WILDCAT BANKING IN THE TEENS.

The refusal of Congress, in 1811, to recharter the United States Bank was followed within a twelvemonth by a singular struggle for its deposits and its wealth. The bank was founded in 1791, at a time when there were but four others in the entire country, was given a capital of $10,000,000, was made the depository of government revenue, had power to issue bank notes which the government received in payment of all dues, and could establish branches, or, as they were called, offices of discount and deposit, in such numbers and in such places as its directors thought proper. Exercising their powers, the directors in time opened nineteen branches in the various States; issued some $5,000,000 of notes, which passed readily from hand to hand in all parts of the country, in much the same manner as the national bank notes of our day; and paid each year dividends of from seven to ten per cent on the capital stock.

An institution with such a charter might easily have done the banking business of the whole country. But the adoption of the Federal Constitution, the establishment of a strong and vigorous government on the ruins of the old Confederation, the stripping from the States of the power to coin money and issue paper, and, above all, the funding of the revolutionary debt had restored credit. The restoration of credit called out from attic floors and old stockings hundreds of thousands of dollars which had long lain hidden and unused; and these, in addition to the millions of new capital created by the government funding at their face value the indents, the final settlements, the loan-office certificates, the commissary certificates, the quartermasters' certificates, the thousand and one forms of the revolutionary indebtedness which till then had not been worth three shillings to the pound, provided an enormous fund, whose owners were eagerly seeking investment. This eagerness to invest was well displayed when, on the 4th of July, 1791, the books of the National Bank were opened at the old State House in Philadelphia, and in half an hour every penny of the $8,000,000 of stock offered the public was taken. The people were astonished, and an era of wild speculation began. Stock-issuing corporations sprang up on every hand. The cities abounded with the projectors of canal companies, turnpike companies, manufacturing companies, and state banks. In the course of a twelvemonth eight banks were chartered, and the state bank as a financial institution may be said to have been introduced.

Thus started, the banking system spread rapidly over the seaboard portion of the commercial States, and along the great routes of emigration westward. By the end of the century twenty-six banks existed, and of these fourteen were in New England, and two south of the Potomac. Five years later, thirty-eight others had been established, almost three fourths of which were again to be found in New England. But the movement of population westward was filling up the region beyond the Alleghanies, and when, in 1811, the charter of the United States Bank expired, state banks were to be found along the Mohawk, in central Pennsylvania, in western Maryland, at Steubenville, at Marietta, at Cincinnati, at Chillicothe, in Kentucky, in Tennessee, and in the Territory of Orleans. Eighty-eight were then doing business.

Just what would happen in the financial world if the United States Bank should not be rechartered, and the state institutions were left to do as they pleased, was clearly foreseen and well stated when the question of recharter was under consideration in Congress. "Two things," it was said, "will happen. In the first place, the country will be stripped of the only circulating medium it possesses. This will be a serious blow to merchants and to the government. At present, if a trader in Ohio or Kentucky wishes to pay a debt contracted in Boston or New Orleans, he has but to procure from the nearest branch of the Bank of the United States a draft on the branch at Boston or New Orleans, and the money is paid in either city as soon as the mail can reach it. But when the bank is gone, what will the merchant do? Specie he cannot get; and even if he could, the cost and risk of sending it five hundred miles would be unbearable. The notes of state banks cannot be used; for the notes of Kentucky banks do not pass current in the East. He will therefore be at the mercy of the most grasping of all men, the exchange broker. In the second place, the abolition of the bank will be followed by an enormous increase in paper money. Some of it will come from new institutions that will spring up, eager for a share of the business once done by that we are asked to destroy. Some will be put out by old institutions to take the place of the bills retired by the Bank of the United States."

This was precisely what the enemies of a national bank wanted. Indeed, in a report against granting the bank an extension of time in which to settle its affairs, made to the Senate a few weeks after the bill to recharter was lost, great pleasure was expressed that inflation was well under way, and that the state banks were rapidly filling the vacuum produced by the withdrawal of the paper of the Bank of the United States.

Had the new issue stopped when the vacuum was filled, there would have been small cause for complaint. But it did not. A banking mania which had long been raging in Pennsylvania now swept through the commercial States, and in a few months the number of banks was increased a hundredfold. The great success of the Bank of the United States, the dividend, often as high as ten per cent, paid to the stockholders each year, together with the fine business done by the Bank of Pennsylvania and its branches located in the interior of the State, were so many object lessons to the farmers of the back counties. Every day the belief gained ground that the astonishing prosperity of the seaboard cities was due largely to the existence in them of banks, and that, to share in this prosperity, the people of the inland towns and counties had but to follow the example of their city brothers. The facilities offered by banks to borrowers, the growing need of a circulating medium that would not be drawn away, and, more than all, the desire of the farmers to invest the money made in the brisk times before the embargo did much to make banking popular.

