appears, Gallatin confided his troubles. On July 24, 1812, Simpson wrote Girard and asked him if he was prepared to make a large loan to the government. The figure was set at $500,000, but a later memo of the same day raised this to $1,000,000, an amount nearly equal to the bank’s capital. In this latter memo Gallatin was represented as having said that “making of this loan will prevent the Legislature of Pennsylvania from taking steps to arrest the progress of Stephen Girard’s Bank.” This was the attractive bait dangled before Girard’s nose; furthermore, it was a clear signal that the disorganized type of assault on his bank typified by the refusal of the banks of Philadelphia to honor his banknotes was shortly to be supplanted by a much more concerted and dangerous attack through the legislature. A coalition of Girard’s enemies, the Eastern conservatives and the Western radicals, were evidently out to ruin him, each group for its own competitive reason. Simpson listed the advantages which he believed would accrue to Girard if he should make the loan:

1. Placing his capital at interest with perfect security.
2. Obtaining a considerable deposit, as his banking house would then be considered a bank by Government and money drawn, as with other banks.
3. Extending everywhere and at once the circulation of his banknotes.
4. Giving popularity and weight to his establishment.
5. Acquiring the personal consideration which will attach to a citizen being of assistance to the government at this time and to such an extent.

31 Balance Sheet, August 1, 1812.
32 Letters received in 1812, No. 463.
33 Letters received in 1812, No. 464.
34 Ibid.
Despite the considerations listed by Simpson, Girard also demanded that the "government place my establishment as respects paying drafts, receiving duties and deposits, on an equal footing with any other banks who loan an equal sum." 35

Gallatin acceded to all of Girard’s demands except that which required the deposit of revenue bonds for collection, which were then being placed with the Bank of Pennsylvania and the Farmer’s and Mechanic’s Bank by virtue of a previous arrangement. However, Gallatin promised to re-distribute the deposit in future and allow Girard's Bank a share. 36

On being informed of Gallatin’s communication with Simpson, Girard wrote the latter, under date of August 6, 1812:

Your note of this date with Mr. Albert Gallatin, Secretary of the Treasury’s, letter to you of the 3d instant was duly received. In comparing the Substance of that Letter with your communication to me on the Subject of your conference with the Secretary of the Treasury, I find that there is a great difference, therefore beg, that you will inform Mr. Albert Gallatin, that the conditions stated in my letter to you of the 27th ulto. must be considered as fundamental principle on which the Loan of $500,000. will be granted, and in addition to that, that he will give the necessary instructions to the Collectors and others transacting business for the United States, to receive in payment the notes of my Banking Establishment. In regard to the sum of $500,000, I will endeavour to increase that Loan if sufficient facilities are given. 37

In making this last request, one that had been advanced previously, Girard sensed an evasion by Gallatin, for the Secretary had not specifically mentioned receiving Girard’s banknotes in payment but had only said that all the terms of Mr. Girard’s could be met except that of the placement of revenue bonds, and that “I intend to close the matter by means of a verbal agreement when I come to Philadelphia." 38 Simpson transmitted Girard’s latest remarks to Gallatin, who, seeing the banker adamant on a point which it was not in his power to concede at the moment, must have decided to seek the loan elsewhere, for that is the last reference to the matter in the Girard papers.

35 Letters received in 1812, No. 465, July 27, 1812.
36 Letters received in 1812, No. 474, Aug. 3, 1812.
37 Letters received in 1812, No. 480.
38 Bank Letter Book No. 1, August 7, 1812.
Gallatin’s attempt to raise $10,000,000 for the prosecution of the war failed miserably, not because the United States was lacking in resources or wealth, but because of the rancorous opposition of the monied classes, principally in New England. Despite the gloomy outlook for the country, Girard steadfastly took an optimistic view of its resources and vigor. On one occasion he said: “The inhabitants of the United States are a very active and enterprising people in Commerce.”

Again, in a letter to John A. Morton, his agent in Bordeaux, he spoke of the growing strength of American manufactures, saying:

New manufactures of all kinds are establishing daily, and are making great progress, indeed, it is probable that if the present war continues . . . there will be little demand for foreign merchandise, silks excepted. The cultivation of sugar cane extends from Florida to Louisiana, and as to wool, I have no doubt that a great quantity of that article will be exported.

