

United in efforts to effect this salutary reform, success must attend the friends of gold, silver, and good bank notes of large denominations, redeemable at the will of the holder. To increase the specie of the country, the small notes and the miserable depreciated paper from abroad should be peremptorily excluded. Within the limits of the State of Missouri, such trash should not be permitted to circulate. We earnestly recommend the passage of a strong, well-considered, and carefully-expressed law prohibiting the circulation of bank notes of a less denomination than \$10. Such a law will receive the countenance and support of the friends of a sound credit based upon specie. No successful opposition need be apprehended from adventurers and speculators on the one hand, nor from the friends of a distended credit on the other.

In conclusion, your committee beg leave to submit for your consideration the following resolutions:

1. *Resolved*, That it is expedient to exclude from circulation, within the limits of our State, all irredeemable and all depreciated bank paper, and all post notes.
2. That it is expedient to exclude from circulation, within the limits of our State, all bank paper of a less denomination than ten dollars.
3. That it is inexpedient for our State Bank to furnish a greater amount of foreign and domestic exchange than an intelligent judgment should dictate to be equal to the debts to, and due by, the people of the State.
4. That it is expedient to require the State Bank, in loaning money, to give a preference to notes calling for small sums when brought into competition with notes calling for large sums.
5. That it is expedient to require the bank to renew no notes, unless a part of the amount thereof is repaid, to be loaned out to others.
6. That the revenue of the General Government should be diminished, so as to prevent an unnecessary accumulation of public money.
7. That it is unwise to permit depositories of public moneys to use it, or to pay it out, except for public purposes.
8. That the independent treasury system, as developed in the message delivered at the special session of Congress, 1837, is a measure well calculated to work the most salutary reform in the currency.
9. That the embezzling, secreting, or in any other manner unlawfully taking of the public money by the public officers, should be, by law, declared felony, and provision made for the punishment thereof.

## BANKS IN INDIANA.

### V.

#### *Report on the State Bank.*

The twelfth branch of the State Bank was located at South Bend, by the directors, at their session held in February last. Books for subscription of stock were opened there in June; the amount required by the charter was subscribed; the first instalment was paid in specie by the individual stockholders and the State; and, by proclamation of the Governor, that branch was authorized to commence banking operations on the 14th of November.

The amendments proposed to the charter by the Legislature of 1836 having been agreed to by all the branches, the directors of the State Bank, in conformity thereto, located the thirteenth branch at Michigan city, the fourteenth at Logansport, and the fifteenth at Rushville; but one of the branches not having signified its assent to the location of the sixteenth branch until the November session, no further action has yet been had in relation to it. It is understood, however, that it will be placed in a district to be formed out of the Terre Haute and Lafayette branch districts, at such point as shall, on examination, appear best adapted to promote the interests of the State and the institution.

Books of subscription for the thirteenth branch were opened in October, the stock has been subscribed, and notice given for the payment of the first instalment on the 1st of February next; soon after which, it is expected that the branch will commence operations.

Two other branches will be organized the ensuing year, as soon as the funds at the command of the State board will admit; and if the collections from the sinking-fund and surplus-revenue loans should be larger than usual, the sixteenth branch may also be organized.

No loan having been made by the State to pay the first instalment of its stock in the twelfth branch, \$50,000 was advanced by the bank for that purpose, in anticipation of the fourth instalment of the surplus revenue.

Additional State stock has been subscribed as follows, viz: \$20,000, each, in Richmond, Evansville, and Terre Haute branches, and \$32,000, each, in the Lawrenceburg, Indianapolis, and New Albany branches, with the premium equivalent to the profits on hand. Similar subscriptions will be made in the Madison and Lafayette branches, when the surplus fund in the former shall be reduced, and the state of the suspended debt in the latter be more fully ascertained.

For the advance of capital made for the State, the bank will be reimbursed from the fourth instalment of the surplus revenue, or, if that be withheld, the bonds of the State will be substituted. These advances draw interest, under the law of last session, at the rate of 6 per cent. until repaid, and the stock is entitled to the same dividend as other stock for the benefit of the State.

As the surplus fund had become so large in some of the branches as to prevent the subscription of new stock on account of the high premium necessarily demanded, the branches at New Albany, Indianapolis, and Lawrenceburg were authorized, in May last, to divide their surplus down to one-eighth their capital, on condition that the stockholders would immediately subscribe new stock equal to the amount of their dividends. The privilege was accepted, and by this division \$29,375 was set apart to the State, and the same amount to the stockholders; and new stock has been taken by them and others to the amount of \$71,350. A similar privilege was granted, in November, to the Richmond, Madison, and Terre Haute branches, by which they will be able to enlarge their capital considerably.

