

Extracts from the Constitution of the State of Rhode Island, as adopted by the convention assembled at Newport, September, 1842.

ART. 4, Sec. 13. The general assembly shall have no power hereafter, without the express consent of the people, to incur State debts to an amount exceeding fifty thousand dollars, except in time of war, or in case of insurrection or invasion; nor shall they in any case, without such consent, pledge the faith of the State for the payment of the obligations of others.

This section shall not be construed to refer to any money that may be deposited with this State by the government of the United States.

SEC. 17. Hereafter, when any bill shall be presented to either house of the general assembly, to create a corporation for any other than for religious, literary, or charitable purposes, or for a military or fire company, it shall be continued until another election of the members of the general assembly shall have taken place, and such public notice of the pendency thereof shall be given as may be required by law.

487

Apr 11 1846
209

CONNECTICUT.

REPORT OF THE BANK COMMISSIONERS—MAY, 1841.

To the honorable General Assembly of the State of Connecticut, now in session at Hartford:

The subscribers, bank commissioners, respectfully report:

That soon after the appointment of one of your commissioners in January last, we addressed circulars to all the banks in Connecticut, requiring from them a statement of their condition (agreeable to a form sent) for the months of February, March, and April. We also prepared and sent to the different banks our interrogatories, informing them that we should call in person, at a future day, and receive their replies in writing. We took this method in order that they might be prepared with their answers, and thus cause as little delay at their banking houses as possible.

Immediately after receiving the statements which were to guide us in our examinations, we commenced our visits to the banks, and continued them at different times until the last of April, when our examinations closed. As our questions were not numerous, but full and explicit, we were disappointed that some of the banks neglected to make satisfactory answers. Still we do not intimate that this was done with a wish to defeat the objects which the commissioners had in view.

In some cases, we could not conveniently ascertain the amount loaned to directors, an object which we particularly wished to accomplish. The loans thus made are often to a great extent, and tend to embarrass the banks in their accommodations to other borrowers, especially when money is scarce and commanding a high rate of interest. Directors, at this time, are quite sure to be accommodated to the exclusion of others, equally, if not more, deserving. The direct loans to directors in fifteen of our banks, of an aggregate capital of only \$2,438,242.50, on the 10th day of February last, amounted to \$311,498.57, and their notes in some banks are often, if not usually, run in full, and that as frequently as requested. Some such loans are about as old as the charter of the banks. In some banks, the directors are indebted an amount nearly equal to one-third of their capitals, for accommodation paper only; and with their whole liabilities, their indebtedness would amount to about one-half the capitals of these banks. We notice the total liabilities of one director in a bank, the capital of which is about \$50,000, to be \$18,166.50, being more than one-third of the whole capital of the institution. In another bank of small capital, two of its directors became indebted for a large sum: and after a course of years, by a compromise, the bank sustained an actual loss of \$5,217.97. At the same board of directors, in 1837, another debt was created by a loan to a director of said bank, on which the loss will probably amount to between 1,600 and 1,700 dollars. The liabilities of another director in the same institution, for debts created in the same bank in 1837, amount to \$14,850, which may be considered secured: it has, however, been two years in the law, and is not yet collected.

The banks, in our opinion, are by their charters required to choose too great a number of directors. Nine directors would be quite sufficient in

any bank. Under the control of so small a number of directors, the business of the institution would be better managed, and the capital of the bank would not be so often put at hazard by that numerous class of borrowers. Could we have directors that are not borrowers at all, or only to a very limited extent, it would be a salutary improvement, and would result both in the safety and profit of the banks. Bank directors who are not borrowers are frequently the least punctual in their attendance, while those who are the greatest debtors, and want further accommodations, are not often found absent from the board. The directors of a bank are the chosen representatives of the stockholders, and by their acceptance of the trust are bound to guard the public and the stockholders, and ought to feel it their duty to attend punctually and faithfully, and see that all the business is done prudently and discreetly; and one of their first principles on which to ground or constitute a loan should be security, ample and beyond all question. Managers of banks are, at certain times, keensighted and scrupulous as regards the security of paper offered for discount; but they may not be so eagle-eyed in respect to their own or other directors' paper. They are under a solemn obligation in accepting their trust, not only involving the means of the more wealthy part of the community, but the scanty pittance of the widow and orphan, and the hard earnings of the mechanic, farmer, and laborer. From misplaced judgment and recklessness of consequences, the directors of some bankrupt institutions have brought direful distress and ruin on thousands of that portion of our community to whom allusion has just been made.

The direct liabilities of directors, prior to last June, could by law exceed the whole capital of some of our banks, and in many instances they were entitled to borrow directly double, and in some instances three times the whole amount of the capital. The law passed last spring was very salutary. Still there is room for improvement by some legislative enactment, and we are of the opinion that no director should ever be a direct borrower over a certain rate per cent. of the capital stock of the bank; and also not exceeding another rate per cent. for his total liabilities. Two features in banks of primary importance are, 1st. That the directors should own a respectable amount of the stock; and, 2dly. That they should not be borrowers at all, or only to a very limited amount. When directors are small stockholders, their proportion of the losses which the institution may sustain would be of little importance to them, and it cannot be expected of such officers that they will exercise the same care and prudence in the management of the bank, as would those owning largely in the institution. In general, these small stockholders, who are directors, meet with the board only to benefit themselves. The stockholders often appear to care little as to whom the interest of the institution is intrusted, for they scarcely ever attend an annual meeting to elect its officers. No stockholders other than the directors ordinarily meet at the annual election, and they not to choose exactly, but to announce who are to be directors; it being generally understood and agreed upon, prior to said meeting, of whom the direction is to consist.

The practice of some banks to confine their discounts exclusively to business paper, or paper that is subject to no renewal, is a great innovation, and denies to a worthy class of borrowers those facilities and advantages to which they are entitled in common with those of more various and extended business. It cannot be doubted that there is a

class of borrowers of limited business whose requests for bank favors are small and infrequent, and for whom some accommodation, by way of renewal, is proper. We are totally averse to making dead loans, whether to directors or any other persons, and did not mean to be understood to encourage discounting accommodation paper, except to a limited amount. The life of a bank consists in doing strictly business paper, having a short time to run; say notes and drafts payable in full at points most desirable, viz: at the counter, New York, and Boston, avoiding all paper drawn without expected funds to meet the same at maturity, which are in danger of becoming shelf paper or something worse. In general, such loans will call for a redrawing, and the affair may be managed with such shrewdness and sagacity as to put the directors off their guard, and cause trouble and embarrassment to the institution. In some parts of our State an abundant supply of legitimate business paper is offered at the banks, and it merits and receives a preference; and at those places it will soon compose most, if not all, their bills receivable; thus giving activity to every laudable business enterprise. The legitimate business of banks is not to take the risk and delay of money loans, but to facilitate business already established, and to give it strength to extend itself upon capital thus furnished by these institutions. Savings societies and capitalists, not requiring early returns for their money, can better aid the borrower who proposes to erect a fortune upon its use, by a loan of money, than banks, and are usually ready to do so in cases where the borrowers are entitled to credit. The character of a bank depends upon its officers; and were they not too frequently compelled to sustain their private business by large accommodations from the banks, much of the malpractice witnessed would be avoided.

Some of our banks continue to loan large amounts out of the State. Others have a considerable proportion of their capital in treasury notes. This latter investment, when sufficient good paper at home is not offered, cannot be questioned as a safe and proper use of their spare funds.

With regard to loans out of the State, your commissioners are of opinion that many of them originated directly in the purchase of notes, bonds, and drafts in New York. Three of the banks in New Haven cannot advantageously use all their capital at home, and we see no objection to employing it abroad, provided they adhere strictly to taking discount at the rate of six per centum only per annum. All such notes, drafts, &c. are entered on their discount journal, and interest computed at six per cent. per annum; the excess is taken for exchange on New York, and is so entered on their exchange account, except in one bank, where the discount and exchange were carried out in one column together. Banks have hitherto taken large sums by way of exchange; in many instances, extravagant rates of interest and exchange, far greater than any noticed by the undersigned, and they have been reported by our predecessors to the legislature. The banks apparently consider this practice justifiable, and they now appear to manage as suits their interest and convenience. Your commissioners would, however, here allude to a new and most singular item of exchange some time since taken by a few banks in this State. Where drafts or notes payable in New York or Boston have been discounted by these banks, the notes of the bank were received by the maker or offerer of said drafts or notes, or the amount passed to the credit of said maker or offerer. Still these banks have taken $\frac{1}{2}$ to $1\frac{1}{2}$ per cent. for the ex-

change—say, generally, $\frac{1}{4}$ per cent. per month for the time the drafts or notes had to run. Here, then, exchange has been taken to half the amount of the interest for paper discounted, and payable at a point the most desirable to the bank. We submit to the wisdom of the legislature the propriety of banks covering up, under the entry of exchange, transactions that appear, to say the least, of doubtful character. If a law should be passed, fixing a certain rate for exchange on New York, Boston, and Providence, the banks would not readily violate its provisions.

Another transaction, quite exceptionable in the opinion of the undersigned, is loaning Philadelphia funds by our banks at par while they were at a large discount, and receiving good and satisfactory notes and drafts, payable at their own counter or at New York, for the full amount of such depreciated currency.

The propriety of making large loans to an individual or company by banks of small capital is questionable: for, if a bank loans \$10,000 at a time, on a capital of \$50,000 or \$100,000, to any person or copartnership, and the money should be lost, it would take, in the one case, three years to make good the capital, and eighteen months in the other. One bank would be obliged to pass six dividends, and the other three, allowing that no other losses would occur during the time the dividends should be thus suspended; which is, by no means, certain. If banks of a capital of a million and upwards should thus loan and lose \$10,000, it would not amount to one per cent., and would scarcely be noticed in making up their dividends. We observed that a loss had been sustained of upwards of \$10,000 by a bank of small capital from loans to a single individual or to a company; and institutions where capitals are not large should not readily hazard, upon one loan, so great an amount of their funds.

Before proceeding further, your commissioners would remark that they have no hesitation in saying that the bill-holders and depositors are perfectly safe for all their demands against any and all the banks; but to say no more would be saying quite too little to entitle our banking institutions to as much credit as they deserve. The stockholders have claims, though not to the same degree, and their interests should not be passed by unnoticed. We have, with regret, observed that a portion of the capital stock of some of our banks has been divided out to the stockholders under the name of dividends earned, although strictly prohibited by an act of the legislature passed in 1837, in which it is enacted that "no dividend shall ever be declared by any bank, which shall exceed in amount the net profits actually in the bank at the time of declaring the dividend." The banks that have disregarded this statute (though doubtless often admonished by our predecessors) cannot, with a sense of duty and propriety, be overlooked by the undersigned, as we are not only bound to protect the public; but to see that the banks are managed and conducted according to law; and such as we consider have acted in direct violation of the statute will appear by an examination of the following statements, and our notes thereto annexed.

[Details omitted.]

In some of the banks your commissioners spent but little time, as they were soon enabled to discover that every thing was correct and proper; while in others they found a mass of bad and doubtful debts, the examination of which required much time and labor.

The act of the legislature, May, 1840, in relation to the Jewett City Bank, was carried into effect early in the summer following. The old board of directors vacated, and their places were filled by residents of this State. A majority of the stock continued in the hands of non-residents until the last of March, 1841, when it again changed hands, and is now owned altogether by citizens of this State. We are of opinion that this institution is now entitled to public confidence. Your commissioners are satisfied that no sufficient inducements are offered to non-residents for the purchase of stock of any of our banks, and that no future effort will probably be made to obtain the control of any banking institutions in Connecticut by citizens of another State.

The greatest losses which the banks have sustained have arisen from two causes: 1st. The large amount of funds, without adequate security, formerly in the hands of E. M. Morgan and Company, brokers; and, 2d. Loans made abroad in 1836 and 1837, mostly in the western parts of the State of New York. Since that time, the banks have made comparatively few bad debts.

The banking system in New England (though fraudulent practices, with their evil consequences, in a few instances, have been witnessed, and cannot perhaps be effectually guarded against) stands undeniably above any other in the United States; and the world can scarcely show a better system. Stockholders and the public find in the New England banks a safe guaranty for their future interests by referring to the past. Were the system perfect, it would be needless to discuss the subject; but general opinion is sustained by facts that abuses have been suffered; and the question is, how shall their evils be corrected? In the opinion of your commissioners, one important step is that of sustaining and giving greater efficacy to the arrangement for redemption, now known as "the Suffolk Bank system." This method has been salutary in its influence, and has tended greatly to produce a healthy state in all our Connecticut and New England banks. By some banks, however, this mode is considered oppressive, and, no doubt, contributions for its support are unduly apportioned. Although imperfect, the system should not be abandoned till a better is provided. The extent of failures that would have occurred, with their disastrous results, but for this conservative and regulating power, may be judged of, somewhat, by contemplating the present state of monetary affairs throughout the south and west.

The currency of this State is of the first order, and cannot be improved, being equal to gold and silver. This is strong language, we admit, yet perfectly true; for every bill-holder can, on demand, convert his bills into coin.

Your commissioners take pleasure in giving so flattering an account of our banking institutions. Although some of them have deviated from duty and law, to which departures allusions have already been made, yet most of them have been conducted with great propriety, and have studiously avoided any infringement of their charters or of the laws.

We hope they may continue to be so managed as to maintain and preserve the credit they now sustain. Merchants, mechanics, farmers, and laborers are bound to pay their debts punctually; and banks are under at least an equal obligation to pay theirs, from which no consideration of interest should or can excuse them.

Should the banks be obliged, as formerly recommended, to keep one-

third of their circulation in specie, no reverse or sudden excitement of times could, with the present arrangements with the Suffolk Bank, be of serious injury to any of them. If the times should become painfully hard, they could and would continue to redeem all their notes in specie. Any estate in the southwest part of Connecticut is now given for the bank issues of the opposite point, with as much safety and readiness as though it was located at the door of the receiver, the whole being at par at the Suffolk Bank; consequently with every bank redeeming there.

