

State of the Planters' Bank of Tennessee and branches.

ASSETS.	
To notes discounted	\$1,241,094 01
Domestic bills	723,447 27
Real estate	228,749 60
Suspended debt	325,476 13
Bonds of Tennessee	98,750 00
Planters' Bank stock	397,900 00
Union Bank stock	26,700 00
Tennessee Insurance Company	5,400 00
Due from banks	612,194 16
Profit and loss	127,836 13
Cash, viz:	
Notes of other banks	\$81,727 00
Gold and silver	482,932 39
	<u>564,659 39</u>
	<u>4,352,206 69</u>

LIABILITIES.	
By capital stock	\$2,248,300 00
Office balances	43,711 85
Due to banks	29,797 91
Unclaimed dividends	3,662 00
Individual depositors	464,191 33
Circulation	1,517,544 00
	<u>4,352,206 69</u>

N. HOBSON, Cashier.

NASHVILLE, June 30, 1846:

Date	Particulars	Dr.	Cr.
December 1845	Balance		
January 1846	Interest		
February 1846	Interest		
March 1846	Interest		
April 1846	Interest		
May 1846	Interest		
June 1846	Interest		

487

1841-1846
v. 790

KENTUCKY:

Report of the Joint Committee on Banks—December, 1840.

The joint committee on banks, in discharge of the duties intrusted to them, visited in person the Bank of Kentucky, the Northern Bank of Kentucky, the branches of those institutions, located in the cities of Louisville and Lexington, and also the Bank of Louisville; they also made out and forwarded to these institutions written interrogatories, requesting answers thereto, both from the principal banks and branches, verified by the oath of the officers, in pursuance of the laws now in force; they also made out and forwarded written interrogatories to the Louisville Savings Institution, the Louisville Gas & Water Company, and the Mechanics' Savings Institution, in the city of Louisville, and visited them in person. They have received written responses to their interrogatories from all, properly verified, and now lay the same before the legislature. They have carefully examined this mass of information, voluminous as it is, and now beg leave to present to the legislature a brief synopsis of the same:

The aggregate amount of notes discounted by the three banks that are banks of issue	\$5,416,891
The aggregate amount of bills of exchange that have been discounted by the same	3,747,303
The aggregate amount of specie on hand by the same	1,306,805
The aggregate amount of notes in circulation	4,453,559
Of this aggregate the Bank of Kentucky and branches have—	
Of notes discounted	3,022,642
Of bills of exchange discounted	1,954,006
Of gold and silver on hand	539,901
Of notes in circulation	2,253,440
The Northern Bank of Kentucky and branches have—	
Of notes discounted	1,514,294
Of bills of exchange discounted	1,423,808
Of gold and silver on hand	633,449
Of notes in circulation	1,795,058
The Bank of Louisville has—	
Of notes discounted	879,955
Of bills of exchange discounted	369,489
Of gold and silver on hand	133,455
Of notes in circulation	405,061

Your committee would state that a large portion of the bills of exchange purchased by the banks are drawn upon and payable in the southern cities, to wit: in New Orleans, Charleston, Columbia, and Richmond; and will mature within the next sixty and ninety days; and, unless great and unexpected difficulties should arise to the prompt liquidation of those bills, or the successful investment of their proceeds in eastern exchange; or in gold or silver, the banks will be possessed of the means to meet all their liabilities, and to redeem their entire circulation, should such a course be

deemed of public utility; or rendered necessary by the force of circumstances. These bills, the committee believe, are founded upon real transactions, and represent actual exportations of the produce of the country, and are well secured by personal security resident in the State. The purchase of bills of exchange upon favorable points to be converted into gold or silver, or eastern exchange, with which to replenish their vaults or retire their circulation, while it is legitimately the business of the banks, tends to strengthen themselves and greatly advances the producing interest in the community, by enabling the citizen to export his surplus to market; yet your committee cannot refrain from pointing the legislature to the fact, that to the bill line must the banks look for the means to redeem their circulation, and reminding them that the fluctuations of trade, the reduction of prices, and other causes over which the banks can have no control, may very materially lessen their anticipated available means from this source.

They admit, that by a heavy reduction upon the discount line the circulation of the banks might be absorbed, until specie payments might be maintained upon the amount of metal now in their vaults; but this cause, your committee are induced to believe, would result in much more of evil than consequent good. In evil, because of the great pressure it would produce, and consequent depression of prices, not only in the reality but also in the great staples of the country. In no commensurate good, because exchange upon those points where the balance of trade is against us is but little above the usual rates in ordinary times, and but little above the cost of transportation and insurance upon the precious metals. It is at New Orleans; principally, we sell our surplus, and with her the balance of trade is in our favor; and it is principally from Philadelphia we import many of the necessaries and most of the luxuries of life, and with her the balance of trade is against us. The responses of the various banks show us that with the former, exchange is in our favor from one to two per cent.; with the latter, exchange is against us from one and a half to two and a half per cent.

Whilst the committee would respectfully suggest that the legislature should permit the banks to rely upon their legitimate sources to replenish their vaults and strengthen their specie basis, they would at the same time remind them that there is no interest in the community that would be thereby unnecessarily burdened, or that would call upon them for the adoption of measures that might produce any sudden pressure, and consequent reduction in value of the property of the country.

An examination of the monthly balance sheets of the banks must convince every unprejudiced mind that they are solvent and that their circulation is safe in the hands of the holders, and that their stock would realize and be worth par to the owner, were they to be put in liquidation immediately, provided the views of the directory are correct as to the Lewis fraud. On this subject the committee have nothing to report, more than is contained in the circular of the Bank of Kentucky, dated October 20, 1840, which is herewith reported to the legislature.

But your committee would conceive that they had but partially performed the duties intrusted to their charge, were they to stop after having inquired into and ascertained the situation of the banks; their solvency; and ability to meet their engagements: so much has relation to the banks themselves, and the stockholders interested in their prosperity:

The action that those banks have in the community in which they are located, the manner in which the different portions of the community are affected by them, the committee believe it to be their legitimate province to inquire; not as affecting the interests of the banks themselves, their solvency, or their prosperity, but as affecting the different interests of the community in which they are situated.

The committee have given their unqualified assent to the successful efforts the banks have made to convert their business paper into bills of exchange, payable at points abroad, where the surplus produce of the State is sold, and where those points are favorable to the procurement of eastern exchange or gold and silver, with which to replenish their vaults. To such a direction of the business of the banks they will ever give their cordial assent, so far as it may be necessary, to aid in the export of our surplus, or to enable the banks to provide the means to redeem their circulation; yet they fully concur in the sentiment expressed by a former committee of this legislature, "that, as a general principle, the business of the banks ought not to be forced into the bill line, and that any constraint on the part of those institutions to force the business of their customers into that channel would be an infraction of their charters, and violation of the duties they owe to the public." (See journal of 1838-'39, p. 322.) To force the business of the banks into the bill line, payable within the State, where no hope is entertained of procuring eastern exchange or gold or silver, to strengthen the institutions, and where it does not aid the producer or manufacturer in exporting the surplus of the country, is fraught with evil, in the minds of the committee, greatly to be deprecated.

The committee have seen, with any thing but an eye of favor, the large amount of those inland or domestic bills of exchange discounted by the banks of Kentucky, and payable in the city of Louisville, amounting to nearly three hundred thousand dollars. They believe that the advantages derived by the bank consist solely in the discount which is taken off the bill when it is purchased; thus enabling the bank to exact more than the legal interest for the loan or forbearance of the money. If this be done to make money for the banks, and not merely to accommodate the discounter of such bills, then your committee deem this course of business illegitimate on the part of the directors of the banks; and if it be done to force trade into any other than its natural channel, then they deem it still more unwarranted.

The injustice of such a course, in thus forcing the business into unnatural channels, its oppressive tendency towards one portion of the community to the advancement of the interests of another, were so clearly seen, and so forcibly expressed by the committee that had gone before us, that it was hoped the marked disapprobation of the legislature would have corrected the evil.

Connected with this subject is one other of great interest to the commercial or trading portion of the community: that the rates of exchange should be equal and uniform throughout the State, that individuals destined to meet in a foreign market in competition with the same description of produce should be placed upon an equality, and enabled to compete fairly, with each other, is a proposition that will be readily assented to by every one. That it would be unequal and unjust that the citizens of one portion of the State should be unable to anticipate the sale of their

produce at New Orleans, by drawing a bill upon the same, which the principal bank will discount at one per cent., whilst the same institution at her branches at other points will charge two per cent. for discounting a similar bill, payable at the same time and at the same place, no one will deny. That it would give the citizen near the principal bank an advantage of one per cent. over the citizen living in the neighborhood of the branches, is obvious to all. Your committee were informed that such was the practice, and made inquiries touching the fact, and the reasons for its existence.

Your committee would refer the legislature to the answers of the mother bank, of the Bank of Kentucky, and the answers of the branches, and would remark there is somewhat of discrepancy between the answers of the parent bank and branches; and also somewhat of discrepancy between the answer of the parent bank and her circular order of December, 1839, directed to the branches.

By that circular the rates of exchange are expressly fixed for the government of the branches, and they are directed to purchase bills of exchange on New Orleans having one hundred and twenty days to run, at two per cent. That circular order remained in full force, not revoked or altered, when the questions of the committee were answered.

The tables of the parent bank show that since the 1st of February, 1840, she has been purchasing similar bills in Louisville at one per cent. discount. That such a discrimination would operate injuriously and oppressively towards one portion of the community, and would give to the citizens of Louisville, and to those who do their business with the mother bank, an advantage of one per cent. over the customers of the branches, is evident. Your committee cannot but believe that the parent bank has unintentionally done this wrong, and she must have overlooked the order given, and failed to notify the branches of the change of rates, and that she will hasten to repair the evil done; and, the importance of having a uniform and equal rate of exchange throughout the institution being now set clearly before them, and its justness and importance having been assented to by them, that they will regularly correspond with their branches, and produce that uniformity.

Your committee would again call the attention of the legislature to another portion of the management of those institutions, as connected with the general interests of the community. The committee believe they cannot be mistaken in asserting that the general diffusion of the capital of a bank, the equal distribution of its loans to all the great interests and to the business portion of the community, disseminating it in small loans to many, instead of permitting a few to receive the entire favors of such an institution, at the same time advances the best interests of the banks and the community in which it is located. Whilst it encourages and fosters all the great branches of industry in the country, it should extend the helping hand to all, and all should be the recipients of its benefits, to the extent it can be carried consistent with the safety and interest of the institution. On the other hand, when the capital is partially disseminated, of loaned to but few, it encourages monopoly, and places it in the power of the favored to paralyze and ultimately to destroy the efforts of the weak. The committee are the more strengthened in the conviction that they are right on this subject, seeing they are supported in the view they take of it by the high authority of the Bank of Kentucky. The president, on the

30th of July, 1839, in his letter to the president of the branch at Maysville, thus speaks on this subject: "You will reduce as speedily as possible all your accounts, without respect to persons; and we should deem large all those which in the aggregate of any firm, the branch or branches of that firm, and the accounts of the individuals, members of that firm, exceed ten or twelve thousand dollars. Such accounts we should consider high with our strongest merchants, and we have few that exceed it. You had better loan twenty men twenty thousand dollars, than any two men the same amount." (See journal 1839, '40—appendix, page 368.)

Thus the legislature will see that the principle for which the committee are contending is fully recognised by the bank. If it is true in theory, it must be correct in practice. The parent board, in thus setting forth a principle of action to govern both herself and the branches, could not have intended that it should have effect with the branches, and yet by the parent board be disregarded.

The committee have to regret that the examination of the tables of the banks (and more especially those of the parent bank of Kentucky) show that a rule so wise and salutary in its effects, so well understood and so fully acknowledged, has not had its due weight in the direction of that bank. A brief recurrence to the tables of the parent bank will illustrate this fact.

In the table presented by the parent bank of Kentucky, in their report, in answer to the second interrogatory connected with the table, in answer to the third interrogatory of additional questions by the committee, the following state of facts will be discovered:

In table to 2d interrogatory, No. 4, debt due as the discounter of notes	\$14,250
In table to 3d interrogatory, (additional questions,) No. 4, debt due by same person or firm as discounter, bills of exchange	36,291
	<hr/>
	50,548
	<hr/>
In table to 2d interrogatory, No. 19, debt due as the discounter of notes	\$9,168
In table to 3d interrogatory, (additional questions,) No. 19, debt due by same person or firm as discounter, bills of exchange	48,719
	<hr/>
	57,887
	<hr/>

Other instances might be added.

Thus it will be seen that the bank, whilst professing that the accounts of individuals connected with those of the firm with which they might be associated, extended beyond ten or twelve thousand dollars, would be considered large, have permitted accounts, in violation of their theory, to be swelled to the large sum of between fifty and sixty thousand dollars. Let it be remembered, in connexion with these facts, that the accounts upon the bill line have been raised within the last ninety or one hundred and twenty days.

Your committee do not intend to be understood as saying that these debts are not all good and of undoubted credit: on the contrary, they are all safe and well secured to the bank. But they cannot help reflecting that the bank herself, in her circular to the branches, has said that if the

debt was distributed amongst a greater number of individuals, there would be less danger from fortuitous circumstances, and greater ability to pay. Another view of the situation of the parent bank of Kentucky will illustrate the views of the committee:

The capital of the parent bank			\$1,479,254
The aggregate amount due by the president and directors, and the firms with which they are connected, upon the note and bill line under discount		\$158,949	
The aggregate amount due by fifty of the largest debtors upon accommodation and business paper, and as discounters of bills of exchange		688,333	
Amount of deferred debt	\$218,128		
Amount of suspended debt	147,328		
Amount due the city of Louisville, deferred for thirty years	200,000		
		595,456	
			\$1,442,739

Comment on these facts is unnecessary--the committee will make none. In connexion with this subject they will state, that when the responses of the principal bank of the Bank of Kentucky were presented to them, they were struck with the magnitude of the debt No. 1, as the payer of bills of exchange, and immediately requested of the committee on the part of the bank, who were appointed to receive us, that the record and proceedings of the bank by which that debt was created should be laid before us. This request was refused by the committee of the bank. The joint committee immediately reduced to writing the following request:

The committee on banks respectfully request the president and directors of the Bank of Kentucky to lay before the committee the record and proceedings of the president and directors in relation to a debt due the said institution to the amount of \$71,095 89, it being in the list of bills of exchange No. 1, that has been presented to the committee, that they may judge of the strength and safety of the said debt.

THOS. Y. PAYNE,

Chairman Committee of the Senate.

W. C. MARSHALL,

Chairman Committee House of Representatives:

To this written request the committee of the legislature required an answer in writing; and, at the request of the committee of the bank, gave them time to consult the board of directory. To this request the following response of the board was received through the cashier of the bank, which the committee now lay before the legislature with their answer to the same:

BANK OF KENTUCKY, LOUISVILLE,

December 22, 1840.