It is an object of much solicitude to all who are interested in the bank, that its stock should be increased as the business of the State requires; and though there is no great demand for the stock in any of the branches at such a premium as the profits on hand would divide, and in most of them it is frequently sold at much lower rates, yet the increase of private stock will be constant until it reaches the limits fixed by the charter. Should no further provision for State stock be made, the capital of the

bank may thus be increased to more than twice its present amount. Good policy, however, requires that some of the branches should enlarge their capital much faster than others.

Whether the State stock should be increased under the power reserved in the charter, and if so, to what extent; are questions which the wisdom of the Legislature must decide. The banking capital of the State is admitted to be small in proportion to its business. Individual enterprise in the management of the institution holds out the hope of good dividends; and the personal responsibility of directors and stockholders, who must lose their stock entirely in a breach before the State stock can be effected, is a strong guaranty for the State interest. If the addition be made, they incur the principal hazard, and can derive no advantage except as citizens of the State having an interest in the general welfare.

From present appearances, it is believed that the State stock might be considerably increased, with safety to the bank and profit to the State. As the demand for individual stock is now much less than it probably will be hereafter, may not the State, if funds can be had on moderate terms, borrow for bank more than individuals will probably subscribe at this time, and hereafter the private stock may be increased in proportion when it shall be more in demand? While the contracts of the State shall be protected as other property, with the increasing wealth of the State will be the demand for stocks, as a source of secure income for the aged, the young, and the helpless, for whose use they are peculiarly adapted.

In reviewing the course of the bank in suspending and resuming specie payments, there appears to be nothing in the whole against which any charge, even of error or impudence, can be made. There has never been but one opinion amongst those whose judgments deserve consideration, as to the propriety of the suspension by this bank; and nothing was omitted that could be fairly done to bring about an early resumption. By its correspondence with other banks, by the action of its delegates in the April bank convention, and by the prudent management of the branches, a general resumption was urged, and finally effected by the banks in the East-ern, Western, and Middle States, on the 13th of August last, with but little inconvenience to our citizens or to the bank. The reduction of its circulation and discounts at the season of the year when both are usually at their lowest stages, has enabled it, since that time, to increase its business and augment its issues largely. The stimulus thus given to enterprise shows, beyond all question, the correctness of the policy by which the bank, always retaining and exercising its powers of being useful, is thereby in a situation to give liberal aid at periods most important for the interests of the country.

The loans made to pay debts seldom extend any beneficial influence beyond the first operation, and not unfrequently they only serve to increase the load on the debtor by accumulating interest; they have, therefore, been uniformly discouraged. But loans made to the exporter fell at once by the farmer. What the manufacturer, builder, or employer borrows, will benefit the laborer and consumer, and none can fail to perceive the substantial advantages that are realized by the extension of the business of the bank in its effects on the markets for produce and the competition of our citizens with others.

The dividends of the bank were 3 per cent. the first year,  $9\frac{1}{2}\%$  the sec-

ond, 8 the third, and  $9\frac{1}{2}\%$  the fourth, exclusive of the amount divided in three branches to add to their stock. The first year the dividend was insufficient by \$10,000 to pay the interest on the loan for the State stock; but the second year the overplus of profit set apart to the State was \$28,600, the third year \$29,250, and the fourth year \$70,118. By comparing the States' interest in the remaining surplus fund on hand, after allowing for bad debts, interest paid in advance, and interest due the United States, there is a further sum of at least \$100,000 gained by the operation of the bank; making, in all, a clear profit to the State of \$217,368. The rate of profits on the capital invested varies but a small fraction from 12 per cent. a year.

The profits of the bank, for the first three years, depended on many circumstances of a temporary character. An unequalled circulation of the paper, maintained without an effort; a large amount of United States deposits; extensive disbursements of Eastern funds by public works, and the high premium these funds soon afterwards commanded, gave great facilities for profitable banking, without any loss to our citizens. A change in all these matters has taken place, and the profits hereafter must be less; yet, the greater abundance of and demand for the produce of the State, and the increase of real business on prompt loans, will, to some extent, supply the deficiency.