Holding this high opinion of his adopted country, Girard probably viewed financial support of the government as a fortunate opportunity to secure for his bank the strength that it needed to withstand the numerous attacks made upon it. Certainly his ultimate alliance with the government that resulted from the war loans enabled him to parry the blows that opponents both in the western counties of Pennsylvania and in Philadelphia continually dealt him. However, Girard was shrewd enough to recognize the dangers of too fervent application to the needs of the government. He saw clearly that without certain protection his participation in government finance might lead him to disaster. The demands that he made upon the government for its utmost cooperation to prevent his subscriptions from being used by his competitors as a weapon against him, were soon to be proved acts of wisdom.

During the latter half of 1812 and the early months of 1813, the military and economic efforts of the United States continued to flounder. Although the ten million loan of 1812 had been unsuccessful, Congress, on February 8, 1813, authorized a new loan of sixteen millions to be issued in $100 shares bearing interest at six per cent. As in the former instance, subscriptions to this loan were very disappointing.

39 Letter Book No. 17, letter No. 320, February 18, 1820.
By March 31, 1813, there remained unsubscribed $10,161,800. This failure placed the nation in serious jeopardy, for though there were threats by land and sea, no money was available for training and equipping the armed forces.

This new disappointment came as no surprise to Gallatin, who had anticipated the failure of popular subscription. In a newspaper advertisement for the loan, of March 19, 1813, he had asked for suggestions as to terms on which private persons and corporate bodies of wealth might be induced to make up the deficiency.

In answer to a letter no longer in existence, or as a result of a private conversation in which he had been urged to make a subscription, Girard wrote giving reasons for his hesitancy in making a proposal under the terms of Gallatin's advertisement of March 19.

Although I am disposed to facilitate the loan to the United States, yet being extremely anxious to cement the confidence which my friends and the public have in my banking establishment it would be imprudent for me to increase the sum which I have already subscribed [$100,000] unless Albert Gallatin, Esq., Secretary of the Treasury of the United States, places my establishment on the same footing as any of the Banks of this city which will have subscribed as much as I will do. Should it be otherwise the Chartered Banks of Philadelphia will continue to refuse my Bank Notes, which would, of course, compel me to pay in Specie the instalments of the loan as they come due, from this operation it would result, that my present solid specie capital would be changed in Certificates of the Loan and notes or obligations of Individuals, the consequence of which would be, that having no sufficient Specie to represent and support the Credit of my Bank Notes, their circulation would greatly decrease and compel me to reduce my banking operations to a small scale.

Upon the urging of David Parish and John Jacob Astor, Girard solicited a number of his friends for potential subscriptions. Astor and Parish did the same, and then all three submitted proposals for Gallatin's consideration, for the entire residue of the loan.

These proposals demanded that government agents accept the banknotes of Girard's Bank, and offered, instead of $100 shares

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42 *National Daily Intelligencer*, March 19, 1813.
43 Unclassified document, March, 1813.
44 Letters received in 1814, No. 308. "Ideas for Mr. Girard's consideration by Mr. Astor and Mr. Parish." Classified as 1814; should be 1813.
45 Letters received in 1814, No. 126.
46 *American State Papers, Financial*, II, 647.
bearing six per cent interest, to take an annuity of one and a half per cent for thirteen years on stock purchased at the $100 par value, or to purchase the stock at $88. The $88 price was the idea of David Parish, whose subscription Girard financed.

Gallatin accepted the proposal of Astor for a subscription of $2,056,000 and that of Girard for $5,347,800. Acceptance of the Girard proposals was made by Gallatin in a memo of April 12, 1813, and on the fifteenth, pursuant to the orders of the Secretary, the books of the loan were re-opened at Stephen Girard's Bank. Following the order and amounts of the lists previously prepared by Girard when he solicited his friends, 126 subscriptions were recorded to the amount of $5,347,800. All the entries were purchases of the six per cent $100 par value stock at $88, except one subscription for $190,000 bought by Girard on behalf of Messrs. Elliston Perot, Thos. Willing and George Simpson, trustees for Greenleaf and Lothers, under the annuity plan.