There was one important function, however, which the federal government did not, and the state banks could not, perform, and that function was to supply the people with small change. The Bank of the United States issued no bills under ten dollars in value; the state banks could issue none under five; and, as the specie (composed largely of foreign coin) was drawn to the seaports to meet the needs of importers, the inhabitants of the inland towns and villages were often sorely tried for want of change. To supply this, numbers of individuals and associations of individuals had gone into the banking business without charters, and, procuring plates and paper, had issued notes of all denominations far beyond their ability to redeem. To stop this, the legislature of Pennsylvania, in 1810, forbade unincorporated banking associations to issue notes or bills, or to make loans, or to receive deposits. Knowing what was coming, six such associations promptly sought for charters during the session of 1809–10.

Five were refused. But the petitioners were not discouraged, and at the next session nine, and at the following session fourteen, applications were made to the legislature.

One of the fourteen deserves especial mention, for those who made it were no other than the Pennsylvania stockholders of the Bank of the United States, whose charter had now expired. Taking the name American Bank, these gentlemen asked for a twenty years' charter, with a capital of $5,000,000, and offered, in return, to give the State $375,000, to be used for building roads and bridges. As the session wore on, and the legislature seemed loath to act, the cash bonus was raised to $500,000, and an offer was made to loan the State another $500,000 for internal improvements. This was indeed tempting. But the feeling was general that if the petitioners could make such a bid the profits of the business must be immense, and ought to be enjoyed, not by one great bank, but by many small ones, and the petition was not granted.

Nevertheless it bore fruit, and aroused such eagerness for local banks as alarmed the governor. In his message at the opening of the session of 1812–13 he cautioned the legislature against what he saw was coming; told it that the banking capital in the State was all sufficient; cited in evidence the fact that within six months the Philadelphia banks had subscribed $2,400,000 to the United States war loan, and had taken in addition $1,000,000 in treasury notes bearing less than bank interest; and reminded the members that in the Harrisburg bank $100,000 had long been lying idle for want of a good investment. The people, however, were determined to have their way, and before the legislature arose applications were received for thirty-one charters, and a bill establishing a general banking system for the whole State, and calling for five and twenty new banks, was laid before the governor. Each of the twenty-three congressional districts was to be a banking district, and contain at least one of the new institutions. They were to be the people's banks; and that the farmers and mechanics might have a chance to subscribe and enjoy some of the riches about to be scattered broadcast, great care was taken to keep the stock out of the hands of capitalists. Nobody, therefore, could subscribe for more than one share on the day the subscription books were opened, nor for more than two shares on the second day, nor for more than three shares on the third day; and so on to the sixth day, when, for the first time, the subscriber could buy all the stock he wanted. One per cent on the stock subscribed was to be paid each year to the State, a sum which, as the capital of the twenty-five banks was to be $9,525,000, was far from trifling.

Unhappily for the scheme, the governor vetoed the bill, and gave nine good reasons. The people now grew more determined than ever; and when the legislature met again, it laid on the table of the governor a bill establishing forty-one new banks in twenty-seven districts. Once more he vetoed the bill; but this time it was passed over his veto, and thirty-seven banks went into business in 1814.

In New York the struggle was still more exciting. There, when it was known that the Bank of the United States was not to be rechartered, some capitalists bought out the foreign holders and such resident holders of the stock as would sell, and in 1812 applied to the legislature for a charter. The name of the new institution was to be the Bank of America, the capital was to be $6,000,000, and no foreign holder was to vote. As it had now become the custom to buy charters, a most liberal and tempting offer was made. For a thirty years' charter the bank would pay $400,000, in four annual and equal payments. If during ten years no other banks were chartered to do business in New York city, another $100,000 would be paid the State at the end of that period; and yet another $100,000 if, at the end of twenty more years, no other bank had been established in the city. One million was offered to the State at five per cent, to be used in building the Erie Canal, and another million at six per cent, to be loaned by the State to the farmers on landed security. In the assembly the measure found many warm and earnest friends, was passed after a vigorous struggle, and was about to be passed by the senate, when the governor, to the amazement of the whole community, prorogued the legislature for fifty-five days. Many reasons for the act were given; but the chief one was that, from the journals of both houses, it appeared that attempts had been made to bribe four assemblymen and one senator to vote for the bill. "Far be it from me," said the governor, "to assert that the charges are true. Yet before the bill passes it would be well to examine and refute them." Thinking that the honor and morals of the State required it, and wishing to give time for reflection, he felt it to be his duty to send the members home for a few weeks.