The actual payments on notes and bills, taking all the branches together, cannot fall much below one-fourth the discounts every three months; and the sums thus collected, if not reserved for the exporting season, are loaned again immediately. Here, then, are between three and four millions of dollars, in the course of a year, issued by the bank, to constitute in a great degree, the circulating medium of the State. No matter how much the capital be increased, without punctual payments new loans cannot be made; and in a State where the balance of trade is against it, there must be continual new discounts and issues of paper, or there will be such fluctuations in the amount of circulation as to affect seriously all the business of the country. Much of the merchandise and other articles convenient and necessary for the citizens of the State have been, and will continue to be, purchased at points to which very little of our produce is sent. To make the purchases and to pay the debts contracted on these accounts, it is estimated that at least \$5,000,000 annually have been remitted through the agency of the several branches. They might, indeed, have refused collections and made no provision for remitting money, but, in that case, all the specie in the State, and all that could be imported, would not stand the drain upon it for a single year. Debts must be paid, whether the bank collects them or not; and funds must be provided at points where they are wanted, or they will be withdrawn in any manner the owner sees fit, no matter with how much inconvenience to the community. No uniformity of circulation or regularity in business can be expected, if the bank do not use its means and its influence in conformity with the course of trade and the wants of the public. In reference to these matters, it is believed that much, if not all that was desirable, has been done. By the avails of the State loans, by the bills of exchange bought of the exporters, and by the disposition of such other Eastern funds as it could collect, the bank has been able to meet all demands from abroad, and yet preserve its specie undiminished. For the six months ending the 1st of November last, the bills of exchange were only from a seventh to a tenth of the

whole discounts. They will exceed that proportion for some months to come, it is hoped, considerably; for, where a third of the discounts are in bills that will be promptly paid, (and none other should be purchased,) the amount of business done may be enlarged nearly in that proportion. The exchange charged should be a fair allowance, according to the custom of banks, for the difference in the value of money, and for keeping back their funds previously to supply the greater demand in the exporting season.

As yet, it is believed the bank has sustained but few losses. None of much consequence are known.

The branches have been regularly visited and examined, as is required by the charter.

No complaints have ever reached the State board of any improper conduct in a large majority of the branches. All alleged grievances have been carefully investigated, and such steps taken in regard to them as the good of the public and the safety of the other branches appeared to require. A body representing the State and the interests of every branch has decided, with unanimity, on almost all matters submitted for its action. The responsibility of the individual stockholders, of the directors in their private capacity, of the branches for each other, and of a portion of the officers to the Legislature, throws around the institution all the security which private interest and respect for public opinion can create. Under such circumstances, it can scarcely fail to effect the objects for which it was instituted. It furnishes a circulating medium in which full reliance is placed. It is emphatically a State institution, in which the punctual, the industrious, and enterprising of all parties obtain accommodations; and its stock, though less profitable than money vested in most other business, will yet be sought for on account of its regular dividends.

The following statements, taken from the last semi-annual examinations of the branches, present the condition and business of the bank in a light which must be gratifying to its friends and the public generally:

Branches.	Loans to			Stock owned by persons who owe nothing, or less than their stock.
	Directors.	Other stock-holders.	Others not stockholders.	
Indianapolis	\$72,564	\$65,974	\$243,945	\$44,100
Richmond	29,858	48,676	219,159	54,700
Lafayetteburg	72,729	143,719	271,982	12,500
Madison	65,000	112,419	254,576	94,600
New Albany	30,670	66,164	213,193	56,150
Evansville	67,613	49,568	132,038	35,200
Vincennes	38,597	59,368	148,021	62,850
Terre Haute	16,364	37,424	180,951	57,400
Bedford	19,600	171,168	137,987	40,100
Lafayette	19,600	77,307	175,469	46,150
Fort Wayne	44,724		179,041	30,600

In addition to the stock of the State in the institution, the owners of about half the private stock borrow little or nothing. Such an amount, held merely for the dividends, is further guaranty for correct conduct.

Abstract showing the condition of the bank November 17, 1838.

RESOURCES.		LIABILITIES.	
Notes and bills discounted	\$3,679,200 79	Due to other banks	\$269,905 30
Real estate, furniture, &c.	144,386 01	Notes in circulation	2,951,795 00
Due from branches	46,621 72	Due the Treasury United States	206,534 10
Bank balances	226,521 94	Due to branches	53,560 33
Advances to the State, remittances, &c.	265,297 58	Due sinking fund, &c.	56,535 97
Fund commissioners	588,484 89	Dividends unpaid	88,448 31
Branch notes on hand	114,660 00	School fund	7,830 25
Other bank notes	155,813 00	Pension fund	795 40
Specie	1,345,832 08	Individual deposits	393,554 79
	\$6,566,808 01		\$4,028,959 45

The balance will pay \$2,216,700, the capital stock in the bank, and leave \$321,158 for losses, interest due the United States not yet ascertained, and to be divided hereafter.

Since the last annual report, the following items have increased, to wit:

Capital stock	\$338,793 75
Notes in circulation	725,100 00
Specie	217,700 52
Discounts	328,297 50

By means of the new branches at the north, the increase of capital stock in several of the old branches, and the enlarged operations for the winter's business, the most of these items will soon be considerably increased.

Respectfully submitted.

S. MERRILL, President.