

REPORT

Of the Joint Committee of the Senate and House of Representatives of this State, appointed to enquire into the causes which have produced the suspension of the payment of specie by the Bank of Kentucky and its Branches.

The joint committee of both houses, to whom was referred the examination of the Bank of Kentucky, have taken into consideration the duties assigned them by order of the Legislature; and do concur in the following report:

That they have received in writing a full statement from the President of the Institution, disclosing the reasons why the Bank has stopped payment of specie; which they herewith report to the house. They further state, that they have turned their attention to the reasons assigned in the communication referred to, and have made appropriate enquiries into the truth of them.— They have also looked into the institution, and enquired into the situation of its branches; and have had satisfactory disclosures of the mode in which the institution has been managed, and the result of its operations during the preceding year: and nothing has been concealed from your committee which was necessary to enable them to perform their duties: They find the profits of the institution, for the preceding year, amount to the sum of one hundred and twenty-three thousand and four dollars and nineteen cents. The expenses are fourteen thousand two hundred and fifty-two dollars and ten cents; leaving a balance of profits in favor of the institution of one hundred and eighty-seven thousand and fifty-two dollars and nine cents. They have also examined the debts due the institution, the debts it owes, and the amount of specie on hand: The debts due the institution appear to be so far secured, that a probability of loss does not exist. Having canvassed these matters, they discover, that after the institution has paid every existing demand against it, there will be left upwards of nine hundred thousand dollars, exclusive of the buildings untouched, which greatly exceeds the amount of capital. Upon the whole, your committee have no hesitation in saying, that the reasons assigned why the Bank has stopped its specie payment, are real, and not supposed—that the stoppage was prudent and justifiable by existing circumstances without, and not within the Bank, or subject to its control. They have also no hesitation in saying, that the holders of the paper are entirely secure; that its credit ought to be supported, not from necessity, but from the real solvency of the institution.

Your committee recommend to the Legislature, the adoption of the following resolutions:

Resolved, By the Senate and House of Representatives of the commonwealth of Kentucky, that the stoppage of payments in specie by the Bank of Kentucky, under present circumstances, was a prudent step, and meets the approbation of this Legislature.

Resolved, That we recommend to the good citizens of this commonwealth, the acceptance of the notes of the Bank of Kentucky, and its branches, in payment of debts, and as a safe and convenient circulating medium for the purposes of commerce.

MARTIN H. WICKLIFFE,
YOUNG EWING,
EDM. BULLOCK,
F. C. SHARP,
JAMES GARRARD, Jr.
Senators.

FR: JOHNSON,
R. C. ANDERSON, Jr.
JOHN BREATHTITT,
JAMES W. COBURN,
B. MILLS,
WILLIAM P. FLEMING,
JOHN T. JOHN, ON,
BENJ. W. PATTON,
R. P. LETCHER,
Representatives.

FRANKFORT, 3d Jan. 1815.

SIR—In compliance with the wish of the committee, I proceed to state to them in writing, the observations I made to them yesterday: I will take the liberty, however, of premising some remarks on the nature of bank business in general, which will render more intelligible the subsequent part of my letter.

The profits of a bank result principally from its loans. It lends its paper. The larger the amount of its notes it can thus issue, and keep in circulation, the greater will be its profits. These notes will, however, occasionally return to it, to be exchanged for specie. The sum which is thus brought back, will be regulated in part by the confidence reposed in the solidity of the bank, and in part by the amount circulated, compared with the wants of the country.—The extent of these wants can be determined only by experiment. The bank is deterred from issuing too many, by the knowledge that any overplus will immediately be thrown back on it, and exchanged for specie. It is therefore interested in ascertaining the amount which, in the ordinary state of things, can be kept in circulation, and in regulating its loans accordingly.

Individuals find it for their advantage to deposit their money in bank, and to draw it out as they want it, by checks or orders on the cashier. A part of these will be found to remain

constantly in the hands of the bank; because, the portion that is withdrawn is generally replaced by new deposits.