Parish and Girard each subscribed liberally. Parish made three personal subscriptions for a total of $1,302,500 and Girard made two similar subscriptions for a total of $1,291,500.

Before the successful flotation of the loan of 1813, the Republican press had been bitter in its denunciations of the Federalists, who seemed to be bent on blocking the war effort even at the cost of American defeat. In the New York legislature, during the course of the debate on the resolution to purchase stock of the loan, the Federalist leaders gave unequivocal enunciation of their aims, which were to "starve the government into peace, to withhold all aid and assistance which would facilitate a vigorous prosecution on our part."

The gloom of defeat was evident in an editorial of the *National Daily Intelligencer*, of March 31, 1813. Its morbid tone was probably caused by the imminent third failure of the Loan:

Enlistments are discouraged. The Federalist who accepts a position is denounced. Do we attempt to pay troops or augment the Navy, the poisoned dart of calumny is levelled at our government and the capitalist hides his

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47 Unclassified Mss., Loan of 1813.
48 Loan Book, Register of Certificates, 1813.
50 Albany *Argus*, March 23, 1813.
moneybags... Every measure, every act of general government is condemned, ridiculed, exposed. The dissolution of the Union is threatened by the pretended disciples of Washington.

Another Republican paper, the *Boston Chronicle*, said in similar vein:

There are greater calumnies on the government on the Boston Exchange than in any English paper. The war would be over in six months if it were not for Britain's friends residing with us. They give information to the enemy. They exult that loans cannot be made... 51

After Girard, Parish and Astor, all three of them foreign-born Americans, had come to the aid of the government, the Republican press quickly changed its tone from sorrow to joy. Said the *National Daily Advocate*, on April 15:

We congratulate the country upon the filling up of the loan on terms highly favorable to the country, notwithstanding that maniac Timothy Pickering, who publicly proposed that the United States violate the public faith toward subscribers to the loan.

On the same day an equally caustic editorial by Ingersoll, in the *Aurora*, observed:

The wise men of the East have been completely taken in. They concluded that the loan could not be made without them. It never entered their heads that money could be found outside of Boston, or the robbers of the old soldiers. 52 They did not suspect that two merchants of this city, poor Democrats, too, could alone take 5 or 6 millions of the loan. 53

After the loan had been successfully accounted for, Albert Gallatin embarked for Europe where he was to represent the United States as one of the peace commissioners. Before he left, however, he saw Parish and Girard once more to discuss the business just completed. On April 26 Parish wrote Girard enclosing a note from the Treasury Department, with its remittance for the one quarter per cent commission due persons who had obtained subscribers to the loan. Girard's share was for $3,880. 54 In conclusion Parish stated:

52 Referring to the purchase by speculators of Revolutionary War soldiers' bonus certificates, before Hamilton's financial re-organisation scheme had been effected.
53 Philadelphia *Aurora*, April 15, 1813.
54 Letters received in 1813, letter No. 280.
I have had a conversation with Mr. Gallatin since I saw you this morning. He told me he should call at your bank this week and made the necessary arrangements about the public business.\(^5\)

Just what this "public business" was is not clear, but it was very likely the matter of the Treasury's account at Girard's Bank, since deposit of the funds arising from the loan had been one of the privileges demanded by Girard for his bank. In his request to have his institution placed on an equal footing with the other Philadelphia banks, he had included the deposit of revenue. In regard to the funds of the loan he had his way, but he failed to obtain the deposit of revenue until 1815, when his good friend, Alexander James Dallas, was Secretary of the Treasury.

Almost as soon as Gallatin had departed the attacks that Girard had anticipated began to make their appearance. The Philadelphia banks, never friendly to Girard's Bank, started an attempt to drain his vaults of specie, by presenting for payment Treasury drafts for large sums and by refusing to honor his banknotes. According to the terms of the loan contract, United States agents were obligated to present Treasury drafts directly to Girard's Bank for payment. Under this arrangement the drafts could be paid in banknotes of Girard's Bank. Otherwise, if the drafts were presented first to other banks, those institutions could pay with their own banknotes and then demand specie of Girard's Bank upon presentation of the drafts for payment.

