

CHAPTER XI

THE NATIONAL BANK

The financial exigencies of the nation in the Civil War had shown the necessity for providing a suitable bank currency, secured by Government obligations, in place of the unsatisfactory State bank circulation, and, at the same time, provide a market for the bonds which the Government was obliged to issue to finance the war. During the darkest days of that great conflict, the so-called National Banking Act was passed, and on February 25, 1863, President Lincoln approved the Act of Congress entitled "An Act to provide a National Currency secured by a pledge of United States stock, and to provide for the circulation and redemption thereof," which authorized the free formation of banks entitled to issue notes to the amount of ninety per cent of the par value of the United States bonds which each bank deposited with the Treasury Department.

Such men as John P. Crozer, John O. Deshong, Samuel A. Crozer, and a few others looked with favor upon Secretary Chase's scheme for affording a stable currency to the nation; but as yet no action had been taken by the Pennsylvania Legislature contemplating the merger of the chartered state banks into those operating under the provisions of the Act of Congress. The subject had been discussed in the board, and the opinions of the members were far from harmonious.

The president, Frederick J. Hinkson, strongly objected to any contemplated action whereby the bank should cease to be a State and become a National institution, citing the incident of the United States Bank, and its ultimate downfall in the Jackson administration, as a warning against such a step. Gradually, however, the members were won over to the views