This permanent sum of deposits, the bank may, and generally will act on, as a part of its capital; it will lend it, or will lend notes to such an amount, as this sum will enable it to keep in circulation. But however cautious the bank may have been in its issues of paper, and although they may have been proportioned as exactly as possible to the wants of the country, a part of their notes will be constantly returning to them to be exchanged for specie. It is essential, therefore, that every bank should retain a sufficiency of specie to take them up; and also to meet the occasional demands of those who have made deposits with them. A prudent bank will always retain considerably more. If any circumstance should render calls upon it more frequent than usual, it must have recourse to its debtors, and from them obtain the means of meeting these additional demands.

When the scarcity of specie in the southern and middle states produced a suspension of specie payments by the banks in those states, the western banks were led to apprehend that a drain of specie might take place from their respective establishments, and from the western country, from the three following sources:

1. Whatever may have been the causes that have drained the southern and middle states of their specie, there can be no doubt of the fact. Its scarcity in those states, and the suspension of specie payments by the banks there, are proofs of it which cannot be controverted. This scarcity, and the causes which produced it, as I formerly observed, would necessarily induce exertions to obtain a supply.—Premiums, and pretty high ones, would be offered for specie, and steps taken to procure it wherever it might be most abundant.
2. The distrust which the stoppages in the eastern states were calculated to produce in the citizens of the western country, with respect to all bank paper, would probably have the effect of throwing back upon them a greater proportion than usual of their notes in circulation. To what degree this distrust might prevail, was uncertain; if it should be universal and excessive, no bank whatever, without long preparation, could resist the shock; if partial or moderate only, the banks with prudence could guard against its effects.
3. The failure of the usual sources of remittance to the eastern states, excited doubts whether the merchants might not have recourse to the exportation of specie for the payment of the merchandize they imported. For the purpose of concerting measures to obviate as far as possible, the evils with which the banks and the country were threatened from these several sources, the Directors of the Bank of Kentucky thought it advisable to request a meeting of Delegates from the banks in this state, and the principal banks in Ohio. They met accordingly in Frankfort, early in last October, and possessed authority from their respective establishments, to agree on such a line of conduct as the circumstances of the country might render most expedient. They apprehended but little inconvenience from the temptation the merchants might feel to export specie for the purchase or payment of goods imported. Importations had been considerably diminished; and the exportation by land of a part of the produce of the country, and the eastern paper which the merchants and the banks might find afloat, and could procure without much hazard, would be nearly sufficient, it was hoped, to effect the remittances required. To prevent as far as possible, the operation of the two first causes, in the way apprehended, the banks agreed, 1st.—To discourage the exportation of specie.—No bills nor eastern bank notes were to be purchased, nor loans made where this was the object.—2d. To reduce within certain limits, (if the state of the country were found to permit it) their notes in circulation. In doing this, they proposed to make it more difficult for eastern agents to procure any considerable amount of their paper—to add to its value and the confidence reposed in it, by diminishing its quantity, and to lessen the demands upon themselves for its amount, should the distrust of the country prevent its circulating freely. It was believed that the fate of any one bank might have a decisive influence upon the others: It was therefore determined that each should assist the others in case of a local or temporary pressure; and that no suspension of specie payments should take place, but where the causes producing the pressure were of a nature so general and permanent, and at the same time so powerful, as to make it probable they would ultimately prevail against every effort to resist them.