The government agents so frequently disobeyed this regulation, for reasons which we may only surmise, that, on May 11, 1813, Girard wrote to William Jones, Acting Secretary of the Treasury, complaining of the draining of specie from his bank.\(^5\) The case that aroused his ire most acutely was the presentation by the Bank of Pennsylvania of a draft for $15,000. William Jones answered Girard by promising that agents of the United States would live up to the terms of the loan contract,\(^5\) but the practice was continued notwithstanding. On May 25, evidently fearing that the other banks were withholding large sums in Treasury drafts on his bank, Girard presented at the Bank of Pennsylvania $100,000 of their notes for

\(^{55}\) *Ibid.*


\(^{57}\) Stephen Girard's Letter Book No. 13, letter No. 33.
Payment. He was offered in return a collection of notes, Treasury drafts and banknotes. Girard was so enraged at this strategem of the Bank of Pennsylvania that he ordered George Simpson to present for payment $200,000 more of their notes, giving as his reason their attempt to start a run on his bank. Girard wrote:

... I do not intend to embarrass any one of our Banks, but as they have agreed among themselves not to take my notes, it is not reasonable to suppose that I will be so accommodating as to retain theirs as a Relic, and to turn out the solid means of my Banking Establishment, particularly at a moment when prudence dictates that I should at all times have sufficient Specie in my Bank to meet the debts of that Establishment.  

Apparently apprehensive of repercussions in Washington, Girard immediately wrote David Parish, his lobbyist there, to forestall the complaints of the Philadelphia banks by going to see the Secretary of the Treasury, the Secretary of War and the President, and explaining to them the reasons for his actions, pointing out that any drain on his bank would seriously cripple his operations at a time when he still held a large amount of the stock of the Loan of 1813 and when "money men who expect a new Loan is wanted, will not be disposed to purchase stock from U. S." Girard further requested Parish to advise him as to how he might show William Jones a "reciprocity of attention for his friendly services."  

It was almost as if Girard had divined what was in Jones's mind and had grown suddenly desirous to have himself exculpated. He was not quick enough, however, and his letter to Parish, dated the twenty-eighth, crossed one to him from Jones, dated the twenty-seventh, in the mails. The Acting Secretary coldly presented Girard with this terse ultimatum:

The arrangements made by Mr. Gallatin relative to the deposit of public monies drawn for at your Bank in favor of the public agents and intended to shield you against the attacks of the incorporated banks to whom monies would have otherwise been transferred and the magnitude of your contract for the loan might have been rendered highly prejudicial to your institution. . . . I am informed that you have made some heavy and highly unnecessary draughts of specie from the several banks with indications to persevere, which has caused

58 Stephen Girard's Letter Book No. 13, letter No. 34.  
59 Stephen Girard's Letter Book No. 13, letter No. 34.  
60 Ibid.  
61 Ibid.
considerable apprehension. I therefore deem it necessary to inform you that a continuance of that system will induce the application of a specific remedy.\footnote{Stephen Girard’s Bank Letters, May, 1813.}

This warning seems to have brought home to the highly individualistic Girard the realization that his close connection with the government carried with its privileges a considerable limitation of his personal freedom of action. Without further retaliation against the Philadelphia banks, Girard abandoned his plan of calling on them for specie payment. In a letter dated May 29, he notified Parish of his intentions and asked him if he would endeavor “to sponge off any false impressions.”\footnote{Stephen Girard’s Letter Book No. 13, letter No. 36.} Parish must have succeeded to some degree at least, for a few days after discontinuing his specie demands Girard answered a request from Jones to supply him with names of out-of-town banks to whom Treasurer drafts could be sent. Girard was insistent, however, that no Philadelphia bank save his own should receive such drafts.\footnote{Stephen Girard’s Letter Book No. 13, letter No. 38.}

