

MAINE STATE LEGISLATURE

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OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1841.

Augusta:
SEVERANCE AND DORR, PRINTERS TO THE STATE.

1841.

TWENTY-FIRST LEGISLATURE.

NO. 13.

HOUSE.

REPORT

OF

WILLIAM WILLIS, ESQ.

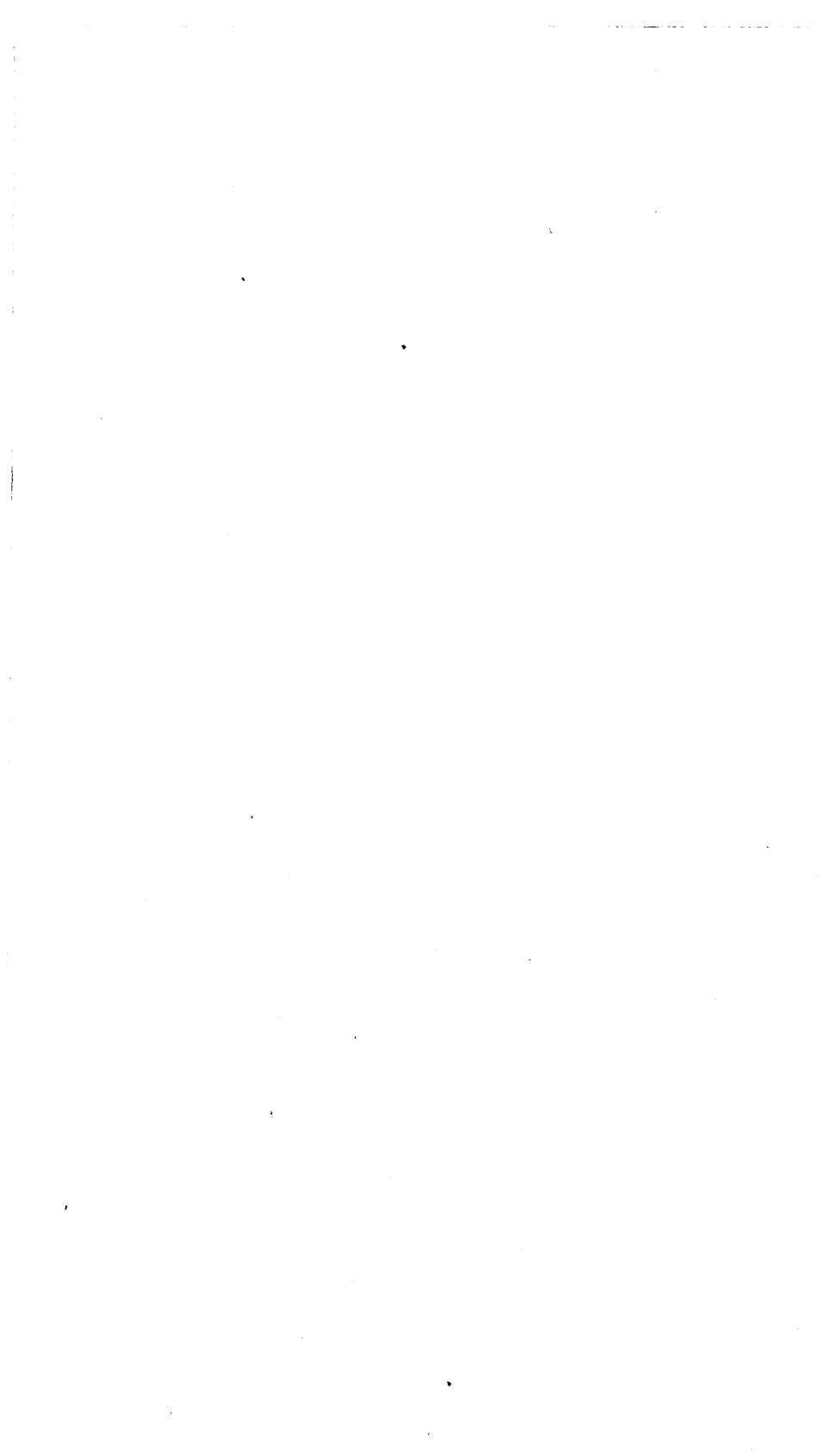
ONE OF THE

BANK COMMISSIONERS,

IN RELATION TO THE

WASHINGTON COUNTY BANK.

