

REPORT OF THE COMMISSIONER SENT TO EUROPE TO NEGOTIATE A LOAN, &c.

LETTER

FROM

THE SECRETARY OF THE TREASURY,

TRANSMITTING

The report made by Colonel William Robinson, jr., commissioner to negotiate a loan for the use of the United States.

FEBRUARY 28, 1843.

Read, and laid upon the table.

TREASURY DEPARTMENT, *February 25, 1843.*

SIR: In compliance with the resolution of the House of Representatives of the 23d instant, I have the honor to transmit, herewith, the report made to this Department by Colonel William Robinson, jr., who was sent to Europe, on the part of this Government, as commissioner to negotiate a loan for the use of the United States.

With great respect,

W. FORWARD,

Secretary of the Treasury.

HON. JOHN WHITE,

Speaker of the House of Representatives.

PITTSBURG, PENNSYLVANIA, *December 15, 1842.*

SIR: My letters of the 3d and 16th of August from London, Paris the 7th of September, and again from London on the 19th, imparted to you such information as I had been enabled to acquire on the subject of the agency committed to my care, and in some degree foreshadowed the final result of my mission; but, as it may be more satisfactory to the Department to place before it, in detail, my observations and conclusions, the obstacles which were interposed to prevent its successful issue, and explain the causes why the American loan found so little favor in the moneyed circles of Lombard and Threadneedle streets, and elsewhere in Europe, I beg leave to submit the following narrative or statement, as my report to the Department over which you preside.

Superadded to the authority and letter of instructions from the Department, the President of the United States was pleased to transmit by me letters to our distinguished ministers at London, Paris, and Berlin, commending the subject with which I had the honor to be charged to their earnest attention, for whose counsel and advice, and the lively interest which they took in the premises, I feel greatly indebted. I was also the bearer, from the same high source, of a letter of similar import, to the agent of our Government at the Hague, which was delivered to that functionary at London.

On my arrival there, my first object was to advise with our minister, Mr. Everett, on whose wisdom and information, touching the disposition of the London bankers towards the American loan, I could confidently rely, as guides in the initiatory steps of my agency. On consultation with him, it was determined that, pending the negotiation between the Government of the United States and Great Britain, and the unresolved action of Congress on the revenue bill, it would be inexpedient to make any formal demonstration of the American loan on the London market; and, in the mean time, to confine myself to inquiries and observations for future account.

In my intercourse with gentlemen of the highest authority in the money circles of London, whose names are familiar to the American public, I did not long remain in ignorance of the prevailing sentiments with regard to the object of my solicitude. The defalcation of several of the States in the payment of interest, and the apprehension that the doctrine of repudiation, as it is termed, may prevail in others, has, as they say, produced a prejudice so deep and wide, that, until the doctrine has been abandoned throughout the land, American securities must remain without a market on the other side of the Atlantic. I was told that no house, however strong or influential in the money market of Europe, "dare venture" to present an American loan to the British public, with the slightest hope that any portion of it would be taken off their hands. And although they professed to understand the nature of our Confederacy, and entertain full confidence in its resources and fidelity, yet they could not, they said, undertake to explain satisfactorily to their friends, on whom *they* relied for a market, the distinction between State securities and those of the General Government; and hence, should they have the temerity to take up the loan, instead of being able to diffuse it among their pecuniary constituents, as was customary in such cases, they would be compelled to retire it as an inactive investment on their own bureaux. Such were some of the ostensible objections collected from the most reliable and intelligent sources; and I was assured, from the same quarters, that these views prevailed not only in London, but also in Paris and Amsterdam—the great money marts of Europe. This information was discouraging enough. But I was slow to believe that these were the only reasons which influenced the minds of European capitalists, with regard to the American loan—a loan of the United States, the only Government on the face of the earth that had ever paid off a national debt, with an adequate revenue from imposts, specifically pledged for its interests and extinctions, and of otherwise incalculable resources. It seemed to me altogether inexplicable, that, whilst Hamburg and Holland, with a mountain of debt, and even the Pacha of Egypt, could fill a loan, at three to three and a half *per cent.* per annum, for millions sterling, the American loan should find no favor.