Occasional visits from commissioners with appropriate powers, would more effectually correct existing evils than much legislation; for, while the present laws are nominally regarded, they are sometimes virtually evaded for the convenience of particular institutions.

The returns to the comptroller, in their present form, can do but little to elucidate the state and condition of the several banks. Everything in the shape of debts, whether good or bad, is placed as resources of the bank, when, if examined, much of the paper in some of them would be found to be of very doubtful character. We would, therefore, recommend, in the event of the continuance of the returns to the comptroller, to have it more definite. The severance of the items of the resources of a bank would show, at one glance, the suspended debts of the institution, and render it easy to ascertain whether the assets were in a doubtful condition, and would elicit a full explanation; while the present mode may be a cover for all kinds of deception, as the assets may consist partly of bad and doubtful paper, which has remained past-due and unpaid for a term of years, and may even consist partly of forged paper, which has sometimes been the case, while the gross amount may appear as plausible and sound assets in figures as if they were so in fact.

The amount of debts due the bank from individuals, corporations, and communities, other than banks, which have matured and past due for the space of — days, should also be particularly noticed, and so returned.

We recommend that a law be passed, containing the following provisions, viz:

- 1st. That no bank be allowed to have more than nine directors.
- 2d. That every bank should be compelled to transfer to an account called "suspended debts" all such discounted paper as has been over-due for thirty days or more.
- 3d. That all suspended debts which have been due and unpaid twelve months be charged to profit and loss, except debts well secured.
- 4th. That no director be permitted to be debtor, as maker, to more than a certain per cent. on the capital of the bank, and for all his liabilities of every kind and description, including the former, his indebtedness to the bank should not exceed — per cent. of its capital.
- 5th. That no stock note should be discounted for a greater sum than three-fourths of the actual value of said stock, and that none should exceed four months to run, and that all such notes should be paid in full at maturity; and in case of failure in payment at the expiration of said note, that the stock should be sold at auction in twenty to thirty days, to pay such note, after being advertised ten days; the balance, after paying the note and incidental charges, to be passed to the credit of the original owner.

- 6th. That no stock be voted on by proxies at the election of directors.
- The provisions of restricting stock notes to a certain amount, and hav-

ing them paid in full at four months, will be a salutary guard against certain encroachments of the directors and stockholders, who purport to have invested capital, yet have withdrawn the same for the purpose of purchasing large amounts of stock to control the bank; thereby securing to themselves a perpetual loan at the expense of the bank, the business community, and the honest stockholder, who made a permanent investment for banking purposes. Further, such borrowers not unfrequently obtain perpetual loans, by continued renewals, which absorb the capital, and the institution is thus rendered anything but what it purports to be.

The provisions for restricting the liabilities of our banking institutions should be more accurately defined. The present law, as constructed, would tolerate the directors using directly and indirectly the whole capital of the bank, although they are prohibited from having, as makers of notes directly, more than nine thousand dollars in addition to the amount of stock they own.

Encroachments upon the capital of the banks, by way of dividends, should never be tolerated, being not only in direct violation of their charters and the statute, but may also have an immoral tendency. Those in possession of accurate knowledge may constantly deceive the credulous and unsuspecting by palming off depreciated stock. Purchasers in general are disposed to invest in banks where regular dividends are declared, and it probably seldom enters their minds that the capital is not sound and entire. Thus, if a portion of the capital of the institution has been divided out, the honest purchaser may be deceived; and if it should happen to fall, as it sometimes may, upon the poor mechanic and laborer, widow and orphan, it would be peculiarly lamentable.

We are sensible that no honest man would thus deceive; yet directors are but men, and they may at times deviate from strict principles, and propriety of conduct, in common with the world in general.

The continued practice of depositing large sums with brokers we consider reprehensible, although in general such funds are subject to be withdrawn at pleasure. We notice in the hands of brokers and bankers during the month of February last \$315,424.34 on interest at 4½ to 6 per cent., principally the latter. The security various; generally quite inadequate, and in some instances nothing.

The amount loaned out of the State by twenty banks, from May 10, 1840, to February, 1841, (exclusive of loans to brokers,) is \$1,514,393.41.

The amount taken for exchange by twenty-four banks from May 10, 1840, to February 5, 1841, is \$26,978.64.

The amount credited to profit and loss by the banks in this State for last bills is only \$7,432.

Banks generally divide their earnings too closely. We notice that one bank declared a dividend on the 1st of January last of 4 per cent., leaving but a trifling surplus: indeed, we may say nothing, taking into consideration that the discounts are not actually earned until the notes mature and are paid. This mode is, however, adopted by all the banks in estimating earnings, although in our view it is erroneous. A bank should always retain something (say 1 to 2 per cent.) to meet discount passed to credit of profit and loss, not actually earned, as, before all the notes are due and paid, some of them may prove valueless. Yet if banks would go no further than to divide on all that appears to credit of profit and loss, (the discount actually earned or not,) first deducting debts unquestion-

ably bad, they would act with more propriety than marks the conduct of some institutions.

A sense of duty has compelled us to remark with freedom on some of the banks which have deviated from propriety, and divided out a portion of their capital, in direct violation of the statute before quoted. We are no enemies to banks; we think that sound, well-regulated banks are needed to facilitate and give life and activity to business; but past experience has proved that some of them should be closely watched, lest any encroachments be made on their capital; for if they are permitted to divide 5 per cent., they may divide 10, 20, and 50, and so continue until the whole capital is gone. To avoid this, the legislature passed the act before mentioned, notwithstanding the language of their charters expressly prohibited the banks from encroaching on their capitals.

Some of the banks question their liability to be taxed for any portion of the expenses incurred by the appointment of commissioners; others, with much propriety, remark that the expenses are not equitably apportioned, as in many instances more time and expense are devoted to visit a single bank, of a capital of some \$50,000 or \$100,000, than another of a million. As the law now directs in relation to the expenses, one bank is subjected to pay upwards of one-eighth of the whole; and as this is an examination primarily for the good of the public, rather than that of the stockholders, we submit to the legislature the propriety of the expenses being paid by the State, and not by the banks.

In conclusion, the undersigned would submit to the legislature whether some of the before-mentioned practices of certain banks ought to be any longer tolerated. We are of opinion that the banks ought not to be permitted to divide from time to time a portion of their capital under the name of dividends; that no exchange should be taken as a cloak or cover for usury; and that excessive rates of exchange should in no instance be exacted; that banks ought not to continue to place as part of their resources a mass of suspended and shelf paper, much of it uncollectable, some of it from two to four years past-due, and a portion of it totally worthless beyond all question.

All which is respectfully submitted.

EZRA CHAPPELL,
WM. MATHER, JR.,
Bank Commissioners.

HARTFORD, May 20, 1841.

REPORT OF THE BANK COMMISSIONERS—MAY, 1842.

To the honorable General Assembly of the State of Connecticut, now in session at New Haven:

The subscribers, bank commissioners, respectfully report: That, in July last, they addressed a circular (with a form of return annexed) to all the banks in the State, informing them that monthly statements in respect to their condition and business transactions would be expected of them. In the same communication they expressed the earnest desire that no bank would make a dividend without retaining at

least the capital of the institution sound and entire. The cashiers of the different banks have in general complied with our request, and promptly forwarded the desired statements. And it would be a source of much satisfaction, if it could be added that the directors had as fully conformed to the provisions and restrictions of the charters designed for their guidance.

Since last November, your commissioners have visited all the banks and their branches, some of them more than once, and they have no hesitation in saying that the bill holders and the depositors are at present perfectly safe; that the currency of the State is of the first order, with perhaps the single exception of railroad notes, in the shape of bank bills; and that they see not how it can be improved, unless the public refuse to be further annoyed with these anomalous issues. In the community, at home and abroad, the idea prevails extensively that the notes issued by the Housatonic Railroad Company are the liabilities of a Connecticut bank; and their fluctuating value in the market has had any other effect than to increase the stability of credit to our bank issues. Your commissioners, not having authority to investigate the affairs of that corporation, have no official knowledge of their condition. Yet they have considered it their duty, in conversation, to declare that it had no legitimate connexion with the banking system of the State, and that they deemed the privileges granted to said company an unfortunate and uncalled for departure from the regular course of legislation on the subject of State currency.

Your commissioners have been treated with great civility and attention by the officers of the banks; and the information which seemed necessary to secure the object of the legislature in this supervision of the banks has been furnished with cheerfulness, and apparently in good faith.

The condition of the banks has been much improved since the report of your commissioners in 1841, although deviations from law are still practised in some instances.

While your commissioners, in their continued relation to the banking institutions of this State, have been necessarily more conversant with the currency in other parts of the Union than before, and have witnessed with pain its extreme derangement and instability, and not unfrequently the entire destruction of banks which a year ago were in fair repute, it gives them great pleasure to be able to say that not one bank failure has occurred in this State; and still more, that there has not been a solitary case of suspension, nor of inability to redeem their bills at the Suffolk Bank, where about one-eighth of the circulation is redeemed weekly. And this shows satisfactorily that, should the emergency arise, they are able to redeem their entire circulation in the short time of eight weeks, though such a severe test of their soundness is by no means to be apprehended. In comparing the history of Connecticut banks with that of the banks in other States, west and south, with many of which the business of our citizens has been and must continue to be intimately connected, there is reason for congratulating our own State. And while we would not proudly boast that the banks in Connecticut have taken the lead in sustaining the credit of New England currency, we may safely advance the opinion that no State has done more to secure the grand result; and we can add, that for a series of years no instance of gross mismanagement or suspicious failure has soiled the fair reputation of her banking institutions.

Your commissioners have seen nothing during the year to shake their belief in the propriety of greatly reducing the number of directors, so that the larger banks shall not have more than nine, and the smaller ones be limited to a less number. They feel confident that such a reduction would increase rather than lessen the efficiency of the direction.

It has been gratifying and encouraging to your commissioners that their remarks respecting the system of redemption at the Suffolk Bank, made in their report of 1841, have been so generally approved by those acquainted with the merits of the plan. Our convictions of its great value have been strengthened by the developments of the year, and by continued observation. Under the influence of that regulating and conservative system, the credit of the State currency will not be impaired so long as every bank shall secure for its officers men of integrity, whose situation will not compel them to become borrowers to a large amount from institutions of which they are made the guardians, not for their own accommodation, but for the benefit of the depositors and the public. The officers of our banks have been generally men of good character and high standing in the community; and it is a matter of just pride that for nearly fifty years, including the whole time that banks have existed in this State, only two failures have occurred. The first was that of the Derby Banking and Fishing Company, which could hardly be denominated a Connecticut bank at the time of its failure. It was probably never entitled to existence the second time, and only renewed life to meet great promises of valuable returns to speculators in a neighboring State, whose sole object was, in all probability, to gain credit abroad by showing the name of Connecticut on their banner.

The other ill-conducted and unfortunate institution was that of the Eagle Bank at New Haven, whose operations and results are still too keenly felt and understood by our citizens to need recapitulation, and for whose financial officers we have no apologies to offer. Its connexion with an institution for savings perhaps tended to lead its officers from the path of their legitimate business; and its heavy loans to a few individuals engaged in mercantile and manufacturing operations, was the well-known cause of its destruction.

The movements and experiments of the United States Bank of Pennsylvania, expanding and contracting, then re-expanding; at one time in the market as a cotton merchant, (thus deviating widely from true banking principles,) and again as the seller of her own post-notes to an enormous amount and at minus rates, in a secret and most seductive form, to avert suspicion of her object; holding out to bankrupt corporations, embarrassed individuals, and States of doubtful credit, inducements to receive her issues in exchange for their liabilities, ultimately receiving payment in almost worthless stock and scrip, or not paid at all, and thereby sinking a capital of thirty-five millions of dollars, besides a great amount of her issues—all this, causing not only immense losses to the rich, but the almost total ruin of property to hundreds and perhaps thousands of widows and orphans, is a lesson to the Union, from which they ought to profit; and we trust it will be sufficient to prevent the banks throughout our country from any similar deviations. Such mismanagement of banking institutions should, on all suitable occasions, be held up to public indignation and scorn.

Last year we noticed a disposition in many banks to divide a portion of

their capital, which practice had evidently been pursued quite too long, notwithstanding their charters forbid it, and although it is especially prohibited by an act of the legislature in 1837, in which it is enacted that "no dividend shall ever be declared by any bank which shall exceed in amount the net profits actually in the bank at the time of declaring the dividend." Your commissioners in their last report dwelt long and earnestly on this subject, and, when visiting banks thus deviating from duty, urgently recommended a different course. Some of them have made no dividend since: of these we name with pleasure the Exchange, the Meriden, and the Stamford. Other banks have still made one, and some of them two dividends, although their earnings would not warrant the dividends thus made; and it fully appears that nothing effectual can be done by your commissioners to restrain them. "Encroachments upon the capital of the banks by way of dividends should never be tolerated," as we remarked in our last year's report, "being not only in direct violation of their charters and the statute, but they may also have an immoral tendency. Those in possession of accurate knowledge may constantly deceive the credulous and unsuspecting, by palming off depreciated stock. Purchasers in general are disposed to invest in banks where regular dividends are declared, and it probably seldom enters their minds that the capital is not sound and entire. Thus, if a portion of the capital of the institution has been divided out, the honest purchaser may be deceived; and if it should happen to fall, as it sometimes may, upon the poor mechanic and laborer, the widow and orphan, it would be peculiarly lamentable."

"We are sensible that no honest man would thus deceive; yet directors are but men, and they may at times deviate from strict principles, and propriety of conduct, in common with the world in general."

