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CONNECTICUT.

REPORT OF THE BANK COMMISSIONERS.

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

The undersigned, in pursuance of their appointment and the laws of this State, requiring them to visit the several banks in the State once in each year, and oftener if they deem it expedient, and to inquire whether they have been, and are managed and conducted according to law, would respectfully report the result of their examinations.

They have required the cashier of each bank to answer certain interrogatories showing the condition of the bank of which they have charge at three different periods of time, viz: the 1st of October, January, and April. Satisfactory answers have very generally been returned with commendable promptness. From these returns and from personal examinations of the books and officers of the several banks in the State, we can with confidence say to your honorable body and to the public, that they are all sound and eminently worthy of the confidence of the public, so far as any demands can of right be made upon them. We believe there is not a more sound and safe currency in existence than that furnished by the banks in this State. We know of no better system of banking than ours. Indeed, all experience proves that those States that have departed from a similar one, viz: a *bona fide* paid up cash capital, legitimately applied to the proper business for which bank charters are obtained, find that difficulties of a serious nature soon become apparent. Hence the constant legislation called for by the people of those States where they have unfortunately resorted to some other basis for their bank issues than the one above referred to. We entertain the opinion that in all cases where a bank goes into operation upon a *bona fide* paid up cash capital, with capable and honest officers to manage it, the holders of their issues are always safe from loss for the want of adequate means for its redemption. That stockholders may sometimes suffer the loss of dividends, and even their stock, by the mutations of trade that all are liable to under the credit system, no one can doubt.

It will be seen by tables hereinafter given, that the circulation of the banks is less than it was one year since by nearly four hundred thousand dollars. Causes beyond the control of the banks have produced this result; and one more prominent perhaps than any other, is the par value of their bills in Boston, and the near proximity to it in New York, which is very different with the banks west and south. In consequence of this state of things, the bills of our banks are sought after for remittance to those two great commercial points, especially when money at those points is worth from ten to fifteen per cent. per annum.

Another and very important reason may be found in the operations of the sub-treasury system in diverting from the ordinary channels of trade so large an amount of the basis of the circulating medium, and placing it

where it is not necessarily required for any purposes connected with the general business of the country.

It is very gratifying to us to be able to report that a much stronger anxiety is manifested by directors and other officers of the banks to accumulate a reserved fund of sufficient amount to enable them to make their dividends uniform, than was formerly felt. There are a few exceptions; and whenever we have found banks that were dividing their earnings too close, and regarding their present prosperity without any consideration of future adversity, we have not hesitated to remonstrate with them most earnestly against the practice, and urge them to commence at once laying aside a portion of their earnings for this most desirable object. Some of the banks have the last year declared large semi-annual dividends, although no one has violated their charter or the laws of the State by encroaching upon their capital.

We think no bank should ever, under any circumstances, make a larger dividend than they may reasonably expect to always sustain. We think the policy to be bad, for the reason, in the first place, that there would be temptations to the financial officers of banks to resort to practices not the most commendable to make the greatest possible amount of earnings; and a spirit of rivalry may be promoted between different institutions, and the funds of the banks perverted from business which it is the duty of the banks to sustain, and of great inconvenience and even hardship to those who have occasion, or are under the necessity of doing business with them; and in the second place, we do not believe the best interest of a very considerable portion of the stockholders will be promoted by it; for it is a fact that a very large amount of the stock of the banks in this State is held by females, minors, and old people, who depend mainly for the means of their support upon the earnings of their stock, and when their income is large, corresponding habits of living will be very likely to be induced; and should a reverse of fortune to the banks take place, which may and indeed must be expected, they would be required perhaps to pass one or more dividends, especially when little or no surplus is reserved, an event which would be productive of no small inconvenience, to say the least, to a large class of stockholders. We should much rather never see a semi-annual dividend of more than three and a half per cent., and all earnings beyond that carried to the credit of profit and loss, until a sufficient sum should be accumulated to meet all ordinary losses, and make sure regular dividends, and at such times as the banks were of sufficient ability to make an extra dividend. We believe the interest of the public, the banks, and the stockholders would be promoted by this course of policy. We feel great confidence that the example of some of our best-managed banks will be soon followed and adopted by all.

