

MAINE STATE LEGISLATURE

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DOCUMENTS

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THE LEGISLATURE,

OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1835.

AUGUSTA:
WILLIAM J. CONDON,.....PRINTER.

1835.

FIFTEENTH LEGISLATURE.

NO. 9.

HOUSE.

To the members of the Senate, and to the members of the House
of Representatives of the Legislature of Maine.

GENTLEMEN—The undersigned, your fellow citizens and constituents, would respectfully, but earnestly call your attention to a subject which we deem to be of the most vital importance to the people of this State—a subject on which, more than any other, in the whole scope of Legislation, their prosperity and happiness depends.

We allude to the state of the currency—to *Banks* and *Banking*—for it is through or by the agency of these institutions, a currency is supplied or withheld to the community. To provide a *sound, adequate and stable* currency, we hold to be among the first, if it is not the very first *duty* of every good Government; whether that government be despotic, monarchical, or Republican—but above all, should a Republic—should the *people* by their Representatives provide a currency possessing this character—based upon Gold and Silver Money, and at all times convertible into these Metals.

A currency should be so abundant as to enable the whole population to buy and sell with facility—so

abundant as to bring to a CASH MARKET at *all times*, the great productions of every country, the produce of its *lands* and *labor*. The effects produced by a scarcity of money, are of too recent occurrence to need to be illustrated.

Fluctuations in the currency, from scarcity to plenty, and from plenty to scarcity, are more decidedly to be deprecated than a uniform scarcity. When these fluctuations are frequent and extreme, they are fraught with the most alarming consequences to the community in which they happen—consequences, which no prudence or foresight can provide for or prevent, and have a tendency to bring about, as it were by force, more surely, more speedily, and to a greater extent than any other cause—perhaps more than all other causes combined, those odious distinctions of rich and poor—the very rich and very poor, by making at every change, the rich richer, and poor poorer. This tendency is always sufficiently rapid in the natural and most favorable course of events, and our laws and institutions should not hasten, if they cannot retard, this result.

When a currency is supplied through channels only accessible to a very few, and upon very hard terms to those few, and through a process which requires its almost immediate return, and a high rate of interest for its use—*it cannot and it does not perform* the proper services of a *currency* to the community. That such is the condition of the circulating medium of this State, it is our intention to shew.

In providing a currency for the people of this State, through the medium of **Banks**, your predecessors in Legislation have taken especial care that it shall be *sound*, but in securing the *two equally important requisites, abundance and stability*, they have been less successful. Not, perhaps, from any deficiency in the provisions of the Law ; but from the Laws having been evaded, violated or perverted. The number of **Banks**, and the amount of **Banking capital** already incorporated, is more than sufficient to furnish all the circulating medium, the wants of the people require, for the successful prosecution of their various and multiplied pursuits ; *if managed upon correct Banking principles*—upon such principles as the laws regulating **Banks** evidently contemplate. But the circulation of the **Banks** falls far below the wants of the **People**, and being the only channel through which the people are, or can be supplied, the evils experienced have become serious and alarming. It is alarming to witness the rapid increase of *Banks and Banking Capital*, and the consequent increase of power, acquired by these institutions “ *over the industry and business relations of the people.*”

By the Bank return of June, 1834, it appears that the Capital Stock of the **Banks**, paid in, in Gold and Silver Money, and then in operation, was *two millions eight hundred and four thousand dollars*. On this capital, the **Banks** are authorized to have

bills in circulation to the amount of *four millions two hundred and six thousand dollars*. But instead of this large sum, they return but EIGHT HUNDRED AND TWENTY THOUSAND THREE HUNDRED AND FORTY SIX DOLLARS—less than one fifth—less than one dollar where they could have five; less too, by near two millions, than the amount of their capital Stock. This might appear a mystery without explanation; to the uninitiated. With this low circulation the debt due to the Banks amounts to the very large sum of THREE MILLIONS EIGHT *hundred and eighty thousand, four hundred and seventy six dollars and twenty five cents*. If we subtract from this debt due the Banks the amount of their *Capital and circulation*, it leaves a balance of \$256,130 52, by which it appears that the Banks have loaned their entire Capital and \$256,130 52 of their deposits !