No good came of the dismissal, for the moment the members were back in their seats the bank bill was passed by both branches, and sent to the council of revision. The council of revision was a body made up of the governor, the chancellor, and the judges of the supreme court of the State, and possessed that veto power which in many other States was given to the governor. To it went every bill passed by the legislature. If, in the opinion of a majority of the council, the bill was an improper one, it was vetoed, and returned to the house in which it originated. If the bill was approved, or for any reason failed to be considered within ten days, it became law.

When the six million bank bill reached the council the chancellor was absent, and the six remaining members were equally divided. What should be its fate rested, therefore, with the chancellor, who, to the joy of the bank men, hastened back to Albany and cast his vote in their favor. The charter thereupon issued.

In Massachusetts, the bank question was brought up by the approach of the October day, 1812, when the charters of sixteen of the existing banks would expire. For a time the idea of replacing them by one great institution, with capital enough and branches enough to transact the banking business of the whole State, was a favorite one. But the closing of the Bank of the United States brought on the mania for local banks, and in 1812 twenty were founded, and located in eighteen towns.

New Jersey established six, and, by way of bonus, reserved the right to subscribe to half the capital stock, and to appoint the president and six of the directors of each. But the law was hardly a year old when the Federalists secured control of the legislature; and, determined that the benefits of the banks should not be enjoyed by the Democrats alone, they passed a law for the sale of the stock owned by the State. In twenty-four hours not a share of five of them was in the hands of the governor. Delaware chartered three banks. Ohio did the same. In Virginia, an attempt to add $1,500,000 to the capital of one of the two banks was defeated.

Thus in the course of two years did the mania spread over the seaboard States, and raise the number of banks from eighty-eight to two hundred and eight. As each possessed the right of issuing bills, and as each issued bills to at least three times the amount of its capital, the country entered once more upon an era of paper money. Had the banks been able to obtain enough specie to redeem even a small proportion of their paper, all would have gone well. But, unfortunately for them, much of the specie on which their circulation depended was at that moment in New England. For this the long embargo, the days of non-importation, and the war were chiefly responsible. Under the restrictive system which began in 1807, and had not yet ended, manufactures had at last begun to flourish. Greatly against their will, the people of New England had turned their attention to spinning and weaving, and, favored by the exclusion of English competitors, had begun to supply the domestic market with many articles. As early as 1811, the effect of this was already apparent in the slow and steady flow of specie from the South and West to New England. With the opening of the war and the rigorous blockade of the coast south of Newport, this movement of specie became more rapid. The only outlet for the cotton, rice, tar, pitch, and hemp of the South, and the tobacco and flour of Virginia, was through New England, whose ports were still open to neutrals, and to the enemy disguised as neutrals. Into them came the hardware and the crockery of England, the wines and spices of the West Indies, which, with the boots and shoes, the negro cloth, the woolens, and the cotton cards made in New England, were carried by wagon to Richmond and Augusta, to be distributed over the South and West. So enormous did this trade become that, during 1813, employment was given to more than four thousand four-horse wagons. As the needs of the South forced it to buy of the East more largely than the opportunities of the East enabled it to buy of the South, the bales of cotton the teams brought north did not begin to settle the balance, which had, in consequence, to be paid in specie. Bad as this was, it became much worse when Congress, in December, 1813, laid an embargo, and stopped the trade of New England with the enemy and with neutrals. The South had then no market for its produce, and its banks were quickly stripped of every available dollar of specie.

In effecting this settlement the banks of Boston called on those of New York, which called on those of Philadelphia and Baltimore, which in their turn called on the banks yet farther south. So great was the drain that, in spite of sums used to pay for foreign merchandise, in spite of sums used to pay for British bills of exchange, in spite of sums smuggled out of the country to be sold at a high premium to the enemy, the specie in the Boston banks swelled from less than \$800,000 in 1812 to more than \$7,000,000 in 1814.

Nothing but a crisis or the first symptom of public discredit was then needed to send every bank from New York to Savannah into bankruptcy. Both these things came to pass toward the close of August, 1814. Landing on the shores of Chesapeake Bay, the British marched to Washington, burned the public buildings, cut off communication with the South, and attacked the city of Baltimore. That depositors, in such a time of excitement, should hasten to withdraw their money, and that people having bank notes should be eager to exchange them for specie, was no more than was to be expected. The banks along the seaboard south of Baltimore, gathering what little specie they still had, packed it in boxes, carried it far into the interior, buried it, and made no attempt to redeem their notes. The banks of Baltimore did the same. Those in Philadelphia held out a few days longer. But the run began, and on the 28th of August the presidents of the six banks ordered specie payment to be suspended, and gave the public the reasons.