A strong case in connexion with the foregoing is found in the report of the bank commissioners of the State of New York. In many of the statements of the condition of the banks, per balance sheets of the cashiers, we noticed large surpluses or profits—particularly in that of the Mechanics' Bank in the city of New York, which formerly showed profits to the amount of 600,000 dollars or more, if we recollect rightly, and recently made dividends when the said bank was minus of sound capital, probably some 200 to 300,000 dollars. A more recent case is that of the Commercial Bank, in the same city, making a dividend (out of profits so called) when the same institution was bankrupt of capital a short time afterwards. These, and many other cases of similar nature, have come to the knowledge of the public, and therefore we see the wisdom of examining the assets, and reporting as correctly as possible, by remarking on their statements, the true state and condition of any and all banks, that the public may gain needed information, and that no encroachments may ever be allowed on the capitals. It is a foolish spirit of rivalry that some banks appear to possess, which leads them to make a dividend because their neighbors do so. Would it not be more laudable for them to wait until their profits would warrant such a measure?

It is a question with many whether directors should be borrowers, directly or indirectly. Certain it is that if they are borrowers, the amount loaned them should be very limited, particularly in a bank of small capital. We are sensible, however, that loans made to directors are perfectly good in numerous instances, and that in many institutions they have

been some of its best customers, and most promoted the particular interest of the bank and its stockholders; but is the practice a safe one? May not such loans, if permitted, run on from a small to a greater and still greater amount, and finally be a means of embarrassing the bank, and eventually lead to its destruction? The method to guard the future is to profit by the past. The history of banking institutions is full of warning on this point. About two hundred banks have failed in the United States, and all must admit that in many instances their failure can be attributable only to the improper loans made to directors by the officers of said institutions, or rather to the directors freely helping each other, until millions and millions of dollars have been recklessly squandered by those officers; thereby involving not only the property of the rich, but sweeping away the hard earnings of the laboring classes, and the long-treasured savings of female industry. The enlightened citizens of our free State should use every laudable means to enact laws that will tend to prevent the occurrence of such evils among us.

If directors want accommodation, they can obtain it at other banks, provided their paper is worthy of credit; but, sitting in an institution with their co-directors and personal friends, they successfully plead their own cause before partial judges, as many or all of them may need a similar favor. Some directors have not sufficient moral courage to refuse a loan to one of the board, even if it tends to embarrass and injure the bank. In some of our banking institutions this evil could never occur, as the direction and ownership of the stock now stands; for we have banks where the officers are not indebted a cent. In others, where there is a disposition to borrow too freely by some of the directors, they are denied by those not wanting any accommodation, and owning a respectable amount of the stock. We have ever considered a bank in a desirable position when the officers called for little or none of its funds, but owned a large amount of the stock. If directors apply for loans, it must be admitted that they are very likely to be accommodated to the injury of others, equally at least, and perhaps more deserving of bank favors than themselves—especially when money is scarce and commanding a high rate of interest. Accommodation paper to bank officers is run and re-run in full, some of it about as long as the charter of the bank, as we stated in our former report. Is it suitable and proper for any set of men to be borrowers and lenders at the same board? Could we consent that our school commissioner and the treasurer of this State should be at the same time borrower and lender of the funds placed in their hands? These perhaps would be stronger cases than the one before us, and yet they are somewhat similar. If the law is salutary which forbids the cashier to be a borrower, directly or indirectly, of the institution in which he is employed, why not with equal propriety extend it to the president and other directors? It is not our duty, however, to direct as to whom and how the moneys of our banks should be loaned; but we think that the present law regarding loans to directors can be altered for the better. The directors collectively are now entitled to one third the amount of the capital of the institution for accommodation paper, in addition to the stock they hold. A prior law, and one which caused much surprise to your commissioners, allowed to each director nine thousand dollars, in addition to the stock he held, which in some cases would amount to more than double the capital of the bank; and they might be borrowers directly and indirectly to any amount. Should one or two directors now want accommo-

dation to the amount of one-third of the bank, in addition to the amount of stock they own, they have the privilege, as the law is at present, provided no loans are made to other directors. Although in some of our banks of very small capital one-third of the same would not be a large sum, still the question arises, is it not too great a per centage of the bank to be loaned directors for accommodation paper? Take, for instance, the accommodation paper allowed them in a bank of 500,000 dollars capital; it would amount to 166,666 $\frac{2}{3}$ dollars. In a bank of a million, it would amount to 333,333 $\frac{1}{3}$ dollars, besides the allotment on stock. It may be just and proper, however, to observe, while making these remarks, as to what directors may have by law in our banks of a capital of over a million dollars each, that on referring to the statements of the two largest of our banks, (which are annexed to our reports,) the directors in one of said institutions owed but \$12,009 28 directly and indirectly, and in the other only \$4,000 per accommodation and business paper together. Quite a different state of things may be noticed by referring to the statement of another of our banks, the capital of which is only 51,000 dollars, where the accommodation paper to one individual is 10,900 dollars; to the next highest 5,754 dollars; to the next, 4,035 dollars. Thus it appears that three persons have 20,689 dollars for accommodation paper, from a bank whose capital is only 51,000 dollars. How directors, stockholders, and the public can permit such loans, your commissioners are at a loss to determine. We make these remarks in the hope that the legislature will establish a scale to govern loans; at least to bank officers, if to no others. Bank directors (the president excepted) are allowed nothing for their services; but if they can command fifty to one hundred thousand dollars or more on accommodation paper, they may afford to give their time for such loans at a season when money is commanding a high rate of interest. Honorable and high-minded men (as all directors should be) would, of course, not take the funds of the bank, to the injury of the business part of the community; yet, as directors have erred in duty, and may again, further restrictions, we think, would be salutary.

We again adopt the method pursued last year, of giving a balance sheet of each bank, and commenting upon such as require especial notice or remark. Before proceeding to the detail of the several banks, we will mention that they appear to have contracted a smaller amount of bad debts within the past year than during any previous year since 1836; and that the disposition to liquidate and close upon the banks such assets as must shrink in the end is generally manifest, and daily gaining ground.

[Details omitted.]

We find that the amount loaned of late to officers of the banks is quite small, and averaging, for the last year, only \$414,581.* The loans to directors in Hartford and New Haven are very light. Large loans to directors seem peculiar to banks of small capital. We also notice that most of the banks have apparently redeemed their funds from brokers, or left only a small amount in their hands; but we observe that some banks make very heavy loans abroad to bankers and brokers, and for an unusual length of time. If these institutions cannot loan their money at home, (and it appears they cannot,) would it not be wise to apply for a reduction of their

* Of this sum, (\$414,581,) \$135,000 is due from the directors of one bank. Whole amount of banking capital, \$8,873,927 50.

capital? Our banks were not chartered to be lenders of their funds to brokers; and some of them are yet mourning over losses occasioned by misplacing their funds in such hands. Last year and prior, deposits of money to a large amount were made to bankers and brokers, bearing an interest generally of six per cent., (subject to immediate withdrawal)—security inadequate. It now appears that most of said moneys are withdrawn, and long and direct loans, to a very considerable extent, are made of such funds.

It is highly important that banking capital should be guarded by acts of legislation, to avoid its abstraction by the officers of these institutions, or by any other persons, on pledge of *stock notes*, which, if tolerated to accommodate one stockholder, might be carried to an extent which would involve the whole capital, especially in times of scarcity in the money market; thus causing great distress to the business community, and subverting the whole object of such institutions. A lamentable picture of the effects of loaning on *stock notes* is exhibited in our present report. Such loans encourage the holding of stocks by persons of no real capital, (much less surplus capital,) solely for appearances, and thereby tend to the making of misplaced loans on deceptive ownerships; the bank really advancing the funds for *stock standing* in the name of such individuals, and enabling that class of stockholders, by the aid of these funds, to make the investments of the honest stockholders subservient to their interest. Such practices, in the opinion of your commissioners, should no longer be tolerated. A prohibition of them would prevent fictitious capital in our banking institutions, and thus remove one great obstacle to their prosperity.

One of the objects of associating capital in banks is to insure a regular and profitable income to the stockholders without their personal management. Banks cannot produce such results without an income exceeding mere interest on capital, as certain incidental expenses and occasional losses are unavoidable: hence the question, to what extent bank issues should be carried, becomes one of great importance. So long as our banks stand under contract, and hold the ability to fulfil that contract with the Suffolk Bank for the redemption of their bills on demand, which keeps their bills equal in value to specie, there can be no danger of excessive issues. Had the southern and western States adopted a policy of this kind, and adhered to it, the country would never have been embarrassed with its present worthless currency, and its consequent losses in bank stocks.

The commissioners recommend—

- 1st. That no bank, the capital of which is less than \$500,000, have but seven directors; if over \$500,000, the number not to exceed nine.
- 2d. That all sums paid for bonus, plates, paper, vault fixtures, and charter expenses, be charged to profit and loss.
- 3d. That no bank be allowed to make loans on pledge of their own stock.
- 4th. That no stock be voted on by proxies at the election of directors.

The returns of the banks to the comptroller we adverted to in our previous report, and stated that we considered them, in their present form, totally useless; and we would again recommend a discontinuance of the same, as they only tend to embarrass and perplex bank officers. Occasional visits from commissioners should be a sufficient safeguard; but, in the event of a continuance of said returns, we would recommend a sev-

erance of the items. The object of the law was to put the public in possession of facts showing the condition of each bank in the State. It has been found that the good and bad assets are imbedded in one item, so that they cannot be distinguished. The different items should, therefore, be severed. The cashier should give the liabilities of debtors under distinct heads, thus:

Accommodation paper which has not matured	-	-	\$
Ditto, which has been run at different periods over one year	-	-	\$
Over two years	-	-	\$
Over three years	-	-	\$
(Naming, in all the above cases, the amount owed by directors.)			
Amount of all business paper payable in full at maturity, and what portion of it is the liabilities of directors	-	-	\$
All paper in the bank which is past due, and has so remained for twenty days	-	-	\$

All forged and doubtful paper should be separated from other assets, and the amount stated.

These exposures would enable the community to arrive at a correct conclusion as to the proper management of the banks, and to judge of their solvency, which is the great object the legislature had in view.

All which is respectfully submitted.

E. CHAPPELL,
WM. MATHER, JR.,
Bank Commissioners.

NEW HAVEN, May 12, 1842.

REPORT OF THE BANK COMMISSIONERS—MAY, 1843.

To the honorable the General Assembly of the State of Connecticut, to be held at Hartford on the first Wednesday of May, A. D. 1843:

The subscribers, bank commissioners, respectfully submit the following report:

That, in consequence of the resignation of W. P. Eaton, esq., one of the commissioners appointed at the last annual session of the general assembly, creating a vacancy in the board of commissioners, which his excellency the governor did not feel himself authorized by law to fill, and which the general assembly, at the extra session in November, suffered to remain vacant, the undersigned have discharged the duties devolving upon them in such a manner as seemed to them best calculated to carry into effect the object aimed at by the legislature, whose servants they are.

For this purpose, your commissioners, early in July last, addressed circulars to all the banks in the State, with blank forms for returns annexed, requesting that a true and detailed statement of the condition of each bank on the first Monday of each alternate month thereafter should be forwarded to your commissioners. The cashiers of the several banks have uniformly complied with this request, and the statements furnished have evinced a gradual improvement in those institutions throughout the year, which arises in part from a disposition among the directors to make them

what they ought to be, and in part from an observance of the wholesome provisions of the statutes regarding them.

Your commissioners have visited and examined the several banks and their branches, (most of them twice,) in the course of the year, and feel a degree of satisfaction in being able to say that the bill-holders and depositors continue to be perfectly secure against loss, and that the capital of most of the banks is sound.

Owing to the depressed state of business consequent upon the overaction of former years, and the derangement of affairs incident to the bankruptcy of States, banks, and individuals, (not a little augmented by the operation of the late bankrupt law,) the banks have found it impossible to employ all of their capital in discounting good paper, for the past year, and it will be observed that they have heavy balances against banks in New York, and have, to a considerable extent, invested in treasury notes and stocks which are esteemed safe.

At a time like the present, when the citizens of almost every State in the Union are oppressed with a large public debt, and distrustful of their banking institutions, the citizens of Connecticut justly feel a high sense of pride and satisfaction in seeing their State free from debt, and their banks sound.

Your commissioners, in their interviews with the bank officers, have been pleased to observe a disposition on the part of such officers to respect the laws applicable to banking institutions, and to approve them. Some, however, have solicited an alteration in the law limiting discounts to directors on business paper; and others, a repeal of the law prohibiting voting by proxy: but your commissioners are of the opinion that no alteration of the law in either case is generally desired, or would at this time be productive of beneficial results.

The stockholders and directors of the Mechanics' Bank, of New Haven, have complained of the law prohibiting that bank, among others, from making dividends until the capital of the bank is made good, inasmuch as the capital was impaired by investments made in conformity with the known provisions of its charter. The stockholders, at a recent meeting, have voted to reduce the capital two hundred thousand dollars, and have made application to your commissioners to make the reduction; but as the commissioners are divested of such power while the legislature is in session, a resolution to carry this object into effect has been proposed, and is herewith submitted, the passage of which is recommended.

The system of redeeming their notes at the Suffolk Bank is still continued by the banks in this State, with two or three exceptions; and as every bank is under the necessity of redeeming an amount nearly equal to its whole circulation every sixty days, it operates as a check to excessive discounts and over-issues, and no doubt has exercised a salutary influence upon the paper currency of New England. Although such a test of the soundness of banks is not infallible, still your commissioners have advised those banks which now redeem only at their counters to adopt it, thereby producing uniformity of action throughout the State.

Notwithstanding a marked improvement appears in the several banks, (and it is obvious that the bitter experience of past years is not lost sight of by those who have the management of these institutions,) still there continue to be some departures from a correct mode of banking, and violations of law, which your commissioners feel it their duty to notice.

