

# MAINE STATE LEGISLATURE

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DOCUMENTS

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THE LEGISLATURE

OF THE

STATE OF MAINE,

DURING ITS SESSION

A. D. 1846.



*AUGUSTA:*

WM. T. JOHNSON, PRINTER TO THE STATE.

1847.

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# TWENTY-SIXTH LEGISLATURE.

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No. 30.

SENATE.

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## REPORT.



THE Committee on banks and banking, having had under consideration the petitions of sundry banks for a renewal of charter, ask leave to

### REPORT:

That by the existing laws of the State, the charters of all banks expire the first day of October, one thousand eight hundred and forty-seven, and that justice to them as well as to the business community, would seem to require, at the present session of the legislature, an indication of the future policy of the State upon this important subject.

The use of paper money has become so associated with the habits and prejudices of the people that a return to the constitutional currency, however desirable, would at this time and under existing circumstances, be utterly impracticable. The several States claim and exercise the right of incorporating banks within their limits, for the purpose of furnishing a paper currency. Until the constitution shall have been revived and this immense power ceded to the general government, the effort of individual States to correct the evils incident to our banking system, will be unavailing.

The committee do not question the fact so often demonstrated that a paper currency gives a fictitious value to all the exchangeable products of a nation. That it sooner or later neutralizes the effect of discriminating duties upon domestic manufactures by ad-

vancing the price of all the agents of production, and that its inevitable tendency is to turn the balance of trade against a nation, by enhancing the price of articles of export, thereby enabling others to undersell it in the markets of the world. They are also aware that a paper system is subject to sudden contractions and expansions, which change to a ruinous degree, the relative conditions of debtor and creditor; but at the same time, they cannot forget the utter inability of a single State to regulate the currency of the Union. The most we can hope to do is, to ensure the redemption of the bills of our own banks, and impose such restrictions as will check local fluctuations.

The committee are of opinion that our present banking laws are comparatively safe, and experience shows that no losses to bill-holders have occurred the last fifteen years, where a reasonable discretion was exercised by the legislature in granting charters. The Revised Statutes contain several salutary provisions not embraced in the banking law of eighteen hundred thirty-one, and it is believed, with a due vigilance on the part of bank commissioners, and a rigid enforcement of the proposed law, the redemption of all bills will be effectually secured.

To guard against local fluctuations, the committee have deemed it expedient to introduce a clause providing that all banks shall have always on hand, one dollar in specie, to every three dollars in bills they may issue beyond fifty per cent. of the capital stock. It will be seen by looking over the returns of banks, a few years past, that fifty per cent. of the capital stock is a very moderate circulation, and up to that point no specific specie balance is required.

In some parts of the State, this provision would, in practice, have very little effect; but in those sections most inclined to inflations, it would operate as a serious check. The average circulation of the banks of Maine, in April last, amounted to about seventy-five per cent upon their capital stock, and the specie on hand, if equally distributed, would have been very nearly the sum now contemplated. In some sections, however, with a small amount of specie, the circulation was up to, and even beyond the chartered

limits, and would have received a salutary check from the operation of the law herewith submitted.

The banks can have no reasonable cause for complaint on account of these new restrictions ; and the community, it is believed, when they consider the difficulties attending all sudden changes in the currency, will be satisfied with the law here proposed, establishing as it does, the principle of a specie basis, which may, if necessary, be hereafter enlarged.

All of which is respectfully submitted.

JOHN HODGDON, *Chairman.*



# STATE OF MAINE.

IN THE YEAR OF OUR LORD ONE THOUSAND EIGHT HUNDRED AND  
FORTY-SIX.

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AN ACT additional in relation to banks and banking,

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*Be it enacted by the Senate and House of Representatives in Legislature assembled, as follows:*

SECTION 1. The charters of all banks now incorporated or which may hereafter be incorporated within this State, are hereby extended to the first day of October in the year of our Lord one thousand eight hundred and fifty-seven, subject to the provisions of this act and all existing acts upon the subject of banks and banking.

SEC. 2. All banks accepting a renewal of charter, subject to the restrictions, limitations and penalties of this act, shall give written notice of such acceptance, to the secretary of State, on or before the first day of May, in the year of our Lord one thousand eight hundred and forty-seven.

SEC. 3. No bank now incorporated or which may

2 hereafter be incorporated within this State, shall issue  
3 and put in circulation as money, bills to the amount  
4 of more than fifty per cent. of its capital stock actual-  
5 ly paid in, unless said bank shall have in its vault, at  
6 the time of such issue, one dollar in specie for every  
7 three dollars in bills so issued, over and above fifty  
8 per cent. of its capital stock ; nor shall the circula-  
9 tion of any bank within this State, at any time, exceed  
10 the amount of its capital stock paid in, and the specie  
11 in its vault.

SEC. 4. Weekly balances shall be made by the  
2 cashiers of banks, exhibiting the amount of specie  
3 on hand and the amount of bills in circulation ; and  
4 it shall be the duty of the bank commissioners, at  
5 their annual examination to note all over issues shown  
6 by such balances, and report the same to the govern-  
7 or and council.

SEC. 5. Every bank now incorporated or which  
2 may hereafter be incorporated in this State, shall for-  
3 feit and pay for the use of the State, ten per cent.  
4 upon the amount of bills it shall at any time wilfully  
5 and with intent to evade the provisions of this act,  
6 put in circulation over and above the amount author-  
7 ized by the third section of this act ; and said forfeit-  
8 ure may be sued for and recovered in the name of



9 the treasurer in an action on the case, in the supreme  
10 judicial court.

SEC. 6. Whenever by the annual report of the bank  
2 commissioners or otherwise, it shall appear that any  
3 bank has put in circulation a larger amount of bills  
4 than authorized by this act, it shall be the duty of the  
5 secretary of State to notify the attorney general of  
6 the fact, who upon the receipt of said notice, shall  
7 forthwith commence an action against the president,  
8 directors and company of such delinquent institution,  
9 to recover the penalty established by the fifth section  
10 of this act.

SEC. 7. The thirty-second section of the seventy-  
2 seventh chapter of the Revised Statutes is hereby  
3 repealed.

## STATE OF MAINE.

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IN SENATE, July 22, 1846.

*Ordered*, That 350 copies of a bill entitled "an act additional in relation to banks and banking," together with the report made by the committee on banks and banking, be printed for the use of the Legislature.

DANIEL T. PIKE, *Secretary*.

HOUSE OF REPRESENTATIVES, July 23, 1846.

*Ordered*, That 300 copies of the foregoing bill be printed for the use of the House.

SAMUEL BELCHER, *Clerk*.