SEVERANCE & DORR,.....Printers to the State.



To the Senate and House of Representatives:

I herewith transmit, for your consideration, the Report of William Willis, Esq. one of the Bank Commissioners, in relation to the condition of the "Washington County Bank," at Calais, made in pursuance of an order from the Governor and Council of the sixteenth instant. Having, in former communications, expressed my views upon the policy and expediency of taking decided and effectual measures to suppress and prevent evils threatened and endured, I can only, at this time, reiterate the recommendation, when submitting to you this new evidence of the necessity of such a course to preserve the credit of the State, and of solvent and properly managed institutions.

EDWARD KENT.

COUNCIL CHAMBER, }
February 23, 1841. }

REPORT.

To the Governor and Council:

Having received your instructions of the 16th inst. to examine the condition of the *Washington County Bank*, I immediately proceeded to execute the commission. Mr. Crosby, my colleague, was prevented by sickness in his family from accompanying me. I now submit to you the result of my examination.

The Washington County Bank was established in 1835, during a period of temporary excitement, when every kind of business was stimulated to excess. There was no surplus capital in the place to invest, nor did the wants of the people require another institution there. The person who was most influential in establishing it, became the owner of more than *three-fifths* of its capital stock, held in the names of himself and his friends; and subsequently by far the largest debtor of the Bank; being liable for over *four-fifths* of the amount of its capital, and over *two-thirds* of its whole loan. This person, being President of the Bank, and having a control over all its affairs, made such Directors as he chose, and managed the institution in the manner he saw fit. These relations continued until last November. It must be apparent to every one that an institution thus situated, would never succeed. It had nothing to bank upon; its whole capital was in dead stock, and it was almost entirely indebted to the limited circulation it could maintain for the business it has been able to do. It has made no dividend since September 1838, and the profits of its business since that time may be seen by reference to the annex-

ed table of the condition of the Bank ; in which it will be perceived that, while its earnings, under the head of profit and loss, have been but \$1,796 62, its expenses have been \$4,080 13. The whole amount of new paper discounted since June last, with the exception of that connected with recent changes of stock, was but \$189 81.

Under these circumstances, the stockholders were desirous, in 1839, of surrendering their charter ; and a petition was prepared for that purpose, and delivered to Mr. Whidden, the President of the Bank, and the Representative of the town. But it was not presented to the Legislature, and the Bank continued struggling on, under its heavy embarrassments, until November last. Arrangements were then made with persons in New York, with a view to remove the indebtedness of Mr. Whidden, by a sale of his stock, and to give activity to the business of the Bank.

Applications were made to Mr. Whidden about a year prior to this time, by individuals in New York, for a purchase of the charter, or a control of the stock, which resulted in nothing. During the last summer several persons from New York made similar attempts, and visited Calais for the purpose of carrying on negotiations. Among these individuals were Mr. Gaylord, and Dwight Danforth, brokers, and S. G. Langdon, who afterwards negotiated with the Directors of the Citizens' Bank. Their overtures were rejected, for want of confidence in the responsibility of the applicants.