"From the moment," said they in their circular, "the rigorous blockade of the ports stopped the exportation of our products, foreign goods had to be paid for with coin. As the importation of foreign goods and wares into New England has been very great, there is a heavy drain on the banks, a drain swelled yet more by a trade in British government bills of exchange which has taken great sums out of the country. To meet this demand, the course of trade has enabled us heretofore to draw from the South. But the unhappy state of affairs there cut off this source of supply, and the question arose, Shall we continue to gather all the specie of the country into our vaults merely in order that it may be sent out of the country, or suspend specie and save the coin? Believing that the public interest is best served by taking the latter course, we have unanimously agreed to suspend, and appeal to our fellow-citizens to support us."

The appeal was not in vain. The friends of both political parties pleaded vigorously in its behalf. The merchants, who were deeply indebted to the banks, assembled at the Coffee House, and agreed to take the bills of the institutions suspending payment. The committee of defense publicly indorsed the action as a wise measure of precaution, and the people quietly submitted.

Meanwhile, the banks of New York city had suspended, and assured the people that, till specie was again in circulation, they would not increase the amount of their notes then outstanding, and would take one another's notes in all payments. On hearing this, the merchants and traders met at the Tontine Coffee House, and in their turn resolved to avoid all negotiation requiring specie payment, to take the notes of the banks as freely in the future as they had in the past, and to do their utmost to maintain bank credit. The city, in its corporate capacity, agreed to issue bills of a penny and upwards to replace the small silver and the cents. When these things became known at Albany, the banks of that city suspended, and in a few days not a bank in any of the seaboard States, from New York to Georgia, was making specie payments.

The chief sufferer from this state of things was the government. Millions of its revenue were at that moment deposited with the Southern banks. But the suspension having prevented the movement of a dollar to the frontier, where the troops, the army contractors, the thousand and one creditors, were to be paid, the treasury was practically bankrupt. In a little while numbers of acceptances for large amounts were protested. More than once the paymaster of the army was unable to meet demands for sums so trifling as thirty dollars. The War Department was in such distress that the Secretary of the Treasury was forced to ask a bank at Georgetown to pay a debt of $3500.

At some places along the frontier, when the terms of service of the troops expired, they were paid in certificates. On attempting to sell these bits of paper for one half the face value, the soldiers could not find a man who would take them, and were forced to beg their way home. At Plattsburg, where some New York militia were discharged, not even certificates were to be had, and they, too, went about begging food and money from the citizens. When, on the 1st of December, some treasury notes fell due at Philadelphia and were presented for payment, the loan commissioner offered new stock of the United States or bills of Southern banks. Having no specie of any denomination, the Secretary was now forced to take another step, and order the collectors of revenue not to receive treasury notes in payment of taxes or dues when the amount of the note was greater than the sum due. Thus, if the debt were nineteen dollars and ninety-nine cents, the collector must not accept a twenty-dollar treasury note. This order was construed with great strictness, and when some New Bedford liquor dealers applied to the collector for licenses, and offered a note greater in value than the sum total of all their respective dues, it was refused. Thereupon the dealers declared they would go on without licenses, and told the collector to go to law if he dared. At New York, three men, whose combined taxes footed up twenty-one dollars and fifty-one cents, offered a twenty-dollar treasury note and the rest in specie; but this, too, was rejected, because, while less than the amount due from the three, it was greater than the amount due from any one.

Unable to get a dollar in specie or move a cent from one city to another, the Secretary of the Treasury, towards the close of the year, addressed a circular to the public creditors at Boston, in which he openly admitted that the treasury was empty. "The suspension of specie payments," said he, "by the greater part of the banks in the United States, and among them those in which the government's money lies, makes it no longer possible to apply money collected in one part of the country to the payment of debts incurred in another. The public creditors, therefore, must be content to receive treasury notes in place of specie, or wait patiently till such time as the Secretary has specie with which to pay them." Some took treasury notes, but they were few in number; and when the first day of 1815 arrived, the treasury had defaulted in the payment of dividends on the funded debt due in Boston, had defaulted in the payment of $2,800,000 of treasury notes due in many places, and had failed to take up two temporary loans of $250,000 each made by the State Bank of Boston.

Up to this time the Western banks had escaped the financial trouble which beset the Eastern banks. They had, indeed, small dealings with those in the East. But when a Spanish joe brought nine per cent, and an American dollar six per cent, premium in any seaboard city, it may well be supposed that great efforts were made to bring over the mountains what little specie the Mississippi Valley contained. So serious were these efforts that, early in the new year, the Miami Exporting Company, the Farmers and Mechanics' Bank, and the Bank of Cincinnati, all doing business in Ohio, were forced to suspend specie payments. The high price of specie in the East, the presidents stated in their circular, had directed the attention of "moneyed emissaries" to the West, and the refusal of the Ohio banks to pay gold or silver was a measure of self-protection.