The board was convened for the purpose of taking into consideration the propriety of answering a question that had been asked by the legislative committee on banks; which the committee on the part of the bank

declined answering, preferring to refer the question to the board of directors for their decision; and, after a discussion of the subject, the following preamble and resolution were adopted:

The president and directors of the Bank of Kentucky have seen with regret the demand of the joint committee on banks, appointed by the legislature of Kentucky, for the name of the house who are acceptors of bills of exchange purchased by this bank, to the amount of \$71,095 89, being No. 1 in the bills of exchange table. The object declared is, that the committee may judge of the strength and safety of that debt, which would necessarily lead to the exhibition of the names of all the drawers and endorsers on the various bills which compose the aggregate sum. The demand of the exhibition of one name includes the right to ask the names of all the debtors to the bank, and the names of all the drawers and endorsers on all the bills held by the bank, and the names of the endorsers on all business notes discounted by the bank, and the surety on all discounted notes and mortgages, and other collateral security held by the bank; and also the right to report the names given to the legislature, and the publication thereof.

We do not consider the 20th section of the charter as giving the committee of the legislature the right to examine the private accounts of individuals with the banks, and to report the names to the legislature; and are not willing to make a precedent without entering our solemn protest, which we hereby do, against the right of the committee, under the charter, and under the joint rule of the two houses of the legislature appointing the committee on banks.

An essential part of the capital of the merchant is his credit, and that credit is sustained by his punctuality and the confidence the public places in his ability and integrity. There are times when a suspicion of the conduct of a mercantile house breathed in a community may be fatal to its credit, and prevent it from meeting its engagements. Acting on this principle, this bank does not disclose or publish the names, or the amount owed by its debtors, and would regret to see it done. This board approves the course of the committee appointed by this bank to meet the committee on the part of the legislature, in not giving the name as demanded, and referring the question to the board.

This board are in daily expectation of the receipt of information of the payment of a large amount of their acceptances; and, as the house is without the State, and the acceptances have been discounted by various persons, and are well secured to this bank, lest it might be inferred that the board are afraid to give information--

Resolved, That the committee be informed that they may look at the account and the names of the endorsers, under the expectation they will find nothing in that account to justify the suspicions manifested.

Extract from the minutes:

GEO. C. GWATHMEY.

GALT HOUSE, December 22, 1840.

Yours of this instant was just now received, communicating to us the preamble and resolution of the president and directors of the Bank of Kentucky. We beg leave to inform the president and directors that we have called for no name in the request which we made to-day in writing.

We asked the president and directors to lay before us the record and proceedings in relation to the debt mentioned. What name or names may appear there will be known to us when we see the record; and whether there exists any necessity to disclose any name, will depend on our sense of duty to the general assembly—a matter in regard to which we are the sole judges. We have the right to examine the records. On this subject we make no argument with the bank, and cannot be induced to make any. The statute is the law, and there it stands. We have mentioned no suspicions, and would not lightly have any; and we deem it entirely gratuitous on the part of the bank to suggest any thing of "suspicion."

Respectfully,

THOS. Y. PAYNE,

Chairman Committee of the Senate.

W. C. MARSHALL,

Chairman Committee House of Representatives.

GEO. C. GWATHMEY, esq., *Cashier, &c.*

Your committee would further report, that, subsequent to the communication of the board of directors, they were waited upon by the president *pro tem.* of the bank, and the record of proceedings was laid before them as requested.

They are now happy to communicate to the legislature that the debtor above alluded to is the payer or acceptor of bills of exchange, resident of the city of New Orleans, and to whom the produce of this country has been shipped, and those bills drawn upon the faith of it. They have no hesitation in saying that they believe the bills are well secured, by resident drawers and endorsers, in the event of protest and return. Yet the committee cannot but regret that the *principle* so fully recognised by the bank, and so well understood, had not been here applied, and that so large a proportion of the acceptances of the bank should have been left to be protected by the efforts of a single firm of partners in trade.

This committee have been also drawn to the consideration of another portion of the management of these institutions, and the extensive powers vested in the directory of the parent boards, by a correspondence between the parent board of the Bank of Kentucky and the branch at Maysville, touching the order for removal of one hundred thousand dollars of the capital of the branch at Maysville, which has been laid before them.

Your committee cannot but regard the powers vested in the parent boards by the charters of the banks as one which is dangerous to the prosperity and well being of all the other portions of the State, except that where the parent boards are located, and which may be used and perverted into an engine of oppression. In all those portions of the State where the branches are placed, to give a few men the power, at any moment, and without any warning, to direct the collection of a large amount of capital, and order its removal, and thereby bring distress and ruin upon the community thus affected, is a concentration of power in the hands of a few which may be used to the injury and destruction of the many, contrary to the genius and spirit of our institutions, and no way necessary to the efficient and healthy action of the banks themselves.

Your committee have examined with diligence and care the immediate case presented for their consideration; they have carefully looked into the reasons assigned by the parent board for the removal, and have then turned

to the remonstrance presented by the branch at Maysville, and they have come to the conclusion that in no light in which the subject can be placed is the act of removal at all defensible.

Can it be defended on the ground that the capital was not profitably employed at Maysville? assigned as the reason, by the parent board, in the order of removal. It cannot; for the branch at Maysville had been more profitable than the entire bank collectively; or the parent bank herself, as is shown by her tables. Besides, the parent board afterwards entirely disclaim the idea of profit being the reason of removal. Can it be defended on the ground that the capital was not well managed at Maysville? The committee believe not. The tables of the branch at Maysville show that she has been prudently managed. She had made a fair and liberal dividend to the stockholders, and yet her business had not been too greatly extended. Her capital had been well diffused, in usual accommodations, throughout the extensive country that is entirely dependant upon her for the usual facilities furnished by banks; and her business was active and healthy.

Was there more capital located at Maysville than the business of the country required? Or was there more located there than a just distribution of the capital of the bank entitled that portion of the country to retain? The statistics furnished by the branch at Maysville have convinced the minds of this committee that, instead of an over-proportion of capital being allotted to that portion of the State, they had not received their due proportion, to make them equal to the residue of northern Kentucky, by some hundred thousand dollars.

Was it necessary to the safety of the capital, that it should be removed from Maysville, and located at Frankfort? This must be determined by examining the reports of the two institutions. It is true that the capital at Frankfort was yielding to the stockholders about thirteen per cent. per annum, whilst that at Maysville was yielding not quite ten. But that does not prove that the capital would be *more safe* at Frankfort. The capital of the branch at Frankfort was three hundred thousand dollars. Her circulation was more than her capital, and amounted to three hundred and eighteen thousand dollars. The capital of the Maysville branch was five hundred and fifty thousand dollars; her circulation at the same time was two hundred and sixty-eight thousand—not half the amount of her capital. This does not prove that the capital would be *more safe* at Frankfort.

In examining this subject, and in seeking for the reasons which had influenced the parent board to remove this capital, the committee was somewhat astonished at the claim made by the president of the parent board, that the removal of the capital could be justified on the ground that the branch at Frankfort furnished facilities to various counties, and among these, enumerated the county of Shelby. The committee would be slow in coming to a conclusion that the parent board, in thus doing an injury to one portion of the county in removing this capital at a period of the year when the wants of the community most require it, when the season for the purchase of bills had just arrived, had intended deliberate injustice to that community; but they do not conceive that the capital could be withdrawn from Maysville for the purpose of accommodating Shelby county, and they think the parent board was mistaken in such view of fairness and propriety.

Let us examine this claim. Shelby county lies immediately adjoining the county of Jefferson, in which the parent bank is located. The business of Shelby and her trade all centre in the city of Louisville. The bank capital located in the city of Louisville amounts to the sum of \$4,398,137. The bank capital located in the city of Maysville amounts to \$550,000, to supply the region of country dependant upon her. Now, is it just that the capital should be taken from Maysville and sent to Frankfort, to relieve the mother bank from supplying the county of Shelby? The tables show that the branch at Frankfort has loaned only the inconsiderable amount of thirteen thousand dollars to the county of Shelby, and the tables show that the mother bank has only furnished the sum of \$7,170 to the county of Shelby. And, further, it appears the more unreasonable from the following circumstances: By the charter it was provided that not more than two-fifths of the banking capital of the bank should be employed at the parent bank in Louisville. Two-fifths of the whole amount of stock paid in amounts to \$1,479,327. The amount retained by the bank is \$1,498,437.

The committee have therefore come to the conclusion that this capital has been improperly removed, and should be restored to the branch at Maysville.

Your committee have thus, to the best of their ability, faithfully discharged their duty to the general assembly. They have had a delicate yet important duty to perform. The State has a deep interest in those institutions. They have become so intimately connected with the leading interests of the country, that their prosperity is almost identical. In proportion to the interest the State has in them, in that proportion should the representatives of the people guard them, and be careful of any approaches calculated to undermine their usefulness. They have not hesitated, when they believed they discovered defects in the system, or in the management of those institutions, to point them out, that the attention of the general assembly may the better be enabled to supply or remedy the defects. They have not been deterred from doing this by any apprehension of weakening the confidence of the foreign stockholders, or inducing them to withdraw their capital. On the contrary, they believe the strongest assurance they could offer them that their capital was safe, and that the investment would ultimately result in profit to them, was, that the representatives of the people, those appointed by the laws to guard and protect it, were with a jealous eye watching over its management, and throwing around it the shield and protection of the laws of the Commonwealth.

The committee would further report that they examined the situation of the Gas Light and Water Company of Louisville, the Louisville Savings Institution, and the Mechanics' Savings Institution of the city of Louisville, and find they have been well managed within the last year, and strictly within the provisions of their charters. The Gas Light and Water Company they consider one of the most valuable institutions in the country, because of its agency in bringing into existence one of the most splendid improvements that ornament our State. None who have looked upon the emporium of the Commonwealth, brilliantly lighted as though by magic, and reflect that it has been brought into existence by this institution, can fail to acknowledge its usefulness and public utility. The committee cannot but regret that the other two institutions had not been connected with some improvement calculated to advance the comforts and

happiness of mankind, and the prosperity and greatness of the Commonwealth.

All which is submitted.

THOS. Y. PAYNE,

Chairman Committee of Senate.

W. C. MARSHALL,

Chairman Committee House of Representatives.

H. G. HAYLERIGG,

D. SHANKS,

JOHN J. THOMASSON.

I except to so much of this report as is included between the words "your committee cannot but regard," &c., and the word "Maysville," where it occurs the last time; and I object to some other matters which I have not space to point out—principally in the deductions, unfavorable, from facts, and the feeling displayed. I wish it to be understood that I disapprove the removal of any part of the capital from Maysville, but I do not think so much harm can have been done by it as is complained of. On the 1st day of January, 1841, the accommodations to the community at that branch were, as I am informed by the president of the principal bank, larger than they were on the 1st day of January, 1840.

HENRY PIRTLE,

Of the Senate.

Correspondence between the president and directors of the mother bank of the Bank of Kentucky and the branch at Maysville, touching the removal of one hundred thousand dollars of the capital of the branch at the city of Maysville.

[Resolution of removal.]

BANK OF KENTUCKY.

DEAR SIR: I hand, on the next page, a copy of a resolution of the parent board, reducing the capital of your branch \$100,000.

Very respectfully,

GEO. C. GWATHMEY, Cashier.

ROBT. TAYLOR, Esq., Cashier.

BANK OF KENTUCKY,

Louisville, September 4, 1840.

At a meeting of the board of directors this morning, the following resolution was adopted:

Whereas, in the opinion of this board, \$50,000 of the capital stock allowed to the Maysville branch can be more profitably used at the Danville branch, and that, from the business of the Maysville branch, the amount of \$50,000 can be transferred to the Frankfort branch by the 1st of October next, and the amount of \$50,000 be transferred to the Danville

branch by the 1st of January, 1841, without prejudice to the customers and the business of that section: Therefore,

Resolved, That \$100,000 of the capital allowed to the Maysville branch be withdrawn, and that \$50,000 thereof be paid to the Frankfort branch on or before the 1st of October next, and \$50,000 be paid to the Danville branch on or before the 1st of January, 1841, by the Maysville branch, and that the capital of the Frankfort branch and Danville branch be each increased \$50,000.

Extract from the minutes:

GEO. C. GWATHMEY.

[Remonstrance of the Maysville directory.]

MAYSVILLE BRANCH OF THE BANK OF KENTUCKY,
September 25, 1840.

At a meeting of the board, the following remonstrance against the withdrawal of capital from this branch was unanimously adopted, signed by the president, and directors, and ordered to be transmitted to the Bank of Kentucky.

The directors of the Maysville branch of the Bank of Kentucky have received, through their cashier, a preamble and resolution of the principal board, directing this branch to transfer \$50,000 of its capital to the Frankfort branch on the 1st of October next, and \$50,000 of its capital to the Danville branch on the 1st of January, 1841; thereby reducing the capital of this branch from \$550,000 to \$450,000.

This directory having had the subject under earnest and candid consideration, which duty to themselves, the institution, and the community they represent, all alike demanded, now exercise a right guaranteed by their position and its attendant responsibility, most respectfully to remonstrate against this recent resolution, and to offer the reasons upon which their opposition is based. Directing their attention, first, to the subject of the profits realized by this branch—as in courtesy they are constrained, since that is the sole professed ground of the removal—this directory acknowledge their inability to discover a fair and substantial cause for this curtailment of capital. The books of this institution exhibit the following statement of net dividends:

1835, Dec. 31.—On \$271,000 capital, \$10,190 22; equal to 3.26 per cent.

(Of the above capital, \$20,000 was received 5th September, \$25,000 28th September, and \$25,000 14th December.)

1836, June 30.—Profits on same capital, \$14,765 74; equal to 5.44 per cent.

Dec. 31.—Profits on \$450,000—\$129,000 of which was received 18th July, and \$50,000 5th December—\$16,327 47; equal to 3.62 per cent.

1837, June 30.—Profits on \$500,000 capital—\$50,000 received April 10—\$20,126 63; equal to 4 per cent.

Dec. 31.—Profits on \$550,000 capital—\$50,000 received 14th August—\$24,299 19; equal to 4 per cent.

1838, June 30.—Profits on \$550,000 capital; \$24,109 65; equal to 4 per cent.

1838, Dec. 31.—Profits on \$550,000 capital, \$27,210 70; equal to 5 per cent.

1839, June 30.—Profits on \$550,000 capital, \$22,255 34; equal to 4 per cent.

Dec. 31.—Profits on \$550,000 capital, \$19,706 28; equal to 3½ per cent.

1840, June 30.—Profits on \$550,000 capital, \$19,618 89; equal to 3½ per cent.

Making a net average annual dividend upon her capital of 8.064 per cent. from the opening of the institution to the present time.

By a comparison with the profits realized by the sister branches, it will be found that the branches at Lexington, Frankfort, and Danville have yielded larger profits than this bank; whereas the branches at Hopkinsville, Bowling Green, and Greensburg have yielded smaller profits. The average dividends by the principal bank derived from all the branches have been but 7.75 per cent., being 0.31 per cent. less than that contributed by this branch. And this board cannot but regard this simple statement as a decisive rebuke to the resolutions curtailing the capital of this branch.