The bank of Kentucky and its branches pursued the plan I have described. The circulating paper of the mother bank was reduced to nearly half its amount. Some degrees of distrust in the country brought their notes in considerably faster than usual.— This distrust was increased by the conduct and language of some, who, thoughtlessly, perhaps, in a few instances, but it is believed with design in many, spread and increased the panic

to the utmost of their power. One obvious reason for their wishing to produce a stoppage was, that the banks having no longer reason to fear the loss of their specie from this cause, might be induced to lend their notes more freely than they had lately done. The precautions of the bank, however, obviated the diminution of their specie; the calls made upon their debtors brought it in, as fast nearly as it was carried away; and no doubts were entertained but unless some other causes interfered, the hopes of the banks would be realized. But the pressure produced by these calls was considerable; the partial suspension of the business of the country had diminished the means of obtaining money, and some were unable to pay. It was in this state of things, that on the 27th Dec. letters were received from some of the Ohio banks stating their determination to suspend their specie payments, from causes which were likely to operate in a general and permanent manner on all the western banks. They informed us (of what we already knew) that arrangements had been made for drawing large sums of specie from the western country. Persons had been authorized by drawing bills on the eastern states, to procure either specie or bank notes, which they were to exchange for specie, and to transmit it to the eastward. They mentioned also, that considerable sums of western bank paper had been accumulated by eastern agents, and was then on its way to the banks, to be used for the same purpose.

The Directors of the Bank of Kentucky were aware that the ease with which these exchanges were effected while the banks continued their specie payments, would greatly facilitate the exportation they apprehended; that if the amount were very considerable its payment would narrow their means of meeting the demands against themselves; that if a knowledge that large sums of specie had been taken from the country, and that the Ohio banks had suspended their specie payments, should increase the distrust of the country with respect to bank paper, the demands against the banks would be proportionably increased; that these demands could be met only by additional calls upon their debtors, whose situations in general, rather required than promised relief, and who must have been greatly injured, or perhaps ruined, if payment had been compelled. The Directors knew and felt the probability of these events; but there was a possibility they might not take place, and they determined to await the issue. Their suspense, however, was soon removed: Information that the Ohio banks had actually suspended their specie payments reached Lexington, and the branch in that place closed its doors. This circumstance, added to the causes already mentioned, left no room for hesitation: The Directors of the Bank of Kentucky ordered their Cashier to suspend his specie payments, and directed that the same step should be taken by the branches.

The above is a short and hasty, but I believe a correct statement of the views, motives and conduct of the Directors of the Bank of Kentucky, with relation to the suspensions of specie payments by that bank and its branches.

I am, with respect, sir, your most obedient servant,

ROBT. ALEXANDER, Pres.
The Chairman of the Joint Committee of the Senate and House of Representatives.

Kentucky Legislature.

HOUSE OF REPRESENTATIVES.

FRIDAY, Jan. 13, 1814.
In the House of Representatives the bill to amend the several laws respecting a permanent revenue was taken up, and the following amendment offered to the second section: "That the value of the taxable property shall be assessed by commissioners appointed by the county courts of each county, any law to the contrary notwithstanding."—Concurred in—Yeas 37—Nays 35. Monday (16th) was assigned for the farther consideration of the bill.

On the same day a petition from Thos. Overton was handed in praying the removal of David Logan, (a justice of the peace of Fayette county) from office—Rejected. The bill for founding and establishing a Public Hospital in the county of Fayette was passed. The bill for abolishing that part of the law establishing circuit courts which provides for the appointment of assistant judges underwent discussion; and Monday (16th) assigned for its farther consideration. A committee was appointed to wait on the Rev. James M'Chord and request a manuscript copy of his sermon, delivered on yesterday to both houses of the legislature.

IN SENATE.

MONDAY, Jan. 16.
On Wednesday Mr. Sharp, (from Caldwell and Livingston) asked leave to bring in a bill to branch the Court of Appeals—refused—Yeas 12—Nays 13—as follows:—
YEAS—Messrs. Churchill, Dougherty, R. Ewing, Y. Ewing, Griffing

Corin, Lancaster, Perrin, Ray, Sharp, Wickliffe and Wood.

NAYS—Messrs. Bullock, Bartlett, Bowmer, Chapline, Farrar, Faulkner, Garrard, Helm, Jones, Sebre, Simrall, Taylor and Worthington.