The Banks return—

Cash deposited, - - - - -	\$483,878 76
Cash deposited bearing interest, -	101,840 68
Gold and Silver in the Banks, -	112,711 20
Bills of Banks without the State, -	27,880
Due from other Banks (supposed to be tribute money) in the Suffolk Bank, and redemption funds in other Boston Banks, - - -	260,227 79
	<hr/>
	\$986,538 43
From this take the circulation, - -	820,346
	<hr/>
and it leaves a balance of - - -	\$166,192 43

more money in possession of the Banks than their whole circulation. This is on the supposition that they had not loaned their deposits ; but as they had loaned a part of their deposits, the amount of bills in circulation exceeded the amount of money in the Banks by the sum of *ninety thousand dollars* nearly.

Thus, then, to obtain an increased currency to the people of Maine, of *ninety thousand dollars*, requires the machinery of twenty eight Banks, and near three millions of Banking Capital, and a debt of near *four millions due to the Banks*, payable as often as three times a year ; payable too, mostly, in a distant State—making the amount of payments more than *eleven millions and a half of dollars per annum*. This is the condition of the Banks, it should be borne in mind, the first of June, 1834, a period of distress and fearful foreboding of evil to the people of Maine.

But to illustrate this subject more fully, take the operations of a single Bank ; for example, the Canal Bank of Portland.

The Capital of this Bank is	-	-	\$396,000
Bills in circulation,	-	-	39,526
Debts due the Bank,	-	-	461,652 57

Now, if this *immense debt*, compared with the circulation, is due on four months paper, the amount becoming payable monthly will be \$115,413 14. If any event should arise to induce the directors of this Bank, from choice or otherwise, to suspend

discounting for only one month—the debts becoming due the first twelve days would bring in the whole *circulation*, and leave a balance of \$75,887 44 to be provided for, or, to remain unpaid at the end of the month. This balance we shall presume unpaid, for we find there is but \$112,711 20 in Gold and Silver money in all the Banks in the State, and the circulation of all the other Banks, nearly as meagre as this Bank ; and still there is a debt due of \$422,126 57 after the entire circulation is withdrawn—*how then is this debt to be paid?* This is an important question to the *debtors* not only of *this Bank*, but of *all other Banks* ; but not more so to them than to the *people* at large, and we put the question to you, Gentlemen, as the guardians of the public welfare, with all the solemnity a question so important requires—**HOW IS THIS DEBT TO BE PAID ?** How slavishly dependant that people must be, who are liable to be deprived of their entire currency at so short notice, slaves too, to masters of their own making !

We will now call your attention to the condition of the currency in another part of the State, and to the effect the present system of Banking has upon the prosperity of the people. To enable the people of the flourishing county of Penobscot to prosecute their great works of improvement, and to bring to market, under the most favorable circumstances, the great staples of her fields and forests, it was represented to former legislatures, that an increased currency

was necessary, and that it would be supplied by Banks; and at different periods three charters were granted and three Banks were in operation in June last, with a capital of one hundred thousand dollars each, to wit:

Bangor Commercial Bank, - - - - -	\$100,000
Kenduskeag Bank, - - - - -	100,000
Mercantile Bank, - - - - -	100,000

These three Banks are entitled by law to have bills in circulation to the amount of \$450,000 and may have debts due to them to }
the amount of } 600,000

and dealing to this extent, they would have in their vaults, in gold and silver money, for the redemption of their bills, *one hundred and fifty thousand dollars*; and in addition to this, such sums as might be deposited by customers. If this debt due these Banks was loaned on four months' paper, and the directors, as in the case of the Canal Bank, should suspend discounts for one month, the amount becoming payable would be \$150,000; this sum the debtors could pay from the circulation of the Banks, and still leave three hundred thousand dollars for the use of the people, and thus lessening the debt twenty five per cent. without producing, as we can safely, we think, presume, any *distress* or *embarrassment*, and having no other effect than giving an accelerated motion, perhaps, to the remaining circulation. But should the Banks, as their payments come in, re-loan to the same or other cus-

tomers, the effect would be to afford great facilities, in the transaction of business, in the discharging of debts, in the payment of taxes; and would give an impulse to industry and enterprise in the various pursuits in life. It would enable every man who had the *wherewith*, to *buy money*. The laws establishing Banks seem to us, clearly, to contemplate a system of Banking something like this. But a new era has arisen in the system of Banking.

What then is the system pursued by these Banks? and what is the result upon the community? In June last, the Commercial Bank returned bills in circulation, - - - - - \$28,840

Kenduskeag, - - - - - 34,273

Mercantile, - - - - - 35,411

Making an aggregate of - - - - \$98,524

This is *three hundred fifty one thousand four hundred and seventy six dollars* less than they are entitled to have, and more than two hundred thousand less than their capital stock.