The system of par redemption in Boston causes almost the entire circulation of the banks in this State to flow to that point, where it is redeemed by the Suffolk Bank; consequently, funds have to be placed by our banks to meet such redemption to an equal amount, or dishonor and loss of credit follow; therefore, the real strength of a bank for its redemptions is required at that point. All the banks in the State redeem their entire circulation at Boston once in about sixty days, except the very small amount redeemed at their counters, and except a portion of those in Fairfield county, who redeem about one-eighth in New York. The public have no cause of complaint that this salutary check upon bank issues

exists, as it accomplishes what no legislation ever has or can, and at the same time compels all our banks to keep their discount line within a healthy limit, which is not only beneficial to them, but to those who borrow money at their counter, and as it enables the customer to obtain facilities instead of capital. Although the system, at first view, appears somewhat arbitrary, yet the practical operation of it is of the greatest advantage to the banks, and of almost perfect security to the bill-holders.

The general principles upon which the banks in the State are conducted meet with our entire approbation. We do not mean to say there are no exceptions, for there are a very few cases that have not been approved of by us; and whenever we have found them, we have not hesitated to point out the error to them, and usually satisfactory results have followed.

The opinion was expressed by the commissioners in the last annual report to the legislature, that some of the banks were in the habit of going abroad for paper, to the neglect of our own citizens, and the belief then was, that public opinion would be very apt to correct the evil. We have, during the past year, investigated this subject with a very close scrutiny, and we are happy to say, that so far as we have been able to discover, a considerable improvement has been made in this particular. Yet there are good and valid reasons why our banks should at certain periods of the year find it necessary to use some portion of their surplus means out of the State without at all interfering with their domestic business, and thereby be better prepared at other periods when a demand from their customers should be increased by the fair course of trade to attend to their wants. We therefore deem it advantageous to the people of this State to have an amount of banking capital sufficient to furnish all the facilities that a fair and legitimate business may require at all times.

We have found, upon examination, that the law of last session requiring ten per cent. specie in the vault of the bank upon the circulation to have been complied with, and we have also found that more specie is received at the counter than is called for in the redemption of the bills of the bank at that point, which proves that ten per cent. is fully equal for all demands from that quarter; and also proves that the public prefer bills for ordinary business transactions, to specie.

We found, on an examination of the profit and loss account of the several banks, that some portions of them received a premium varying from one-fourth to one-half per cent. for drafts at sight on New York and Boston. Of this practice we do not complain, provided it is not made a condition upon which they discount the paper offered at the counter. There are undoubtedly many cases when it may be an accommodation to the customer of a bank to obtain a draft on some bank in New York or Boston, by paying a fair premium for the same; and as the deposits of the banks in this State accumulate at those points by the legitimate course of trade, why should not they be permitted to make the same use of them as any mercantile house would under similar circumstances? It is true, when the money market becomes stringent in our commercial cities, great inducements are not unfrequently held out to the officers of banks to furnish facilities at rates not to be realized by the ordinary course of trade; and it is the opinion of many that the officers of these institutions do under such circumstances make use of their funds abroad, to the exclusion of the business in their own vicinity. We are not satisfied that this opinion is well founded as respects the great portion of the

banks. If there are any exceptions, it should, in our judgment, be confined to some two or three, as a very general preference has been given to good paper at home. It not unfrequently happens that notes are offered for discount that may be good, and the bank have the ability to discount them, yet the parties are not sufficiently known, to have the confidence of the directors, or may be of such a character as to be inconsistent with the interests of the bank to discount. It should also be borne in mind that directors and other officers of banks have a great responsibility resting upon them, requiring much discretion in its exercise. To avoid losses is a prominent duty they owe to the stockholders and the public; and as it is impossible to correctly discriminate in all cases, that they should sometimes err is to be expected, and those who offer paper for their investigation should not charge them with partiality without good evidence. The offerer of paper not unfrequently entertains a very different opinion of its value from that of a board of directors.

Those banks that have formerly been under the necessity of taking a large amount of real estate for debts previously contracted, have been gradually lessening the same, until many of them have disposed of the whole, except their banking house; and we have been assured by the officers of those who have not as yet been so fortunate as to accomplish so desirable a result, that no pains shall be spared to close the balance at the earliest period, as it is most manifestly injurious to the interest of all concerned to hold it a moment longer than is necessary to an advantageous sale.