The close of September, 1813, found the government’s credit in better condition than at any time since the beginning of the War. Impressed by Girard’s profitable and patriotic example, the banks of Philadelphia collected signatures for the purpose of underwriting a part of a projected new loan. Girard himself, still under their displeasure, was of course left out of their proposals, and William Jones seems to have abetted his rivals in their efforts. Unsuccessful though he was in obtaining any part of this new seven and a half million loan, Girard characteristically wrote the Treasury that at all times he stood ready to “give every aid which his resources and the state of affairs of his bank would permit.”\footnote{Stephen Girard’s Letter Book No. 13, letter No. 72.} He also observed to Jones that the loan had been floated on better terms than the sixteen million loan of 1813. His unpleasant encounter with William Jones on this occasion engendered antagonisms which were to carry over into the period of the founding and organizing of the second Bank of the United States, when the partisans of the opposing Girard and Jones factions engaged in a battle for control that rocked the nation and did not come to an end until Girard’s group placed Langdon Cheeves and, among others, Nicholas Biddle, in the executive...
offices of the second Bank. While the officers of the government no longer were so flagrant in disobeying their instructions to open accounts with Girard’s Bank, a continuation of minor difficulties over the handling of the funds left Girard perplexed and seemed to turn him away from the idea of full support of the government’s fiscal policies. To cause him still further uneasiness, two legislative attacks, which had been in the making even at the time of the abortive loan of 1812, now came into full being.

The less troublesome of these was that caused by the law passed by Congress as a part of the revenue raising scheme for the year 1813. It provided for stamp duties on the banknotes of banks and corporations and permitted the Secretary of the Treasury to make an annual composition of the tax in lieu of requiring a stamp on each note. The amount of the duty was to be one and a half per cent of the annual dividend made to stockholders.

As Girard’s was a private bank, it could not qualify under the clause permitting an annual composition of the tax. Payment of the tax by affixing a revenue stamp of one cent on the dollar, as provided by law for those not qualified for the annual composition, would have cost Girard’s Bank $15,000 a year, for Girard figured on issuing bank notes to the extent of the capital stock. If he paid the rate permitted to non-private banks, his tax would be only $1,500, that is, one and a half per cent of his rate of profit of ten per cent per annum. The discrepancy between these two tax figures was obviously not to be taken light-heartedly.

Girard instructed his attorney, Alexander J. Dallas, to draft a memorial to Congress seeking amendment of the law, and at the same time sought relief through favorable interpretation of the law by William Jones, Acting Secretary of the Treasury, Tench Coxe and William Pinckney, the Attorney General. The latter expedient failed to bring any satisfactory solution, so Girard pressed the memorial. The House quickly passed a law providing for the relief of Girard, but the Senate recessed without taking any action. However, in the fall, Charles J. Ingersoll and Jonathan Roberts notified

66 "V" MSS., 1814.
67 Ibid.
Girard of the passage of the relief bill in the Senate by a large majority.\(^70\) As a result of this law, Girard was under the necessity of transmitting to Washington annual summaries of his business from which computations of the tax were figured.

The attack on Girard's Bank in the legislative assembly of Pennsylvania was a far more serious threat to the continuance of the bank. It was provided in the proposed banking act of 1814 that the issuance of banknotes by unincorporated parties after January 1, 1815, should be unlawful. Since Girard's was the only unincorporated bank of any magnitude in the State, the blow was obviously levelled primarily at him.

As the preliminary plans for the regulatory measure were being drawn up, Samuel Clendennin, cashier of the Farmer's Bank of Lancaster, wrote Girard:

As the members of the Legislature progress in their Banking System, they wax hotter and hotter against you and us. They threaten to extinguish us by an exorbitant imposition of taxes. We are prepared to brave another attack of Legislative persecution.\(^71\)

Girard had Dallas draw up a remonstrance which was forwarded to the state officials at Harrisburg,\(^72\) and for the first three months of 1814 a long and exceedingly bitter legislative battle was waged. Supporters of Girard in this struggle included William J. Duane, Benjamin Morgan, Governor Snyder, Charles Biddle, John Connolly, Jared Ingersoll, George Latimer, Joseph Worrell and other influential members of the legislature. Despite all the parliamentary devices employed, the most Girard could accomplish was to have written into the bill an amendment excusing him from the provisions of the law for a period of one year.\(^73\) At the expiration of the year Girard's Bank was posted at Harrisburg as unlawful, but after a short and pointed exchange of letters with the banking authorities at Harrisburg, the name of Girard's Bank was deleted from the list.