Locking up the coin by the banks bore heavily not only on the Treasury Department and the public creditors, but on the great body of the people as well. It stripped the country of small change; not a sixpence, not a shilling, not a pistareen, was anywhere to be seen in the region of the suspending banks. As no financial institution could, at that time, legally issue bills of a lower denomination than two dollars, the place of the silver pieces had to be supplied by illegal issue of small paper bills. The cities, in their corporate capacity, printed thousands of dollars' worth of penny, two-penny, and six-penny notes, which their treasurers sold in sums of five or ten dollars to such as needed change, with the assurance that they could at any moment be redeemed in bank bills, and would be taken in payment of taxes. Thus the city of New York, in a few months, put out in this manner $190,000, of which $150,000 were in constant circulation. The banks did likewise; but, as they could not legally issue in their own name, they generally appointed some honest man to sign the bills for them. Merchants, tradesmen, manufacturers, stage owners, tavern keepers, ferrymen, and unchartered banks followed, and before spring came the whole seaboard south of New England was flooded with paper money of the worst description.

When peace returned, when the ports were opened in March, and a brisk trade began with foreign nations and along the coast, the evils of this kind of currency were felt most severely. Specie rose in value steadily, week by week, till, in October, American dollars, which in March brought six per cent premium, sold at sixteen per cent advance, and Spanish coin at twenty-one. Around each city were drawn a series of imaginary rings, representing so many zones of varying discount. At Philadelphia, notes of the Delaware banks were taken at two per cent discount; those of Baltimore at three; those of Richmond, if of chartered banks, at three; those of Pennsylvania and Ohio at seven.

Northward and eastward a better state of affairs existed, and Jersey bills were taken in Philadelphia at par, New York bills at four, and Boston bills at nine per cent premium. At Boston, all the notes issued by New York state banks passed at a discount of twenty per cent, those of Philadelphia at twenty-four, and those of Baltimore at thirty. No Southern bank notes were to be seen. Treasury notes were not worth seventy-five cents on the dollar. A one hundred dollar United States six per cent bond would not bring more than sixty.

Philadelphia merchants and traders who dealt largely with the West and the South were so affected by these rates of exchange that meeting after meeting was held in April, 1815, to discuss the serious inconveniences they suffered. At last a committee was chosen to seek a remedy, and it made a report full of interest. The evil, it told the meeting, was deeply seated, and the remedy was not in the hands of the community at large. Want of a circulating medium was the true source of the difference of exchange between different States. Absence of specie put them in the position of foreign countries, the value of whose money was regulated by the balance of trade. States against which a balance arose would have their paper depreciated in the State to which they were indebted. This was precisely the condition of the South and the West with regard to Philadelphia. They were in debt. The balance of trade was against them, and nothing but the restoration of a national circulating medium could bring relief. How far the national government should attempt to accomplish this was not, the committee said, for it to say.

Had the banks been the only sufferers for the want of a circulating medium, they would have waited long for government aid. But they were not. Every day the Secretary of the Treasury felt the need of such a medium. Goods, wares, and merchandise were coming into the ports from foreign lands, in quantities such as had never before been known. Yet not a cent of the duty paid on them could be moved from the city at whose custom house it was collected without heavy charges for exchange. In hopes of stopping this, and forcing the banks to resume the payment of specie, the Secretary gave notice, in June, 1815, that on and after August 1 the collectors would not receive the notes of banks which did not pay specie, and did not take and pay out treasury notes at par. Some, whose depositors did a large custom-house business, or in whose vaults was government revenue, reluctantly yielded. But so many important banks did not accede that on August 15 a new circular was issued. The purpose of the proposition made to the banks by the treasury in the circular of June was, the Secretary said, to secure a circulating medium, both local and general. The local medium was to be made up of state bank notes, treasury notes, and cents, which the mint was to issue at once. The general medium was to consist of treasury notes, to be taken at par by the banks all over the country, and so afford a ready means of making remittances from place to place. This proposition, he was glad to state, had been generally accepted by the state banks. Two in New York, one in Connecticut, and one in Georgia had flatly refused to comply. Eight in New York, two in New Jersey, two in Pennsylvania, and two in Ohio had made no answer. Notice was therefore given that, after the first day of October, 1815, the notes of these banks would no longer be received in payment of duties or taxes due the United States. This was vigorously protested against. No wonder, it was said, that New York banks will not receive and issue treasury notes at par, while banks in the South do. When those in New York city suspended specie payments, they solemnly agreed not to extend their loans above the amount then out. To this they adhered strictly, and by so doing kept the value of their paper steady, while that of Southern banks went down. When the Secretary made his proposition, treasury notes sold at three per cent discount in New York, and at three per cent premium in Baltimore. In New York, therefore, taking treasury notes at par was a tax of three per cent, while in Baltimore it was a bonus of three per cent. But this was not all. Bills of the Baltimore banks which accepted the Secretary's proposition were taken in payment of custom-house bonds, though the bills were seven per cent below treasury notes. In Boston, treasury notes were cheaper than bank bills. The rate of duty being the same, a Massachusetts importer would therefore pay in a currency seven per cent more valuable than the Baltimore merchant. On goods carrying a duty of twenty-five per cent *ad valorem*, this was equal to two per cent, and two per cent was enough to pay the freight and insurance from Baltimore to Boston. If two merchants in these cities had each imported $5,000,000 worth of hardware and crockery, woolens and linens, the merchant of Baltimore would have paid $350,000 less revenue than his fellow in Boston.