Can the position be maintained that in a country where 6 per cent. is the profit on money, limited and sanctioned by law, a banking institution is censurable for having only realized a dividend of something over 8 per cent. upon its capital? Is it true, as it is understood to be distinctly avowed by the principal board, that profit, excessive and unrestricted, is the great and sole object of banks? Are institutions which claim to be of a popular character to be measured by the strict standard of the amount of profits wrung from the community? If such be the case, this directory freely acknowledge their ignorance of the true faith, and admit their errors to have been great and grievous. They had, in their simplicity, supposed that the great principle of banking, which is entitled to rank as one of the popular systems of a republican government, and which recommended it to the fostering care of a liberal legislation, was, that it was a system of reciprocal benefits; that, whilst it secured to the stockholders a steady and reasonable profit upon their invested capital, it at the same time stimulated the general prosperity of the people, by relieving them from the exactions of brokers and shavers; and by extending its accommodations to all classes of men and to all departments of industry. They had supposed that the legislature, by enacting 6 per cent. as the legal interest, and by incorporating that provision into every charter of the bank, had clearly ascertained a standard which they supposed would, in some degree at least, repress the natural proclivity, both of individuals and corporations, to levy excessive profits, and thus secure to the people the blessings of capital, generally disseminated, upon reasonable terms. They had imagined that banks had two great duties to perform: one to secure to their stockholders a reasonable interest; the other, and perhaps paramount duty, to improve the condition of the communities in which they were located, by extending the helping hand of capital to indigent but adventurous and deserving industry, and assisting, without undue preferences or partiality, all the various and productive enterprises of agriculture, manufactures, and commerce; and that this assistance was to be rendered without unreasonable and heavy profits, without favoring one class or calling to the prejudice of others, and without attempting to force the business of the country into unwilling and unusual channels, for the purpose of securing to the banks larger profits.

Especially did they regard this as a high incumbent duty of the Bank of Kentucky, since she is emphatically a *State* institution, and guaranteed to consult the general interests of the people, by a subscription of stock on the part of the State to the amount of \$2,000,000.

Guided by considerations and views such as these, this directory have at all times endeavored to extend accommodations with discrimination and care, and in equal proportions, to all the different interests of this community, and to a certain, and, as they considered, proper degree, regardless of the difference of profit arising from the several classes of accommodation. They are well aware of the fact, that the purchase of bills of exchange was by far the most profitable investment for the bank; yet they believed that this particular description of business might readily be carried to an undue extent. They saw that it was seductive in its character, and that banks were, therefore, too prone to force their customers to offer bills of exchange in lieu of accommodation paper, and thus revolutionize the natural course of business, for the purpose of accomplishing larger profits for the banks. This certainly was a danger to be guarded against. They saw, or thought they saw, that the purchase of bills of exchange, when carried too far, was apt to entail upon the community the evils of a fluctuating amount of circulation, expanding to an undue extent during the bill season, and contracting during the remainder of the year. This directory regard it as the true policy of the bank to preserve its circulation steady and uniform, within its control at all times, and adjusted to the wants of the community around it; that it should make its accommodation line approximate the amount of its capital, and consider that as the chief medium through which all the interests of the country could be reached, and in their due proportion accommodated, with the exception of that interest by which bills of exchange were furnished. They regarded bills of exchange as the proper means by which to accommodate the exporting, and in some degree the importing interests, and especially as a source whence the bank might arm herself in case of emergency; but they have never looked to this branch of business with the peculiar and single desire of realizing excessive profits. And hence, no doubt, it has happened that this branch has not exhibited so flattering a column of profits as the branches at Lexington, Frankfort, and Danville. Another reason, which may be well urged, is, that those branches are located in an extensive manufacturing and droving section of the State; that those interests preponderate there, and constitute the class whence bills of exchange are principally derived. But the fact that one section contains customers more profitable to the bank than another, cannot be considered as a fair reason why they should be accommodated to a greater extent. The true principle is to accommodate all the branches of business equally, which are equally extensive and equally important to the country. Hence it is believed that the course of policy pursued by this bank, whilst it has secured to the bank the liberal profit of over 8 per cent., has accommodated a larger extent of country and population more thoroughly and impartially, and to a greater degree, than any other branch, and at the same time kept its circulation comparatively constant, and within perfectly safe and controllable limits. It is a fact, exhibited by the books of the different branches, that on the 30th of September, immediately preceding the suspension of 1839, the Danville branch, with a capital of \$150,000, had a circulation of \$199,000; the Frankfort branch, with a capital of \$300,000,

had a circulation of \$307,170; the principal bank, with a capital of \$1,480,000, had a circulation of \$674,696—not mentioning their notes and other liabilities; whereas this branch, with a capital of \$300,000, had a circulation of \$114,835 only! And this directory think they are but little in the assertion, that, although one of the most exposed branches in Kentucky, had suspension not taken place, this branch would probably have been the only one of the branches of the Bank of Kentucky that would have been enabled to persevere and weather the storm. And they cannot forbear giving it as their honest opinion, derived in a small degree from experience, that had this simple and unambitious policy been pursued generally throughout the country; had banks kept their circulation within healthy limits, such as the threatening character of times should have advised; had they been, too, solicitous of rendering service and accommodation to the community, rather than of securing excessive profits to themselves; had they valued their credit and their more, and their undue gains less, the frightful scenes of financial prostration which have for the last three years disgraced this country, at least in a very important degree, have been prevented. This directory think, that instead of being censured—for so they view this removal—they have just reason for pride and congratulation, that, through out the late trying seasons of derangement and disaster in the financial world, this branch has ever been in a situation that might well be regarded, by some of her neighbors, as most desirably safe, sound, and prudent. Her circulation has never been excessive—always moderate—her liabilities within her control; her resources ample, and her business profitable.

In viewing the locality of the different banking institutions of the State, this directory have been struck with the inequality in the distribution of capital, and have seen, too, another very forcible reason why this inequality is unjust and unwise. In the city of Lexington, and the country within forty miles of it, to which section it is now proposed to remove \$1,000,000 of the capital of this branch, there are, at the present time, six banking institutions—two in Lexington, with a capital of \$1,000,000; one in Paris, with a capital of \$475,000; one in Frankfort, of \$300,000; one in Richmond, of \$180,000; and one in Danville, of \$150,000 capital—constituting, in the aggregate, a bank capital of \$3,009,770. A detailed but brief investigation of the comparative population and wealth of the two sections of country will demonstrate the propriety of the divisions of this directory. The region immediately and properly dependent on this branch, comprising seven principal counties, according to the valuation, possesses property to the amount of \$23,820,970, and pays \$23,820 97 of revenue. Had the property of this region been valued in proportion to the valuation placed on property in the central region, the result would have been much more favorable to this section of the State. For lands in Bourbon, Fayette, Clark, &c., are valued at from \$80 per acre, whilst those in Mason, Fleming, &c., are rated at from \$50 per acre; when it is notorious that those in the latter counties are fully as fertile and productive as those of the former. But, taking the present valuation as the true standard, and assuming the principle that bank capital ought to be distributed in proportion to wealth and population, this branch would be fairly entitled to \$711,000 capital, to place it on an equality with the present condition of the banks in the central

and, to entitle the banks there to the capital they now have, taking the proportion between the present capital of this bank and the wealth and revenue of its dependant territory, as the standard, the wealth of that region would have to be increased to \$130,360,000, and the revenue she would have to pay, to \$130,360! But we are not entirely prepared to admit the principle that the amount of banking capital allotted to a community should be equal in proportion to the amount of its wealth; for credit is a system by which capital is intended to be united to labor. Population, therefore, would afford a fairer criterion. Taking, therefore, the number of voters in each section as the test of population, and the result shows a still greater disparity of favors. The voters of this section amount to 10,450; those of the central section to 23,996. If our 10,450 voters had their due proportion of capital, according to the ratio in the central section, this branch would be entitled to a capital of \$1,310,000! instead of \$550,000; and, taking the proportion between the capital of this bank and the number of voters here as the standard, the central section, in order to entitle herself to the capital she at present wields, would have to increase her votes from 23,996 to 57,190! And yet, in the face of statistics such as these, it is proposed to reduce the already disproportionately small capital of this branch, and to increase the already overgrown capital of the central banks, by \$100,000! Surely, a prudent policy and even-handed justice alike forbid an act so partial in its character, so unfair, and so unequal in its operation. Although at all times prepared to acquiesce in the superior authority of the principal board, yet this directory claim in behalf of the community they represent, and for whose interest they feel themselves to a great extent responsible, the right of exercising a sound discretion to modify the rigor of any general rule established by the principal board, in its application to the customers of this branch. Discretion and responsibility must ever co-exist; and in this view of the many responsibilities they certainly incur, both to the stockholders and to the community, they claim this privilege as a right. Justice to all parties imperatively demands its assumption and exercise; and so long as they fill the stations they now do, they will never consent to surrender it. In the calm and sober exercise of this right, this directory most respectfully but firmly dissent from the opinion expressed in the resolution of the principal board; that the amount of \$100,000 can be removed at the periods specified, without prejudice to this and the dependant communities. On the contrary, they know and affirm that the result will be greatly prejudicial and oppressive. It will occur at a most unfavorable and unfortunate period. The effect will be to strip this branch of her resources at the very time when she should have the full control of all her available energies, for the purpose of purchasing the bills of the drovers, and of the manufacturing and producing shippers of the exports of the country, which are always offered at this and the approaching season of the year. She will thus be disabled from accommodating her importing customers with their usual amount of eastern exchange, and she will be irretrievably crippled in her efforts to prepare for an early resumption of specie payment in the spring. The community will go unaccommodated, and the bank be left to the mercy of accident and the times.

So far as the conduct of this directory towards the principal board may be supposed to have entered in, as one of the causes of this act of removal, this directory feel that they have been actuated by proper and becom-

ing motives, and that they have duly observed the relations subsisting between them by virtue of their appointment under the charter; and, as far as circumstances permitted, they have pursued the general policy dictated by the principal board. Agreeably to instructions received during the past year, they have given all their new accommodations upon *maturity paper*; at the same time giving a preference to bills of exchange and business paper to an extent warranted by the condition and wants of the community; and invariably purchasing bills well secured, and which were based on real and legitimate transactions. They refer to their exhibit of last year, showing a curtailment of their line of discounts and an increase of their list of bills. Any change in banking, to be safe and successful, must be gradual; the business and business habits of the community require time to become adapted to their new condition, and especially in times of financial and pervading pressure, when *accommodation paper* has to be converted to a certain extent into bills of exchange, and *renewal paper* into *maturity paper*.

The present comparative amounts of accommodation and exchange lines—bills, \$125,855, and discounts, \$512,040—show conclusively that this change, though cautious and gradual, has been progressive at this branch since the receipt of the order requiring it; though, as before argued, there is and must of necessity be a proper limit to the bill business, dependant on the character of the business transacted by the community, and the amount of bills offered, coupled with the duty of providing eastern exchange to accommodate the importing class, and to meet any probable emergency.

This directory, then—believing that the principle of profit alone cannot be persisted in as the only criterion by which to apportion the amount of capital to different sections of country; believing that such a principle is entirely inconsistent with the genius of our free institutions, and, if persisted in, would be greatly detrimental to the best interests of Kentucky; believing that the institution has at all times been conducted with economy, security, and advantage; that the wealth, and especially the population and labor of this community, require a capital at least as extensive as that at present possessed; and that the conduct of this board has at all times been proper and becoming to the principal board, furnishing no cause of just complaint—respectfully submit and subscribe this their remonstrance against the proposed removal of capital, in the well-grounded hope that the obnoxious resolution will be promptly rescinded.

A. M. JANUARY, *President*.

JOHN CHAMBERS,

JAMES ARTUS,

W. HODGE,

R. COLLINS,

J. B. McILVAIN,

HENRY WALLER,

JOHN M. DUKE.

[President McKnight's letter of October 3d.]

BANK OF KENTUCKY, October 3, 1840.

DEAR SIR: The remonstrance of the directors of your branch against the transferring a portion of the capital to Frankfort and Danville was

duly received, and will have the deliberate consideration of this board as soon as we can get a general attendance of the directors; at this time, so many are absent as to afford a bare quorum.

It is to be regretted that the spirit and policy of this measure appear to have been so much misapprehended by your board. The remonstrance assumes the ground that the transfer is a direct vote of censure on the management of the branch, and that the object is for the procurement of exorbitant profits; and, from these erroneous premises, conclusions are drawn very different from the feelings and opinions entertained by this board.

In the original distribution of capital to the several branches, it could not have been anticipated that such accuracy in amount at any given place was ascertained as to affix unalterably the capital that must there remain until the close of the charter; and this board conceived that the transfer required could be made without any material disadvantage to the business of your branch. The large portion of the debt on your discount line which appeared to remain dormant, at the same amount, to individuals, without reduction or calls, afforded strong evidence of the want of demand for capital in the active business for which banks are mainly beneficial, either to stockholders or borrowers.

We had supposed a moderate call on every debtor would enable you to transfer this much of the capital, without impairing the ability of the branch to meet the demands of the various branches of commerce and industry, which can, with advantage, receive aid from banking facilities, which should not be restricted to any class, but extended to the greatest number, comprehending all who are engaged in the production or exchange of commodities; but it is equally important for the interest of lender and borrower to avoid, as much as possible, permanent loans. The other extreme, of drawing bills of exchange or business notes, that does not attach to the exports of the country or the exchange of the products of its industry, is liable to still more abuse and objection; but when such paper is the result of fair and legitimate business, (in the absence of wild speculation,) the banks confer the greatest benefit on the largest class by having the means at the most convenient place to afford the necessary facilities; and if the profit received is greater, it arises from the frequent reinvesting of funds, and is the result of business in which the producer and exporter alike participate; and the funds thus procured abroad, in turn, are used by the importer, and cheapen what he furnishes the consumer, if the exchanges are made on better terms by the banks than they could be made by individuals.

Your remonstrance affords evidence in the case of our southern branches, which have not yielded so large a profit as yours, that we are not transferring the capital from the branches least productive; and, of course, the "sole object" was not "excessive and unrestricted profits." But in using the term *profitable* we comprehended the general interest of the Commonwealth, as a stockholder, in common with the private stockholders, and the trade of the citizens of the State at large, locating the capital where public convenience indicates the most healthy and active demand. The two branches to which the transfer is required will, when it is completed, only have united a capital of fifty thousand dollars more than is left at your place.

The branch at Frankfort affords facilities to the counties of Franklin,

Woodford, Anderson, Shelby, Henry, Gallatin, Carroll, Owen, Scott, &c.; and the Danville branch has an extensive range of counties extending to the mountains and Tennessee line, showing that the business of those branches has but a limited connexion with the central region within forty miles of Lexington.

I have the honor to be, very respectfully, your obedient servant,
VIRGIL McKNIGHT, *President.*

A. M. JANUARY, Esq., *President.*

[Extract from President McKnight's letter of 6th of October.]

BANK OF KENTUCKY, *October 6, 1840.*

DEAR SIR: In my letter of the 3d instant please correct an error, in saying "the aggregate of capital at Frankfort and Danville, when the transfer is completed, will be only \$50,000 more." I intended to say \$100,000.

Very respectfully, your obedient servant,
VIRGIL McKNIGHT, *President.*

A. M. JANUARY, Esq., *President.*

[President January's letter.]

MAYSVILLE BRANCH BANK OF KENTUCKY,
October 13, 1840.