One of the provisions of the 18th sec. of tit. 50, ch. 1st of the revised statutes, requires the cashiers of banks to give notice to the assessor of the towns where owners of bank stock reside, the market value of such stock during the month of September next preceding the time required by law for giving such notice. This provision was made by the last legislature. The law had for many years required assessors to place bank and other stock that were taxable in the list at its value; which value was to be fixed by them as the value of other property. The propriety or good policy of the provision made at the last session is very much doubted by many. The tendency of it is to induce a fictitious or a fraudulent value, and in some instances to operate very unequally; a few individuals, owning stock, by a combination with each other, can either raise it very considerably above its real value, or depress it much below, and that, too, without the knowledge of the cashier; for he can be governed in his action only by the sales made during the month of September.

If two or more stockholders were disposed so to do, they might make a very few sales during that month to each other at a price far above its value, and by so doing the cashier would be bound to return it to the assessor at that price, and by the publicity so given innocent persons might be led to make purchases; so, on the other, the same persons could, by mere fictitious sales during the month of September, cause a return to be made much below the value, and thereby deprive the public of its just proportion of taxes, and also induce those less informed to sell their stock at a loss. Besides, if no efforts were made to either increase or diminish the value of the stock, the operation of the law will be unequal. The stock of a bank that declares a dividend in the month of October will be just as much higher as the amount of the last six months' earnings, so that stock that would sell at one hundred and three in September, would

bring but par after the dividend. There would be just as much propriety in making a law that the interest should be added to the principal on notes of hand that are taxable for the purpose of taxation, as there is in the present law relating to bank stock. If there were any considerable sales of stock in this State by which a market value could be fixed by a competition, the case might be different, but there are but very few sales made; and it may be seen, by reference to the report of last year, nearly one half of the capital stock of banks in this State is held by the State, school fund, school, ecclesiastical and other societies, and in trust for minors and others, and females, and a large portion of the balance is held by elderly people who have no wish to change the same.

The whole amount of banking capital paid in on the first of April last was \$8,985,916 76, (exclusive of the amount in the Winsted Bank,) which will be increased the present year \$392,120 by the amount subscribed to the four banks chartered at the last session of the General Assembly, so that the whole amount of banking capital in the State paid in will be \$9,378,036 76.

There is about two and a half millions of chartered capital located in different parts of the State that has not yet been taken up, and which the directors or stockholders now have the right to add to the above amount of \$9,378,036 76.

The whole amount discounted for directors of banks in this State appears, by the returns of April 1, to be \$285,562 10. This fact shows that the banks are managed by men who are not both lenders and borrowers to any very considerable extent. We have found but one instance of an officer of a bank having exceeded the limit prescribed by law. The president of the New London Bank was over about two hundred dollars, but we were satisfied that it was not from any design to violate so salutary a provision of the law as that of limiting loans to directors, but was merely accidental.

The aggregate circulation of the banks at three different periods of the year ending April 2, 1849, is as follows:

April 1, 1848	-	-	-	\$4,891,265 06
October 1, 1848	-	-	-	4,023,235 06
April 1, 1849	-	-	-	4,511,571 06

showing a decrease of circulation between the two first periods above named of \$868,030, and between the two last an increase of \$488,246, and at the last mentioned period \$379,094 less than April 1, 1848.

The aggregate amount of loans and bills discounted during the same periods above-mentioned is as follows, viz:

April 1, 1848	-	-	-	\$13,424,653 99
October 1, 1848	-	-	-	13,381,093 33
April 2, 1849	-	-	-	13,740,591 07

showing an increase of loans and discounts since October 1, 1848, of \$359,497 74, and since April 1, 1848, of \$315,937 08, which increase is about the same amount as that of capital and additional surplus made the past year.

The following table shows the amount of the immediate liabilities of the banks to the public the second of April last:

LIABILITIES.

Circulation	-	-	-	\$4,511,571 06
Deposites	-	-	-	2,100,272 25
Due to banks	-	-	-	364,966 31
Dividends unpaid	-	-	-	32,220 34
Other liabilities	-	-	-	6,310 95

7,015,340 91

RESOURCES.