There was due to these Banks, at the same time, as follows:—

Commercial, - - - - - \$142,494 67

Kenduskeag, - - - - - 147,801 01

Mercantile, - - - - - 142,842 22

Making an aggregate debt of \$433,147 90 or four dollars thirty nine and a half cents debt, for every dollar of circulation. This large debt it is understood is due mostly or entirely on bills of Ex-

change, payable in Boston, Massachusetts, 250 miles from their location, and payable in two, three and four months, and thus making the business of *Banking* a mere business of *exchange brokerage*. If we suppose the average time these bills of Exchange have to run, to be three months, it will bring due every month, - - - - \$144,380 74

Deduct the amount of circulation, 98,524

\$45,856 74

and it leaves a balance to be provided for and remitted by the debtors to these Banks, over and above the amount of their circulation, every month, of *forty five thousand eight hundred and fifty six dollars and seventy four cents*; on the supposition that they can possess themselves of their whole circulation. But the circulation being so low in proportion to the debts, it is not in the power of Bank debtors to obtain money to meet their payments, and consequently there is a necessity for constant discounts equal to the payments, so that these three Banks, to obtain a circulation of \$98,524, have to discount monthly \$144,380 74, and those who obtain this *accommodation* have to remit the same amount to Boston. This circulation, however, small as it is, is not the result of the *regular discounting* operations of the Banks, but is produced by a system of *swapping*, a sort of *barter trade* which is carried on extensively by *all the Banks*—it consists in merely exchanging the bills of *the Bank* for bills of

any or *all* other Banks. The officers, stockholders and customers are all pressed into this service. It is quite safe to say that one half the circulation in Maine is obtained through this process. The bills obtained in this way, are sent to Boston to redeem the bills of the Bank as they get there, or to be drawn for at one per cent. premium, to enable some customer to pay a bill of Exchange, which, only a few months before, the Bank had charged one per cent. exchange on discounting it, because it *was* payable in Boston.

The dividends of these Banks are supposed to average about nine per cent., *damages* on *protested bills* of *Exchange*, making no inconsiderable portion of their profits. So profitable is this business, that another Bank has recently gone into operation, and petitions are pending for two more, before the Legislature.

We come now to the effect produced by this low state of the currency, upon the prosperity of the people.

It has been stated, recently, in a respectable paper printed in the city of Bangor, that during the year 1834, more than three thousand WRITS had been entered in that county in the Court of Common Pleas alone, at a cost of near sixty thousand dollars. If we add to this number the actions settled before Court, entries at the Supreme Judicial Court, and Justice actions, we shall probably not over rate, in estimating the writs made in the coun-

ty of Penobscot in one year, at TEN THOUSAND, at a cost of not less than ONE HUNDRED THOUSAND DOLLARS! giving one writ to every three, or at most four inhabitants. This is but a picture, and probably not greatly exaggerated, of the business of the State. To be sued, seems to have become a matter of choice, to delay payment, being cheaper in the end than going to the Banks for a loan, or sacrificing property to obtain money. To obtain money of the Banks, except on bills of exchange, is generally out of the question, and thus shutting out of Banks all who cannot give such paper. This want of *punctuality* has become an alarming and wide spreading evil—an evil only to be remedied by an *adequate and stable currency*. The *inadequate* state of the currency *compels* to the *contracting of debts*, for the business of society must go on, and the debt once made, then comes the harder *compulsion*, to make payment.

We deem it a singular fact, that while the government is strenuously resisting the payment of damages on the Bill of Exchange drawn on France, with the *heartly approbation of a majority of the people of Maine*, her Banks require bills of exchange payable in a distant State, for nearly all her loans, which, if not paid at the hour they become due, entitle the holder to THREE PER CENT. DAMAGES, and cost of protest, and ARE UNIFORMLY EXACTED. There is one other expedient resorted to by Bank Directors to enhance their dividends, which was

practiced to considerable extent during the severe pressure of last winter, and to which we cannot refrain from alluding, deeming the practice a violation of the *law*, and the rights of the citizens of the State. This practice was, to require discounts to be made double—that is—a person wanting one thousand dollars, was required to get \$2,000 discounted, with an understanding that one thousand remain in the Bank until the paper discounted shall become due. This practice has been reported to be adopted to considerable extent—that one Bank, almost in sight of the capital, had forty thousand dollars in deposit from such discounts, in the height of the pressure. Of another Bank, report said, that its capital was transferred to Boston and invested in “*Bank Books.*” Rumor may have done injustice to the Banks, and we therefore shall look for the appearance of the Commissioners report with solicitude.