DEAR SIR: Yours of the 3d and 6th instant came duly to hand. We will give you in a few days, with our quarterly summary, the additional items requested. We consider them important, and are glad you called for them. The reasons assigned in yours of the 6th for removing \$100,000 of the capital of this branch to Frankfort and Danville, in the opinion of the board, are not well founded. We believe, further, your board are totally mistaken as regards the commerce, business, wealth, and population of this section of Kentucky, to say nothing of the commerce, &c., of the city of Maysville, in estimating banking capital for this section of the State. Our remonstrance, however, sent you two or three weeks since, sets forth so fully the whole matter, I conceive it useless to urge any further reason at present in regard to it. You urge that the capital of this branch is inactive and dormant. Some time since, it was so, to some extent, but at the present time we believe it is not so. Since the middle of June last all new discounts are maturity paper. Our whole discount line is about \$513,000; of that, more than \$130,000 is maturity paper. The calls, or what is termed the dormant debt, and payable in the next thirty days, amount to upwards of \$20,000; thus reducing the dormant debt to about \$360,000. Our calls will be continued in the same ratio, so that we shall very soon reach a period when the capital will be active; believing, with yourself, that to be the correct principle upon which banking institutions should be conducted, to insure a healthy state of things, in any community where banks are located, in regard to money matters, and

to increase the facilities and business of such community. Our last weekly returns sent you show you clearly, we think, that our capital is not altogether inactive, yielding a profit for the quarter ending 1st October fully ten per cent. per annum. Our bills of exchange are now near \$200,000; and, only for the loss of the \$50,000 you have taken from us and sent to Frankfort, they would, in thirty days from this time, have been \$300,000. Our stock drovers and shippers of produce are not half supplied with the means of taking it to market, and, from assurances we gave them early in the season, they had a right to expect it; but, from our crippled condition, we cannot furnish to the extent of their wants—consequently they will have to go elsewhere to seek it, as our maturity paper will not place us in funds to any extent, until the drovers will have gone south with their stock. You have assigned to the Frankfort branch the counties of Woodford, Scott, Shelby, Henry, Carroll, &c. Now this we conceive to be unfair; the two counties first named are rather nearer the Lexington branch, that has a capital of \$650,000, (to say nothing of the Northern Bank of Kentucky, with her large capital,) which ought to furnish those counties, to a very considerable extent, what they require. Shelby and Henry join Jefferson, and are near the city of Louisville, where are located a number of banking institutions, whose capital, in the aggregate, approximates to near four millions of dollars. Carroll is also nearer Louisville than Frankfort. Surely, Louisville should furnish Shelby, Henry, and Carroll. The business of those counties concentrates almost exclusively at Louisville, for the safe and shipment of their produce, and where you have nearly one-half of the entire banking capital of the State. We therefore hope our parent board will reconsider the whole matter, and that they will not refrain from interrupting the \$50,000 ordered to Danville, but return to this branch that already taken from us and sent to Frankfort. If Frankfort and Danville require more capital, we believe, in justice to this section of the State, it should be furnished them from points where they have already too great a portion of the capital of the banks of Kentucky. Our board ask at the hands of the parent board, in behalf of the city of Maysville and this section of the State of Kentucky, justice alone.

With much respect, your obedient servant,
 A. M. JANUARY, President.

VIRGIL MCKNIGHT, Esq., President.

[Communication and resolutions of the Bank of Kentucky.]

BANK OF KENTUCKY,
 Louisville, October 27, 1840.

At a meeting of the board of directors this morning, the following report, with the accompanying resolutions, were read and adopted:

The committee on the branches, to whom was referred the remonstrance of the directors of the Maysville branch, against the resolution of this board of the 4th day of September, last, ordering a removal of one hundred thousand dollars of the capital of said branch to Frankfort and Danville, having had the remonstrance, as well as A. M. January's (president)

letter of the 13th of October instant, under consideration, beg leave to submit the following report:

Your committee having examined carefully the statistical facts and arguments contained in said remonstrance, have no hesitation in saying that much the largest portion thereof is irrelevant to the subject-matter under consideration. They will, however, briefly notice such portion of said remonstrance as has a direct bearing on the subject; and, first, your committee will not undertake to discuss the question made by the directors of the Maysville branch, whether the interest of the community, or of the stockholders, should be "paramount" considerations in determining the action of the president and directors of the Bank of Kentucky, in reference to the distribution of the capital of the institution: the committee consider the interests of the two as identical.

The bank, acting in her legitimate sphere, can never be prosperous unless the community in which it is located is equally so; as it is by fostering business calculated to benefit the community that a bank can prosper anywhere, provided she continues to act within her legitimate sphere. The mere lending of money, without reference to the uses to which it is applied, as often does injury as good to the borrowers or to the community; and whilst it is conceded by your committee that loaning money is a part of the business of a bank, they are equally convinced that the loan should be temporary in fact, not nominally so, for a specific purpose, and required to be paid when it has met the exigency for which it was loaned. Your committee will even go further, and state it as their conviction that \$1,000 will benefit each of three persons, in the course of twelve months, as much as it would benefit any one of them for the whole period if retained by that one; and it is obvious that the community would be greatly the gainer by the former course. Your committee cannot too strongly deprecate the prevalent idea that the money of a bank should become incorporated with the capital of the merchant, manufacturer, or business man of any description; and however much such a course of banking might be deprecated by your committee, still it would be much more to be regretted that the money of the bank should be loaned for years to the same individuals; to be invested in real estate; for whenever either of these practices is assumed as correct by the bank, the consequence is to foster consumption in a greater degree than to aid the productive agencies of the country. The purchase of bills of exchange, particularly on New Orleans, or other southern cities, where it facilitates the removal of the surplus products of the country, rarely diminishes the profits of the shipper, who pays his bills in the same market in which his produce is sold, with the funds which are generally subject to a discount at the point of shipment, while the bank procures in return for the bills the funds required by the merchant to meet his eastern debt; so that while the community is benefited by the use of the money, the bank reaps the benefit of the exchange without injury or loss to the seller of the bill. We presume it will not be seriously contended, at this day, that the gain of one person, either corporate or natural, necessarily implies a loss on the part of another. Your committee would suggest that their experience has proved the conviction upon their minds, that the best evidence of the necessity of capital at a given point is the activity of its employment; and that the surest means of making the capital at the Maysville branch active, is to reduce the amount to a sum

which can be actively employed; or, in other words, so invested as to be reconverted in the shortest time. Your committee move the following resolutions, embracing such facts as they deemed calculated to correct the misapprehensions of the Maysville branch directory in reference to the motives which have actuated this board in the adoption of the resolution of the 4th day of September, aforesaid, and to which the remonstrance and letter refer.

1. *Resolved*, That this board were governed, in their late action in reference to the removal of a part of the capital of the Maysville branch to the branches at Frankfort and Danville, by the interests of the community and of the stockholders; not having been sufficiently acquainted with the wants of the different sections of the State, at the time of apportioning the capital allotted to the branches by the charter, to judge of the relative proportion which each branch would require.

2. *Resolved*, That, as in the opinion of the Maysville directory the removal of the remaining \$50,000 to the Danville branch, at the time specified by the resolution of this board of ———, would or might produce some inconvenience to the debtors of the Maysville branch, they be allowed the further time, until the 1st day of July, 1841, to comply with said resolution of removal.

3. *Resolved*, That in the removal of the capital from Maysville to Frankfort and Danville, this board intended no censure on the Maysville directory.

GEO. C. GWATHMEY, *Cashier*.

[Extracts from letter of William B. Phillips]

"BANK OF KENTUCKY,
December 1, 1840.

DEAR SIR: The quarterly return of your branch, due on the 1st of October last, was received on the 25 h. ult., and was immediately placed in the hands of the standing committee on the branches, who made their report to the board this morning, an extract of which I give you below."

Your committee having examined the returns of the branches, containing lists of their debtors, have thought proper to report that there are still many accounts at the Maysville branch that are much the same in amount as they were twelve months ago, the debts having been, as your committee suppose, renewed from time to time without call, contrary to the expressed wishes of this board. The annexed are some of them.

John Andrews, January 1, 1840, payer, \$11,000; July 1, \$11,000; September 30, \$11,452.

Bayles & Coburn, January 1, 1840, payer, \$2,000; July 1, \$2,000; September 30, \$2,000.

J. A. Caran, January 1, 1840, payer, \$5,550; July 1, \$5,550; September 30, \$5,750.

Davis Carpenter, January 1, 1840, payer, \$1,800; July 1, \$1,800; September 30, \$1,800.

R. Collins & J. M. Morton, January 1, 1840, payer, \$1,300; July 1, \$1,300; September 30, \$1,300.

"Lee, Rees, & Dobyns; this account; collectively, has been reduced about \$290 in twelve months.

"W. S. Pechet, January 1, 1840, payer, \$5,370; July 1, \$5,070; September 30, \$5,375.

"Thomas Porter, January 1, 1840, payer, \$4,500; July 1, \$4,500; September 30, \$4,200.

"Porter & Warrick, January 1, 1840, payer, \$1,800; July 1, \$1,800; September 30, \$2,357.

"Others might be named.

"In view of the approaching resumption of specie payments, your committee are of opinion that letters should be addressed to each of the branches, suitable to their respective conditions, recommending a regular and steady reduction of their discount line, so that by June next that line shall not exceed three-fourths of their respective capitals."

"We are pleased to see your business assuming a more active and profitable condition, and doubt not it will continue to do so as soon as you shall establish among your customers the assurance that old loans must be paid up promptly in order to obtain new ones.

"Very respectfully, your obedient servant,

"WM. B. PHILLIPS, *President pro tem*.

"A. M. JANUARY, Esq., *President*."

[Rejoinder of the Maysville directory.]

The directory of the Maysville branch of the Bank of Kentucky have received and maturely considered the letter of President McKnight, under date October 3, 1840; also the communication and accompanying resolutions of the board of the principal bank; and finally the letter of *pro tempore* President Phillips, under date December 1, 1840, in response to the remonstrance transmitted by this board on the subject of a removal of a portion of the capital stock of the branch.

The character of previous communications received from the principal bank, warning this board that, unless its policy was changed, a removal of capital would be ordered, coupled with the fact that this threat has been subsequently accomplished, certainly furnish reasonable grounds to construe the resolutions of removal into resolutions of censure. The entire disavowal of any such intention, however, on the part of the principal board, is regarded as an act of justice, which concludes any further allusion to that subject.

The great question which was conceived to have been presented by the *specific and literal language* of the resolution of removal, and which was the issue discussed in the remonstrance, has been deemed and treated by the principal board as wholly irrelevant. The principle that "profit" should be esteemed the grand moving consideration in banking, and a sufficient ground for the removal and re-arrangement of capital, is now understood to be distinctly surrendered. And this board, feeling every inclination to afford the amplest facilities in their power to enable the principal bank to escape from so obnoxious a principle, waive, with pleasure, the further discussion of a point that might exhibit the institution to which they belong in no very favorable or enviable attitude before the scrutinizing bar

of the country. Yet, before dismissing this branch of the argument, they cannot forbear noticing a discrepancy between President McKnight and the argument transmitted by the principal board. The president points to the fact that there are other branches of the bank which have been less profitable than this, as a proof that the principle of *profit* was not the cause of removal. The board, on the contrary, say that the relative *activity of capital* shows the amount to which each locality is entitled; and that because the capital at Maysville has not been sufficiently *active*, they were induced to remove a portion to the points where it would be more so. Now it is very clear that the *activity of capital* determines the amount of profit; that, as the activity is increased, so is the profit; and hence this very refined and plausible view serves only to entangle the board with their own resolution disclaiming the motive of profit, and with the courteous and conciliatory explanations of their president. No suspicion is intended here to be intimated of the sincerity either of the disclaimer of the board or of the professions of the president, for the allusion is simply made to show the ingenuity and variety of argument this board is compelled to encounter, and to record their partiality for that philosophy which condemns the assignment of more than one sufficient cause for any given result.

What, then, was the real reason of the removal? As far as the arguments of the president and board are understood, after careful collation and comparison, the general drift and intention appear to be to assume the position that the wants of this community were over-supplied, whereas other communities in the State were in a suffering condition; and hence, that the general interests of the community at large required the removal. Well, this is all fair in theory, and must be received as a triumphant justification, if it should be found correct in application. But where is the test? To what fact have they pointed in proof of the propriety of the assumption? Does the circumstance alluded to by the president, that this branch has been *more* profitable than the branches' principal bank, prove it? or does the fact that it has been less profitable than the branches at Lexington, Frankfort, and Danville, justify the assumption? Does one, or do all of these incidents combined, go to establish it? To let the principal board, with a lofty disregard of such trivial inquiries, avoiding, with singular dexterity, as entirely irrelevant, "the statistical facts and arguments contained in the remonstrance," and, without perplexing themselves with the task of proving that irrelevancy, proceeded to announce that the practice of keeping bank capital stationary and stagnant, by continued renewals, is intrinsically vicious; being both unprofitable to the bank and dangerous to the borrower. They then gravely argue the subject, as if such an issue had been presented in the remonstrance; and as if such a practice were prevailing to a lamentable and unparalleled extent in the business of this branch.

So far as the remonstrance is concerned, an examination of that document will exhibit the assumption of the principal board to be utterly gratuitous and unauthorized; and this directory now declare such a practice to be in direct conflict with their opinions, individually and collectively, whether expressed or acted on. The principle that there should be a continuous flow of circulation through the vaults of a banking institution, by means of its accommodations and calls, as well as by its maturity business, is as plainly correct in theory as it is sound and successful in practice.

That a contrary custom prevailed some time since to too great an extent in this branch, as it did in all the branches, and in the principal bank itself, is readily admitted. But it is expressly denied that such a charge can be urged against the business of this branch at the present time, or since the reverse policy was determined on by the principal bank, and given out to the branches in the shape of instructions.

A simple statement of facts will amply vindicate this assertion.

On the 1st of September, 1839, agreeably to instructions received about that time, this branch commenced a regular call of ten per cent. upon all existing accommodations. In cases of large and disproportioned loans, which were very few, the call was much heavier.

At that time (1st September, 1839) the amount of accommodation notes discounted was \$646,369 58; the amount of bills of exchange discounted was \$54,812 16. On the 6th of June, 1840, it was resolved "that all discounts, whether of business or accommodation paper, be paid at maturity." And the result of this combined system, together with a freer purchase of bills, according to the orders of the principal board, is, that on the 2d day of December, 1840, the amount of accommodation paper under discount was \$464,713 47, and of bills of exchange \$290,977 56; showing a decrease of accommodation paper of nearly \$200,000, and an increase of bills of exchange of over \$230,000! Of the loans, under the head of accommodations, at least \$125,000 is on maturity paper; and upon the remaining \$340,000 a call of about \$25,000 has already been made for the ensuing month—leaving a residuum of \$315,000. Upon this sum there will be a continuous call, averaging considerably over ten per cent., during the months of January, February, and March, yielding say \$30,000, which will still further reduce the amount of renewal accommodation paper to the sum of \$285,000. And, on the other hand, the amount becoming due and to be paid into the vaults of the branch within the next four months, composed of bills of exchange, (\$290,977 56,) maturity paper, and calls made, (\$150,000,) and calls yet to be made, (\$30,000,) will exceed \$470,000! Yet the capital of this branch, in the view of the principal board, is not sufficiently *active*, and requires reduction to make it more so.