Nevertheless the notice was effective, and seven of the banks which had failed to comply in July complied before the first of November. By that time the people were growing weary of the refusal of the banks to resume, and of the flood of paper money poured out on the community by individuals, counterfeiters, and banks having no charters. At a meeting made up of the merchants, tradesmen, and citizens of Albany, resolutions were passed not to accept any small bills other than those issued by the corporation of the city, nor any bank bills which did not pass current at the city banks. At Richmond, a citizen having collected ten one-hundred-dollar notes of the Bank of Virginia, presented them and demanded silver. He was refused; and, on seeking counsel to bring suit, he could not find a member of the Richmond bar who would take the case. Repairing to the office of the clerk of the superior court, he thereupon took out a summons against the president and directors of the bank. When rule day came, as they failed to appear, a distringas was issued. Still the bank would not obey, and on the president refusing to submit peaceably the sheriff summoned a posse, shut the doors of the banking house, and carried him off. In a few days, however, the bank was doing business in a room over its old quarters, and in open contempt of the court.

Shortly after this affair the Virginia legislature took up the matter, and placed on the statute book three laws concerning the currency. One required every bank in the State to resume specie payment by November 15, 1816. The penalty for not doing so was a writ of execution, to issue in ten days, and costs and six per cent interest on the bill from the day specie was refused in exchange for it. In order to comply with this law, the banks began to call in loans, stopped discounting, and so deranged business that tobacco and produce fell off in price from five to twenty per cent. This led a grand jury to present the law as a daring attempt to infringe the constitutional rights of the people, and a violation of that section of the Federal Constitution which limits the powers of the States. "Should the legislature," said the jury, "attempt to enforce the law, and pronounce absolute judgment of confiscation, its action may furnish a proper occasion for a popular revolution." The second law provided that in all cases of debt, or of money due on execution, deed of trust, judgment, or mortgage, not an article should be sold unless, ten days before the sale was to take place, the persons to be benefited should write on the execution their willingness to take such notes of the chartered banks of Virginia, of the neighboring States, and of the District of Columbia as were current in the county where the sale was to be held. It was then made the duty of the judges of the courts of the counties and of the corporations to decide each month what bills were current within their jurisdiction, and to fix the rates of depreciation as compared with the notes of the Farmers' Bank and the Bank of Virginia, the only chartered banks in the State. The third law fixed a date whereon the notes, bills, and tickets of unchartered banks and corporations should cease to be currency, and after which to issue or receive such bills or tickets would be a misdemeanor.

In each case the remedy was again worse than the disease. In each case the law failed to accomplish its purpose, was assailed with bitterness, and in time suspended.

At the court of hustings held for the corporation of Staunton, the judges flatly refused to execute the law. At a court for Augusta County, the judges declared that the paper of the chartered banks of Virginia, Maryland, Pennsylvania, District of Columbia, and of the State Bank of North Carolina should be taken at par, and that no other bank paper should be current. The court of hustings sitting at Richmond ordered that notes of the Bank of Virginia and of the Farmers' Bank should be rated at par; but that Philadelphia paper should pass at seven and a half per cent discount, Baltimore paper at ten, and that of the District of Columbia at twelve and a half. Rulings such as these put an end to business. Notes which in Augusta County the people were forced to take at par, the people of Richmond were forbidden to take at all. Bills which at Richmond were, by order of the court, received at a discount of ten per cent were, for the same reason, current at Fredericksburg at their face value.

To make matters worse, the associations and companies doing an unchartered banking business began to call in their paper, in order to comply with the law aimed directly at them. These companies were of two classes, were to be found in the valley rather than in the tide-water region of Virginia, and owed their existence to the bad system of state banking. In 1803 and 1812 the legislature had chartered banks, had given to them power to establish branches in certain towns, and, since the establishment of these two, had granted no other charters. Exercising its powers, the Bank of Virginia had opened branches at Norfolk, Fredericksburg, Petersburg, and Lynchburg. The Farmers' Bank had branches at Norfolk, Petersburg, Lynchburg, Fredericksburg, and Winchester. In each case the parent bank was at Richmond.