Many of the improper practices of the Banks, we feel persuaded, have grown out of a misapprehension on the part of the Directors, of the character of the institutions over which they are chosen to preside; in supposing it to be, like other corporations, an exclusive privilege bestowed upon the stockholders; and that their duty, is, so to manage, as to obtain *high dividends*—high dividends being accounted the best evidence of talent and skill in financiering. This is not an unnatural error. It may be true, perhaps, of all corporations, except Banks. *Banks are established as the fountains from which are to flow*

a currency for the use of the community. *Stockholders* are the *capitalists*, and furnish a stipulated amount of *Gold and Silver money as a basis* upon which paper money is to be issued—they constitute one party to the contract.—The *people* give credit to paper to a certain amount, and on certain conditions, and constitute another party to this contract—and then comes a third party, as important as either of the others, and without which the contract would be void—to wit, the *borrowers*. In granting *Bank* charters sufficient care has not been taken to protect the rights, or in defining the duties of these parties; and consequently abuses have arisen to an alarming extent, and a **USURPATION** of power, has been assumed which invades the personal rights of the citizen, and which threatens to prostrate *State* sovereignty. This usurpation is on the part of *Bank Directors* in assuming a control over the *currency* which the laws do not give, and thereby exerting a daily influence “*over the industry and business relations of the people.*” The *Directors* of fifteen *Banks* in *Boston, Mass.* entered into a conspiracy some years since, by their united means and influence to control the *Banks and Currency* of *New England*, and in this design they have been but too successful. These fifteen *Banks* are the *State, Globe, Eagle, Tremont, Columbian, Commonwealth, North, Washington, Atlantic, Traders, Merchants, Franklin, Oriental, Hamilton and Suffolk*, with an aggregate capital of near ten millions

of dollars. To accomplish their purpose they *decreed* that all the Banks in New England, should redeem their bills at the *counter* of the *Suffolk Bank*, one of the associates, daily, instead of the counter of the Bank issuing them. To compel the country Banks to come into this measure, a joint fund was raised by the associated Banks, to be used in buying up the bills of the country Banks, and running them home for specie; and this course was pursued until the Banks were compelled to submit; and then they commenced levying their contributions upon their customers and the people. As the country Banks came into this measure, they were required to make a permanent deposit in the *Suffolk Bank*, *without interest*, of a sum proportioned to their capital and business; and is supposed to be three thousand dollars for a Bank of \$50,000 capital. This we call *tribute money*.—The tributary Bank has then to provide funds to take up its bills daily, as they come in. These funds, however, are not required to be in *Gold and Silver* money, for the “Associated Banks” have declared that the bills of any one Bank, having paid the *tribute*, shall be as good as *Gold and Silver*, for the redemption of bills of all the other Banks—so that the whole process consists in exchanging one *rag* for *another*—and thus superseding and rendering useless *Gold and Silver money* for purposes of Banking—and amounts to a practical nullification of the State Laws, establishing Banks. *It undermines the foundation*

upon which a paper currency is supposed to be based, and upon which all credits rest, by repelling the precious metals instead of attracting them. All credit rests upon the supposed ability of the debtor to command Gold and Silver, or its representative, at the time the debt becomes due. This system works better for the Bank than the borrower, or the people; for it saves the Bank the expense of keeping any idle funds on hand, and the trouble of looking after Gold and Silver—for it can never be in danger of getting out of credit, so long as it is in sufficient credit to *swap* its own bills for bills of other Banks, and send them to Boston, to its agent Bank, in sufficient amount to take up its own bills as they go in; and this credit the “allies” are pledged to give it, so long as it does this service.

The burthen thus imposed upon the country Banks was gradually shifted off upon their debtors, with usury, by requiring all, or nearly all their payments to be made in Boston; and the debtors have contrived, in one way or another, to shift this burthen from their own, to the shoulders of the DEAR PEOPLE.

In the name then, of the PEOPLE, to you, the representatives of the People, we complain, and ask redress for *their wrongs*.