The Senate also rejected a resolution introduced by Col. Simrall a few days since, relative to the nominations and appointments of militia officers by the Governor, without regard to seniority—Nays 14—Yeas 13.

On Wednesday both branches of the Legislature proceeded by joint vote to elect a Treasurer, public Printer, a President and six Directors to the Bank of Kentucky. JOHN P. THOMAS, Esq. was elected Treasurer unanimously.

FOR PUBLIC PRINTERS.
For Gerard & Berry, 86
For Johnson & Buchanan, 18
—Majority for Gerard & Berry, 68

ROBT. ALEXANDER, Esq. was chosen President of the Bank of Kentucky by a numerous vote; and the following gentlemen Directors: Messrs. Peter Dudley, George Madison, Willis A. Lee, Richard Taylor, William Gerard and Richard Taylor, Jr.

The bill for the appropriation of vacant lands after having passed the Senate has been under discussion in the House of Representatives, received various amendments, and probably may pass. There is a bill before the Legislature explanatory of ejections.

TITLES OF ACTS.

Passed the present session of the Kentucky Legislature up to Friday the 13th Jan. 1815.

- 1 An act authorising the insertion of certain advertisements in the *Kentuckian*, printed in Shelbyville.—The *Weekly Messenger*, printed in Russellville; and the *Winchester Advertiser*, printed in Winchester.
- 2 An act for the relief of the trustees of the Greenville academy.
- 3 An act for the relief of the sheriff of Christian and Livingston counties.
- 4 An act for the relief of Oliver Porter.
- 5 An act to extend and alter the term of the Bullitt circuit court.
- 6 An act for the relief of Richard Slavey and Joan Francis and Joseph Barnett and his associates.
- 7 An act to legalize the proceedings of the county courts of Greenup and Lewis.
- 8 An act to establish an election precinct in the county of Logan, and for other purposes.
- 9 An act further to regulate the payment of the debt due the commonwealth for the sale of vacant lands.
- 10 An act allowing an additional number of justices of the peace to sundry counties in this commonwealth.
- 11 An act giving an additional term to the Hardin and Mason circuit courts for the trial of chancery causes.
- 12 An act to amend the act to ascertain the boundaries of, and for processioning lands.
- 13 An act for the relief of Susanah Lancaster.
- 14 An act to improve the navigation of the Red-bird fork of the Kentucky river, and certain other navigable streams.
- 15 An act for the better regulation of the town of Harrodsburg.
- 16 An act to authorise the trustees of Bardstown, Shelbyville and Lancaster, to cause the streets of said towns to be paved.
- 17 An act concerning the election of members to the House of Representatives.
- 18 An act to erect election precincts in the county of Floyd.
- 19 An act to exempt the citizens of Greenup county from paying toll or ferrage in crossing the mouth of Little Sandy river upon certain occasions.

RESOLUTIONS.

- 1 A Resolution to appoint a joint committee to confer with printers.
- 2 To appoint a joint committee to confer with commissioners who superintend the building of the state house.
- 3 To appoint a joint committee to enquire into the cause of the suspension of specie payments by the Bank of Kentucky and its Branches.
- 4 Fixing a day on which to elect a Senator to represent this state in the Senate of the United States, in the room of the hon. Jesse Biedsoe.
- 5 Setting apart a day of humiliation and thanksgiving.

BRITISH ACCOUNT OF M'ARTHUR'S EXPEDITION.

Extract from a General Order, dated Montreal, Dec. 1

The hoard of mounted Kentuckians, under Gen. M'Arthur, did not make its appearance until the enemy were retiring from Fort Erie to their own shore. It was checked in its attempts to pass the Grand River, by a detachment of the 103d regt. and a band of Indian warriors, and its retreat has been followed by a detachment of the 19th light dragoons, conducted by an officer of the quarter master general's department. Its course is marked by a wanton plunder, devastation and indiscriminate pillage. It is to be lamented that the rapid movement of the marauders has screened them from the punishment due to actions of lawless conduct, equally repugnant to the dictates of humanity and the usages of war.