The Bridgeport Bank added five thousand dollars to the value of their banking house and lot, in 1839, and about the same date credited the bank for bills issued, supposed to be lost, four thousand five hundred dollars; bills of which plate have since been returned to the bank for redemption, to the amount of about one hundred and eighty dollars. The impropriety of resorting to such a method to increase the amount of assets, or decrease the amount of liabilities, is demonstrated by the fact that not one of the older banks in Connecticut has ever ventured upon such a course; and, with the exception of Fairfield County Bank, which credited, in December last, two thousand five hundred dollars for bills issued, supposed to be lost, a similar instance is not to be found in the State. The bank last named have charged the same back, on our suggestion of the impropriety of its making the credit.

In examining the several banks, your commissioners have in some instances found the accounts of cashiers to have been overdrawn at different periods, from 1837 to the time of their first examination, beyond the limits of a half year's salary, which, if not a violation of the letter of the statute of 1837, is a violation of its spirit; and upon a suggestion to this effect, the accounts overdrawn have been brought to a proper limit, and a recurrence of the practice may not be expected.

While in Norwich, in the latter part of March, the State director of the Norwich Bank, Col. C. A. Converse, made a complaint to your commissioners that an examination of the books, papers, &c., of the bank, was refused him by the cashier; that he was allowed to examine no book, paper, or other matter pertaining to the bank, except the discount journal, the ledger of bank accounts, and the weekly and other statements made by the cashier, and then only during the session of the board of directors. In company with Col. Converse, we called upon the cashier at the bank, and acquainted him with the matters complained of, which he admitted to be true, and expressed his determination to persist in such refusal, so long as he should continue in the bank. At the suggestion of the cashier, that he would abide by the decision of three directors named by him, in regard to the course he should thereafter pursue, those persons were called in, and expressed their opinions in accordance with the course persisted in by the cashier. Your commissioners being unable to convince the cashier that such a course was a direct violation of law, and destroyed entirely any beneficial influence which might be calculated to result from the supervision of a State director, feeling themselves in duty bound to see that the laws were faithfully observed, addressed a note to the president and directors of the Norwich Bank, of which the following is a copy:

NORWICH, March 24, 1843.

GENTLEMEN: Col. C. A. Converse, State director of the Norwich Bank, having made complaint to us that the cashier of said bank has denied him the privilege of examining the books, notes, papers, and other matters pertaining to said bank, and resisted him in the proper discharge of his duty as such director, from the time of his appointment as director to the present time, we waited upon the cashier in company with Col. Converse, and made known the subject matter of complaint, and our opinion that Col. Converse had the right, and it was his duty, to examine critically any and all books, notes, papers, and other things pertaining to said bank, in a reasonable manner, at pleasure, and that we felt called upon to

protect him in the enjoyment of such right, and in the performance of his duty. The cashier observed that "Col. Converse might examine the discount journal and the statement book, but should make no further examination, except by order of the board of directors." We, therefore, being desirous of giving supremacy to the law, in a manner calculated to preserve the best interests of the bank, if possible, desire that you will take this subject into immediate consideration, and advise us of the result of your deliberations at an early day.

Your obedient servants,

J. C. PALMER, }
F. S. WILDMAN, } *Bank Commissioners.*

To the PRESIDENT AND DIRECTORS OF THE NORWICH BANK.

In reply to the above, on the 6th of April, 1843, the following was received:

DIRECTORS' MEETING, NORWICH BANK,
March 31, 1843.

The committee appointed on the 23th instant made their report; which, on motion of N. Shipman, esq., was unanimously accepted.

Voted, That the cashier enter the same on the records of the bank, and forward an attested copy to the bank commissioners.

Copy.—Attest: C. JOHNSON, *Secretary.*

[Copy of report above referred to.]

NORWICH, March 30, 1843.

To the Directors of the Norwich Bank:

Pursuant to our appointment, by your vote of the 23th instant, as a committee to reply to a letter received from the bank commissioners, under date of the 24th instant, we respectfully submit the following:

GENTLEMEN: Your letter of the 24th instant is received and laid before the directors at their regular meeting; and while we have yet to learn that it is within the power of bank commissioners to interfere in the question at issue, yet we would respectfully reply to your communication. In our view of the subject, a State director has granted to him all the privileges in this institution of which any individual director of the stockholders deems himself invested from immemorial usage, so long as the interests of the stockholders are not compromised by his vote at the board. The ledger of general accounts, embracing the correspondence with other banks, the daily and weekly statements of the current business of the bank, the discount book, (so called,) being the register of all discounted paper, with its dates, sureties, and times of maturity, have always been considered by the general directors the only books under their individual scrutiny, except at such times when, pursuant to the by-laws of the bank, they have been appointed a committee to examine the general concerns of the institution and report to the board at large. These reports are always on file in detail, and can be inspected by each and every director at his own pleasure.

The State, as well as other depositors and bill-holders, are protected to the whole amount of the capital stock, and therefore the stockholders look to the directors of their choice for the guardianship of their own rights.

J. HUNTINGTON,
P. FANNING,
JEDEDIAH HUNTINGTON,
Committee.

To J. C. PALMER and F. S. WILDMAN, Esqs.,
Bank Commissioners.

The foregoing is a true copy from record.

Attest:

C. JOHNSON,
Cashier of Norwich Bank.

From this correspondence two questions arise—

1st. Have the commissioners a legal right to interfere in the case in question?

2d. Has a State director a right by law to examine the books, notes, papers, &c.; of the Norwich Bank?

With regard to the first question: By the 12th section of the act passed May, 1837, it appears to be the duty of bank commissioners "to visit and examine, at their discretion, the several banks in this State, at least once in each year, and oftener if they deem it expedient, to inquire whether they have been and are managed and conducted according to law." The answer to the first question is therefore necessarily involved in the answer to the second.

By an act of the legislature, passed in 1833, it is provided "that the Norwich Bank shall at all times be open to subscriptions, at the rate of one hundred dollars for each share, from the school fund of this State; but such shares shall not be transferable, and the moneys so subscribed may be withdrawn, on giving six months' notice to the cashier of said bank: *Provided*, That the shares subscribed by the State shall not exceed one-fifth part of the number held by the other stockholders." In conformity with the above, the commissioner of the school fund subscribed five thousand dollars to the stock of said bank, which still remains a part of the stock.

By an act passed in 1836, section 1st, it is provided "that whenever, from the school fund, or from its general funds, the State shall have subscribed and own stock to the amount of five thousand dollars in any of the banks of this State, the State shall be entitled to one director therein; and whenever the stock so held by the State in any bank shall amount to twenty thousand dollars, the State shall be entitled to two directors therein; which directors shall be annually appointed by the general assembly." Section 2d provides, "that during such time as the State shall hold stock belonging to the school fund in any bank, the commissioner of said fund shall have access to the books and statements, and shall have a right to examine the same for the purpose of determining whether to withdraw the stock belonging to the State therein; and when any stock owned by the State in such bank shall belong to the civil list funds of the State, the treasurer of the State shall have the same right to examine the books and statements of such bank for the purposes aforesaid."

The right to appoint a State director being thus clearly established, it

only remains to settle what rights and powers he may lawfully exercise. That he has the same rights and powers with other directors will not be questioned, as the statute prescribes no limitation. It is not easy to discover why a director on the part of the State, the guardian of its interest, may not exercise as ample powers in a bank where he represents five thousand dollars of its stock, as the commissioner of the school fund or the treasurer of the State may exercise in a bank where but one hundred dollars of stock has been subscribed. That a State director, or any other director, has not a right to examine the books and papers of a bank at pleasure, is a principle which we never expected to hear claimed; and we regret that now, for the first time, by the directors of the Norwich Bank, this doctrine is openly avowed. Carrying out this principle, the cashier is placed out of sight of the directors; every wholesome check upon his conduct is removed; and, although the directors may see the discount journal, the ledger of bank accounts, the statements and discount paper, yet they can know nothing of what other notes are discounted, what accounts are overdrawn, what notes are paid, what amount of bills are in circulation, what amount of specie is on hand, the fidelity of the cashier and clerks; and, in short, they must be entirely ignorant of matters involving the most important interests that are committed to their charge. That a similar practice of trusting every thing to the cashier, or some other officer, has prevailed in certain banks, may be true; but the history of those institutions ought to admonish the people of this State, to frown upon any attempt to establish so dangerous a doctrine within our limits, and to elect such men for directors in the several banks as know their rights and duties; and, knowing, will perform them. That no evil has befallen the Norwich Bank while acting under this principle, only proves that the confidence which the directors have reposed in the cashier has not been misplaced, while defalcations of almost daily occurrence warn them to be watchful, lest their supineness induce upon the servants of the company an irresistible temptation.

Your commissioners are of opinion, that the acts of the directors and cashier of the Norwich Bank, in denying to the State director the right and privilege of a full and free examination of the books, notes, and papers of the institution, are in violation of law, disrespectful to the legislature, and demand the special attention of your honorable body.

It has been discovered, in the course of our examination, that some stockholders have transferred their stock to a friend in a remote town just prior to the 1st of October; and that, in the course of a few weeks thereafter, such stock has been retransferred. The evident intent of such a proceeding being to avoid the payment of taxes, it is recommended that a law be enacted, which shall prevent any resort to this method of evading assessments for the public revenue.

The amount required by the last legislature to be paid into the State treasury by the Mechanics' Bank, on account of services and expenses of bank commissioners, was ascertained and forwarded to the cashier, amounting, with interest, to the sum of two hundred and thirty dollars and six cents, which sum was paid into the treasury prior to the 4th of July last.

It has been intimated to your commissioners that an application would be made to your honorable body to dissolve the relation which at present exists between the Fairfield County Bank and the Branch at Danbury; and, if such application be made, we commend it to your favorable consideration.

Accompanying this report will be found a balance sheet of every bank in the State, with such remarks as may be necessary to explain their condition and standing, together with an abstract of the same.

SAVINGS INSTITUTIONS.

Your commissioners have also examined the several savings institutions, and have been highly gratified to find that most of them have been well conducted, and have sustained little or no loss during the recent season of unexampled pecuniary distress and embarrassment. It is reasonable to suppose that such might have been the case with all, if an equal degree of care, diligence, and caution had been observed by those under whose direction they are controlled. Losses to a considerable amount have been sustained by reason of investing in stocks, post notes, and extraordinary loans without adequate security. There appears to be a disposition on the part of the officers in some of the savings institutions to loan as little as possible on real estate; and it has been noticed that such officers were generally directors or large stockholders in banks of discount in the vicinity; consequently, such a manifestation was not surprising, as directors in banks are apt to be prejudiced against loans based on mortgage security. Your commissioners are of the opinion that the legislature never intended that the funds deposited in an institution for savings should be loaned on mortgage security, where they might at all times be safe and sufficiently available.

The Hartford Savings Society has been conducted more in conformity with the views entertained by your commissioners, than any other institution of the kind in the State; and the exhibit that was made to us by Mr. Langdon, the worthy treasurer, (which office he has held for thirteen years past,) was highly satisfactory, and evinced a degree of skill and assiduity which entitles him and the institution with which he is connected to the public confidence.

[Detailed statement of the condition of the several savings institutions omitted here.]

From a careful examination of the several savings banks, no evidence can be found that any considerable portion of their deposits is made with the view of evading the assessment laws: indeed, there are but few instances where the amount deposited by any individual exceeds or equals \$1,000; and in most cases, where such a fact exists, it represents the funds of an estate in settlement. In all cases not thus situated, if the deposits exceed \$1,000, notice has been given to the depositor to reduce it at least to that sum. The amount of deposits varies from twenty to five hundred dollars; and the instances where the latter sum is exceeded are not numerous. A comparison of the savings banks in Hartford, Middletown, and New Haven, with the similar institutions in Norwich and New London, or with the banks of discount in the State, demonstrates the superiority of real estate security over any other that can be substituted; and as the amount deposited by "laborers, minors, widows, and orphans," in the institutions for savings, has increased to more than a million and a half of dollars, it becomes the duty of the legislature to take such measures as shall guaranty its permanent safety. Your commissioners would therefore recommend the passage of a law providing that loans should, in future, be made on mortgage of real estate only, such estate being of double

the value of the amount loaned; and further providing that no future purchase shall be made of any State, city, bank, insurance, or other stocks, post notes, or bonds. A glance at the statements of the institutions at Norwich and New London will show the propriety and necessity of such enactments; and to the absence of such provisions in their charters, the origin of their losses may be traced—losses for which no satisfactory apology can be made, and which must cast a reflection upon the skill and ability of the officers under whose administration they have occurred.

Your commissioners have examined the affairs of the Housatonic Railroad Company, and find that the amount of notes on demand outstanding on the 13th day of April, 1842, was

That the amount of post notes outstanding at the same date was	\$86,350 00
	173,225 00
Total	259,575 00
Of the circulation there has been redeemed,	60,866 00
	198,709 00
Of which \$53,863 stands pledged for company debts amounting to	42,942 15
	241,651 15
Add interest from October, 1842, to April 18, 1843	12,276 00
Whole amount due for circulation, April 18, 1843	253,927 15

About five thousand dollars of the notes of the company were protested in May last, and notice regularly published by the commissioners. The notes were not paid within twenty days after such notice, nor is it pretended that there was any good and legal defence against their payment, but the commissioners of said company have omitted to make a sale of any of the property pledged in their hands for the security of the same, or to take any measures for their redemption.