It was not unreasonable to suppose, in the then unsettled condition of the

relations between the Government of the United States and Great Britain, and the pending action of Congress on the revenue bill, that the money agents of England would take time to deliberate and await the result, but I indulged the hope that the favorable issue of these questions would bring about a corresponding disposition on their part, and that they would look with eagerness towards a loan certainly, and, under all circumstances, more desirable than any ever before presented to the consideration of European capitalists.

In these impressions, as you are already aware, I was much mistaken. The intelligence of the conclusion of the treaty and passage of the revenue bill was without influence; they had strengthened themselves for ulterior objects. New suggestions were set forth: for example, that the Government of the United States ought to provide, in some measure, for the defaulting States; that it was its duty and interest so to do, and might be effected on terms the most reasonable. And now, from the same circles, which only a few days since looked upon the taking of the American loan with such horror that they dare not present it to the British public, the practicability of filling a loan for the Federal Government, of sixty or a hundred millions, at three per cent. per annum, was suggested, *provided* one-half or two-thirds would be received in the bonds of certain States.

On this new feature, I beg leave to make the following letter, from one of the most distinguished bankers in England, a part of this communication; fully explaining the motives which governed the European capitalists in withholding their subscription to the loan. The assumption of the State debts, in some shape or form by the General Government, appears to be the great object of their anxiety. That assumption being conceded, they are willing not only to surrender the State bonds, but to lend the "*United States*" as much more as may be required at the low rate 3 per cent.

Letter to Colonel Robinson, &c.

LONDON, October 3, 1842.

DEAR SIR: It gives us pleasure to address a few lines to you on the subject of our late conversation.

We greatly regret that you should return to America without accomplishing the object of your mission. It is frustrated by causes over which the capitalists of this country and Europe generally have no control. But we are persuaded you will return with an impression that no feeling prevails but that of the greatest cordiality; and it would give us and others much pleasure if it were in our power to carry your wishes into effect.

The obstacle, as you are aware, is in the shake which certain occurrences have given to confidence in the securities of America; and, feeling a sincere interest in its restoration, we hope we may not be thought presuming in submitting to your consideration, and through yourself to the Federal Government, that no steps could accomplish this more effectually than the withdrawal of the bonds which have been, unhappily, *repudiated* by some of the States, and by assisting others, who really need it, to meet their just engagements.

It seems to fall within our province to allude to some suggestions which have been made elsewhere, viz: "That the Federal Government should subscribe a sufficient amount of 3 per cent. stock as would satisfy the interest of the several States in the public lands, distributing to each accord-

ing to their proportions, but reserving to itself the option to pay those States who have bonds out in their own bonds, so as to give the holders of such bonds the option of surrendering them to the Federal Government in exchange for their 3 per cent. stock." And we beg to remark upon it, *that we have no doubt it would be accepted here as an honorable and welcome settlement.*

If such a design were thought too extensive, might not the Federal Government issue a 3 per cent. stock to the amount received for the extinction of the Mississippi, Michigan, Arkansas, Illinois, and Indiana bonds, and any others that require help?

"The amount required would be small, but it would accomplish the greatest good to America, generally to the States, (which would thus convert their debts from 5 into 3 per cents.,) and to the bond holders.

"One of the last acts of our Legislature was to do the same thing for Canada, by assisting them with our credit to enable them to reduce their interest from 5 to 4 per cent.

"We shall hail with great pleasure any movement that may be made by America to restore her to the high position she has enjoyed for so many years in the confidence of the world.

"And we subscribe ourselves with much respect, dear sir, your sincere friends,

"OVEREND, GUERNEY, & CO."

From the foregoing letter, as well as from various other intimations made to me, subsequent to the arrival of the news of the treaty, I deduce the following conclusions :

That the want of confidence in the resources and good faith of the Federal Government formed no part of their reasons for withholding their subscription to the Government loan, and that they really entertained no apprehension that the doctrine of repudiation will pervade the General Government ; that the assumption of the State debts by the General Government is the great object of their desires ; and, lastly, that they have adopted this course, towards the proposed loan, as the settled policy by which to attain that end.

Your agent, therefore, believing that for these considerations, and on these points, they were immovable, and that they are fully determined in this way to experiment, at least for a season, on the Government of the United States, to effect the assumption of the State debts, concluded, under all circumstances, that he would best consult the dignity and credit of his country by declining to make any formal tender of the loan for their consideration, or any advances by which he was so apparently liable to the mortification of a refusal, and that his longer sojourn abroad, in regard to that object, would prove altogether fruitless.