The amount of renewal paper within the space of *fourteen* months has been reduced from \$646,369 58 to \$340,000, and the process still rapidly progressing. Yet, in the report of the committee on the branches, transmitting in the letter of *pro tempore* president Phillips, upon this very point, this directory is charged with having acted "contrary to the expressed wishes of the (principal) board," in not having called to a sufficient extent! Verily, the consideration of the principal board for the interest and condition of the community is tender in the extreme, and altogether not "past finding out!" The amount of bills of exchange has increased from \$54,812 16 to \$290,977 56 within the same brief period, and yet the insatiate thirst for *activity of capital*, and consequently *profit*, remains ungratified.

But how stands the principal bank, and all her branches, on this score of *activity of capital*?

On the 1st of October, 1840, the capital stock was \$4,698,057; the amount of dividends undeclared, yet drawn from the branches and retained by principal bank, was \$407,567; which, it is presumed, may be regarded as capital certainly not *very active*. On the same day, the capital

stock of this branch was \$550,000, upon which her business was based: the entire amount of her discounts was \$643,594; being *greater* than the amount of her capital by \$93,594!

But again: If the capital and discounts of this branch be separately subtracted from the capital and discounts as shown by the report of the principal bank, the result will exhibit the principal bank, with a capital of \$4,556,624, discounting to the amount of only \$4,059,143; showing a balance of \$497,481 idle in her vaults, and directly opposed to this much lauded principle of *activity*! Whereas this branch, at the same time, had a balance of \$93,594 over her capital actively engaged.

By examining the report of the principal bank above alluded to, it will be seen that on the 1st of October, 1840, her suspended debt amounted to \$253,100, which this board presume can scarcely be said to be *active* capital; whereas the suspended debt of this branch, on the same day, amounted only to \$17,999 55! And yet it is the *principal bank* that reads grave homilies and complaining lectures to this branch on the subject of the great advantages of *activity of capital*.

The only really dormant capital of this branch is the sum of \$3,000 charged to the real estate account, vested in a lot purchased of the *pro tempore* president of the principal bank whilst he was a member of this board, and upon which the principal bank have refused to permit a banking-house to be erected, although they have permitted, as this directory are informed, splendid bank buildings to be reared by the *profitable* branch at Frankfort, and by the *unprofitable* branch at Bowling Green, and perhaps by others. But this directory are comforted, even on this point, by again comparing their condition with the principal bank, which exhibits in its report a dormant capital of \$72,481 41 vested in real estate.

Where, then, is to be found the proof of the inactivity of capital, as assumed in the argument of the principal board? This question is answered by *nine specifications*, contained in the letter of *pro tempore* President Phillips of 1st of December, 1840. The great considerations determining the removal of \$100,000 capital, it seems, after great pains and most industrious research, have been found to rest upon *nine accommodations* loans, most accurately enumerated, which the committee on the branches *suppose* (that is their language) to have been "renewed from time to time, without calls." Matters of such grave moment should be noticed in detail.

The first case of enormity presented is that of John Andrews. The statement is, that on the 1st of January, 1840, he was payer of accommodation paper to the amount of \$11,000, and of \$11,452 on the 30th of September, 1840; being, as the committee express it, "much the same in amount," and creating the *supposition* in their minds that this debt has been "renewed from time to time without calls." The facts are, that on the 4th of December, 1839, Andrews was indebted \$12,000, and on that day he paid \$1,000; on the 1st of November, 1840, he paid \$500; on 5th December, \$700; making \$2,200, besides being under call for \$500 more, to which he must shortly pay. Mr. Andrews has been a punctual and profitable customer of this branch, selling bills of exchange to a large amount, based on the exportation of flour, and meeting his engagements promptly at all times.

The second case is that of Bayless & Coburn, a mercantile firm in the locality of Maysville, who are stated to have been accommodated with the use

of \$2,000 from the 1st of January to 30th September, 1840, without call. Their debt was originally \$3,000; \$500 of which they paid in January, 1839, and \$500 in May, voluntarily. They were in successful business, entirely safe, solvent, and industrious, and this board forbore to call till 1st October, 1840, at which time they paid \$200; thereby reducing the original debt \$120, being nearly 10 per cent. from the time of its creation, which was long before the system of regular calls was adopted.

John A. Caran stands next. The sum of \$5,850 opposite his name, and charged as having been reduced only \$100, was loaned him as the president of the Maysville and Mount Sterling Turnpike Road Company, which the principal board will doubtless admit to have been praiseworthy, and was renewed on 23d August, 1840, on the express condition that the entire amount was to be paid on the 23d of December.

Davis Carpenter has had an accommodation of \$1,800 for nine months, without call, but is now under a call of \$400. He is extensively engaged in manufactures; and having made large purchases of wheat, and having heavy payments to make, this board exercised the discretion of forbearing to press him upon his small accommodation in bank.

R. Collins and John M. Morton had an accommodation of \$1,300. This was originally \$1,500; \$150 of which was paid on the 17th of October, 1839, and \$150 on 22d October, 1840. General R. Collins and his partner, John Armstrong, have this year paid \$6,000 into this bank, and have no other accommodation.

Lee, Rees, & Dobyns are stated to have paid only \$290 collectively during the last twelve months. The facts are, that, collectively, they had reduced their accommodations \$400 before the report of the bank, and have reduced them since \$450. Individually they have reduced them \$2,300, besides assuming \$500 as a security debt.

William S. Pickett has now a debt of \$5,375, and had a debt of \$5,370 on the 1st of January, 1840. Yet Mr. Pickett has paid \$800 upon calls at different times since; and the board have discounted a business note for him of \$875, (in which, however, he was not interested,) which will probably account for the remarkable fact that there is but \$5 difference between his account on 1st January, 1840, and 30th September following.

Thomas Porter owed \$5,000 on the 23d October, 1839, and has since paid \$1,400; yet his debt has not been called on.

Porter & Warrick had a debt of \$2,000 on the 26th of December, 1839, on which they have paid \$400, and are under call for \$200 more.

This, with the memorandum at the foot, that "others might be added," closes this black list of financial sins. The entire amount involved is \$40,000, which, no doubt, according to the view of the principal board, has been for the last nine months in a condition almost as lamentable as that of their own suspended debt of upwards of \$200,000, and on which for the last twelve months there has not been more than \$13,000 called by this board.

Further remark upon these facts is forborne. The branch directory can only regret that causes so trivial in themselves, and evidently so misunderstood, should have precipitated the principal board into a measure so intrinsically unjust, and so entirely unmerited. That the principal board, with the facts mainly before them—with the tables of this branch before them, exhibiting so rapid and full a compliance with instructions, and so thorough a system of reformation, according to their own views; when

the capital of this branch was becoming more available every hour; when the profits of this institution were conforming to their utmost wishes, at a season of the year when bills were pressing upon this branch, and requiring all its resources—should, in the face of all these facts, order \$100,000 of its capital to be removed—\$50,000 immediately—can be attributed by this board to nothing less than an unmitigated spirit of arbitrary dictation and relentless persecution, which is as unbecoming in those who have attempted it, as it would be degrading in this board were they tamely to submit. They have seen and borne with this dictatorial censorship till forbearance would no longer be a virtue; and they now beg leave to assure the principal board, that although they acknowledge their general right and authority under the charter of supervision—although they are ready, as they have ever proved, to conform to any general principles of banking or bank government—yet they will not, so long as they retain the trusts they do, suffer a system of espionage and complaint about individual cases to be persisted in, of which the principal board, from their very position, must be ignorant, as they have demonstrated clearly in the cases selected, and of the circumstances and condition of which the branch bank must of necessity be better informed.

All which is most respectfully submitted.

[Resolution of the Maysville Branch Bank, ordering copies]

MAYSVILLE BRANCH OF THE BANK OF KENTUCKY,
Friday, December 11, 1840.

At a meeting of the board, convened on the call of the president, on motion, the following resolution was adopted:

Resolved, That, in obedience to the resolution of the senate, the cashier be directed to furnish the chairman of the senate's committee on banks with a copy of the correspondence between the Bank of Kentucky and the branch on the subject of the removal of a portion of its capital; comprising the resolutions of removal and the accompanying letter of the cashier; the remonstrance of this board; the letter of President McKnight, of 3d October, 1840, and the paragraph in his subsequent letter correcting a statement in his first letter; the answer of President January, of 13th October, 1840; the communication and resolutions of the principal board; the letter of *pro tem.* President Phillips, of 1st December, 1840, excluding the portions thereof relative to a firm in Louisville and New Orleans; and to the weekly statements of this branch, and the rejoinder of this board.

Extract from the minutes:

ROB. TAYLOR, *Cashier.*

REPORT OF THE JOINT COMMITTEE ON BANKS—DECEMBER, 1841.

The joint committee on banks, in the discharge of the duty assigned them by the legislature, have visited the banks located in the cities of Louisville and Lexington, and have addressed written interrogatories to each of the banks and branches, to which they have received written an-

swers—all of which accompany this report. In their personal visit, every facility was afforded them by the president and directors of the banks to examine into and ascertain their true situation; and, from their personal examination and the written responses of their officers, verified by affidavit, they have obtained, and now present to the legislature, the following summary of facts:

Amount of notes discounted in Bank of Kentucky and branches -	\$2,436,365
Amount of notes discounted in Northern Bank and branches	1,391,047
Amount of notes now discounted in Bank of Louisville	634,513
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Aggregate amount of notes discounted in the three banks above, which are the only banks of issue in the State	4,461,925
Aggregate amount of notes discounted in the same banks at the last legislative report	5,416,891
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Decrease since last legislative report	954,966
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Amount of bills of exchange discounted in the Bank of Kentucky and branches	\$1,795,781
Amount of bills of exchange discounted in the Northern Bank and branches	1,388,691
Amount of bills of exchange discounted in the Bank of Louisville	544,826
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Aggregate amount of bills of exchange discounted by the above three banks	3,729,298
Aggregate amount of bills of exchange discounted in the three banks above at the time of the last legislative report	3,747,303
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Decrease since last legislative report	18,005
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Amount of gold and silver on hand in the Bank of Kentucky and branches, including treasury notes	\$740,935
Amount of gold and silver on hand in the Northern Bank of Kentucky and branches, including treasury notes	656,339
Amount of gold and silver in Bank of Louisville	160,114
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Aggregate amount now in the banks	1,557,388
Included in the above is \$118,688 of treasury notes.	
Aggregate amount in the three banks at the last legislative report	1,306,805
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Increase since last legislative report	250,583
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Amount of notes in circulation of Bank of Kentucky and branches	\$1,614,827
Amount of notes in circulation of Northern Bank of Kentucky and branches	1,464,250

Amount of notes in circulation of Bank of Louisville	\$337,048
Aggregate amount of circulation of the three banks above -	3,416,125
Aggregate amount of circulation of the same banks at the last legislative report	4,453,559
Decrease of circulation since last legislative report -	1,037,434

It will thus be seen that since the last annual report the banks have been able to retire nearly one million of their circulation, and at the same time to strengthen their specie basis about one-fourth of a million of dollars.

The entire circulation now amounts to about three and one half millions of dollars, to meet which they have in their vaults about one and a half million of specie, and they have bills of exchange to the amount of three and one half millions, maturing on points heretofore favorable to the procurement of specie and eastern exchanges, within the next sixty and one hundred and twenty days, besides the discount line of four and one-half millions of dollars due them.

Such a situation well justifies the confidence that is placed in our institutions, both by our own citizens and by strangers, and which gives to the circulation of our banks a value of from five to seven per cent. premium over the circulation of the banks of the adjoining States that surround us, all alike in a state of suspension.

The committee further report that the action of those institutions, in making the exchanges of the country, has been salutary and efficient, and has relieved our trading and mercantile community from many of the burdens consequent upon the present deranged state of the currency throughout the United States. The exporter of our surplus has been enabled to anticipate his shipments to a southern market by the sales of his bills at from one to two per cent. discount, and the merchant has been able to make his remittances to Philadelphia, to pay for his imports, by the purchase of checks of the banks at about three per cent. premium. These rates compare favorably with those of the adjoining States, and strongly attest the prudence and efficiency of the management of our institutions.

The committee cannot too strongly commend to the favorable consideration of the legislature the efforts the banks have been making within the last year to return to that situation in which specie payments can be resumed and successfully maintained. These efforts, it is believed, have been fully equal to the ability of the community to bear. The reduction of the discount line of the banks and the redemption of their paper has been to an extent as great as could be borne, without producing great public distress and individual embarrassment.

The committee are fully sensible of the injury resulting to a community from a depreciated and irredeemable currency. The baneful influences it has upon the industry and prosperity of any country have been too frequently pointed out, and are too well understood to need illustration here.

Yet, at the same time that the banks are reducing their line of accommodation, and retiring their paper, great care should be taken by the legislature, and by the officers of those institutions, not to press their reduction to that point which must result in reducing the value of labor, in the de-

pression of the prices of the staples of the country, and in great individual distress.

The committee have had under consideration the question that has been referred to them by the resolution of the senate, whether it is expedient for the legislature now to fix a day for the banks to resume the payment of specie or not; and if in the affirmative, to require them to commence on that day, or else to direct a *scire facias* to issue to forfeit their charters. They have given this subject their most careful and patient consideration. They cannot disguise from themselves that the action of the legislature upon those institutions is to be sensibly felt by the community throughout the entire borders of the State, and is to result in much of benefit or evil to that community. They have felt the responsibility of their situation, and have been slow to come to a conclusion, and have called to their aid all the light and experience of the country that they could command.

The first question that is presented is, can the banks now, or how soon can they, be prepared to commence and maintain specie payments?

Under ordinary circumstances, and before confidence was destroyed, and before the value of specie was so great, our banks, in such a condition as they now are, could commence and maintain specie payments. At no time from the period of one year after they had commenced operations, and whilst they were yet paying specie, were they stronger than they are now. In the palmiest days of the banks, never did their balance sheets present a stronger claim to the confidence of the community than they now do. Yet the legislature will perceive that the banks are dependant upon the punctual payment of their bills of exchange to furnish the means to redeem their circulation with security.

The large proportion of these bills, amounting to between two and three millions, are payable at New Orleans. The low price of the staples of this country at that point, the pressure in the money market, the unstable and tottering condition of mercantile houses there—news of the failure of a portion of them being brought to us by every mail—and the sudden and unexpected rise of exchange on New York to eight per cent. premium, so contrary to the usual course of trade, should admonish the legislature not to base any decisive legislation upon a matter so uncertain as the punctual payment and subsequent investment of these bills in eastern exchange; especially in a matter in which the State has so deep an interest, and when to resume, and then again to suspend, would be so destructive to the credit and character of those institutions; and might prostrate in ruin the whole Commonwealth.

The precise period, then, at which the banks could prepare themselves for the resumption of specie payments, is dependant upon circumstances over which neither the legislature nor the banks can exercise any control. And to fix a certain and definite time by the legislature, it is believed, would be unwise and hazardous; but the time should be made dependant upon the happening of those contingencies which would enable the banks successfully to maintain, when they once resume, specie payments.