Specie	-	-	-	\$575,676 07
Bills of other banks	-	-	-	196,273 35
Due from banks	-	-	-	1,087,757 72
Due from brokers and agents	-	-	-	285,558 38
Stocks and bonds	-	-	-	522,010 78
Checks and other cash items	-	-	-	58,929 22
Overdrafts	-	-	-	20,249 61
Real estate	-	-	-	332,751 72
Bills discounted	-	-	-	13,740,591 07

16,920,097 93

Three of the banks chartered by the last legislature had commenced business before the first of April last, and exhibits made to us indicate that a prosperous business may be done at the points where they are located, and that facilities of the nature that banks usually furnish were required at those points. The caution and prudence evinced by the officers in their preliminary arrangements, augur well for the interest of the stockholders and the public. The Winsted Bank did not go into operation until about the 20th of April, consequently no statement is made of that institution. We have received a note from the cashier of this bank since the commencement of this report, saying that \$37,375 of the capital is paid in, and bills discounted to the amount of \$27,854 42, and the circulation \$22,400.

All which is respectfully submitted.

NELSON BREWSTER,
HENRY G. TAINTOR,
STARR FERRY,
Bank Commissioners.

HARTFORD, May 9, 1849.

Banks of Conn.

Name.	Place.	Date.	Capital.	Loans and discounts.	Stocks.	Real estate.
1819.						
Hartford Bank	Hartford	Mar. 1	\$1,134,600	\$1,845,612	\$2,094	\$15,000
Phoenix Bank	do	Mar. 1	1,285,600	2,066,408		38,423
Farmers and Mechanics'	do	Apr. 1	545,200	1,058,849	5,000	12,000
Exchange Bank	do	Apr. 1	525,000	985,404		18,564
Connecticut River	do	Apr. 2	232,000	362,512		7,000
New Haven Bank	New Haven	Mar. 31	364,800	488,809	38,276	7,900
New Haven County Bank	do	Mar. 31	515,675	587,176	52,239	13,700
City Bank	do	Mar. 31	500,000	578,935	5,000	53,158
Mechanics' Bank	do	Apr. 1	300,000	511,499		20,000
Connecticut Bank	Bridgeport	Apr. 1	327,100	407,528	52,419	36,658
Bridgeport Bank	do	Apr. 1	169,800	348,921	500	10,500
Fairfield County Bank	Norwalk	Mar. 1	100,000	254,543	510	8,446
Danbury Bank	Danbury	Apr. 2	89,500	193,781	510	6,845
Stamford Bank	Stamford	Mar. 31	60,000	128,508	5,050	5,616
Norwich Bank	Norwich	Apr. 2	210,000	294,219	37,192	6,026
Thames Bank	do	Mar. 31	262,400	370,742		10,167
Merchants' Bank	do	Mar. 31	191,741	303,030		13,000
Quinchaug Bank	do	Mar. 30	243,398	325,875	21,211	13,500
Union Bank	New London	Apr. 5	100,000	142,690		2,500
Whaling Bank	do	Apr. 2	151,200	193,613	16,517	
New London Bank	do	Apr. 5	150,875	193,327		4,000
Mystic Bank	Mystic	Apr. 2	52,700	105,008		600
Stonington Bank	Stonington	Mar. 31	59,650	104,216		500
Jewett City Bank	Griswold	Mar. 31	44,000	67,221	4,650	4,300
Middlesex County Bank	Middletown	Apr. 3	221,000	312,797		
Middletown Bank	do	Mar. 31	369,000	591,492	9,158	5,600
East Haddam Bank	East Haddam	Apr. 4	71,240	133,877	5,578	2,144
Saybrook Bank	Essex	Mar. 28	23,650	51,181		2,217
Tolland County Bank	Tolland	Mar. 31	80,800	198,907		2,355
Thompson Bank	Thompson	Apr. 2	60,000	71,695	20,000	1,600
Windham County Bank	Brooklyn	Apr. 2	62,700	100,959		1,861
Windham Bank	Windham	Apr. 2	60,000	78,168		1,553
Iron Bank	Falls Village	Mar. 22	105,580	212,238		2,532
Waterbury Bank	Waterbury	Mar. 31	47,785	75,033		
Meriden Bank	Meriden	Apr. 4	155,000	219,260		4,480
Manufacturers' Bank	Birmingham	Apr. 2	36,270	59,033		
Total of 36 banks and 2 branches			8,928,264	14,043,096	275,904	332,745

NOTES.

The amount of capital given is independent of the amount of its own stock held by any bank.

In the total of loans and discounts are included bonds and mortgages and a small amount of overdrafts.

In the amount due from other banks are included the sums due from brokers and agents.