The Directors of the “Associated Banks” have acquired, through what they are pleased to term the “current money system,” a despotic control over *two hundred and forty one Banking Institu-*

tions, located in the different towns and villages of New England, having an aggregate capital of more than FORTY SEVEN MILLIONS of dollars; with an aggregate debt due them, of SEVENTY ONE MILLIONS of dollars, which is required to be paid as often as once in four months, making the Bank payments amount to the enormous sum of TWO HUNDRED AND THIRTEEN MILLIONS of dollars per annum. The debt due the Banks in Massachusetts, amounts to the extraordinary sum of *seventy four dollars and fourteen cents* for every inhabitant of the State!! The Bank debt in Maine amounts to *nine dollars and seventy cents* for each inhabitant—and the specie in the Banks to about twenty eight cents. Here, then, we see a power, in this “association of Banks,” which may be truly said to exert an influence, direct and immediate, “*over the industry and business relations of the people.*”

We have witnessed a disposition in various quarters to celebrate the occasion of paying off the National Debt, as a National Jubilee. For a nation to be free, to be free from debt, is a national blessing; but for a people to be *truly free*, and to enjoy freedom, their must be *individual, personal* freedom—freedom of thought and liberty of action—so to be *free*, is a surpassing good. But when we look at the *overwhelming mass* of *individual debt* and *personal* pecuniary liability, which is *bearing down*,

and must ultimately *prostrate* the *personal independence* of the great mass of the people, we can see no cause for joy—no matter for rejoicing.

It has been urged in justification of the “associated Banks,” that such a power as they exercise is necessary to hold in check the *over-trading* propensity of country people and country Banks—that without this check, the country would be flooded with paper of broken Banks, and in the end bring individual and national ruin. *This may be true.* But, if it is true, that Banks require any other *check* than the *laws creating them*—if it is true that small Banks, with 50 to 100,000 dollars capital, and located in remote country villages, are *unsafe, dangerous, or unmanageable*, without the aid of a *combination of larger Banks*, centrally located and acting in concert, then what *security* is there against this “*association of Banks*,” and what *power can control it*? If one set, or class of corporations can combine, with impunity, to control and hold in subjection other corporations—not only without law, but in violation of law—then we must bid adieu to our boasted *equality of rights* and *privileges*—we must bid farewell to LIBERTY and LAW. Yet such is the astounding fact! For years the “*associated Banks*” have exercised a controlling influence over the Banks, and through them, over “*the industry and business relations of the people*” of New England.

What fact can be more humiliating to a free people, or their representatives, than this—that after an act has been granted, by the Legislature of an independent State, whereby a portion of its citizens have been invested with corporated powers—with the privilege of issuing bills to serve as a currency for the people—that under this high sanction and protection, such corporation before it dare go into operation—before it dare issue a single dollar, must send a deputation to Boston, and laying down the *bags* of TRIBUTE MONEY AT THE FEET OF THE PRESIDENT OF THE SUFFOLK BANK, receive from *him*, *permission* and the *terms* upon which it may proceed to operate? Yet such is the well and long known fact.

The view of this subject, which we have in this hasty and concise manner, endeavored to present to your notice and consideration, from its *intrinsic importance*, emboldens us to submit the following petitions, to wit:

FIRST—That you will grant no more Bank charters, nor increase the capital stock of any existing Bank, so long as the present system of Banking is continued.

SECOND—That you will adopt such measures as shall bring back the Banks in this State to their allegiance to the laws—that they be required to redeem

their bills at their own counter only, and that their discounts be made, mostly, on paper payable there—and that you extend to them such protection as shall render them *independent of all foreign power and influence* whatsoever.

THIRD—That you will cause negotiations to be entered into with the government of the several New England States, on the alarming state of the *currency*—and the *power* acquired by corporations, “over the industry and business relations of the people,” with a view to arrest the further progress of these evils; and as in duty bound will ever pray.

Philip Morrill,
John S. Kimball,
John Haraden,
Paul R. Hazeltine,
N. H. Bradbury,
Mayo Hazeltine,
Reuben Sibley,
Daniel Haraden,
Liberty B. Wetherbee,

William O. Poor,
John E. Wetherbee,
John Doyle,
James P. White,
Wm. Talmond,
Thomas Bartlett,
E. Morrill,
David W. Lothrop,
Josiah Farrow.

STATE OF MAINE.

HOUSE OF REPRESENTATIVES, }
January 31, 1835. }

ORDERED, That the Petition of Philip Morrill and others, be referred to the Committee on Banks and Banking, and that 300 copies thereof be printed for the use of the members.

[Extract from the Journal of the House]

Attest:

JAMES L. CHILD, Clerk.