

Annual
Message

It is for the legislature to determine whether these evils will admit of correction, and what legal provisions will be most likely to accomplish that object. It appears to be the general opinion that banks ought to be placed under additional regulations and restrictions; and that stock holders should be made responsible to creditors for all losses, and be deprived of their dividends during a suspension of specie payments. I shall first point out what appears to me objectionable in the plan of subjecting stockholders to these liabilities, and then suggest such regulations as may have a beneficial effect upon the banks. The real stockholders, that is those who have paid for their stock, know nothing about the management of the banks and have very little influence in choosing officers and directors. Many of them are women and children, and all of them in losing their stock suffer sufficiently, without being deprived of every thing else to satisfy depositors and note holders, who commit the same imbecility in trusting the banks. The State is a stockholder, and has more power than individuals to prevent mismanagement; yet banks might fail before the causes were known to the public authorities. The stock is continually changing hands, and it would be difficult to trace the liability through a succession of stockholders; and it would be useless to make the search, for if such a provision were engrafted into bank charters, the owners of shares would be found in possession of no other property. The same objections apply with greater force, to the plan of depriving stockholders of their dividends. They have no control over banks and many of them no other supports; and it would be rather a rigorous proceeding, to take the bread out of their mouths, because the government itself allows these institutions to violate their obligations. Under such a regulation the State would be deprived of her dividends; which could not be amply compensated in the present condition of her treasury. The officers and directors instead of being punished or restrained by a provision of this kind would be benefited by its operations, in having a large amount of unpaid dividends for the accommodation of themselves and their friends.

It would be vain to prohibit loans to directors because the notes of their firms might be discounted for their use. To limit the circulation according to the amount of specie is an uncertain rule for many reasons; and especially for these; that the proportions are varying every hour, and that specie is as likely to be demanded for deposited as for notes. If the loans and discounts of every bank in the State were fixed at a certain limit beyond which they could never be carried without causing a forfeiture of its charter, its circulation might be kept under control; its overtrading be checked, and an excuse furnished for resisting the unfortunate demands of borrowers. If this limit were fixed by law, each bank would have some security against the excesses of the rest, and might be regulated in its own operations, according to its actual capital and means. No bank ought to be permitted to issue pay or receive any note for a less sum than five dollars, under any circumstances; or to refuse to redeem its obligations, till its specie was entirely exhausted. It would then be seen which was standing on a solid foundation, whereas at present, they are all placed upon the same footing, and all covered with the same shield. They would be deprived of the power of drawing specie from other banks, while they were not paying it themselves; and relieved from the duty of deciding whether the public interest required them to suspend or resume. But no regulations or restrictions will avail, unless some