

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

DOCUMENTS

PRINTED BY ORDER OF

THE LEGISLATURE

OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1836.

AUGUSTA:
SMITH & ROBINSON,.....PRINTERS.

1836.

SIXTEENTH LEGISLATURE.

No. 11.

SENATE.

IN SENATE, JANUARY 21, 1836.

The Joint Standing Committee, to whom the petitions for the incorporation of new Banks, and for the increase of capital of others, now incorporated, have been referred, report in part:—That aware of the great number of petitions, which had been, and might be presented, it was deemed advisable to determine the principles which should govern the Committee in their decision on the respective petitions submitted to them, and to do this it was necessary to take a general view of the Banking business, and its effects on the prosperity of the State.

The Banks now incorporated, enjoy a monopoly of the privilege of supplying the currency of the State, with exception only of the small amount of specie, and of foreign Bank bills, which constitute a small portion of the circulating medium. In the

opinion of your Committee, the amount of the currency is regulated by the exchanges between individuals, whether that currency consists of specie or of bills, the representatives of specie, redeemable on presentation at the counters of the Bank issuing them. The amount of the currency being thus governed by a fixed and unyielding law, may be occasionally disturbed, but cannot be long controlled by legislative enactment. By the over issues of the Banks, it may be, it is true, for a short time increased beyond the amount required, but the evil cures itself, for if the Bills issued by the Banks should exceed the amount required for that portion of the circulating medium which is supplied by Bank bills, they would return upon the Banks issuing them, until the amount in circulation would be reduced to the amount required. The amount of bills, therefore, would not be affected by the increase of the number of the Banks, the capital of the Banks previously incorporated having been sufficient to supply the amount required for the circulating medium; the only effect would be to reduce the circulation of the bills of the Banks previously incorporated, and the substitution in their room of the bills of the new Banks; thus extending to a greater number the privilege of furnishing the currency of the State.

It is believed by your Committee, that there is no axiom in political economy more clearly estab-

lished, than that in every country, the currency will accommodate itself very nearly to the wants of the community; never exceeding or falling short of these wants for any length of time; and this rule prevails equally, as said before, whether the currency consists of specie, or Bank bills, or a portion of both. If the currency consists of specie alone, it will be either exported or imported, as it may exceed or fall short of the amount required; if of bills, they will be returned to the Banks if excessive, or supplied by increased emissions if deficient; if of bills and specie, in case of excess, the specie will be driven out of the country, and then if the amount of bills still continued above the amount required, the bills would be returned to the Banks, in demand for specie for exportation, until reduced to the amount required for the currency. In this view of the subject, an increase of the number and capital of the Banks, would afford additional security to the public; for the amount of the circulation remaining the same, or nearly the same, a greater amount of property would be pledged to sustain that circulation. That these speculations are not vague theory, is verified by the returns of the Banks on the first of June last; by which it appears that the amount of Bank Capital was \$3,033,000, the bills in circulation only \$1,787,796, when by their charters the Banks would have been allowed to issue \$4,549,500, but have been restrained by the

fixed and unyielding law of the currency which limits the amount to that required for the exchange of commodities. The business of Banking, being confined to chartered corporations, is not open to that free competition which regulates the profits of capital when otherwise invested in our State; the security of the public on so important a subject as the currency, requiring the controlling power of the Legislature to be exercised in determining the location of Banks, and the competency of those who ask for Acts of Incorporation, may account for this interference with the investment of Capital so foreign to the spirit of our government.

But in the opinion of your Committee, this interference of the Legislature ought to be strictly confined to the important purpose, for which alone it can be justified, the security of the public; and that being guarded by the provisions of the general law regulating Banks and Banking, and by a rigid scrutiny of the claims of Petitioners for Acts of Incorporation; the amount of the capital to be invested, might safely be intrusted to the intelligence of the mercantile community. Restrict the amount of Banking capital below the amount required, the companies now incorporated, would enjoy the advantages of the high profits arising from a monopoly; increase the amount of the Banking Capital, beyond what would be required, the evil would cure itself; for the fact being ascertained, the surplus capital would

be withdrawn; in the one case, the public would have to pay an extra compensation for **Bank** accommodation; in the other the loss, if any, would fall exclusively on individuals, who will take care of themselves, by withdrawing their capital from **Banks** and investing it in other pursuits more productive.

Though the **Banks** now incorporated may supply a much larger currency than is now required, yet the **Committee** are satisfied that the present **Banking** Capital of the **State** is inadequate to the accommodation of the public, for the most valuable purpose of **Banks**, that of discounting business paper without the emission of a single dollar.

Influenced by this and the preceding considerations, your **Committee** have come to the conclusion, to report in favor of the incorporation of new **Banks** and the increase of **Capital**, restricting in all cases the issues to bills of no less denomination than five dollars, when satisfied, that the location is favorable, and that the respective petitioners are entitled to the confidence of the public.

All which is respectfully submitted.

CHARLES JARVIS, Chairman.

STATE OF MAINE.

In SENATE, January 21, 1836.

ORDERED, That 500 copies of the foregoing Report be printed for the use of the Legislature.

(Extract from the Journal.)

Attest, WILLIAM TRAFTON, *Secretary.*