The chronic difficulties suffered by the government during the war period found no permanent alleviation in the successful floating of the loans of 1813. Recurring financial crises were usually brought on

\(^{70}\) Letters received in 1814, No. 466.

\(^{71}\) Stephen Girard's Bank Letters, March 2, 1813.

\(^{72}\) "V" Mss., 1814, No. 1683.

\(^{73}\) Letters received in 1814, No. 178.
by the falling due of some of the short term treasury notes issued in such large quantities by the government in its frenzied efforts to finance the war.

On November 2, 1814, Alexander James Dallas, the new Secretary of the Treasury, wrote to Girard that, due to the unwillingness of the Bank of Pennsylvania to grant an accommodation, the Treasury was obliged to request the assistance of Girard in meeting a payment of $283,526 due on an issue of treasury notes. Dallas offered Girard treasury notes, drafts on banks to the South, or a straight loan with interest and principal to be repaid at a stipulated time.74

To this proposal Girard answered evasively that, due to other commitments, he was unable to take the whole loan, but that he was willing to do his part by taking a portion.75 In a subsequent note Girard made a summary of the terms and notes he could issue in payment of the proposed loan as follows:

$100,000 Philada Compy Bank Notes
80,000 payable in Baltimore & Washington
20,000 to be kept at the disposal of the Navy Agent at Philadelphia, and to be paid from time to time as the Service of that department will require, in Stephen Girard's Bank Notes. Treasury Notes of sufficient Amount to cover the loan with a Power to sell at a fair Market Price. . . .76

These terms would have been greatly in Girard's favor, for they would have enabled him to get rid of some Philadelphia banknotes advantageously, to pass notes of banks to the South without loss by internal exchange, and would have placed him in a position to collect $20,000 that the Navy owed him. Dallas, however, would not accept such terms, but asked, on November 7, for a credit of at least $200,000 to be given either in cash or other treasury notes.77 In his reply of November 10, Girard was even more evasive if not deliberately obtuse.78 At the close of a third letter, Dallas showed his great concern when he wrote:

74 Letters received in 1814, No. 443.
75 Letters received in 1814, No. 447, November 3, 1814.
76 Ibid., Girard to Dallas, November 4, 1814.
77 Ibid., November 7, 1814, Dallas to Girard.
78 Ibid., Girard to Dallas, November 10, 1814.
Be assured, that I should not repeat my application but that I am convinced of your friendly disposition towards the Government; and that I am confident of the safety with which your assistance may be afforded. If the measures now under consideration of Congress, are adopted (as I am sure they will be) the Credit of the Country will be soon restored;—an Event, in which no individual is more interested than yourself. 79

On the sixteenth, not having heard from Girard, Dallas wrote that he was relying on the $100,000 accommodation and that the notes would be put in the next mail. 80 Great must have been his disappointment when he received next day not confirmation of the loan but this refusal of Girard’s:

Although I have the greatest confidence in Government Security, yet having already for upwards of $1,500,000 of United States Stock locked up in my Bank, my present resources do not permit me to go further. . . . I understood by your letter of the 7th . . . [that the loan was] rejected in toto, and have since invested the greatest part of the Funds which I had destined for the loan alluded to. 81

Girard had been urged by David Parish, then in Washington on the business of the lobby for the national bank, to do everything possible to make the loan, saying “your compliance with the request will be considered a great favor.” 82 But despite his friendship for both Dallas and Parish, and his desire to further the interests of the national bank, Girard would not deviate from his policy of extending no additional loans to the government. Only a month before, John Jacob Astor had approached him on the subject of joining with a group of men who were contemplating taking an impending loan of $10,000,000, at the low figure of 80, or of making an advance to Astor of $500,000 on his note, the money to be used in the pool for the loan. 83 These propositions Girard had refused, saying:

In regard to loaning large amounts or discounting notes for a large amount, present circumstances will not permit me to change my plan of governing my Banking Establishment. 84