About the same time Mr. Woodward, a broker of New York, opened a correspondence with Mr. Whidden, whose references were more satisfactory, and with whom a bargain was partially made, by which he was to take the stock of Mr. Whidden and establish the credit of the bills in New York. Mr. Bachus, his agent, proceeded to Calais to obtain information in regard to the Bank, and if its condition corresponded with the representation, to close the negotiation. On the 22d of October, Mr. Woodward wrote to the Cashier that he had

been deceived by Mr. Whidden in regard to the condition of the Bank, its debt to the Suffolk Bank, &c. and that he would have nothing more to do with it. He says, "I caused the notes of the Washington County Bank to be quoted here at $1\frac{1}{2}$ per cent. and sent you a paper. I need scarcely say that it was promptly changed to the old rate, on Mr. Bachus' return."

Stephen Emerson, one of the Directors, who held a portion of Mr. Whidden's stock, as trustee for some of his creditors, had been employed in these negotiations, as an agent for the Bank and for Mr. Whidden, and made frequent visits to New York, to effect a sale of the stock, for which he was paid by the Bank. In one of his visits, he took on \$10,000 of the bills, "to be employed in raising funds for the Bank." After the failure of Mr. Woodward to enter into the arrangement, a proposition was made by Cyrus Moore, a prominent actor in the recent transactions of the Newburyport Bank, and also, as it is said, in those of another institution in this State, which was acceded to, and an agreement made, by which he was to purchase 330 shares of the stock, as agent for persons in New York, and receive accommodations at the Bank, in its bills, to put into circulation in the western country. I cannot state the terms of this agreement, as I was not furnished with it, nor with whom it was made, but I understand it to have been made with Stephen Emerson. The result of it, however, was, that Mr. Moore paid Mr. Emerson \$6,000 in bills of the Newburyport Bank, to relieve Mr. Whidden's stock pledged elsewhere, and \$7,000 in Boston on account of his liability to the Bank; by which Moore became entitled to a conveyance of 130 shares of the stock. The Bank also took 180 shares of Mr. Whidden's stock, at par, in payment of Albert Reid's paper discounted for the benefit of Mr. Whidden, of about the same amount, but received from Mr. Emerson an obligation that he would, within three months from Nov. 30, find a purchaser for the stock, or take it himself at par. Emerson, on making the

agreement with Moore, entered into a contract with Whidden, by which he was to have all his stock at 88 per cent. and the whole amount was to be transferred to persons in New York. Forty shares of the stock in Mr. Emerson's hands are to be conveyed to Reuben D. Dodge, of New York, the principal for whom Mr. Moore was acting, when he shall pay \$2,000, for which it was pledged. The remainder was to be conveyed to Mr. Moore, or whom he should appoint, on conditions which I have not the means of setting forth. No part of the stock has yet been transferred; the 130 shares remain in pledge for the paper of Mr. Dodge, as hereinafter stated; and Mr. Emerson has informed me since my visit to the Bank, that Mr. Moore has declined fulfilling his contract for the purchase of the balance of the stock.

One of the important features of this transaction was the discount of paper for Mr. Dodge, to the amount of \$30,000, for which the bills of the Bank were issued; and so desirous was he of having the largest amount possible of the bills, that he gave an acceptance for the *interest* on the paper, instead of taking it out of the money loaned, according to the invariable usage of banks.

Stephen Emerson and Bion Bradbury, two of the Directors, were sent to New York, one with \$10,000, the other with \$20,000 of the bills of the Bank, with plenary powers in regard to the security they should receive for them, in pursuance of the foregoing arrangement. Mr. Emerson was authorized by a vote of the Directors to receive acceptances for the \$10,000 delivered him, payable at the Suffolk Bank in 2, 3, 4, 5 and 6 months, in equal amounts, *without* interest; the acceptances to be satisfactory to the Directors or the agent appointed for that purpose.

Mr. Bradbury was clothed with similar power, in regard to the \$20,000 placed in his hands. The vote runs thus:

“Voted, To discount paper to the amount of \$20,000, payable in a time not exceeding six months, upon such paper as
“ *may be satisfactory to us or our agent.*”

The Directors present at the adoption of these votes, were Seth Emerson, Bion Bradbury, and Stephen Emerson; and it may be proper to remark that Seth Emerson, the President, and Mr. Bradbury, hold each *one* share in their names, both of which are the property of the Bank.