The "other liabilities" of the banks consist almost exclusively of "deposits bearing interest."

A part of the "real estate" held by the banks is returned by them as being in New York, Ohio, Michigan, Indiana, and Illinois.

In the "balances due from banks out of the State" is included, in the original balance-sheet, the sum of \$25,485 49, due from the Canal Bank at Albany to the Iron Bank at Falls Village. "Of this sum it is expected that about 50 cents in the dollar will be realized, perhaps more." In this general statement is included only the amount expected to be obtained from the Canal Bank.

Connecticut, April, 1849.

Other investments.	Due by other banks.	Notes of other banks.	Specie funds.	Specie.	Circulation.	Deposites.	Due to other banks.	Other liabilities.
	\$108,795	\$17,395	\$6,013	\$72,744	\$484,011	\$220,419	\$66,939	
	106,019	12,238		59,791	530,016	258,644	26,181	\$25,426
	38,917	6,922		46,160	340,378	151,547	28,011	
	17,318	4,623		31,904	248,732	128,209	19,011	131,210
	35,701	3,401		13,000	118,343	49,791	997	5,167
\$160	87,312	2,845	1,103	21,915	136,755	99,265	27,066	
	129,353	10,951	7,521	23,219	189,007	66,889	17,054	
	148,790	4,120	1,530	19,578	172,378	91,117	15,010	
	70,405	17,423		20,597	153,096	114,919	45,142	
	100,045	7,310	624	25,191	171,000	82,119	14,276	
	108,223	8,087		21,570	207,215	58,441	11,905	
	30,026	5,850		17,841	171,830	5,381	19,835	
	11,808	4,864	6,929	11,661	106,267	24,867	2,771	
	30,909	5,635		9,774	86,540	30,675	11,869	
	19,407	13,020		12,097	80,514	41,121	24,056	12,000
	10,513	5,246		9,517	87,793	46,597	3,474	
	17,763	12,296	2,689	7,335	70,853	33,236	3,462	47,092
77	7,851	4,094	4,102	7,500	72,834	30,231	9,885	16,891
	40,662	5,071	871	8,414	73,970	11,665	2,493	
	22,920	4,500	710	7,800	54,559	21,547	3,770	2,659
	10,257	3,452		5,006	44,487	11,892	57	
	4,129	211	2,227	5,132	46,193	8,799	1,292	
	3,779	2,820	6,828	8,579	39,354	15,649	1,719	
	3,678	707	1,773	3,736	34,822	3,063	1,141	100
	26,605	1,475	1,774	10,661	88,783	29,454	2,259	
	27,069	368	2,874	20,765	95,784	51,817	8,597	
	11,381	1,992		7,292	52,642	23,538	2,911	
	20,474	3,323	176	6,405	37,800	17,544	2,234	
	22,327	9,428	1,086	19,426	66,619	19,518	10,181	29,635
	16,572	2,537		5,546	47,360	5,361	2,101	
	35,264	1,298	920	6,570	74,890	6,106		
	15,658	1,246	1,627	4,332	31,717	4,813	142	2,204
	29,687			13,275	123,717	23,038	822	8,750
	41,192	5,126		6,223	148,411	24,911		6,125
265	6,500	270		7,422	66,286	7,609	1,800	
285	17,812	3,941		3,675	36,414	11,359		
787	1,470,853	196,268	58,337	575,656	4,511,570	1,831,291	378,403	287,249

NOTES.

The bank commissioners state that they have, during the past year, been engaged in the service of examining the banks, in the aggregate, 204 days, at \$3 per day. \$612 00
Expenses incurred in visiting the several banks twice during this period. 420 63
Expenses incurred for postage. 10 50
Expenses incurred for stationery and blanks. 12 50
Total. 1,055 83

This expense was divided among the banks, each contributing in proportion to its capital. In a letter to the Secretary of State, dated January 11, 1850, Roger H. Mills, esq., the secretary of state of Connecticut, states, in a letter to the Treasury Department, under date of January 11, 1850:

"Since the report referred to, there have been chartered the following banks, which have gone into operation, with the amount of capital as follows: State Bank, at Hartford, capital \$400,000; Farmers' Bank, Bridgeport, capital \$200,000; Pawcatuck Bank, Pawcatuck, capital \$75,000; Deep River Bank, Deep River, capital \$75,000."