Your committee believe, that, to place themselves in a situation to resume and maintain specie payments, the banks would have to prepare to redeem the greater part of their circulation. Already the circulation of the banks bears a relative value of from five to seven per cent. above the value of the circulation of the banks of Ohio, Indiana, Illinois, and Tennessee; although the banks in those States are considered solvent, and

their circulation ultimately safe in the hands of the holder. Add to the present value of our paper the increased value that specie bears over it, which is from five to six per cent.—make it thus valuable—and can it be believed that it will form the circulating medium of the State, or will not be immediately presented for payment? Experience teaches us that such will be the fact. The New York banks pay specie for their notes, and yet it is well known that the notes of the specie-paying banks of New York form no portion of the ordinary currency of the city of New York; but instead thereof, all the channels of commerce are filled with an irredeemable currency of less value: What, then, would be gained to our citizens by the resumption of specie payments but the return of the greater portion of the paper of our banks upon them for redemption, which would take their notes out of circulation? (and then the channels of business would be filled and supplied by the depreciated currency of the surrounding States;) and the farmer and mechanic, when he should part with his property, instead of receiving, as he now does, the note of a Kentucky bank, in which he has an interest, and of those whose value and solvency he feels well assured, would be forced to receive the note of one of the banks of a sister State, in which he has no interest, and in the value of which he cannot have confidence.

There is another view in which your committee will place this subject. If the committee are right in assuming that, under the circumstances which now exist, the banks would be unable to maintain their present circulation, that its increased value and the demand for specie, or its equivalent, to pay the eastern debt, would return the circulation of the banks upon them for redemption, then it behooves the legislature to ascertain whence the two millions of dollars, not now in the vaults of the banks, are to be procured, with which to retire this circulation. This amount has to be obtained from the bill line, or from the accommodation note line of the banks. If from the first, the active means of the banks which have been heretofore engaged in the purchase and transporting of our staples to market would almost entirely be absorbed, and the drover and trader could no longer look to that source for their usual accommodations: to enable them to purchase and transport to market our hemp, tobacco, flour, stock, and other surplus of the country. Can any one foretell the injury this would produce by the depression of the staples of the country; and the ruin of our trade?

If it has to be obtained from the accommodation line, the legislature should look well to the effects such a call would produce upon the community in which we live: Could the people pay a call from one to two millions? Would it not have to be coerced by the arm of the law? And would not the consequent sacrifice of property bring ruin to many citizens?

We should not so much inquire what we shall do with the banks, as what we will do to the country if we coerce the banks? We should inquire what should be our action upon the banks in reference to the great interests in the community. Hasty or violent legislation in relation to the banks might force them prematurely into a resumption of specie payments; to the great injury of our people.

All agree that the resumption of specie payments should be brought about as soon as practicable, without a sacrifice of any of the great interests in the country. The reductions of the rate of exchange upon the east,

at New Orleans, and the successful investment of the bills due the bank at that point, in eastern exchange or specie, will overcome the present great obstacle in the way of resumption. The commencement of specie payments by the banks in New Orleans, that being the great point to which our surplus is shipped, and whence we derive specie and exchange with which to meet the circulation of the banks, would remove the chief obstruction to the successful maintenance of specie payments by our banks. But until the banks can have a certain resource of specie in the south, if we force them to open their vaults at once, we shall endanger the State in the loss of all they have, surrounded as they are by the banks of other States, that will not afford a resource of specie.

Your committee would therefore recommend to the legislature the passage of a law restoring the privileges of the banks, and appointing a day for the resumption of specie payments dependant upon the contingencies set forth in this report, and consistent with the wants and best interests of the Commonwealth.

THOMAS Y. PAYNE,
Chairman Senate Committee.

HENRY PIRTLE,
JOHN S. MORGAN,

Of the Senate.

W. C. MARSHALL,
ELEZEMOND BASYE,
F. T. CHAMBERS,

Of the House of Reps.

I concur in the facts set forth in the above report, but dissent from the reasoning and conclusion.

J. SPEED SMITH,
Chairman House Committee.

I sign the above report, reserving to myself the right of objecting to the day fixed, and the contingencies upon which that day is to depend.

RICHARD M. JOHNSON.

REPORT OF THE JOINT COMMITTEE ON BANKS—DECEMBER, 1842.

The joint committee on banks beg leave respectfully to report: That they have propounded the interrogatories to the banks which they were required to have answered by the resolutions of the house of representatives, and have also added to them other questions which the committee thought necessary, to place their situation fully before the legislature, and have received written responses to those interrogatories; all of which they now present, accompanying this report. From which the committee have collected, and now present in a condensed form, the following facts:

Amount of notes at this time discounted by the Bank of Kentucky and branches	\$2,636,728
Amount of notes at this time discounted by the Northern Bank and branches	1,515,468

Amount of notes discounted by the Bank of Louisville	\$552,879
	<u>4,705,075</u>
Amount of notes discounted by same at the last legislative report	\$4,461,925
Amount of bills of exchange discounted by the Bank of Kentucky and branches	\$1,169,058
Amount of bills of exchange discounted by the Northern Bank and branches	\$82,195
Amount of bills of exchange discounted by the Bank of Louisville	221,925
	<u>2,273,178</u>
Amount of bills of exchange discounted by same at the last legislative report	\$3,729,236
Amount due from other banks, and notes of other banks on hand, in the Bank of Kentucky and branches	\$881,655
Amount due the Northern Bank from same source	290,622
Amount due the Bank of Louisville from same source	167,517
	<u>1,339,794</u>
Amount of gold and silver in the Bank of Kentucky and branches	\$10,024
Amount of gold and silver in the Northern Bank and branches	645,463
Amount of gold and silver in the Bank of Louisville	277,449
	<u>1,732,936</u>
Amount of gold and silver in same at the last legislative report	\$1,557,388
Amount of notes in circulation of the Bank of Kentucky and branches	\$1,586,595
Amount of notes in circulation of the Northern Bank and branches	1,111,955
Amount of notes in circulation of the Bank of Louisville	102,669
	<u>2,801,219</u>
Amount of notes in circulation at last legislative report	\$3,416,125
Amount due to other banks by the Bank of Kentucky and branches	\$312,131
Amount due to other banks by the Northern Bank and branches	106,052

Amount due to other banks by the Bank of Louisville	\$9,181
	<u>427,364</u>
Amount due to depositors by the Bank of Kentucky and branches	\$356,742
Amount due to depositors by the Northern Bank and branches	371,742
Amount due to depositors by the Bank of Louisville	162,230
	<u>\$90,714</u>

By an examination of the above facts, and comparing them with the reports made to the last legislature, it will be discovered that although the banks have resumed the payment of specie in June last, yet they have not been compelled to contract their loans upon accommodation paper. It will be seen there has been a general expansion, until the line of discounts upon notes has increased about one-fourth of a million of dollars; at the same time the gold and silver in their vaults have increased about two hundred thousand dollars; and the circulation of the banks has decreased about six hundred thousand dollars. All this has been accomplished by the punctual payment of the bills of exchange that were drawn payable abroad, and have returned upon the banks either in specie, their own notes, or eastern exchange; and the line of discounts on bills has consequently decreased upwards of one million of dollars. This result is not produced by the policy or interest of the banks, but marks the decline in the business of the country. The interest and the policy of the banks would have led them to have re-invested this money in bills payable in some foreign market, and based upon the actual shipment of property to that market; but the business of the country did not require it, and the bills were not to be procured, and the capital remains unproductive. The effect of it is greatly to strengthen the banks, and to render them the more able to meet any emergency.

A single glance at the tables shows us that the banks, with a specie basis of seventeen hundred thousand dollars, have only a circulation of twenty-eight hundred thousand dollars—but little over one and a half dollar of circulation to each specie dollar they have in their vaults. In addition to this, they have two and a half millions of dollars in bills of exchange maturing in a short space of time.

The situation of the Bank of Louisville presents a still stronger attitude when taken singly. She has specie and treasury notes in her vaults to the amount of \$277,444; bills of exchange due and maturing of \$221,925; and she has only notes in circulation to the amount of \$102,669.

The strength and stability of the banks, and the accumulation of capital in their vaults, evince a great decline in business. The officers of those institutions, upon our visit to them, informed us their capital was accumulating upon them uninvested and unproductive, in consequence of the want of applicants to borrow, produced by the decline in business. They also informed us that they met all the legitimate demands upon them since the resumption, and yet could not invest their money; and

that they would now willingly invest or loan to the amount of one million of dollars, provided there were applicants for the same.

The committee could not hesitate to believe that this communication was made in good faith. It was not an effort to give a fictitious value or character to their institutions, because an examination of the facts, herewith reported, will show that such an expansion of their business, at the same time that it would advance the interests of the banks, would in no wise endanger them, or go beyond that point which would be considered safe and legitimate banking.

The committee would further report, that, acting under the instructions of the legislature, they made inquiry of the directors of the bank touching their ability and willingness to extend their loans, &c., to make them more diffusive, and to extend them into every portion of the State, and by that means to entirely relieve such pressure as may now exist in the monetary concerns of the State.

Upon all these subjects the committee have been met by the directors of those institutions with a degree of frankness and liberality worthy of all praise.

After the rejection by the legislature of the petition of the Bank of Louisville to withdraw a portion of their capital, because it lay inactive and unproductive in their bank, the directors of that institution petitioned, through your committee, the legislature, to permit them to branch their institution, and to send two branches, with not less than one hundred thousand dollars in each, into two other towns that have not now the benefit of bank capital: one of these branches to be located at Paducah, one of our most flourishing towns, situated at the mouth of the Tennessee river, and distant near one hundred miles from any other bank, and so situated as to supply a rapidly improving and fertile region of the State; the other bank to be hereafter located by the directors, as their discretion may dictate; and, at their suggestion, the committee have reported a bill.

They have also conferred with the president and directors of the Bank of Kentucky and Northern Bank of Kentucky, and have made an arrangement with the directors of each of these banks to aid the productive industry of the remaining eight congressional districts, not supplied by the location of the two branches of the Bank of Louisville, as stated above, by a loan of not less than one hundred thousand dollars in each congressional district, in sums of not more than one thousand dollars to each applicant, to be repaid by the expiration of two years, in calls of not more than ten per cent. each for the two first renewals of one hundred and twenty days, and then in calls of not more than twenty per cent. for every additional one hundred and twenty days the said loan shall run; and herewith report a bill to enable the legislature, if they agree with the committee, to carry the arrangement into effect.

The committee cannot but believe the arrangement they have thus made is fully adequate to meet the exigencies of the community. One hundred thousand dollars thus thrown into circulation, in new loans, into each congressional district, cannot but be sensibly felt by every portion of the community.

It is not more than fair to presume that each dollar thus set in motion in the business of the country will pass through at least eight or ten hands in the payment of debts before it will again reach the vaults of the bank, from whence it started. A large amount of debt will thus be paid

off; and such an addition to the present industry and economy of the people, it is believed, is fully adequate to relieve any embarrassment that may now exist.

The committee have also examined the three other institutions that are not banks of issue, situated in the city of Louisville. Their situation, as set forth in their responses to the questions of the committee, is herewith reported. They will be found to have been properly conducted, yet some of them are laboring under the general depression in business, their capital accumulating upon their hands and lying idle, unappropriated and unproductive.

All which is respectfully submitted.

THOS. Y. PAYNE,

Chairman of the Senate Committee.

JOHN S. MORGAN.

DANIEL MORGAN.

J. CAMPBELL,

Chairman of the House of Reps. Committee.

W. C. MARSHALL.

The undersigned, while he concurs in the statements so far as the solvency of the banks and their ability to meet all demands against them are stated, would yet dissent from the conclusions of a majority of the committee in stating that the present banks can and will relieve the embarrassments that now exist, and at the same time maintain specie payments.

WM. S. HELM.

I agree in regard to the present condition of the banks. As to the previous conduct of the banks, or their proposed facilities to extend their accommodations, I desire to be understood, for the present, to express no opinion.

SHELBY STONE.

REPORT OF THE JOINT COMMITTEE ON BANKS—DECEMBER, 1843.

The joint committee on banks beg leave to report: That in pursuance of the duties devolving on them by their appointment, and the several resolutions adopted by this house, they proceeded first to Louisville, and then to Lexington, and made a thorough examination of the banks at those places. The officers of the banks received them with marked civilities, and manifested the utmost willingness to exhibit a full and correct statement of the condition of their respective institutions, and to answer all questions, whether propounded to them by the committee or any other individual member thereof. They exhibited their books, showing how they were kept, the names of their debtors, with the amounts due from each, and every thing pertaining to the character and amount of business transacted by them in their corporate capacity. The committee take great pleasure in saying, that during the past year the banks seem to have acted with great circumspection in limiting the amount of their accommodation to the same person to small sums, and requiring the most undoubted securities. There never was, perhaps, a set of banks that had done so much business and sustained fewer losses than the Kentucky

banks within the last two years. The Bank of Kentucky and its branches, the Northern Bank and its branches, the Bank of Louisville and its branches, all seem to be in a safe and prosperous condition, and are all prepared to extend their circulation and enlarge their business transactions, if applications are made by men of approved solvency and punctuality.

The aggregate business of these banks, in the opinion of this committee, might be increased twenty-five per cent. with entire safety to the institutions, if loans could be made to persons of undoubted punctuality. All the banks expressed the utmost confidence in their ability, and made known their desire to increase their business to solvent and punctual customers. The committee are fully apprized of an opinion which very generally prevails in the country, perhaps with nine out of ten of those who are not familiar with bank transactions, and with the importance of punctuality in such transactions, that if an applicant be perfectly solvent, and offer security of the same character, it is the imperative duty of the banks to loan him their money, without regard to their knowledge of his punctuality. The committee are persuaded that such an opinion is extremely erroneous. With an individual unconnected with bank transactions it is not a matter of so much importance that he be always prepared to pay on demand the whole amount he may owe, although the credit and success of individual enterprise are greatly promoted by strict punctuality.

If, however, an individual who has ample assets, either in debts on good and solvent persons or visible property, should fail for a short time to meet his engagements when due, his credit would not be materially impaired. Many of our wealthiest citizens are frequently unprepared with ready money to pay one-tenth part of what they owe, whilst they may have ten times as much owing to them as they owe. It often happens that individuals worth thousands of dollars more than they owe have not fifty dollars in cash on hand, and might, if unexpectedly called on for a small debt, be unable to meet it on demand, though it might not be one hundredth part of what they are worth. Individual credit in an agricultural country like ours, where not one man in fifty has a bank transaction in the whole of his life; is, in a very small degree, dependant on the ability of the person to meet, at a moment's warning, any demand that may be brought against him. Very widely different is the case with banks. A bank must keep its affairs in that condition which will at all times insure the probability of its ability to meet and discharge every demand made at its counter. Undoubted credit is just as important and indispensable to the safety and prosperity of a bank of issue and discount as is a free circulation of the blood to the healthful operations of the functions of the human body. Indisputable credit is the basis upon which all banks of issue must stand; and if this basis be undermined, the bank falls, as certainly as does an edifice when its foundation is removed. Let the slightest suspicion of a bank's inability to redeem its issues on demand go abroad, and its note-holders immediately run home to its counter all its paper, with a demand for its redemption. Hence the absolute necessity for a bank not only to be prepared for the fulfilment of its engagements in the ordinary course of pecuniary transactions, but also to meet any extraordinary emergency in the business transactions to which it stands exposed by the very nature of its organization and functions.