The great and fertile region lying west of Richmond was thus left without any bank or any money-loaning institution. But it was into this region that immigration had long been pouring, and it was to meet the needs of these immigrants that two classes of companies had grown up. In the one class were the associations known by such names as the Bank of Winchester in Virginia, Bank of Martinsburg, Bank of the South Branch of the Potomac, the Virginia Saline Bank, the Farmers and Mechanics' Bank of Harper's Ferry, and a host of others, which, without charters, did a regular banking business, made loans, discounted notes, received deposits, and issued paper money. In the other class were the exporting companies, the companies for the encouragement of agriculture and manufactures, and the farmers' companies, all of them great buyers and shippers of produce, who paid their debts in paper of their own issue, which soon became the circulating medium of the country. The efforts of these two classes to obey the law carried financial distress into regions where bank bills were almost unknown. By the middle of the summer the whole State was clamorous for a special session of the legislature to repeal the banking and currency laws. A special session was accordingly held in November. The law requiring the banks to resume specie payment was suspended, first for one month, and then for seven ; and fifteen unchartered banking institutions were given till the last day of August, 1817, to call in their paper and comply with the law. To please the people of the mountain region, two new banks were created. One, called the Northwestern Bank of Virginia, was to be at Wheeling, with branches at Wellsburg, Morgantown, and Clarksburg. The other, named the Bank of the Valley in Virginia, was to be at Winchester, with two branches to be located in the neighboring counties, provided sufficient subscriptions were made.

The experience of Virginia was the experience of every State. In the Pennsylvania house of representatives, an attempt was made to instruct the committee on banks to inquire into the expediency of revoking the charters of every bank within the Commonwealth that refused to pay specie. The friends of the banks rallied, and succeeded in changing the motion to one bidding the committee report on the cause of suspension and the remedy. The causes, the committee declared, were, too many banks and an enormous issue of paper. The forty-one chartered in 1814 had not added one dollar to the specie in the State. Yet each one had put out paper far beyond the limit required for its own safety, or the good of the public, or the ability of the community to redeem in specie. The remedy was, the committee reported, a law providing that if any bank in Pennsylvania should, on demand, refuse to pay its notes in coin after January 1, 1817, interest at eighteen per cent should begin from the time the demand was made, and continue till the demand was fully satisfied. But if any bank, after January 1, 1818, refused to resume specie payment, its corporate rights should instantly become null and void.

Having heard the report, the friends of the banks, under the lead of James Buchanan, moved a substitute which gave very different reasons, and suggested a very different remedy. During the war, they said, the ports of the Southern and Middle States had been strictly blockaded, while those of the East had been open. Foreign merchandise, even when intended for the South and Middle States, came in, therefore, through the Eastern ports. As it could no longer be paid for in produce, it was paid for in specie, which began to flow steadily eastward. But more than this : New England had made small subscriptions to the federal loans, so small that they were far less than the federal expenditures in that region ; and to make up this difference more specie was drawn from the Middle States. Just at the time this was going on, the people in the interior of Pennsylvania, seeing that all the profits of banking were monopolized by the citizens of Philadelphia, and becoming displeased at the behavior of the branch banks, which were drawing all the coin in the State into the vaults of the parent banks at Philadelphia, came forward in a body, and demanded that the legislature establish banks in the interior. This was done, and the new institutions, drawing on Philadelphia for their specie capital, steadily lessened the gold and silver in that city, and forced the banks to suspend. With peace many of these disturbing causes ceased. But new ones took their places, for the importation of foreign goods so exceeded the exportation of American products that specie still continued to be sent abroad to settle the balance. This was the condition at the present time, and, under such circumstances, it was unwise to adopt measures forcing the banks to resume. As the result of these conflicting views, consideration of the report was postponed.

Like attempts to drive bank paper out of circulation failed in New York and Maryland. In Ohio, in Indiana Territory, in Kentucky, notes of unchartered banks were declared illegal. On the other hand, those of chartered banks were so highly protected in Kentucky that when an execution issued, and the plaintiff wrote across the face of the writ the words "Notes on the Bank of Kentucky, or its branches, or notes on any other incorporated bank of this State, or notes on the treasury of the United States, will be accepted in discharge of the whole of this execution," the defendant had but three months within which to replevy. Should the plaintiff refuse to accept such paper, the defendant might replevy at any time within a year.