It was further found that a mortgage assignment of all the personal estate of said company was executed to sundry individuals as security to them for having executed notes on which money had been raised for the benefit of said company, to the amount of forty thousand dollars, before the failure of the company to redeem its notes; and that said personal estate and the franchise of said company passed into the custody and control of said individuals, and the road of the company was used by them for the purpose of providing funds to meet the payment of their notes to October 1, 1842, when the road and franchise were surrendered to Messrs. Church and Dutton, commissioners, and have since been used on their account. Of the debt of forty thousand dollars, the interest and two thousand five hundred dollars are paid, and thirty-six thousand two hundred dollars of the notes of the company are pledged as additional security. The railroad company has made an effort to obtain further subscriptions from the stockholders to pay its indebtedness, which now amounts to three hundred and seventy two thousand seven hundred and nine dollars; but a portion of the stock being in the hands of persons who are unable to contribute further to the work, this project is abandoned. It is now proposed, and with some prospect of success, to issue notes bearing

seven per cent. interest, to redeem the circulation, under the act of last session. Should the company fail of effecting this arrangement, the road and property of the company must be sold to meet their liabilities. If a sale of the same should be made, in compliance with the provisions of the law authorizing the issue of notes and bills by the company, your commissioners are of opinion that but little (if any) more can be realized than will be sufficient to redeem the said bills and notes now outstanding; consequently, nothing will remain to apply on the capital stock. Whether the honor and interests of the State and justice and good faith to the bill-holders demand the sacrifice, we do not feel called upon to express an opinion. While we regret to say that we were unable to obtain any information in regard to the affairs of the company from Mr. Dutton, the commissioner residing in Bridgeport, the place of the company's banking operations, we take pleasure in stating that every facility was afforded us by the president and treasurer of the company for making a full examination of the affairs and condition of the institution.

The net receipts of the company for the year ending April 16, 1843, were \$40,960 95, a portion of which has been applied to the payment of debts, purchase of cars and engines, and about \$7,000 now remain in the hands of the agent and treasurer.

All which is respectfully submitted.

JOHN C. PALMER,
FRED. S. WILDMAN, } *Bank Commissioners.*

HARTFORD, May 5, 1843.

[Other details, covering between 30 and 40 pages, are omitted.]

REPORT OF THE BANK COMMISSIONERS—MAY, 1844.

To the honorable the General Assembly of the State of Connecticut, to be holden at New Haven on the first Wednesday of May, 1844:

The bank commissioners respectfully submit the following report:

That they have attended to the duties incident to their appointment, and feel themselves warranted in saying that there has been an obvious improvement in the condition of the banking and savings institutions in the State during the past year. Their assets have, for the most part, been cleared of the mass of worthless paper and nearly valueless real estate which accumulated from 1836 onward, by collecting and disposing of what they could and charging over the residue; so that, at the present time, their resources are rated in the statements annexed to this report at a fair cash valuation in almost every case. Where such is not the fact, we have taken care to note at the close of the statement the amount judged to be deficient.

Your commissioners have been pleased to notice a general disposition on the part of the officers who have charge over these institutions to observe and respect the laws relating thereto, and have heard no opinion expressed in favor of any material change therein.

Immediately after the passage of the resolution expressing disapprobation of the course pursued by the directors of the Norwich Bank towards the State director in that institution, by the last general assembly, the

directors yielded the point in controversy; and the State director has from that time enjoyed the privilege of an examination at pleasure.

Under the act of May last, the directors of the Windham County Bank purchased in one hundred and thirty shares of its capital stock, for twelve thousand eight hundred and forty-nine dollars, and credited capital stock with a reduction of thirteen thousand dollars, leaving its capital sixty-two thousand seven hundred dollars. The variation between the amount paid and the par value of the stock (one hundred and fifty dollars) was credited profit and loss amount.

The directors of the Stamford Bank, on the 7th day of July, 1843, reduced the capital of that bank from ninety thousand to sixty thousand dollars, by charging over bonus and losses, and reducing the assets to a fair valuation, in accordance with the act of the last session of the legislature, and has since made two dividends, amounting to about six and a half per cent.

The directors of the Middletown Bank, by virtue of a provision in the act of incorporation, reduced the transferable capital of the bank from three hundred and fifty thousand to three hundred thousand dollars, by paying a dividend of capital of twelve and a half dollars per share to the stockholders, leaving the par value of the stock seventy-five dollars per share. The large amount of capital which this institution was unable to render available, and the permanent interests of the stockholders; in our opinion, justified and even required the reduction.

The directors of the Mechanics' Bank, in conformity with the act of May last, have reduced the capital of the bank from five hundred thousand to three hundred thousand dollars, by crediting capital stock with subscription to Farmington, &c. Canal Company, two hundred thousand dollars. A dividend of six dollars per share on ten per cent. was made in July last, and a dividend of four and one-sixth per cent. in January, 1844; leaving a surplus of nine thousand five hundred and forty dollars. Inasmuch as a portion of the stockholders of this bank regarded as unjust and oppressive the law prohibiting, under a penalty, the directors of banks from making dividends while their capital was impaired, and at last yielded a reluctant assent to the measure for reducing the capital, your commissioners, in justice to the legislature and to themselves, submit a few facts which are developed in the history of this institution.

When the law referred to was enacted, the market value of its stock was from fifty-eight to sixty dollars per share; the annual dividends were about five dollars per share, and the surplus fund was only \$3,849 30. The circumstances that the stock was exempt from taxation; that the bank had a wealthy class of customers, a large amount of deposits, and officers of ability, integrity, and skill, were fully known and appreciated, and undoubtedly exercised their full share of influence on the market.

Since the reduction the stock has rapidly advanced, and at the present time rules as high as seventy-five to seventy-eight dollars per share, having paid more than seven per cent. dividends, and accumulated a surplus of \$9,540 10, showing an advance of at least twenty-five per cent. That this favorable result is clearly attributable to the fact that the capital stock, on full examination, has been reduced to a point at which it is sound and entitled to confidence, does not seem to allow of a question. It may be said that the stock was admitted to be worth sixty dollars the share before the reduction; it was so admitted, but the public had not that evi-

dence of the fact which they now have, nor were they disposed to invest in a stock where the dividends might be required to be applied for years to restoring its impaired capital.

As was predicted in the report submitted to the last general assembly, a great improvement has been made in the Quinebaug Bank. A sale of the railroad stock has been effected at a rate much beyond the estimate in the last report. The stock of the bank taken for debts, being eight hundred and forty shares, has been proportionally distributed to the stockholders at forty-five dollars per share, who have generally received it; and those who have not, are disposed to do so at their earliest convenience. The difficulties and embarrassments which overwhelmed almost every denomination of its assets are for the most part removed or obviated, and a sale of a large portion of its real estate has been made, or is now under contract. The line of discounts has advanced about one hundred thousand dollars, and the circulation has more than doubled in the last year: a rigorous economy has been introduced into its administration; and, under present auspices, the stock sells in the market at fifty-two to fifty three dollars per share.

It has been impossible for the banks of discount to find use for all their means in discounting good paper; and some having the largest capitals have reduced the rate of discount, in a few instances, to five, four, and even three per cent. Investments have also been made in dividend-paying stocks to a considerable extent: still, large balances have accumulated in their favor, in New York city, on a part of which (say one-half) interest of three or four per cent. is allowed, while no allowance for interest is made for the residue. Nevertheless, by diligence and economy they have kept up their customary dividends in most of the banks, from profits accrued, without resorting to the surplus fund, or in any case levying on their capital. The amount of circulation, balances with banks and agents, or brokers in New York city alone, and the amount of bills discounted, have been ascertained with as great precision as possible (omitting fractions) at four periods during the year, and are presented herewith in the following table:

	Circulation.	Due from banks and brokers in New York.	Bills discounted.
August 13, 1843	\$2,712,542	\$1,486,126	\$9,539,246
November 25, 1843	2,875,400	1,221,053	10,060,735
January 27, 1844	2,936,858	1,197,286	10,103,514
April 1, 1844	3,628,569	1,172,344	10,913,205

From which it appears that the banks are in a state of rapid expansion; that their discounts advanced more than three-fourths of a million, and their circulation \$691,711, in the months of February and March last; and each, in all probability, have now reached a higher point than they have attained since March, 1839. It also shows a large amount due from banks and brokers in New York city, which has been gradually decreasing as the circulation and loans have increased. The amount has, in our

opinion; at times within the past year, ranged as high as two millions of dollars, for which the banks have, in most cases, no collateral security, but rely upon the ability and integrity of those who have it in charge. Banks and capitalists in the other New England States, particularly in Massachusetts, Rhode Island, and Vermont, have also large balances there, awaiting the time when the business and prosperity of the country shall call them into requisition.

The great revulsion in every branch of business, and destruction of credit, and the chaotic state into which the mercantile, manufacturing, and mechanical interests were thrown by the recklessness of States, banks, and individuals, for a time deprived capital of its employment, and labor of its reward. In this period of adversity unemployed capital and surplus products accumulated in the great commercial emporium, ready, at the first flowing of the tide of prosperity, to be directed to their appropriate channels. The large amount of capital which had thus accumulated in New York, and for the most of which no interest was allowed, no doubt formed the basis of those discounts which were made by the banks in that city, at the reduced rates of three and four per cent., while these causes combined have had the tendency to advance the price of stocks and commodities, and generate the same spirit of speculation which recently proved so disastrous to the country. From such a state of things we see no way of escape, except that resulting from an extraordinary exercise of prudence, and profiting by a strict observance of the lessons which experience is daily teaching. Wherever the banking system prevails, the ups and downs of trade are inevitable; and although, with a specie currency, the laws of trade reduced to demand and supply would be attended with occasional fluctuations in prices, yet these results would be but the shadow of those produced by ill-advised expansions and contractions in the paper currency. We do not complain of the system, and doubt not that, with a proper amount of capital judiciously managed, the prosperity of the country has been and might still be increased. The evils result from the abuse and too great use of the system; and until the amount of banking capital is greatly reduced and essential reformatations are made in its management, we cannot hope to be relieved from the periodical convulsions in business, which, as they have become more and more frequent, have been more and more distressing. The banks feel the shock as sensibly as any department of business, and perhaps more so; yet when the crisis is past, and confidence is restored, they, for the sake of reimbursing their losses, commence a rapid course of issues and discounts, which terminates in the complete wreck and overthrow of every interest. From the lowest depths of commercial distress and embarrassment the country is now rising: the laws of trade, without aid from government, have obtained the supremacy, and prices are governed chiefly by demand and supply; business is active; mechanics, manufacturers, farmers, seamen, and merchants are employed in their respective pursuits, and capital is again in demand. The facility with which it can be obtained at home, and brought into competition with the most prosperous interests, is vastly more to be feared than any foreign competition, and is more speedy and destructive in the results. This revival in business is the effect of the immutable laws of trade, and not of particular acts of legislation. The exhaustion of the market of the stock of cotton goods which had been accumulating, for years; and the opening of new markets in

South America and the Indies, created a demand for the article; and the staple having declined from the prices of 1839, from 75 to 100 per cent., the manufacturer, alive to his own interest, exerts himself to furnish the supply. Other interests are equally affected by the same or similar causes, and labor is again sure of its reward.

With a sound and steady currency of specie, or paper, the representative of specie, the business interests of the country will be the most prosperous, and those seasons of prosperity of long duration; and in the revulsions that have taken place, it is a fact worthy of remark that the currency has first proved unsound, and given way. That the soundness of the currency is the best and only effectual regulator of the exchanges, the experience of the past seems to have demonstrated. At all points in the United States where the banks pay specie, exchange has never ranged so low as at the present time. While, therefore, the banking institutions are in a sound state, and meet their liabilities with punctuality, the rate of exchange will vary only as the balance of trade changes; and the rise or fall, depending on this circumstance alone, will be so trifling, that it will scarcely be noticed.

Our prosperity, then, depends much, very much, upon the conduct of those who have the management of the moneyed corporations. They cannot be too often cautioned, nor can they be made too sensible of the responsibility which rests upon them. The right of examination into the affairs of banks by the States, if wisely exercised, and the power of the press, if faithfully applied, can do more towards correcting the abuses which have crept into them, and restraining them from falling into the same follies and excesses again, than any fiscal agent of the general government.

The line of discounts and circulation in all the banks in the United States, from which returns have been made, reached a low point in December last; and a statement is annexed, showing the amount of each for the years 1839, 1841, and 1844, on the 1st of January:

	1839.	1841.	1844.
Discounts	\$492,278,015	\$308,543,723	\$207,277,126
Circulation	135,170,995	80,864,821	55,688,792

Here is a contraction equal to about three-fifths in both; and that a rapid expansion is now following, the statements of the banks in different sections of the country, so far as they have come under observation, render certain. The spirit of speculation is again becoming general and pervading; and if not checked, the most disastrous consequences must inevitably ensue. The banks alone have the power of restraint; and no effort should be spared to induce them to exercise it.

These general remarks are submitted, not because they are particularly called for by the action of our own banks, (which we take pleasure in saying cannot suffer by a comparison with the banks in any State in the Union,) but rather as a caution to all, trusting that their application will not be lost sight of in the future conduct and management of our own institutions.

His excellency the governor having suggested, in the speech delivered before the general assembly at its present session, the propriety of transferring the judicial power now vested in the bank commissioners to the courts of judicature, your commissioners would respectfully submit their

opinion upon this measure. The powers conferred upon the commissioners, to which reference is supposed to be had, are contained in the 12th section of the act of 1837, which authorizes the commissioners, on the refusal of the officers to produce the books and papers of the bank, or to answer such interrogatories as may be put, to suspend the operations of such bank until the next session of the general assembly. This power, which was reposed in the commissioners for the years 1837, 1842, and 1843, which still continues, we believe to be essential to effect the purpose of the legislature in constituting this board of supervision. In more than a single instance has it had the operation for which it was designed; and but for this provision, the authority of the commissioners would have been set at defiance in one institution at least in 1842. The public and the stockholders, so far as we are informed, have no apprehension that the power will be abused, or exercised from improper motives; and it is important that the commissioners should be clothed with such powers as will enable them to discharge their duty without being subjected to the expenses and delays always incident to the administration of justice in our courts. We are therefore persuaded that any alteration in this particular is unnecessary and inexpedient.