79 Ibid., Dallas to Girard, November 13, 1814. The measures under consideration were the Dallas proposals for a new national bank.
80 Ibid., November 16, 1814, Dallas to Girard.
81 Ibid., November 15, 1814, Girard to Dallas.
82 Letters received in 1814, No. 354.
83 Ibid., August 15, 1814.
84 Stephen Girard’s Letter Book No. 13, letter No. 223.
Despite the rather ignominious termination of the November negotiations, Dallas again appealed to Girard in December, this time asking for an advance of $315,000 with which to meet the payment of the dividend on the public debt coming due at Boston. To this request Girard replied that he was unable to assist in meeting the dividends, for "it is the duty of the public creditors to wait for interest or receive Treasury Notes." So desperate was the government's need for funds with which to pay the interest on the public debt incurred during and since the war, that notwithstanding his previous rebuffs, Dallas was once more forced to appeal to Girard for aid. His letter of April 7, 1815, now asked Girard for a loan of $400,000 for twelve months, to be used in anticipation of the revenue expected from the new taxes levied by Congress. Girard gave this appeal a longer and less evasive reply. In his refusal he pointed out the difficulties he had undergone on the occasion of the loan of 1813, when rival banks in Philadelphia had threatened the specie reserve of his bank by presentations for payment of large accumulations of treasury drafts, which Girard would otherwise have been able to pay his own banknotes.

You knowing my disposition on that subject, I take the liberty to observe to you that while the drafts of the treasurer will be remitted to any of the Banks of this city which refuses to accept my notes, or will retain such drafts until they reach a sum of magnitude, it will be imprudent to make a contract which will promote the interests of a company bank and embarrass the operations of my Bank.

Dallas answered Girard's complaint with a promise that no treasury drafts would be issued to Philadelphia banks on Girard's Bank and that they would be issued only to public officers and individuals. Tempting though this may have been, Girard was still skeptical of the Treasury Department's ability to carry out its promise, and continued firm in his resolve not to expose his bank to the possibility of embarrassment that might result from making a direct loan to the government.

85 Letters received in 1814, No. 461.
86 Letters received in 1814, No. 469.
87 Letters received in 1815, No. 164.
88 Letters received in 1815, No. 172, April 10.
89 Ibid.
90 Letters received in 1815, No. 187, April 13.
91 Letters received in 1815, No. 199, April 20.
It must not be assumed that Girard refused to make these sorely needed advances from mercenary considerations alone. In a few months a plan was worked out that was of more service to all concerned than any of the propositions formulated by Dallas, which were after all only temporary and stop-gap expedients, offering no permanent solution to the problems that perplexed the Treasury. The plan worked out by Girard aided the Treasury materially in the solution of several trying difficulties: the movement of its funds from one section of the nation to another; the maintenance of its notes at par; and also helped dispose of considerable sums of the loan issues of 1815.

Among the most unsatisfactory devices employed by the Treasury Department in its frantic attempts to raise funds was that of issuing treasury notes. These short term obligations were frequently greatly depreciated, as the government was often unable to meet the payments of principal and interest when they became due, except by offering new issues of notes. Sometimes the government could not pay because it lacked the funds; on other occasions, the notes would be in default simply because there was no satisfactory method of sending funds from one part of the nation to another.

As has been pointed out, Girard had great faith in the government and the resources of the United States, so that when an opportunity presented itself whereby he would be able to make a profit at the expense of those who were selling America short, he was anxious to avail himself of it, especially if at the same time he could advance the interests of his bank.

Because there was no national currency at this time, nor any national banking system, it was almost impossible for business men or government departments to send money from one part of the country to another, without risk of great loss. As the place at which Girard wished to consummate this operation—the purchase of depreciated treasury notes—was Charleston, South Carolina, the problem of how to send the necessary funds to that city was interposed.

For several months Girard had been purchasing, at Philadelphia, United States treasury drafts on southern points, sending them to his agents at Charleston for collection, and buying depreciated treasury notes there with the proceeds. He now considered the supply of these drafts as insufficient for his needs. On June 2,
1815, Girard wrote Dallas and asked him for increased sums in treasury drafts collectable in the South. In the same letter he advised Dallas that he had recently purchased $100,000 in treasury notes at $95, paying for them with six per cent shares of the loan of 1813 at $100. This purchase was evidently an attempt to ingratiate himself with Dallas and to remove the poor impression that may have resulted from his refusals to aid the Treasury in the preceding months.