The only means by which a bank can keep in circulation a larger amount than it has specie in its vaults, is by inspiring and preserving full confidence with its note-holders that the specie is always ready when they call for it. Without this confidence no bank could extend its circulation beyond the specie in its vaults, and no bank would issue paper under such a state of things. In Kentucky, when money is worth six per cent., and when the bonds of the State, bearing an interest of six per cent., can be procured at par, or at a small premium, no man will vest his capital in bank stocks, to be intrusted to the management of others, subject to losses by mismanagement or frauds of bank officers, unless he thinks there is a great probability that he will realize at least six per cent. on his money. And he cannot realize this profit, (as the banks are restricted to six per cent. interest on their loans,) unless by virtue of the privileges conferred by our bank charters, authorizing the banks to issue more paper than they have specie in their vaults. But without undoubted credit, a bank cannot keep in circulation more paper than the amount of specie on hand; and in such a state of the case it would never realize more than six per cent. on the amount of specie paid in; from which all the expenses of banking, house rents, clerk hire, &c., and salaries of the various officers, must be deducted. The conclusion is irresistible that no bank could exist under such circumstances.

Under this view of the subject, it will be apparent to all, upon the slightest reflection, that much greater punctuality is necessary in bank operations than in individual transactions. The great majority of the people in the community, being unaccustomed to bank transactions, and not having examined the importance of a bank keeping its credit above suspicion or doubt, perhaps do not appreciate the necessity of that strict punctuality which banks are compelled to exact. It may be laid down as an axiom, that the ability of a bank to keep out a large circulation is very much in proportion to the punctuality of its debtors; and hence the conclusion that its profits depend upon the same principle, and are in proportion to the promptness and punctuality of its customers. The committee take pleasure in saying, that, in consequence of the limited demand upon the banks for money, they have been enabled to grant to their debtors every reasonable indulgence, and have not exacted that rigorous punctuality in the payment of their notes at maturity, which, under other circumstances, might have been necessary. The officers of the banks say they have not, for several years, sued a single debtor who has paid up the interest, and offered to renew with acceptable paper for the principal. They, however, are inclined to think it unadvisable and altogether unnecessary, so far as the debtors of the banks are concerned, to make any stipulations with the legislature on the subject, as they intend to exercise upon this, as well as all other subjects properly belonging to them in their corporate capacity, the soundest discretion.

The committee have full confidence in the declared intention of the banks to afford every reasonable and proper indulgence to their debtors, and have no doubt that when a debtor shows a meritorious claim to their indulgence, they will accept a renewal of his note, or afford him new loans to meet it.

The committee are much gratified in being able to state, that, in their opinion, the banks have in good faith carried out and fulfilled their engagements under the act of the last legislature. There may be some

counties which have not received their proper amount of accommodations, but in all such cases the failure did not, in the opinion of your committee, arise out of any default upon the part of the banks. The committee are of opinion that the banks ought to be fully restored to all the rights and privileges granted by their charters, and that no other action is necessary for the safety of those institutions, or to secure to the people all the benefits which well organized and judiciously managed banks are calculated to afford.

All which is respectfully submitted.

WM. R. VANCE,
Chairman Senate Committee.
G. CLAYTON SLAUGHTER,
WM. RODES,
W. J. GRAVES,
Chairman H. R. Committee.
LEANDER M. COX,
WARNER CROW.

The undersigned concur with the committee on banks in their report, with the qualification that they are inclined to believe that the Northern Bank, at Lexington, did not use proper means to procure information of the sufficiency of the principals and securities in certain notes offered from the counties of Russell, Cumberland, and Adair, and that by failing to use proper means for that purpose those counties failed to get the amount of accommodation which, under the act of the last legislature, they were entitled to.

H. N. OWENS,
SHELBY STONE.

REPORT OF THE JOINT COMMITTEE ON BANKS—DECEMBER, 1844.

The joint committee on banks, in the execution of the duties assigned them by the legislature, visited the Bank of Kentucky, the Bank of Louisville, the Louisville Savings Institution, the Mechanics' Savings Institution, and the Northern Bank of Kentucky; and examined, in person, the condition of each of those institutions. The committee deem it proper to state that they were received by the officers of the respective banks with the utmost courtesy; and, in the prosecution of their investigation, the books and papers belonging to each were cheerfully submitted to their inspection, and every facility afforded them in the performance of the duties intrusted to them by the legislature.

In addition to the examination of the books of the banks, made by the committee in person, they submitted to the president of each of the said institutions a series of written interrogatories, to which answers were returned; all of which are now respectfully submitted to the legislature with this report. They have examined the information furnished by the banks, and now present the following facts in a condensed form:

Aggregate amount of notes discounted by the three banks of issue	\$5,539,375 81
Aggregate amount of bills of exchange discounted by same	3,518,719 26
Aggregate amount of specie on hand in same	2,528,035 02
Aggregate amount of notes in circulation	4,934,098 00

Of this aggregate the Bank of Kentucky and branches have—

Of notes discounted	\$2,856,063 66
Of bills of exchange discounted	1,610,451 58
Of gold and silver on hand	1,282,814 46
Of notes in circulation	2,194,344 00
Of deposits	673,314 72

The Bank of Louisville and branches have—

Of notes discounted	\$863,697 59
Of bills of exchange discounted	537,616 40
Of gold and silver on hand	360,663 69
Of notes in circulation	804,306 00
Of deposits	219,867 00

The Northern Bank of Kentucky and branches have—

Of notes discounted	\$1,819,614 56
Of bills of exchange discounted	1,370,651 28
Of gold and silver on hand	884,556 87
Of notes in circulation	1,935,448 00
Of deposits	730,097 37

Total amount of stock owned by the State of Kentucky, the commissioners of the sinking fund, and the board of education, is 13,444 shares.

Of that amount of stock, there are in the Bank of Kentucky, belonging to the State of Kentucky	7,000 shares.
Sinking fund	2,399 "
Board of education	735 "
And in the Bank of Louisville, belonging to the sinking fund, on stock-book at Louisville	175 shares.
On transfer books at Philadelphia, about	235 "
	<u>410 "</u>
And in the Northern Bank, belonging to the State of Kentucky	2,500 "
Sinking fund	400 "

The State of Kentucky owns in all the banks, stock to amount of 9,500 shares.
Sinking fund owns in the banks, stock to amount of 3,209 "
Board of education owns in the banks, stock to amount of 735 "
13,444 shares.

An examination of the statement of the condition of the banks respectively furnished by them to your committee, and made part of this report, will readily convince all not only of their ability to meet promptly all their engagements, but to continue to furnish a sound and stable currency to the country, sufficient for all the legitimate demands of trade and business. Your committee do not believe that there has existed at any former period in the history of the State a system of banking under its authority more eminently successful in establishing a currency free from fluctuation, and in affording the surest guarantees to the holders of its circulation, than the present, or which more fully possessed the public confidence.

The committee, in their examination, deemed it their duty to inspect the list of debtors to the several banks, which, upon their application, was promptly furnished them by the officers. From an investigation of the accounts of the debtors to the banks, your committee found that the discounts during the past year have been very generally diffused, and were well secured; that no discount extraordinarily large has been made to any individual; and that the banks, in the distribution of their loans, have had due regard to the producing and manufacturing interests of the State.

The committee, in obedience to the resolution of the house of representatives, submitted to the Bank of Kentucky and to the Northern Bank of Kentucky the inquiry directed by that branch of the legislature concerning the re-loan of the sum authorized under the act approved March 8, 1843. The responses of the banks to this inquiry, declining to make the re-loan in the manner contemplated by the resolution of the house, will be found under the appropriate head.

From the inquiry made by the committee touching the loan made under the authority of that act, they are gratified in being able to state that the debtors have been prompt in meeting the calls as demanded: that comparatively little of that debt is lying over; and that no loss to any considerable extent is apprehended. The committee concur in the sufficiency of the reasons assigned by the banks in declining to make the re-loan, as suggested by the resolution. It will be seen, by examination of the statements of the Bank of Kentucky, that on the 31st of March, 1843, about the time this loan was originally made, the circulation of that bank was \$1,609,354, while at this time it is \$2,194,344; showing an increase of circulation since that period of \$584,990. An examination of the statement of the Northern Bank will show, that at the time of that loan the circulation of that bank was \$1,188,857, while it is now \$1,935,448; making an increase in her circulation of \$746,591, and making a total increase in the circulation of those two banks combined of \$1,331,581. Under this state of fact, the committee do not believe that an expansion, to the extent contemplated by the resolution of the house of representatives, could be made with safety to the banks. The officers have assured the committee that their policy had been, and would continue to be, to extend their accommodations as far as should be consistent with a due regard to the constant ability of the banks to meet all their engagements.

By reference to the responses of the Bank of Kentucky to the interrogatories of the committee, in relation to the fraudulent over-issue of the stock of that bank by the Schuylkill Bank, in Philadelphia, it will be seen that the entire amount of that issue, so far as ascertained, is 13,185 shares; that up to the 1st of January, 1845, there had been recognised by the bank 12,895 shares; that the bank had purchased up of this stock, to the

1st of January, 1845, 6,492 shares; leaving of this over-issue recognised, and upon which dividends are paid, 6,693 shares. It is the design of the bank to continue to purchase in this stock, as her means may authorize, without affecting her ability to do the ordinary business of the country. The suit instituted by the Bank of Kentucky against the Schuylkill Bank, to recover the loss sustained by this fraud, has not yet been determined, but the committee are advised by the president that the suit has been fully prepared upon the part of the Bank of Kentucky; that notice for trial, as provided by the practice in the courts of Pennsylvania, has been given, and that a trial of the cause may be expected during the ensuing spring.

The committee addressed a series of interrogatories to the presidents of the Louisville Savings Institution and the Mechanics' Savings Institution of Louisville, which were promptly responded to by these institutions, and will be presented with this report. We also examined, in person, the books of these respective institutions; found them well kept; their loans well distributed and properly secured. The Louisville Savings Institution is a depository of the funds of the government of the United States. They are both managed with great prudence, and at very little expense, and are of great utility in the particular spheres within which they operate; their losses from bad debts have been inconsiderable, and they justly enjoy, to a very high degree, the public confidence.

Your committee, in the further prosecution of their duties in the city of Louisville, addressed to Levin L. Shreve, esq., president of the Louisville Gas Company, a communication requesting from him a statement of the condition of that institution, and the character and extent of its operations for the last year. His reply, with an accompanying statement, will be found with the papers presented with this report. This company, by the act incorporating it, was invested with the powers of a savings-bank, but the main purpose of its creation was to establish gas light in the city of Louisville. The committee have been eye-witnesses to the eminent success with which it has accomplished this purpose. By its agency, gas lights have been established throughout the most populous portions of the city of Louisville, of a brilliancy surpassing, it is said, those of any city in the Union. While the comfort of the citizens is promoted, great additional security is thereby given to person and property. This company has not, during the past year, as will be seen from the response of the president, exercised any of the banking powers belonging to it, but has confined itself exclusively to the exercise of its manufacturing privileges.

WM. H. FIELD,
Chairman Senate Committee.
MARSHALL KEY.
FON. T. FOX.
F. T. CHAMBERS,
Chairman H. R. Committee.
W. C. MARSHALL,
E. A. GRAVES,
H. J. GROESBECK,
L. BEARD,
SHELBY STONE.

Banks of Kentucky.

Name of bank	Place	Date	Capital	Loans and discounts	Stocks	Real estate	Other investments	Due by other banks
Northern Bank	Lexington	Dec. 31, 1840	\$2,987,200	\$3,051,308	\$1,025,000	\$92,004	\$124,310	\$501,600
Bank of Kentucky	Louisville	Dec. 31, 1840	4,698,137	5,207,426	1,630,200	78,538		539,780
Bank of Louisville	do	Dec. 17, 1840	1,150,000	1,288,253	80,000	46,246		135,588
Savings Institution	do	Dec. 15, 1840	105,096	157,773	-	10,000		27,388
Mechanics' Savings Institution	do	Sept. 30, 1840	98,775	155,110	-	19,598	92	6,088
Gas and Water Company	do	Dec. 19, 1840	347,648	10,841	200,000	204,640		2,542
Total of 6 banks and 11 branches								
			9,385,856	9,650,710	2,935,200	444,026	124,402	1,213,525

Banks of Kentucky—Continued.

Name of bank	Place	Date	Notes of other banks	Specie funds	Specie	Circulation	Deposits	Due in other banks	Other liabilities
Northern Bank	Lexington	Dec. 31, 1840	\$146,936	-	\$633,449	\$1,795,079	\$116,037	\$317,438	
Bank of Kentucky	Louisville	Dec. 31, 1840	325,348	-	639,901	2,253,410	511,687	353,020	
Bank of Louisville	do	Dec. 17, 1840	92,238	-	133,453	405,061	99,563	47,923	
Savings Institution	do	Dec. 15, 1840	80,430	-	19,573	-	118,267	30,193	\$11,760
Mechanics' Savings Institution	do	Sept. 30, 1840	91,667	\$45,075	1,715	-	50,094	15,095	63,381
Gas and Water Company	do	Dec. 19, 1840	-	-	1,715	-	16,116	3,364	73,514
Total of 6 banks and 11 branches									
			967,619	36,075	1,328,093	4,433,669	1,213,078	766,983	138,635

Banks of Kentucky—Continued.

Name of bank	Place	Date	Capital	Loans and discounts	Stocks	Real estate	Other investments	Due by other banks
Northern Bank	Lexington	Dec. 31, 1841	\$2,987,200	\$2,886,532	\$1,054,260	\$93,789	\$82,035	\$438,913
Bank of Kentucky	Louisville	Dec. 31, 1841	4,698,067	4,608,925	1,664,990	97,066	303,678	539,586
Bank of Louisville	do	Jan. 1, 1842	1,150,000	1,229,702	80,000	70,706	-	91,227
Savings Institution	do	Dec. 31, 1841	105,106	145,886	-	18,460	-	17,876
Mechanics' Savings Institution	do	Dec. 31, 1841	100,900	168,332	-	12,598	-	7,505
Gas and Water Company	do	Jan. 1, 1842	409,780	9,037	200,000	226,135	25,125	
Total of 6 banks and 11 branches								
			9,451,053	9,047,115	2,999,260	518,696	410,738	1,098,117

Banks of Kentucky—Continued.

Name of bank	Place	Date	Notes of other banks	Specie funds	Specie	Circulation	Deposits	Due to other banks	Other liabilities
Northern Bank	Lexington	Dec. 31, 1841	\$222,369	-	\$609,339	\$1,513,721	\$362,470	\$280,015	
Bank of Kentucky	Louisville	Dec. 31, 1841	100,399	-	669,247	1,614,287	481,133	241,651	
Bank of Louisville	do	Jan. 1, 1842	60,240	-	160,114	337,048	88,333	40,552	
Savings Institution	do	Dec. 31, 1841	69,540	-	53,105	-	161,518	6,902	
Mechanics' Savings Institution	do	Dec. 31, 1841	-	\$35,984	-	-	62,610	12,087	\$55,242
Gas and Water Company	do	Jan. 1, 1842	-	12,401	-	-	13,855	26	39,483
Total of 6 banks and 11 branches									
			452,598	48,385	1,491,805	3,465,056	1,169,919	571,233	94,725

Banks of Kentucky—Continued.