Your commissioners have prepared a statement of the condition of each bank in the State, showing their resources, liabilities, amount of loans to directors, suspended paper, loss on assets, salaries of officers, rate of dividends, and the amount of losses charged over within the year, which is annexed to this report, together with a general abstract from all the statements accompanying the same. The result shows an increase of circulation in the year of above \$1,200,000, and of resources \$1,500,000. The statements from the Hartford and Phoenix banks are of March 1, 1844, those banks having taken no balance since that period. The liabilities of directors are very much reduced in all of the banks, and the aggregate amount is but trifling when compared with former exhibits. By reference to the statements of the Bridgeport and Connecticut banks, and a comparison with the statements of last year, a great falling off will be noticed in the amount of stock owned or held by directors. Those residing in the city of Bridgeport hold only a nominal amount; the change being attributable to the difficulties and embarrassments growing out of the issue of bonds to aid in the construction of the Housatonic railroad. Two of the banks have forwarded funds to a limited amount to agents in other States, to be there used in discounting notes, in violation of the act of 1837. Upon inquiry on this subject, your commissioners are satisfied that their transactions took place under misapprehension on the part of the directors, who supposed that that act had been repealed, and was not revived by a subsequent statute.

Your commissioners are united in an opinion favorable to the passage of the bill now pending before the legislature for dividing the capital stock of the Fairfield County Bank, but differ as to the propriety and expediency of adopting the proposed amendment.

SAVINGS INSTITUTIONS.

It has been a source of gratification to your commissioners to witness an improvement in the condition of this class of institutions; particularly in those whose reformation seemed most essential. The institution of

examination into their affairs, and the laws of the last legislature, are well calculated to produce beneficial results; and notwithstanding these banks have not been able to make loans agreeable to the requirements of the laws to such an extent as they desired, yet, when we consider the large amount of capital which has remained idle at every point, seeking investment, it is not surprising that they also should have an unusual amount of cash on hand. The times have not been such as to afford a fair test of the propriety and utility of the laws relating to them, and we should not feel justified in submitting any proposition for their alteration. The amount of deposits in the several institutions has increased, although efforts have been made to reduce it in the banks at Hartford and Middletown, and no deposit has been received, except from those who are particularly entitled to participate in the benefits intended to be conferred on particular classes of our citizens by these corporations.

HOUSATONIC RAILROAD COMPANY.

On the 29th of August last, this corporation submitted a proposition to the creditors to surrender the demand notes and post-notes held by them, and to receive in lieu thereof the obligations of the company, payable in seven years from date; with interest at 7 per cent., payable semi-annually, secured by mortgage of the whole estate of the company, and transfer of possession, under the act of 1842.

The amount of notes on demand issued was	\$86,350 00
Amount of post-notes	173,225 00
Interest to November 1, 1844	26,576 37
Total	286,151 37
Of this amount there were in the offices of the company	\$5,500 00
Interest on the same to November 1, 1844	471 50
	5,971 50
Leaving outstanding	280,179 87

The creditors of the company generally acceded to the proposition; and such as did not have received pay for their notes in cash, so far as they have been presented. The arrangement was effected by a subscription on the part of the creditors, of such notes as they held, and such further sums in cash as would enable the commissioners to redeem the notes held by persons unwilling to become parties to the agreement.

The whole amount of subscription was \$283,076 96, and with it there has been redeemed of demand notes	\$82,262
And of post-notes	171,725
Leaving outstanding of demand notes	\$4,088
And of post-notes	1,500
	\$5,588

which have never yet been presented to the commissioners, although ample funds are provided for their redemption. The interest due on the 1st of May inst., on the new paper, has been paid on demand; and there is reasonable ground to expect that future payments will be met with the

same punctuality. It is deemed unnecessary by your commissioners to go into a detail of all the affairs of the company, as it would be but a repetition of what will be submitted by the commissioners appointed to superintend the affairs of the corporation generally.

All of which is respectfully submitted.

JOHN C PALMER,
FREDERICK S. WILDMAN,
RICHARD D. HUBBARD, } *Bank Commissioners.*

NEW HAVEN, May 8, 1844.

[Further details omitted.]

REPORT OF THE BANK COMMISSIONERS—MAY, 1845.

To the honorable General Assembly of the State of Connecticut, now in session in Hartford:

The subscribers, bank commissioners, respectfully report:

That, in performance of the duties imposed upon them by law, they have endeavored thoroughly to understand the actual condition of all the banks and savings institutions in the State. They believe that success has attended their efforts to attain this important object. It is to them a source of sincere gratification to be able to say, that with a single exception, hereinafter mentioned, the officers of the banks have furnished every facility in their power to aid these endeavors. They are not forgetful that when the system of visitation was first introduced into this State, those who had charge of these corporations manifested no little sensitiveness when an examination of their accounts was proposed by those to whom was confided that duty. It was with much reluctance that ledgers, discount, transfer, and other bank books, which had ever been sealed from the inspection of any but the financial officers of the bank, were first unfolded to the view of commissioners.

We are happy to say that those days are past, and a better feeling extensively prevails. The banks now understand that they have nothing to fear from the most rigorous scrutiny, if they have conducted with integrity and kept within the limits prescribed by law.

The public have long felt that bank commissioners exercise a wholesome, conservative influence over the moneyed institutions of the State; and not only the bill-holders and depositors, but the stockholders themselves, derive a benefit from a thorough examination of the banks.

We have personally visited each bank and savings institution in the State at least once during the year, and have looked into all their operations so far as was deemed expedient and necessary. We have seen their general course of business, and ascertained their ability to meet promptly their pecuniary engagements. We have endeavored to ascertain whether there had been any infraction of the laws regulating their action, or of the charters under which they exist. In addition to these personal examinations, there has been required from the cashiers a periodical statement of the affairs of the bank and a balance sheet of their accounts. These have been forwarded to us with commendable punctuality, and in general have been full and satisfactory; and the commissioners, from the evidence they have, can say with entire confidence that all the banks in

this State are in a sound and healthy condition, and the currency is of the first order. And when we take into consideration the almost unexampled embarrassed condition of the monetary concerns of this country, growing out of the great revulsion of 1836-'37, the immense amount of worthless paper put afloat by chimerical speculation, we may well say that our banks have done well to escape that general insolvency that has visited many of these institutions in several of our sister States.

The discounts of the banks of late appear to be made upon paper of good character, nearly all that is offered being of a strictly business kind. Nothing appears to be discounted indicating what was formerly denominated by speculators "kites," such as drafts and notes drawn and re-drawn on points where the maker had no funds, and when they probably never had any idea of meeting the payment when they came to maturity. The loaning large amounts to brokers without adequate security is discontinued. Long and repeated loans on pledges of stock, run and re-run, at the pleasure of the borrower, have vanished. The taking of excessive rates of exchange, as a cover for usury, is abandoned. The banks discontinue to keep, and place as assets, such a mass of suspended and shelf-paper as at one time they were accustomed to do. Such worthless matter has generally been charged over to profit and loss.

It will be seen, from a comparison, that there has been a steady increase of the circulation of our banks, and the line of discounts is considerably extended within the last two years, which shows that business is more active, and consequently a greater demand for money.

When we find our manufacturing and mechanic interests in a prosperous condition, the agricultural interest receives a stimulus, and money becomes more active. Without the division of labor caused by manufacturing, the farmer would receive but small reward for his earnings. Should the present prosperous condition of these interests continue, as it is believed it will if undisturbed by hasty or improvident legislation, the present banking capital of the State will be mostly actively employed in affording facilities for legitimate business transactions, and very little occasion exist for going abroad for investments.

The law limiting loans to directors has in the main proved very salutary, although there are some complaints that the services of efficient and valuable men as directors are lost to some of the banks of small capital, by reason of the present shape of it, and some very serious difficulties and inconveniences arise by reason of that part of the law which prohibits any loan to any "company or corporation of which such director is a member or stockholder." If a director happens to be the owner of a single share of stock in an insurance company, or manufacturing establishment, and has gone up to his line as director, and that company or establishment want money, this director must either resign his seat at the board, or sell his stock, or the company must be put to the inconvenience of going abroad for their accommodation. In some of our cities an insurance company could not get a dollar without going abroad for it; they could not even have a draft discounted. Your commissioners would recommend that that part of the law above referred to be repealed.

We would not be understood as advocating the doctrine of unlimited loans to these officers. Consequences the most disastrous have, in other States, followed loaning large amounts to the officers of the banks. The spirit of speculation is fostered and encouraged; the capital of the bank

is endangered; and in case of a pressure they are relieved, or rather relieve themselves, while others, quite as meritorious, are compelled to suffer. It tends to place the entire business of the country in the hands of a few, to the prejudice of the many, and to destroy all sound principles in trade. It is extremely unfortunate, and indeed injurious, to any community, when the products of labor, and more especially the common necessities of life, are monopolized by a few individuals. Indeed, it can never be for the interest of any community, or any bank, to have a very large amount of their capital in the hands of any one person or company.

It is believed that the banks in this State are free from any imputation of this kind, for we find, on examination, that no director has exceeded the limits by law prescribed, and that the loans are generally small and much distributed, and but few loans abroad. There appears to be a disposition among the officers of the banks to accommodate the people, for whose benefit banks were created, as well as to promote and protect the interest of stockholders.

There will always be suggestions and propositions for improvements, changes, and modifications in the system of banking; and although there may be imperfections, in a greater or less degree, that might possibly be remedied by legislation, yet it is by no means certain that such propositions may not, as has been in other cases, be the means of creating worse defects than those sought to be remedied. It is far better that stability should be given to any system of banking that is in operation, and which operates tolerably well, than, by frequent changes and untried experiments; the public mind should be thrown into doubt and uncertainty as to the problematical operation of any new system of legislative action. Improvement is the object professed, and probably entertained, by those who propose change or innovation in any well-established system. But let it not be forgotten that we have experienced, and are almost daily realizing, that all changes are not improvements, and that changing the manner of doing business from one mode to another is not as well calculated to bring prosperity and success as a steady and persevering pursuit of an object, by those forms by which we have been accustomed to operate. It may be well doubted whether any change could be made in the banking system in this State which would, as a whole, operate more beneficially than the present. It is believed that no experiment that has been tried in any of the States has operated as well as the system early adopted, and steadily pursued; in New England. Indeed, it is believed that no section of the Union, or of the world, has any better system of banking than this. We do not say that it may not be necessary to throw around this system such guards and restraints; and to exercise such legislative supervision over it, as to meet those practices that, through inadvertence or design, grow up and endanger the public or individuals; but no radical change should be made. Our system has been in operation for more than half a century, during which time only two failures have occurred—the Eagle and the Derby banks; while in every other State in the Union there have been numerous failures, with consequences the most disastrous, and these failures have occurred mostly by reason of loans to directors and other financial officers of those institutions.

The law prohibiting directors from declaring dividends, except from the bona fide earnings of the bank which shall remain after charging over to profit and loss all unavailable means, is one that should be strictly ad-

hered to. It could never have been the intention of the legislature or the wish of stockholders that the capital of a bank should be distributed in the form of dividends, thereby impairing the solvency of the institution, and leaving the unsuspecting stockholder penniless when he supposed he had a competency, and the bill-holder to look to a mass of worthless materials for payment, and the honest purchaser without a consideration for his purchase money.

The banks in this State have generally been very careful in this particular; yet there are some three or four that have divided too close. It is much better to have a reasonable surplus on hand, that they may be able to meet ordinary losses, than, for the sake of making large dividends, divide so close as to feel poor.

The defalcation of the cashier of the Stamford Bank, which at the time caused some apprehension that the capital of the bank might be impaired and the public injured, led two of the commissioners to repair to Stamford at once, for the purpose of making an examination as to the extent of the loss, and the condition of the circulation. Fortunately, it was found that the bank would suffer but little, if any, and the bill-holders and depositors nothing. The bank has already realized more than two-thirds of the amount from the sureties of Mr. Hill, and they have the means from which they expect to obtain the balance. It is with regret that the commissioners have occasion to refer to a defalcation by any financial officer in any of our banks; and if directors would discharge the duty they owe to the stockholders by accepting the trust reposed in them, by frequent and careful examination into the accounts of the bank, such instances would not occur.

The commissioners would take the liberty of remarking, that stockholders should always use the greatest caution in the selection of directors; men of high and unblemished integrity; men who feel a strong sense of the responsibility of their station, and the force of both moral and legal obligation, free from embarrassment, and yet of skilful business qualifications. With such men, the interest of stockholders and the public would be very much guarded from improvident practices.

That provision of the law requiring the commissioners to examine the affairs of the Housatonic Railroad Company was adopted, when the company was authorized, and in fact were engaged in issuing paper for circulation. That authority is now taken from them, and the circulation actually redeemed, except an unimportant fraction, (say some \$2,600,) which is still afloat, or lost or destroyed—means for the redemption of which are ready on its presentation. And as there are two special commissioners, whose duty it is to examine and report to the legislature annually, which they have always done in detail, it would seem unnecessary for the interest of the public to subject them to the expense of an examination by the bank commissioners. We would, therefore, recommend a repeal of that part of the law subjecting them to this examination.

The Whaling Bank in New London made a dividend of 7 per cent. on the 1st of January, 1845, for the six months next previous, which caused some excitement, as the bank had hitherto done barely a fair business; indeed no dividend was declared for July, 1842, and but 2 per cent. for the dividend following, say for January 1, 1843, and a fraction over 2 per cent. for the dividend July 1, 1843; leaving them a balance to profit and loss of \$2,190 96. On the 1st January, 1844, another dividend was

made of 2 per cent., leaving to the credit of profit and loss, \$3,709 11. Bank plates and furniture, however, to the amount of \$1,500, not charged over up to this date, but placed as good assets of the bank. On the 1st of July, 1844, the bank had to the credit of profit and loss the old balance, left 1st January, 1844, as noted above, of \$3,709 11. Earning from January 1, 1844, to July 1, 1844, credited to profit and loss, only 4,139 94

	7,849 05
Less bank plates and furniture now charged over	\$1,500 00
Expenses and other charges	872 53
Dividend 3 per cent.	4,603 50
	6,976 03

Net balance to profit and loss, July 1, 1844, only	873 02
To the credit of profit and loss for sundry discounts and earnings, from July 1, 1844, to January, 1845, (which sum is excessive)	11,653 16
	12,526 18

Deduct expenses for six months	\$1,293 22
Dividend 7 per cent.	10,741 50
	12,034 72

Net balance to profit and loss, January 1, 1845	491 46
---	--------

This bank has for some time past been in the habit of buying its own stock; and since March, 1843, they have purchased 800 shares at a discount of say 5 to 8 per cent.; less re-transferred to their own directors, 375 shares. Now, why should the bank be purchasing their own stock of individuals generally, and why purchase of directors? In either case, the taxes are lost to the State and towns; and in the first case it might have an immoral tendency to the seller, though we have not the least idea that the bank meant or intended any deception at the time of their purchasing.