Following out his previous practice, it was Girard's intention to buy drafts on Treasury funds in southern banks and to deposit the purchase money to the credit of the United States at his bank. This would aid the government in its efforts to move funds northward, and as he had previously made sure that he could collect large sums on the drafts at Charleston, successful completion of the scheme would place considerable amounts in the hands of his agents in South Carolina. These agents could then make large purchases of the depreciated notes on Girard's account. In a letter of June 4, 1815, Girard explained the purpose of his manipulation to Dallas:

The object of my application [for drafts] is to place funds in Charleston, in view to have them invested in Treasury Bills [notes] which are at a discount there . . . if you can furnish me with other drafts I will increase my investment, it being my object to facilitate the circulation of Treasury Notes.

The benefits of this proposition both to Girard and the government are obvious, but Dallas evidently disapproved of the $95 price Girard had paid for the treasury notes and of the payment he had made in six per cent stock of 1813, for more than a week passed with no drafts from Dallas, nor advice of any kind. On June 12, in a letter showing traces of irritation and annoyance, Girard wrote Dallas again, this time offering to accept treasury notes at his bank on the same basis as approved banknotes, that is, at par, in exchange for two government concessions, (1) treasury drafts on southern banks and (2) deposits of duties and other revenue collection at Stephen Girard's Bank. These proposals Girard could well afford to make,

92 Letters received in 1815, No. 522.
94 Letters received in 1815, No. 331.
for the fact of his purchases of treasury notes would, in all probability, soon send their price to par.

Dallas hastened to accept the terms, and in a spirit of reciprocity ordered revenue collectors to make part of their deposits in treasury notes and part in "money." 95

Girard's agents in South Carolina were then able to accelerate their purchases of the depreciated notes there with the increased funds sent from Philadelphia. These maneuvers of Girard's of course did much to stabilize the price of treasury notes. On June 25, John Stoney, Girard's correspondent at Charleston advised Girard that the banks of that city would not accept treasury notes. 96 By August 3 and September 15 he was able to report that the strong Bank of South Carolina would accept treasury notes in payment and on deposit at par. 97 Girard's success in obtaining for his bank the deposits of government revenues marked the final achievement of the campaign for recognition that he had launched in July, 1812. Had he deviated from his course of action, or yielded to temptations before the proper moment had arrived, disaster might well have resulted, not only for the fortunes of Stephen Girard, but possibly for the nation as well.

By means of the maneuvers sketched in this paper Girard obtained for his bank full recognition from what he deemed the strongest economic force in the nation, the government of the United States. His foresight, when he sensed a new era in which business would receive its strength from government, received the approval of the severest critic of all—the balance sheet. When Girard invested the $1,200,000 resulting from the gathering of his funds in Europe, as the sole capital of his bank, he probably had no hope that he would profit greatly, so great were the odds against him. Yet, within twelve years, the net profits increased that capital to $3,000,000. Girard was, in some respects, an inarticulate man, and never put his philosophy adequately into words; but it is implicit in his deeds. He is reputed to have said: "My deeds must be my life." This is the expression of a man of action. Nevertheless, he rarely missed sensing the economic implications of social change, and

95 Letters received in 1815, No. 351.
96 Letters received in 1815, No. 372.
97 Letters received in 1815, No. 369.
conducted his business according to his perceptions. His success is ample proof of the completeness with which he anticipated and then mastered the new commercial and financial tendencies of the period.

Girard’s greatest contribution to the contemporary economic life of his era was his bank. This institution was private and unchartered, yet it enjoyed an official recognition that was at least as good as a charter. By reason of this federal support, the bank’s operations were successful. The bank in turn supported the credit of the government at several times of the gravest importance in the chaotic interim between the first and second Banks of the United States. The relationship between the government and his bank, scarcely reducible to a routine formula at the time, clearly indicates that Girard was constantly adjusting the policy of his institution to the changes that came as American society lost touch with its British, mercantilistic past, and began to feel its way towards an industrialized future.

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