Name of bank	Place	Date	Capital	Loans and dis- counts	Stocks	Real estate	Other invest- ments	Due by other banks
Northern Bank	Lexington	Dec. 31, 1842	\$2,367,200	\$2,564,084	\$1,089,289	\$136,718	\$63,630	\$135,661
Bank of Kentucky	Louisville	Jan. 1, 1843	4,698,067	4,044,798	1,594,990	194,844	384,826	597,101
Bank of Louisville	do	Dec. 31, 1842	1,450,000	876,351	80,000	99,057	86,328	109,960
Savings Institution	do	Dec. 31, 1842	105,106	105,372	234	18,400	-	29,336
Mechanics' Savings Institution	do	Dec. 31, 1842	95,775	108,728	100,000	13,972	-	6,453
Gas and Water Company	do	Jan. 1, 1843	331,937	11,049	-	227,967	20,880	960
Total of 6 banks and branches	-	-	9,368,085	7,710,382	2,804,513	690,058	565,664	879,471

Banks of Kentucky—Continued.

Name of bank	Place	Date	Notes of other banks	Specific funds	Specific	Circulation	Deposites	Due to other banks	Other liabilities
Northern Bank	Lexington	Dec. 31, 1842	\$154,961	-	\$645,463	\$1,111,235	\$376,709	\$106,053	-
Bank of Kentucky	Louisville	Jan. 1, 1843	241,554	-	840,021	1,586,595	411,863	317,131	-
Bank of Louisville	do	Dec. 31, 1842	56,310	-	190,229	107,746	160,983	6,034	-
Savings Institution	do	Dec. 31, 1842	40,500	-	81,411	-	143,581	691	-
Mechanics' Savings Institution	do	Dec. 31, 1842	-	848,975	-	-	62,851	239	\$26,582
Gas and Water Company	do	Jan. 1, 1843	-	14,608	-	-	6,061	97	\$2,807
Total of 6 banks and branches	-	-	536,365	73,583	1,739,187	2,401,296	1,192,086	425,667	47,389

Banks of Kentucky—Continued.

Name of bank	Place	Date	Capital	Loans and dis- counts	Stocks	Real estate	Other invest- ments	Due by other banks
Northern Bank	Lexington	Dec. 30, 1843	\$2,237,200	\$3,031,932	\$40,000	\$161,311	\$33,835	\$623,166
Bank of Kentucky	Louisville	Jan. 1, 1844	4,743,600	4,339,586	455,186	225,721	112,762	716,618
Bank of Louisville	do	Jan. 1, 1844	1,095,000	1,116,518	80,000	106,901	100	233,718
Savings Institution	do	Dec. 26, 1843	102,058	116,516	600	18,400	-	11,897
Mechanics' Savings Institution	do	Dec. 31, 1843	80,578	124,655	-	17,387	15,649	2,590
Gas and Water Company	do	Dec. 8, 1843	332,093	8,781	100,000	229,136	21,539	860
Total of 6 banks and 13 branches	-	-	8,590,526	8,731,988	675,286	758,856	183,885	1,588,789

Banks of Kentucky—Continued.

Name of bank	Place	Date	Notes of other banks	Specific funds	Specific	Circulation	Deposites	Due to other banks	Other liabilities
Northern Bank	Lexington	Dec. 30, 1843	\$265,492	-	\$893,998	\$1,796,502	\$642,919	\$188,368	-
Bank of Kentucky	Louisville	Jan. 1, 1844	269,702	-	1,111,027	1,848,315	646,290	492,686	-
Bank of Louisville	do	Jan. 1, 1844	87,881	-	107,203	304,007	248,076	112,765	-
Savings Institution	do	Dec. 26, 1843	27,750	-	115,862	-	115,774	3,426	-
Mechanics' Savings Institution	do	Dec. 31, 1843	-	\$58,822	-	-	122,657	1,775	\$8,974
Gas and Water Company	do	Dec. 31, 1843	-	6,691	-	-	6,231	-	20,266
Total of 6 banks and 13 branches	-	-	660,815	65,510	2,228,090	4,038,824	1,820,947	759,009	29,240

Banks of Kentucky, according to returns dated nearest to January 1, 1846.

Name of bank.	Place.	Date.	Capital.	Loans and discounts.	Stocks.	Real estate.	Other investments.	Due by other banks.
Northern Bank of Kentucky	Lexington	Dec. 31, 1844	\$2,237,400	\$3,336,766	\$40,000	\$164,987	\$38,943	\$1,004,671
Bank of Kentucky	Louisville	Dec. 31, 1844	4,369,300	4,973,764	450,000	241,923	37,100	494,533
Bank of Louisville	Do	Jan. 5, 1845	1,083,000	1,497,533	83,107	111,062	-	182,019
Savings Institution.	Do	Dec. 24, 1844	100,000	155,626	600	18,400	-	29,208
Mechanics' Savings Institution	Do	Dec. 31, 1844	80,075	108,956	2,200	95,887	20,359	1,233
Gas and Water Company	Do	Jan. 1, 1845	333,653	8,358	100,000	233,558	19,558	860
Total of 6 banks and 13 branches	-	-	8,203,428	9,781,013	675,907	795,816	115,360	1,712,524

Banks of Kentucky—Continued.

Name of bank.	Place.	Date.	Notes of other banks.	Specie funds.	Specie.	Circulation.	Deposits.	Due to other banks.	Other liabilities.
Northern Bank of Kentucky	Lexington	Dec. 31, 1844	\$337,298	-	\$881,556	\$1,935,448	\$738,129	\$177,696	-
Bank of Kentucky	Louisville	Dec. 31, 1844	281,601	-	1,282,813	2,191,341	797,666	360,927	-
Bank of Louisville	Do	Jan. 5, 1845	104,989	-	360,663	801,306	222,916	149,181	-
Savings Institution.	Do	Dec. 31, 1844	66,320	-	119,617	-	166,649	4,139	-
Mechanics' Savings Institution	Do	Dec. 31, 1844	-	\$39,967	-	-	107,310	3,877	84,794
Gas and Water Company	Do	Jan. 1, 1845	9,553	-	1,156	-	1,591	-	20,813
Total of 6 banks and 13 branches	-	-	793,760	38,967	2,618,706	4,931,098	3,021,181	1,189,893	25,698

Notes.—The Bank of Kentucky has branches at Greenburg, Danville, Hopkinsville, Bowling Green, Frankfort, Lexington, and Maysville. The Northern Bank of Kentucky has branches at Louisville, Paris, Cornington, and Richmond. The Bank of Louisville has branches at Flemington and Paducah.

Banks of Kentucky—January 1, 1846.

Name of bank.	Place.	Capital.	Loans and discounts.	Stocks.	Real estate.	Other investments.	Due by other banks.
Bank of Kentucky	Louisville	\$3,699,460	\$5,124,616	\$455,493	\$252,185	-	\$445,863
Northern Bank of Kentucky	Lexington	2,237,600	3,980,253	40,000	179,864	\$8,750	928,281
Bank of Louisville	Louisville	1,082,100	1,767,931	83,107	111,492	-	146,772
Total of 3 banks and 13 branches	-	7,019,160	10,872,800	578,600	543,541	8,750	1,521,016
Savings Institution	Louisville	100,000	186,333	600	18,400	-	19,468
Total of 4 banks and 13 branches	-	7,119,160	11,059,133	579,200	561,941	8,750	1,536,484

Banks of Kentucky—Continued.

Name of bank.	Place.	Notes of other banks.	Specie funds.	Specie.	Circulation.	Deposits.	Due to other banks.	Other liabilities.
Bank of Kentucky	Louisville	\$319,388	-	\$1,275,309	\$2,586,673	\$698,690	\$303,814	-
Northern Bank of Kentucky	Lexington	287,820	-	909,703	2,453,532	778,250	668,327	\$18,450
Bank of Louisville	Louisville	79,382	-	351,091	1,024,227	218,183	109,517	-
Total of 3 banks and 13 branches	-	686,590	-	2,536,103	6,064,431	1,925,123	1,172,658	18,450
Savings Institution	Louisville	27,438	-	88,026	-	93,998	2,419	115,115
Total of 4 banks and 13 branches	-	714,028	-	2,624,129	6,064,431	2,019,121	1,175,077	133,565

Synopsis of the condition of the banks of Kentucky, from January, 1841, to January, 1846.

Date.	No. of banks.	No. of branches.	Capital.	Loans and discounts.	Stocks.	Real estate.	Other investments.	Due by other banks.
January, 1841.	6	11	\$2,395,865	\$9,680,710	\$2,935,200	\$444,026	\$124,402	\$1,213,525
January, 1842.	6	11	9,451,053	9,047,915	2,999,250	518,096	410,738	1,098,117
January, 1843.	6	11	9,368,085	7,710,382	2,864,513	690,058	555,664	879,471
January, 1844.	6	13	8,590,520	8,731,988	2,675,786	758,856	183,985	1,868,789
January, 1845.	6	13	8,203,428	9,781,013	675,907	795,816	115,260	1,712,524
January, 1846.	6	13	7,119,160	11,061,733	579,200	561,911	8,750	1,536,481

Synopsis of the condition of the banks of Kentucky—Continued.

Date.	No. of banks.	No. of branches.	Notes of other banks.	Specie funds.	Specie.	Circulation.	Deposits.	Due to other banks.	Other liabilities.
January, 1841.	6	11	\$957,619	\$36,575	\$1,329,093	\$1,453,559	\$1,213,078	\$766,983	\$138,055
January, 1842.	6	11	452,998	48,385	1,491,805	3,465,056	1,169,919	571,333	94,725
January, 1843.	6	11	536,365	73,683	1,730,157	9,801,346	1,192,086	435,867	47,889
January, 1844.	6	13	690,815	65,546	2,328,090	4,028,821	1,820,917	759,009	29,240
January, 1845.	6	13	792,780	38,907	2,018,706	4,331,098	2,024,181	1,189,803	25,036
January, 1846.	6	13	714,038		2,024,173	6,064,131	2,019,121	1,175,077	133,665

Extracts from the report of the Joint Committee on Banks, made to the Legislature of Kentucky in January, 1846.

The joint committee on banks, in pursuance of their duty, visited, since the commencement of the present session of the general assembly, the Bank of Kentucky, the Bank of Louisville, and the Northern Bank of Kentucky. An examination of the books, the vaults, and the business of those banks, as thorough as the time would permit, was made by the committee. In such examination every facility was given, and the utmost frankness displayed, by the officers of those institutions. The books were unreservedly submitted to inspection, and explained when and wherever necessary. The reasons were readily given for any loan that appeared to any of the committee to be large, so as to satisfy them. In the examination of the list of suspended or bad debt and debts in suit, causes sufficient and satisfactory for the course pursued were given, and were such as would influence and govern the conduct of a prudent and sagacious man in the management of his private business.

The committee owe it to themselves, and to the officers of those institutions, to say that the business of the banks is conducted upon enlightened and liberal principles, regardful of the interests of the stockholders, and the promotion of the agricultural, manufacturing, and commercial interests of the country. The committee are gratified in having it in their power to give it as their opinion that these institutions are not only perfectly safe, but would be able to increase their circulation if the just demands of business and trade required it. This opinion will be found fully justified by reference to that part of this report exhibiting the amount of gold and silver, and eastern exchange, (equal to gold and silver,) owned by the banks respectively. The committee take particular pleasure in reporting the fact, that all the banks have taken a firm stand against large and exorbitant loans to individuals or companies; by this course there is less danger of loss, and it will afford greater safety to the community.

Gold and silver in the banks, 31st December, 1845	\$2,536,107 16
Do do do 1844	2,228,035 02
Increase	308,072 14

The banks have set apart a fund to cover losses and bad debts—	
In the Bank of Kentucky	\$48,591 16
In the Northern Bank	177,554 28
In the Bank of Louisville	32,463 00
	<u>258,608 44</u>

BANK OF KENTUCKY.—The amount of stock ascertained to have been issued fraudulently by the Schuylkill Bank is \$1,318,500; and the amount of profits which have been set apart and appropriated to the purchase of stock, to reduce the over-issue, is \$675,007 10. A portion of this sum, viz: \$55,137 05, remains to the credit of "stock fund," on the 1st of January, 1846. This fund will very soon be exhausted in the purchase of the stock.

BAD DEBTS.—When a debt is considered bad, it is charged to the ac-

count of "fund to cover losses," and is no longer reported among the resources of the bank; but this account is kept in view, and examined in the same manner that the suspended debt in suit is; and as collections are made of debts thus charged, the amount is credited to this account.

NORTHERN BANKS.—The apportionment of capital between the bank and branches was originally made in conformity to the requirements of the charter; but it is the practice of the principal bank to permit the branches to become indebted to it, and thereby increase their actual capital for the time being; whenever it is perceived that a large amount of funds can be used by any one of them advantageously for the bank and community.

EXCHANGE.—Bills payable at the eastern cities we have generally purchased at a discount of interest at 6 per cent. per annum for the time to run. On New Orleans our charge has been, on bills maturing in the winter, interest and from 1/2 to 1 per cent. exchange; and on bills falling due at that point at other times, varying from 1/2 per cent. to 1 1/2 per cent., besides interest; and in a few instances, in which the bills were at a very long date, as much as 2 per cent. exchange has been charged. Bills payable in South Carolina we discount at 1 per cent. and interest; and on bills payable in Virginia 1 1/2 per cent. and interest.

Stock.—The State of Kentucky owns 2,500 shares, and the commissioners of the sinking fund 400 shares, in the stock of this bank; the board of education none.

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MISSOURI.

Extracts from Governor Reynolds's message to the Legislature of Missouri, November 22, 1842.

It will be conceded by every reflecting person that no civilized nation can attain the full enjoyment of all its natural resources in the absence of a sound circulating medium. Any substitute for such a medium must, from the nature of things, be temporary and partial in its benefits, and ultimately disastrous in its consequences.

The substitution of an irredeemable paper currency, resting solely upon a credit derived from temporary and illusive causes, for the precious metals, and paper convertible at pleasure into those metals, has brought upon us a train of evils which has inflicted the severest injury upon all great interests of society. Men imagined that they were in possession of wealth, when in reality they possessed nothing but worthless promises.

Now that the mist has been dissipated, and we see nothing before us but stern reality, it becomes us to use every proper exertion to extricate ourselves from the difficulties which surround us. Strange as it may seem, there are those who contend that the remedy lies in perpetuating the evil; that in order to extricate ourselves from the embarrassments brought upon us by a vicious currency, we must lend to a similar currency the sanction of the law. One would naturally suppose that in order to cure the disease, it would be necessary to remove the cause. Temporary expedients may give partial relief for the moment, but the invariable effect is to increase the evil and render the remedy more difficult.

The State cannot pay the individual debts of our citizens; and even if it had the ability, and chose to exercise it, it could not do so without inflicting monstrous injustice upon the great mass of the people. Such a proposition would shock the moral sense of every upright man.

We have an industrious, enterprising, and economical population. Our soil not only abounds in mineral wealth, but is admirably adapted to the cultivation of the most valuable articles of export. With such advantages, nothing but our own short-sighted policy can retard our advancement. Freed from the miserable and worthless currency that has rested like an incubus upon our energies, we would find its place supplied by a sound and intrinsically valuable circulating medium. Our people would then gradually but certainly recover from their present embarrassments, and all would fully realize the truth of that axiom in political economy—production is the only true source of wealth.

When the State has extended to the citizen protection of person, of property, and of reputation, the enforcement of contracts, and the redress of injuries, it has fulfilled its chief duties. Let these purposes be accomplished, the imposition of heavy and unnecessary burdens upon the people, and an improper interference with their contracts, avoided; let our citizens exercise forbearance the one toward the other, and continue in