All the earnings up to July 1, 1844, were not credited to profit and loss, as they should have been; and this fact, without scrutiny or further comment, would be apparent, for the earnings from the 1st January, 1844, to July 1, 1844, are credited only \$4,139 94, whereas the credit to profit and loss for the next six months (to January 1, 1845) was \$11,353 16. The directors, supposing the school commissioner would offer funds, brought forward all their earnings and divided them; but yet, why should the bank retain and not carry to credit of profit and loss on the 1st July, 1844, the earnings to that time? (If they had done so, some of the holders of stock would probably not have sold.) That they did not credit the whole earning to that time is certain, and we mention some of the items, viz:

Dividends on 496 shares of their own stock, due January 1, 1844	\$248 00
Dividends on 506 shares, July 1, 1844	379 50
Six months' interest to 30th June, from their agent in New York	269 25

Exchange due from their brokers for redemption to 30th June	\$108 00
Three months' interest on New York State stock	350 00
Interest due from the Bank of the State of New York for six months, to June 20, 1844	1,184 06
Interest on stock notes and other notes, over due, prior to July 1, 1844—say	500 00
	3,038 51

Although they purchased their own stock, to a considerable extent, during the year 1844, and at various discounts, still they receive another dividend of seven per cent. on the 1st January, 1845, for the six months next previous, amounting to	\$773 50
And, after this, the stock is placed on the books of the bank at par, the profits of which amount to	573 74
	1,347 24

There are various small items to the credit of profit and loss between the date of July and December, 1844, which are not noticed, as sufficient has been said to explain and account for making seven per cent. dividend for the six months ending January 1, 1845.

Perhaps we ought, in justice to the book-keeper, to say, that the reason which induced him not to bring forward some of these items of earnings which had accrued previous to July, 1844, and before referred to, was, that they had found sufficient to warrant them in making a three per cent. dividend.

The great amount of stock of the bank, transferred and retransferred time and again by the directors of this bank, is, in our opinion, clearly reprehensible. Stockholders cannot now, by law, hypothecate their stock for money borrowed of the bank; and if they could, the taxes would not be avoided.

Several of the directors of this bank have transferred their stock to persons in other towns in this State, without the place of residence of the apparent owner appearing on the transfer books. By statute passed in 1843, it is the duty of cashiers to give notice to the assessors of the towns where stock is liable to be taxed of the amount of such stock, so far as the owner or owners of such stock is known to such cashier, upon the penalty of fifty dollars. But if the residence of the apparent owner does not appear on the transfer book, how shall he give notice? In one instance, a director transferred 100 shares of his stock to a person in a neighboring town—more than nine years since—which stock was not retransferred until after the 1st of October, 1844, and escaped taxation. Another case of 97 shares was transferred 27th September, and retransferred after 1st of October, 1844. Another director transferred September 11, 1843, 142 shares to the bank, and had it retransferred to him after the 1st of October, 1844. Another director transferred to the bank 45 shares, July 14, 1843, which was retransferred to him after October, 1844. One director transferred August 12, 1842, 190 shares to a person in a town north of New Haven, which stock has ever since remained untaxed. Another director transferred to his friend, just out of the town limits of New Lon-

don, fifty shares September 6, 1836, and we question whether any tax has ever been imposed on the same. A director transferred to his friend out of town September 19, 1843, 100 shares, which has also escaped taxation.

Such a course of procedure we have not found in any other bank in this State; and we deeply lament that it should ever occur, conducted as banks ever should be, by high minded and honorable directors.

The cashier of this bank, during the month of April last, forbid one of the commissioners examining the books. But afterwards the directors ordered to the contrary, and the books were freely shown. Prior to this refusal of the cashier, enough had been discovered to satisfy the commissioner that all was not correct, and the directors were perhaps apprized that it was too late to withhold any further examination that might be legally demanded.

The taxes in the town of New London, for a few years past, have been unusually large, owing to the building of several school-houses in the different districts of the town, amounting to fifteen and twenty cents on the dollar in each district, exclusive of the State, town, and highway taxes. It was quite a saving to persons owning stock in this town to transfer it to their friends residing in neighboring towns, even if it was taxed there; but directors owning stock in this bank go farther, and place the same where the taxes are wholly avoided.

It is not for us to express an opinion of the motives which dictated transactions of the character here stated. That we leave for those whose servants we are. We would say, however, that assurances have been given by a deputation from the bank that the wrong shall be corrected, and a recurrence of such practices hereafter avoided.

SAVINGS BANKS.

These useful institutions are managed with commendable skill and prudence. They have become, as will appear in the following statements, the depositories of a large amount of funds; and, from the character of the persons mostly interested in their prosperity, they have peculiar claims to the fostering care of the legislature. By the act of 1843 relating to "savings banks and savings societies," it is provided, among other things, "that no loans of the moneys or funds of any savings bank or savings society be hereafter made, unless the same be secured by mortgage of real estate in this State unincumbered, equal in value to double the amount of the loan secured thereon, except to an amount not exceeding in the whole ten per cent. of the amount actually on deposit in such savings bank or savings society, for the time being."

Most of these institutions complain of this provision of the law, and, as we are informed, have preferred petitions to the present legislature for its modification or repeal; and one society has been obliged to ask for a surrender of its charter and a return of its deposits in consequence, as they allege, of this prohibitory clause. We do not propose here to discuss the question of the comparative value of the two kinds of securities, real and personal. Our banks of discount avoid the former, and make their loans entirely on personal security. The only loss which we have ascertained as having occurred in any of these institutions, since our official acquaintance with them, is one of \$1,200 in the Norwich Savings Bank, and that

on real estate security. In all cases of loans of this character titles are to be examined, incumbrances ascertained, insurance effected, the value of the property to be fixed—contingencies, all of which are attended with risks.

We would by no means recommend a repeal of the law in question; but we think an alteration of the same to the extent of an increase of the present limit to twenty-five per cent. on personal security would conduce to the interest of these institutions.

* * * * *

All which is respectfully submitted.

EZRA CHAPPELL,

WILLIAM MATHER, JR.,

NELSON BREWSTER,

} Bank Commissioners.

HARTFORD, May 14, 1845.

REPORT OF THE BANK COMMISSIONERS—MAY, 1846.

To the honorable General Assembly of the State of Connecticut, now in session in New Haven:

The subscribers, bank commissioners, respectfully report:

That soon after our appointment last year, we addressed circulars to all the banks and savings institutions in the State, requiring of them frequent statements, from the officers of the banks, of their condition; in addition to which, we have made a personal examination of each bank and savings institution at least once during the year.

We can cheerfully say that all the officers of these institutions have made full and very satisfactory answers to all inquiries we have made, and have forwarded their balance sheets with commendable punctuality; and we have the satisfaction of believing that the banks in this State are in a sound and safe condition, and the public need have no apprehension of their ability to meet all demands that can be rightfully made upon them. In most cases the officers of the banks have manifested a very laudable ambition to strictly adhere to all existing laws in the management of the institutions under their charge, as well as to accommodate the public for whose benefit they were created. There are very few, if any cases, in which a single individual or company have been permitted to obtain a very large amount of indebtedness, thereby hazarding the safety of the bank, and monopolizing any particular branch of business.

The past has been a very prosperous year with all the banks in the State, for the reason that the agricultural, manufacturing, and mechanic interests of the country have been in successful and active operation; and could the present state of things remain, without being disturbed by any legislative innovation, we might reasonably hope and expect that our present prosperity would continue. It will be seen by a comparison with former years that the banks are considerably extended—more so than at any former period; at the same time, it should be remarked that the business of the country is much greater than formerly; consequently, more money is wanted to carry it on; and there has been no increase of banking capital in the State since 1836. It will also be observed that the circulation

of the banks, in the aggregate, is larger than at any former period; yet it does not reach the amount allowed by law.

The whole amount of banking capital in the State is \$8,475,630, and they are allowed by their charters to circulate once and a half the amount of their capital stock and deposits; so that it will be seen that \$12,713,445 would be their legal limit, besides that which they are entitled to have on their deposits.

Their circulation, according to the returns hereunto annexed, is only \$4,564,947; being a very little more than one-third the amount they are entitled to, saying nothing of their deposits.

It is believed to be impossible for the banks, so long as the system of frequent redemption at the Suffolk Bank is continued, to sustain as large a circulation as they are legally entitled to, unless it is those of small capital.

This system of redemption your commissioners believe to be a very salutary one for the banks and the people. It serves as a check upon excessive issues; and so long as the banks promptly meet their redemptions at that point, their bills will not be liable to be discredited.

From the time we first received our appointment in 1844, to the present, we have urged upon the banks the importance, while they were in easy circumstances and in prosperity, of preparing to fortify themselves against any revulsion that might, by the operation of trade or any other cause, be brought upon them; and we can say that most of them have manifested a desire to comply with this request; and by a reference to the report of last year, it will be seen that their surplus fund has been increased, and also their specie on hand has been considerably increased; although we think that some of the banks are still deficient in this very important item.

We have deemed this course important for many reasons; not only that they might be prepared to meet any ordinary revulsion that might come upon them, but that they may be able to continue dividends. For it is a fact, that a large proportion of the stockholders in our banks are old people, widows, and minors, who depend mainly for the means of their support upon the earnings of these institutions; and to be deprived of them would be productive of much distress, as well as embarrassing to the business part of community.

The banks which last year were the subject of special notice by your commissioners, and the general assembly have reformed the matter of complaint, and it is believed that their affairs are managed with commendable fidelity to the public as well as the stockholders of the institutions.

It will be seen, by a reference to the balance sheets hereunto annexed, that the amount of real estate, suspended paper, and other unavailable means, compared with former years, is very much reduced, which is very gratifying to us; yet we should be still more highly gratified to see that no bank had any other real estate in their assets than their banking-houses: many of them have no other.

The Bridgeport Bank and the Danbury Bank have done admirably well in making so great a reduction in their list of real estate. We think that all those banks that now have this kind of property on hand should, as soon as a fair price can be obtained, dispose of it. The loss of interest is, in all probability, greater than the probable rise in value of the property.

The practice which formerly existed with many of the banks in this

State, of keeping a large amount of their funds in the hands of brokers, has very generally been discontinued; and very properly so, in our judgment. The losses which they suffered from this course of doing business were very large.

The office of bank commissioner has been abolished in many, if not all the States, soon after a brief trial of such a supervision as is usually exercised by these officers. We cannot believe that any other system that has come to our knowledge as having been tried, has proved to be an improvement upon ours. The course adopted in the State of New York, of requiring all the banks in the State to make a report of their condition on a given day, cannot very well be otherwise than injurious to the business part of the community. They will of course prepare themselves for the occasion, by reducing their loans and discounts, so as to make a satisfactory report; and it is almost uniformly the case that complaints are made, and not without reason, that good paper brings a high rate of interest just before quarter day, and immediately thereafter money is plenty. There is not a State in the Union, that we know of, in which the banks have so many guards thrown around them as in Connecticut. In the first place, the stockholders who own the bank appoint their own agents, and the State in all cases where they own stock appoint one or more State directors, and the commissioner of the school fund is authorized by law to examine each bank in which that fund has any stock; and the stockholders have a right to appoint a committee of examination at such time as they choose, and the legislature have constituted a board of general supervision of all the banks, through bank commissioners, clothed with ample powers. Still, it is claimed by some that further and more stringent legislation is required for the regulation of banks, while other institutions which have a larger capital than any one bank in the State, and are peculiarly the objects of special interest to present and future generations, are safe with the general supervision of one man. We think no further legislation for the regulation of banks is requisite, with the exception, perhaps, of an alteration of the law limiting loans to directors. Whether more than two commissioners are necessary for this State, is for the legislature to determine.

We last year called the attention of the general assembly to the law limiting loans to directors and corporations, and a partial alteration was made. We are still of the opinion that no good, but, on the contrary, much inconvenience, arises from that part of the law which prohibits a corporation from obtaining a discount of even a draft, when a member of such corporation is a director in a bank, and has already gone to his individual limit as a director. We would again recommend a repeal of that part of the law.

The several savings institutions in the State, we are pleased to say, are managed with very great fidelity to the interest of those for whose benefit they were created. They have become the depositories of a very large amount of money. So far as we can learn, the managers of these very valuable institutions intend that the benefit to be derived from them shall be confined exclusively to the poor and laboring classes. We have made a very careful examination of their assets, comparing every note with the account rendered, and we find the securities, so far as we are able to learn, to be ample, and the interest very promptly paid. In the New

Haven Bank, which we visited in January last, we found all the interest due the first of that month to have been paid.

These institutions have been established in many parts of the world, and for the purpose of enabling those persons who accumulate money very gradually, and by their own personal efforts, to have some place where it can not only be safe, but may increase. Without these institutions, or something of the kind, this class of persons would be compelled to keep their little earnings by them, subject to all the dangers of depreciation or loss. When once a person begins to get a deposit, the desire to increase it is usually so great that his earnings accumulate very rapidly; more so, probably, than in any other way. A few dollars will be placed in these institutions, which, were it not for them, would be expended for that which could be dispensed with. We consider them not only safe depositories, when judiciously managed, for the small surplus earnings of the industrious and laboring classes, but also strong incentives to economy, and highly beneficial to society.

All which is respectfully submitted.