The paper taken by these agents in pursuance of the above votes, is as follows :

1840, Nov. 17,	R. D. Dodge,	I. F. Wyckoff,	J. L. Lockwood & Co.	2 mos.	2,000
"	"	"	"	3 "	2,000
"	"	"	"	4 "	2,000
"	"	"	"	5 "	2,000
"	"	"	"	6 "	2,000
"	"	"	"	20 days,	512 65
Dec. 12,	"	"	"	4 mos.	7,000
"	"	"	"	5 "	6,000
"	"	"	"	6 "	7,000
					\$30,512 65

On the 19th of January the same Directors voted to receive the paper above described, for which the bills had been previously paid out by the agents. No part of this paper has yet been paid.

Mr. Bradbury informed me that he made careful enquiries in New York, in regard to the character and pecuniary responsibility of Mr. Dodge, and he was satisfied on both points. He is a flour merchant in Waterloo, N. Y. and is also a dealer in stocks. Mr. Wyckoff is a young man, whose means and situation were not ascertained: he is one of the persons whose name has been mentioned in the recent disclosures at the Newburyport Bank: the name of Lockwood & Co. will be familiar to those who have read the report of the Commissioners in relation to the Globe Bank. The connection that seems to exist between persons who have been endeavoring to secure the control of certain Banks, in this State and Massachusetts, indicates a settled purpose to carry on a wholesale business in the manufacture of paper money, which, if it had not been seasonably arrested by public investigations, must have been in a very high degree injurious to the welfare of the people. The

funds of one Bank appear to have been employed to buy up another.

It was part of the agreement in the transaction of which I have now been speaking, that the bills should be put in circulation in New York and the west, and that the parties who receive them from the Bank, should redeem them, as it was well understood that the Bank could not do it. But in the face of this agreement, in less than a month from their delivery, \$5000 were returned to the Bank for specie. Mr. Wyckoff explains this by saying in a letter to the Cashier, of Feb. 12, that Gen. Dodge "gave between 4 and \$5000 to a Mr. Anderson of Indiana, who it seems disposed of them at Buffalo, instead of carrying them farther west, as was agreed." He adds, "the remainder are in possession of the Fund Commissioners of Indiana, and I think you need entertain no fears of their returning for redemption." A letter from R. D. Dodge, which is annexed to this report, will throw some light upon the expectation of the parties in respect to the circulation.

It is proper that I should add that on my return from Calais I met Mr. Stephen Emerson, who informed me, that in consequence of unfavorable rumors in regard to the credit of this Bank, the bills had not been found to answer the expected object, and that he had made arrangements for the return of \$15,000 of them.

Through these operations, the liability of Mr. Whidden to the Bank is reduced \$23,135 03—by a payment of \$7,000 in cash, furnished by Mr. Moore, and stock to the amount of \$16,135 03, accompanied by Mr. Emerson's obligation to take it at par. But by the substitution of Dodge's paper, the loan has gone up nearly \$7,000 higher than it was before.

The following table will show the prominent items in the condition of the Bank, the first week in the several months mentioned. The circulation includes \$4,300 in bills lying in the Frontier Bank, on which a demand for specie was made more than a year ago, and on which interest is accumulating.

	Circulation.	Loan.	Specie.
June,	\$11,399	\$62,322 65	\$255 00
July,	11,674	63,131 17	249 24
August,	12,141	62,412 45	270 11
September,	11,855	62,268 78	179 91
October,	22,595	61,838 87	229 37
November,	26,257	61,980 07	123 98
December,	46,026	61,980 07	141 02
January,	41,106	40,911 37	609 59
February,	37,495	70,424 02	442 18

The principal part of the old loan consists of paper unavailable at present; over \$23,000 are the remains of Mr. Whidden's liability, which is secured by mortgages, about one half of which is on wild land, and the remainder on property in Calais. The present condition of the Bank will be seen by the following table:

STATE OF THE BANK, FEB. 19, 1841.