To the evils produced by so debased a paper currency, coming from more than four hundred sources of issue, — from banks with charters, from banks without charters, from cities, from towns, from individuals, from importing companies and exporting companies, from factories, and from the treasury of the United States, — must be added yet other evils which sprang from the opportunities such a currency afforded rogues and sharpers. Men without consciences printed their change bills on paper so bad that it fell to pieces in the pockets of the takers. Counterfeiters plied their shameful trade so successfully that hundreds of thousands of dollars of false notes were soon afloat in the country. One gang made its headquarters in Indiana Territory. Another had its presses somewhere on the Hudson. Four members of the Western gang, who were captured at Harrisburg, had in their valises $350,000 of counterfeit notes of the Miami Exporting Company of Ohio. A member of the Eastern gang, when caught, had with him counterfeit notes of every important bank along the seaboard, from Savannah to Albany. The newspapers all over the country were full of notices of false bank notes, and, what was quite as bad, of notes of banks which had no existence. These wildcat institutions were the creation of a class of men who would have thought counterfeiting infamous. Two or three of them would associate, select a name and a city, have plates engraved in the best and most artistic manner, print bills of all denominations, and sell them to the exchange brokers, or pass them off in cities far away from the place where the bank was supposed to be located. New York, as a great commercial centre, was a favorite spot, and in it many such imaginary institutions were located. One, taking the name of the City Exchange Bank, and claiming to have $2,000,000 of capital, scattered tens of thousands of dollars in notes all over the South. Another, called the Merchants and Mechanics' Exchange Company, victimized the people of Augusta, of Fayetteville, and of Charleston. Notes of a third, the Ohio Exporting and Importing Company, appeared at Trenton, at Philadelphia, and in western Virginia. The owners of a fourth, known as the Commercial Bank, did a thriving business from Cooperstown to Buffalo.

But this prosperity was not to endure; for, in spite of state banks, exchange brokers, and sharpers, the day for the resumption of specie was near at hand. Congress had established the second Bank of the United States for the express purpose of regulating the currency, and had, by resolution, instructed the Secretary of the Treasury to see to it that, after February 20, 1817, the revenue was paid in legal currency.

In obedience to the command thus laid on him the Secretary began to act, and late in July, 1816, addressed a circular and a notice to the state banks. The circular reminded them that a return to specie payments was most desirable; that the banks of New England and of the South and West were ready to coöperate in an attempt to bring about a general resumption; that the reluctance of the Middle State banks was believed by the people to be caused by the profits they were making; and that a resolution had been passed by the late Congress looking toward the forcible resumption of legal currency. The notice was to the effect that, after October 1, debts, taxes, imposts, due the United States, when five dollars or under, must be paid in specie, or bank notes immediately convertible into specie; that no notes greater in value than five dollars would be taken, unless the banks issuing them redeemed notes under five dollars in specie; and that, after the 20th of February, 1817, all taxes and duties must be paid in legal currency.

On the receipt of this notice, the banks of New York, Philadelphia, and Baltimore met in convention, and declined to resume for a year. It did not seem likely, they declared, that the Bank of the United States and its branches would be in operation before July, 1817. Until they were in operation a return to specie payments by the state banks would be inexpedient, and the best that could be done was to recommend that the first Monday in July, 1817, be agreed upon as the time for a general resumption throughout the country.

Considering this a refusal to comply with his request, and knowing that if the banks refused to pay out coin the people could get none wherewith to pay their taxes, the Secretary gave notice that no attempt would be made to collect duties in coin till February 20, 1817.

The people, however, were eager for resumption, and, under the pressure of the public demand, the New York city banks made a slight concession, and in September, 1816, began to pay small change in specie. Twenty-two exchange brokers, therefore, agreed not to buy or sell specie change of any denomination under fifty cents. The corporation began to call in its change tickets, the butchers agreed to lend their aid, and by the end of the first week in October the "silver age," as the people called it, was come again.

Meantime, physical causes which no man could foresee changed the balance of trade, stopped the export of specie, and in a few months brought it back to the United States in such quantities that on the 20th of February, 1817, every reputable bank from New York city to Richmond began to pay out specie. By that time, too, the Bank of the United States and its chief branches were in operation, and the business community was once more enjoying cheap exchange.

J. B. McMaster.

A RUSSIAN SUMMER RESORT.

The spring was late and cold. I wore my fur-lined cloak (*shúba*) and wrapped up my ears, by Russian advice as well as by inclination, until late in May. But we were told that the summer heat would catch us suddenly, and that St. Petersburg would become malodorous and unhealthy. It was necessary, owing to circumstances, to find a healthy residence for the summer, which should not be too far removed from the capital. With a few exceptions, all the environs of St. Petersburg are damp. Unless one goes as far as Gátschina, or into the part of