E. CHAPPELL,
WILLIAM MATHER, JR.,
NELSON BREWSTER,
Bank Commissioners.

NEW HAVEN, May 14, 1846.

Abstract of the condition of the several banks in Connecticut, for the month of April, 1846.

487

LIABILITIES.

	Hartford.	Phoenix.	Exchange.	Farmers and Mechanics'.	Connecticut River Banking Compy.	New Haven County.
Capital stock	\$1, 118, 000 00	\$1, 232, 600 00	\$524, 880 00	\$531, 700 00	\$250, 000 00	\$502, 550 00
Circulation	439, 072 00	556, 464 00	247, 827 00	302, 912 00	94, 997 00	209, 818 00
Due banks	53, 231 81	60, 373 01	16, 154 53	29, 318 08	740 54	1, 316 24
Deposites	235, 947 63	223, 702 21	67, 857 43	199, 385 31	55, 318 55	77, 936 41
Dividends unpaid	2, 789 91	51, 215 96	891 60	1, 007 75	1, 405 50	2, 508 96
Surplus fund	97, 919 74	74, 243 46	20, 030 27	26, 275 63	3, 896 62	12, 000 00
Earnings since last dividend	27, 496 12	-	10, 329 98	20, 622 59	5, 881 16	11, 620 61
Total	1, 974, 517 27	2, 198, 598 64	887, 970 81	1, 111, 221 36	412, 149 37	817, 750 22

RESOURCES.

	Hartford.	Phoenix.	Exchange.	Farmers and Mechanics'.	Connecticut River Banking Compy.	New Haven County.
Real estate	\$15, 000 00	\$38, 718 79	\$11, 939 74	\$13, 500 00	\$7, 000 00	\$8, 000 00
Bills and checks of other banks	31, 605 50	17, 800 10	6, 025 89	10, 092 24	5, 949 50	14, 410 25
Due from banks	36, 725 11	125, 971 77	30, 266 48	44, 331 54	23, 627 95	12, 758 64
Due from brokers and agents	3, 233 25	54, 248 23	4, 338 40	1, 871 31	15, 314 42	56, 235 49
Specie	71, 450 53	38, 948 01	11, 725 34	44, 038 40	11, 343 76	13, 845 20
Stocks and bonds	2, 726 23	-	-	46, 156 25	33, 000 00	10, 000 00
Personal estate	-	-	-	-	-	-
Expense account	-	-	-	-	-	-
Bills discounted	1, 813, 775 65	1, 922, 911 74	823, 674 96	951, 231 62	315, 913 74	702, 500 64
Total	1, 974, 517 27	2, 198, 598 64	887, 970 81	1, 111, 221 36	412, 149 37	817, 750 22

LIABILITIES.

	Mechanics'.	City.	New Haven.	Meriden.	Middletown.	Middlesex County.
Capital stock	\$300,000 00	\$500,000 00	\$364,800 00	\$150,000 00	\$369,300 00	\$220,800 00
Circulation	165,706 00	251,103 00	197,319 00	72,191 00	99,743 00	75,605 00
Due banks	14,132 92	24,879 41	2,835 03	7,008 87	7,605 54	11,802 65
Deposites	130,544 45	84,949 41	72,267 91	6,706 86	43,973 62	34,731 46
Dividends unpaid	810 00	1,258 00	1,404 00	261 00	1,348 84	732 00
Surplus fund	14,243 19	13,000 00	5,640 22	2,743 27	25,268 89	8,509 75
Earnings since last dividend	7,613 47	8,388 75	7,154 40	4,597 55	5,944 16	5,140 18
Total	633,050 03	883,578 57	651,420 56	243,508 55	553,359 05	357,321 04

RESOURCES.

Real estate	\$9,000 00	\$64,302 41	\$7,515 00	\$14,480 00	\$5,600 00	\$6,910 48
Bills and checks of other banks	6,504 90	3,729 67	19,087 00	1,441 69	1,031 41	5,066 00
Due from banks	93,821 39	57,184 55	16,198 92	26,229 00	8,078 42	8,583 73
Due from brokers and agents	-	35,344 25	68,169 10	-	18,205 38	18,328 29
Specie	21,098 53	54,375 29	24,640 00	5,010 97	23,212 16	5,551 11
Stocks and bonds	-	-	-	2,200 00	33,000 00	-
Personal estate	-	-	-	-	-	268 18
Expense account	-	1,188 46	-	-	-	-
Bills discounted	592,625 21	647,453 94	515,810 54	194,146 89	464,231 68	312,613 25
Total	633,050 03	883,578 57	651,420 56	243,508 55	553,359 05	357,321 04

Doc. No. 226.

LIABILITIES.

	Bridgeport.	Connecticut.	Fairfield County.	Danbury.	Stamford.	Norwich.
Capital stock	\$210,000 00	\$269,700 00	\$88,650 00	\$88,650 00	\$60,000 00	\$210,000 00
Circulation	271,530 00	191,300 00	159,131 00	145,289 00	89,918 00	81,469 00
Due banks	905 69	11,361 63	11,901 96	10,340 70	395 57	25,059 82
Deposites	96,806 40	70,991 32	36,338 59	11,998 62	17,442 78	55,769 77
Dividends unpaid	999 50	1,050 77	205 20	348 00	784 00	1,021 38
Surplus fund	8,618 20	12,830 68	5,051 09	2,891 84	4,522 20	8,047 22
Earnings since last dividend	7,316 84	5,377 50	3,233 12	3,563 30	597 97	3,827 83
Total	596,176 62	562,611 90	304,510 96	263,081 46	173,660 52	385,195 02

RESOURCES.

Real estate	\$10,500 00	\$35,087 71	\$12,655 37	\$15,030 14	\$6,383 03	\$5,883 88
Bills and checks of other banks	14,909 33	16,618 88	11,186 16	7,656 00	4,766 00	16,629 00
Due from banks	183,308 45	63,527 12	38,677 83	33,569 85	12,358 33	4,927 17
Due from brokers and agents	-	35,924 78	-	8,500 00	20,070 11	-
Specie	16,325 15	21,899 82	20,743 77	6,635 57	5,104 13	9,492 06
Stocks and bonds	20,750 00	50,400 26	510 00	9,510 00	5,281 93	39,232 33
Personal estate	-	-	-	-	-	-
Expense account	1,053 42	-	-	-	-	-
Bills discounted	349,330 27	339,153 33	220,737 83	162,179 90	119,696 77	309,036 64
Total	596,176 62	562,611 90	304,510 96	263,081 46	173,660 52	385,195 02

Doc. No. 226.

Abstract of the condition of the several banks in Connecticut, for the month of April, 1846—Continued.

LIABILITIES.

	Quinebaug.	Merchants'.	Thames.	Union.	Whaling.	New London.
Capital stock	\$250,000 00	\$126,274 00	\$209,500 00	\$100,000 00	\$163,450 00	\$150,875 00
Circulation	108,314 00	67,970 00	91,578 00	70,570 00	48,380 00	41,623 00
Due banks	41,296 02	1,464 77	6,638 83	1,301 97	2,426 52	171 34
Deposits	39,227 54	38,910 16	23,815 76	31,680 67	15,964 57	9,928 00
Dividends unpaid	718 50	696 80	603 50	159 50	226 50	474 00
Surplus fund	19,802 08	3,881 49	3,251 64	11,000 00	3,064 87	3,723 00
Earnings since last dividend	9,441 15	1,270 96	1,570 00	2,052 28	2,583 79	2,513 47
Total	468,799 29	240,468 18	336,957 76	216,764 42	236,096 25	209,307 81

RESOURCES.

Real estate	\$23,761 58	\$14,949 30	\$19,607 53	\$2,500 00	-	\$4,000 00
Bills and checks of other banks	15,121 24	7,146 00	6,525 87	9,208 00	\$4,336 58	3,030 00
Due from banks	3,956 36	11,427 55	6,659 48	36,544 57	17,841 57	14,708 06
Due from brokers and agents	-	-	-	-	12,381 91	-
Specie	6,548 98	6,635 00	4,766 26	7,187 98	3,750 00	4,105 04
Stocks and bonds	2,324 35	-	-	-	31,050 00	-
Personal estate	-	-	-	-	-	7 68
Expense account	374 98	-	-	-	-	-
Bills discounted	416,711 80	200,250 33	299,368 62	161,323 87	166,736 00	183,457 03
Total	468,799 29	240,468 18	336,957 76	216,764 42	236,096 25	209,307 81

LIABILITIES.

	Stonington.	Mystic.	Thompson.	Jewett City.	Windham.	Windham County.	Tolland County.	East Haddam.
Capital stock	\$58,950 00	\$51,700 00	\$60,000 00	\$44,000 00	\$59,471 00	\$62,700 00	\$80,000 00	\$66,080 00
Circulation	46,864 00	41,963 00	72,055 00	44,617 00	51,070 00	85,300 00	81,372 00	62,396 00
Due banks	1,169 40	299 12	-	3,215 94	1,137 49	-	10,474 85	3,108 89
Deposits	17,005 84	15,416 57	3,669 61	8,262 12	11,193 13	15,665 00	40,278 22	21,337 13
Dividends unpaid	892 50	311 50	2,198 70	224 00	591 51	73 50	115 50	923 50
Surplus fund	7,277 25	8,038 93	1,810 12	4,631 00	1,944 51	1,045 97	8,329 00	4,232 80
Earnings since last dividend	2,315 30	580 37	-	560 19	477 96	2,717 33	3,527 45	1,019 42
Total	134,474 29	118,309 49	139,732 83	105,510 25	125,885 60	167,502 08	224,097 31	159,097 74

RESOURCES.

Real estate	\$1,950 00	\$600 00	\$1,600 00	\$4,300 00	\$1,553 00	\$1,861 59	\$2,766 89	\$1,670 62
Bills and checks of other banks	12,515 00	921 94	4,321 00	2,859 00	2,285 00	10,000 00	2,314 50	1,217 70
Due from banks	11,282 38	8,277 84	24,256 99	-	8,577 70	53,085 75	18,539 95	8,161 98
Due from brokers and agents	14 85	-	-	-	-	-	-	5,486 44
Specie	4,334 61	2,898 30	3,245 97	1,665 80	5,284 54	8,601 38	11,822 50	300 00
Stocks and bonds	-	2,000 00	20,768 75	6,000 00	-	-	-	-
Personal estate	-	-	-	-	-	-	-	-
Expense account	274 13	-	-	-	-	-	-	-
Bills discounted	104,103 18	103,611 41	85,540 12	90,685 36	108,185 36	93,953 36	188,653 47	142,261 00
Total	134,474 29	118,309 49	139,732 83	105,510 25	125,885 60	167,502 08	224,097 31	159,097 74

Synopsis of returns of banks of Connecticut from March, 1841, to May, 1846, inclusive.

	Number of banks, 31—branches, 3.	Number of banks, 32—branches, 2.	Number of banks, 32.			
	March, 1841.	March, 1842.	March, 1843.	March, 1844.	March, 1845.	May, 1846.
Capital	\$8,826,982	\$8,876,317	\$8,580,393	\$8,292,238	\$8,359,748	\$8,409,544
Loans and discounts	10,944,675	10,683,413	9,798,392	10,842,955	12,315,387	13,031,865
Stocks	565,025	718,860	837,974	656,466	381,859	250,124
Real estate	330,011	368,849	402,419	448,150	403,603	366,956
Other investments	160,149	443,548	292,428	441,975	399,932	268
Due by other banks	1,192,403	635,693	948,380	1,360,905	1,041,717	1,416,893
Notes of other banks	171,258	206,728	179,274	257,561	264,405	276,758
Specie	454,298	471,238	438,752	455,430	454,508	481,832
Circulation	2,784,721	2,555,638	2,379,947	3,490,963	4,102,444	4,565,466
Deposites	1,182,583	1,062,725	1,061,944	1,847,447	1,969,801	1,893,273
Due to other banks	364,819	337,656	216,601	347,939	317,392	362,128
Other liabilities	96,275	89,563	70,414			

NEW YORK.

REPORT OF THE BANK COMMISSIONERS IN 1842.

To the Legislature of the State of New York:

The bank commissioners, pursuant to law, respectfully submit the following annual report:

Although the past year has been distinguished beyond all former example, by the failure of a large number of our banking institutions, yet during this period the general business of the country has been prosperous. The banks of the State, for the most part, have been well managed; and it is believed that they are now, with few exceptions, so far at least as it respects their chartered institutions, in as sound and healthy condition as at any time since their respective establishment.

The causes which have conduced to the solvency of the several banks under the safety-fund law had their origin in times long anterior to the present year; and it is now well understood that these causes have been coeval with the original organization of some of the institutions in question.

The law required not only that all the capital should be actually paid in before the bank could commence its operations, but it also prohibited the discounting of any paper in payment of stock, or with intent of providing the means of making such payment, or for the purpose of enabling the stockholder to withdraw any part of the money paid in by him on his stock.

A fair compliance with these provisions on the part of all the stockholders would have prevented the establishment of any banking corporation, unless the capital stock had been fully paid in the first instance, and to remain as a *bona fide* and permanent investment in the business of banking.

There is, however, great reason to believe that some of the safety-fund banks which have failed during the last year commenced their operations by a fraudulent evasion of the restriction in regard to the withdrawal of any part of the capital; and that such capital, although nominally paid, was, in part at least, borrowed on short loans for this particular purpose, and repaid by discounts from the new bank.

Such discounts, whenever made, would of necessity produce a diminution of the capital to the amount thus abstracted; thereby immediately lessening the ability of the institution to sustain itself in those movements which, by the amount of its nominal capital, it might be authorized to make, and placing it at the very commencement of its existence in a false and embarrassed position.

In cases where the capital of a bank has been thus materially impaired by the substitution of stock notes, either on its first organization, or at any subsequent period, it will be found to have been usually effected by a combination of individuals in doubtful or embarrassed circumstances, desirous of borrowing instead of lending capital, and who sought by this artifice the control and direction of the bank, to subserve their own pri-