RESOURCES.

Notes and bills discounted,	\$70,374 02
Bank Stock, (Wash. Co. Bank,)	16,135 03
Real Estate,	7,468 48
Silver and gold,	268 22
Bills of other banks,	113 00
Due from other banks,	2,173 91*
Suspense acc't,	1,606 86†
Expense,	4,080 13
In hands of agent, (bills,)	1,000 00

\$103,219 65

* \$2,000 in Frontier Bank, to meet their bills there.

† Account unsettled with Mr. Whidden.

LIABILITIES.

Capital Stock,	\$50,000 00
Circulation,	36,136 00
Deposites,	4,984 96
Loan,	2,000 00
Dividends,	78 00
Profit and loss, and interest,	1,796 62
Due to other banks,	8,224 07*
	<hr/>
	\$103,219 65

I took the opportunity, being at Calais, to visit the two other Banks at that place, but as nothing has occurred in them to render a particular notice necessary, and as they retain their usual standing and credit, I shall dismiss them without further remark at the present time.

No subject of political economy is more intimately connected with the prosperity of a people than that of the currency. This measures the value of labor and of merchandize. If it be fluctuating and unstable, and especially if depreciated, it causes severe losses, particularly among the classes dependent upon labor, and ceases to perform the functions of a sound and healthy medium for the exchanges of the country. In a government like ours, where the currency consists of the precious metals, and paper convertible into coin on demand, it is of the utmost consequence that institutions which are permitted to furnish a large portion of the currency should be conducted by men of probity, experience and intelligence, who are the citizens of the government by which the institutions are established, and in whom every degree of confidence can be placed. They should also be subjected to such supervision and regulation as will ensure a faithful performance of the high duties with which they are entrusted. If they are permitted to pass into the hands and under the management of adventurers, and men who

*Checks on time, drawn on Suffolk Bank, to redeem circulation; payable in March.

are reckless in the pursuit of gain, the whole system must soon be overthrown, and what was intended to be, and has been, an instrument of great good, will become a source of bitter calamity to the people.

It is therefore with great regret that it has been perceived that attempts have been made in every part of our State, by persons from abroad, many of whom are, at best, of doubtful character and responsibility, to purchase largely into our banks and obtain the controlling influence over them. Their design is no longer a subject of doubt. Their correspondence discloses it to be to procure the credit and the means of eastern banks as a capital for their purchases and speculations in a distant part of the country. The bank itself, with its suite of officers and rooms was to be merely a laboratory to furnish tools for the operations of these new projectors, upon the credulity of their countrymen.

I deem it, therefore, of vital importance, not only to the reputation of our banking institutions, and of the government which created them, but to the best interest of the public, that all these schemes should be promptly and radically suppressed, and that stockjobbers and adventurers from other States be taught that the institutions of this State are not to be made, with impunity, the instrument of their unhallowed purposes.

WM. WILLIS, *Commissioner*.

I beg leave to suggest the expediency of restricting Banks from loaning to persons who reside out of the State more than a certain limited proportion of their capital. This proportion not to exceed one fourth or one fifth of the capital.

LIST OF STOCKHOLDERS OF W. C. BANK,
CALAIS, FEB. 19, 1841.