It will be seen that Messrs. Overend, Guerne, & Co. desire that the suggestions contained in their letter should be communicated to the Government. I would submit a few remarks in explanation.

They speak of the bonds of Mississippi, Arkansas, Illinois, Indiana, and Michigan, a large amount of which had been hypothecated by the agent of the Bank of the United States, and which were placed in trust, and debentures issued thereon, in behalf of parties who advanced money on the hypothecation.

The failure of the other States to pay interest, and the declaration of Mississippi that her bonds had been illegally issued, had created an apprehension that the people of the several States would not submit to a direct tax for the payment of the interest, much less for the principal of the State debts.

The discussions in the public press of this country, and private letters from sources on which the capitalists of Europe were accustomed to rely, conspired to strengthen that apprehension. The capitalists, who, in the first instance, purchase Government securities, are merchants dealing in funds, who buy to sell again. They feel themselves responsible, and refuse to purchase what they cannot recommend to their customers. Hence, in answer to assurances that the General Government would promptly meet its engagements, it was said to be a question of public faith, and not of individual confidence. The proposition, therefore, that the General Government should assume the State debts, or such parts of them as have depreciated, by issuing a 3 per cent. stock therefor, should not be considered as a proof of a combination against the credit of the Federal Government, but as a suggestion originating with parties who have contributed to the sale of a large amount of State bonds, and who, as eminent merchants and bankers, deeply committed in behalf of American credit, must sympathize with the holders of these bonds, and desire the adoption of some measure that would restore the general credit of the States.

They had been induced to believe that the most practical measure would be an issue of 3 per cent. bonds by the Federal Government, and they refer to the act of Parliament as a case in point. It was argued that such assumption would reduce the annual charge on the State debts one-half, and give such proofs of a regard for public faith, on the part of the Federal Government, as to reinstate confidence, and thus re-establish credit throughout the Confederacy.

The great body of the European public, who are the second-hand purchasers from bankers, do not understand the difference between the obligations of the separate States and those of the Federal Government. With them, the fact that one State has failed to pay interest due is an argument against the purchase of any obligation to which that State is a party.

The unsettled condition of the political relations of the United States and England was another source of distrust, giving an unfriendly tone to public sentiment. I was, however, gratified to find that, in the best-informed and most influential circles, a reaction had commenced.

The fact that the defaulting States had paid no part of the interest due has given reasonable color to the apprehension that they never will pay. Many persons of small incomes have invested their whole estates in American securities, because they paid a greater dividend; and failure to pay any part of the interest has left many families in utter destitution.

It is not, therefore, surprising that those who, by recommending the investment, have contributed to place these families (many of them widows and orphans) in that condition, should desire the adoption of some measure that will make these stocks productive. If they could exchange them for Government's 3 per cents, they would gladly receive it, and fund the balance of the current interest until the States can mature their resources, or, as seemed to them most desirable, some general scheme be adopted by the Federal Government for the relief of all. As a matter of business and profit to the States implicated in the embarrassments to which reference

has been made, the commutation, proposed in the overtures of Overend, Guerne & Co., presents such striking advantages, embracing no less an interest than one-half their entire indebtedness, as should not, in my opinion, be overlooked or regarded as a mere hypothetical suggestion. It is a serious proposition, from parties possessing ample power to carry it into effect, and, as such, entitled to, and will doubtless receive, the serious consideration of the people of the indebted States, if not the Congress of the whole, and, at the same time, presenting a most auspicious opportunity to effect a settlement eminently advantageous to the debtors, and, in the words of the letter, alike honorable and welcome to the creditors.

As I am aware that any remarks on topics of so grave and important a character may be deemed as out of place on my part, may I ask your pardon for thus intruding them upon your notice. But the condition of American credit in Europe, once so high and unblemished, is a source of deep humiliation to every American who visits that section of the world, be he from an indebted or a non-indebted State; and on looking at the deplorable circumstances at home, in my own State and others, no escape from the calamity seems to present itself, but in relief, in some shape or form, from the generous liberality of the General Government, or, on the other hand, hopeless submission to the degradation of acknowledged insolvency.

Respectfully, &c.

W. ROBINSON, JR.

HON. WALTER FORWARD,
Secretary of the Treasury.

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