

Annual
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other by the same process of frequent settlements. It was defective too as a regulator, in this particular, that when other banks discounted too freely, and stood in need of restraints, it laboured under the same difficulty, and required to be checked in its own movements. For the State banks very seldom extend their own business, unless the National bank first set the example. Whenever it enlarged its discounts, they did the same; and then it was rather in a situation to require assistance, than to exercise a proper control. But if instead of being often a debtor, it had managed its affairs so prudently as to be always a Creditor of other banks, there was nothing to prevent it from sustaining institutions that were unsound, and injuring others that were worthy of the public confidence; and nothing to prevent it from giving the banks and merchants of a commercial city, great advantages over those of rival cities.

The national bank however, might be prudent, vigilant and impartial, and still be inefficient as a regulator, because the state banks could always escape from its control, by refusing to pay specie, or by otherwise discounting their notes; and thus place themselves out of reach of the regulating power, at the very time they stood most in need of it.

The condition of the currency in the several States during different periods, furnishes the proof, that its value depends on state legislation, and not on the influence of a national bank.

The United States bank went into operation in 1817, and from that period to 1825, its influence was not perceptible in any of the States, that encouraged excessive banking. The currency of Kentucky, Tennessee, Indiana & Illinois, was as much depreciated, during the great portion of that period, as that of Mississippi is now; and was gradually restored to a sound state, by the operation of their own laws, and by the determination of the people of those States, to rid themselves of paper money which had lost its value. The process by which the people of Kentucky were relieved from their depreciated paper, is described in the following paragraphs, published in Stiles's Register, in February 1823.

"More good news; - Bills of the Bank of the Commonwealth of Kentucky to an amount of seven hundred thousand dollars, were burnt at Frankfort on the 15th ultimo. A few more good fires like this and we shall begin to expect remittances from our friends in Kentucky."
"Kentucky is going on nobly in the work of burning paper money. There was lately another great purification of the currency by fire; \$1,400,000. in notes of the Bank of Kentucky, besides the
= conflagration