NAMES.	RESIDENCE.	SHARES.
Greenwood C. Child,	<i>Augusta,</i>	100
James Child, (estate of)	<i>Augusta,</i>	10
Stephen Hill,	<i>St. Stephens, N. B.</i>	10
Job Holmes,	<i>Calais,</i>	2
Bion Bradbury,	<i>Calais,</i>	1
Solomon Thayer,	<i>Lubec,</i>	10
Loring F. Wheeler,	<i>Eastport,</i>	2
Benjamin B. Leavitt,	<i>Eastport,</i>	1
Isaac Ames,	<i>Machias Port,</i>	5
Geo. Downes,	<i>Calais,</i>	3
Freeman & Fisk,	<i>Boston,</i>	5
Trus. Minis. & School Fund,	<i>Calais,</i>	5
Robert C. Stickney,	<i>Calais,</i>	1
Wm. H. Faxon,	<i>Unknown,</i>	5
John Brown & Co.	<i>Boston,</i>	10
James C. Brackett,	<i>Unknown,</i>	1
Wm. F. Penneman,	<i>Machias,</i>	2
H. Tweed, Cashier,	<i>Calais,</i>	228
Elias Craig,	<i>Augusta,</i>	3
James M. Balkam,	<i>Robbinston,</i>	5
Benj. Stickney,	<i>Newbury, Mass.</i>	10
Catharine Crocker,	<i>Machias,</i>	5
John Ames,	<i>Calais,</i>	6
Ann M. Bradbury,	<i>Unknown,</i>	1
Daniel C. Child,	<i>Unknown,</i>	1
Lucy P. Child,	<i>Augusta,</i>	10
Seth Emerson,	<i>Calais,</i>	1
Stephen Emerson,	<i>Calais,</i>	51
Andrew T. Hall & Co.	<i>Boston,</i>	1
Anthony C. Cazenove,	<i>Alexandria,</i>	5

500

50 of the Shares held by Greenwood C. Child, were pledged to him by the Bank, as security for a loan of \$2,000.

Directors chosen October, 1839.

SETH EMERSON,
STEPHEN EMERSON,
BION BRADBURY,
LUTHER BRACKETT,
RENDOL WHIDDEN.

JANUARY, 24, 1840.

Stephen Emerson and Luther Brackett having resigned,
John Stickney and John Ames were chosen.

Directors chosen October, 1840.

RENDOL WHIDDEN,
SETH EMERSON,
BION BRADBURY,
STEPHEN EMERSON,
JOHN AMES,

R. Whidden resigned Nov. 1840.

HARRISON TWEED, *Cashier.*

LETTER FROM R. D. DODGE, JAN, 6, 1841.

“ *H. Tweed, Esq. Cashier.*

NEW YORK, JAN. 6, 1841.

DEAR SIR—Yours of 26th ult. only came to hand, yesterday ; it must have laid over on the road sometime. Your suggestions are very good about having an agency in Boston, to take up the Bank notes, if they should happen to come in faster than we should have a right to expect. I will attend to it. I have not yet received any information of your having completed your arrangements at the Suffolk. It should have been completed, so as to have the notes quoted in the Bank note list and Counterfeit Detector, published the 1st inst. I hope it is done ere this—every day it is delayed makes it worse for me, as I assured the western men who were to circulate the money, that the arrangement had been made with the Suffolk, and that it would be quoted so, the 1st of this month. I wish

the western folks to think well of the money ; for if they have confidence in it, it will be much easier taking care of the circulation, than it would be if they had any doubt about it. I hope to hear from you or Mr. Emerson that it is all right. By establishing a good credit for the money in the west, we shall be able to get a first rate circulation, and by so doing make a good deal of money for the Bank, and I hope some for myself. Mr. Emerson will have received before this a letter from Mr. Wyckoff, giving the reasons why he was not at your place with the bills. It would not be necessary for you to report the bills as in circulation, as not a dollar of them are. I have no doubt you got along well enough in your report. Be good enough to let me hear from you often—I will write again in a few days—I write this in great haste. Give my respects to Messrs. Emerson and Bradbury.

Your ob't serv't,

REUBEN D. DODGE."

STATE OF MAINE.

HOUSE OF REPRESENTATIVES, }
February 24, 1841. }

ORDERED, That the foregoing Report be laid on the table, and 500 copies be printed for the use of the Legislature.

[Extract from the Journal.]

ATTEST:

GEO. C. GETCHELL, *Clerk.*