ST. INIGOE'S.

[We rejoice, when we have an opportunity of giving credit to our enemy for any thing resembling an honorable action.—Such an incident must now be recorded as something remarkable; and gives us the pleasing recollection that some glimmerings of civilization yet find their way into the breast of one British officer. The following letter is to the Editors of the *Intelligencer*, enclosing the succeeding one from Capt. Dixie.]

St. Inigoe's, Nov. 29, 1814.

Messrs. Gales and Seaton,

I read in your paper, some time ago, an account of a boat's crew having landed at St. Inigoes, near the mouth of Potomac, and committed various excesses, but particularly had taken away the sacred vessels, &c. consecrated to divine worship and the service of the altar. Those facts were true, and the individuals concerned, as well as the crimes perpetrated, required such excesses to be published; but as by the annexed letter we are assured that these excesses were unauthorized, and that a public acknowledgement and reparation has been in part made, by a return of almost all the articles, justice even to an enemy, requires that the said return and letter should be published.

To the Clergyman belonging to the Chapel at St. Inigoe's and the other residents there, to whom this letter refers.

GENTLEMEN—An officer and boat's crew, belonging to His B. Majesty's sloop *Saracen** under my command, having landed at St Inigoe's on the 30th ult. and taken several articles of furniture, and other things from the houses and Chapel there; and such proceeding being unauthorized by me, I have taken the earliest opportunity of causing restoration to be made of the property so taken; and now send one of my Lieutenants with this letter, and the property above mentioned, to you under a flag of truce; hoping this instance of justice will efface every prejudicial sentiment towards the British from your minds, and that the injured parties will express their satisfaction at our present conduct in this matter.

I beg you to believe, gentlemen, it is matter of great regret to me, that the proceedings complained of should have been performed by those under my command, and with sentiments of consideration, I am gentlemen your very obt. servt.

ALEXANDER DIXIE, Capt.
His Britannic Majesty's Sloop *Saracen*, off Georges Island, 18 Nov. 1814.

* In the former publication, a mistake was made in stating that it was the brig *Jason*, Capt. Wats.

Geographical Memoranda, relative to the N. W. Lakes and their vicinity.

From the Notes of an intelligent Traveller.

The communication from Black Rock on Lake Erie to Lake Huron and thence to St. Mary's outlet of Lake Superior, meets no interruption for vessels of three or four hundred barrels burden. At the Rapids of St. Mary, have a portage of one mile. The navigation for 500 miles on Lake Superior, N. W. is equal to any vessel of 1000 tons. At the N. W. corner of Lake Superior, is a portage of 8 miles; from thence 350 miles N. W. you have water communication to some portages to the Lake of the woods. Thence 300 miles N. W. you follow a river that empties into Lake Winipig, in lat 53, long. 109 W. The river from this lake takes the N. E. direction, & empties itself at York Fort into Hudson's Bay. From Lake Winipig you ascend a river in a N. W. direction, to the 53 lat.; thence by a small portage at the dividing waters you descend a river in a N. W. direction—you meet with Lake Arabaska—to the W. thereof Lake Pelican and the Lake of the Hills. These three lakes, any one of them larger than Ontario, ultimately join those waters which are communicated by the great Slave River to the great Slave Lake. This Lake extends from 62 to 65 N. lat. and from 125 to 135 W. long.; and discharges it self in a N. W. direction, by M'Kenzie's River into the Northern Pacific Ocean.

From Lake Winipig, in a S. W. direction, you may ascend a river that entangles with the upper branches of the Missouri, and renders the portage but small—and from thence, by making the portage of the Rocky Mountains descend the Columbia River to the Pacific Ocean.

As one primary object of our present war was the protection of our seamen; so they have been one principal means of the glory of our arms, and the humiliation of Britain. They have thus proved themselves worthy of the protection which our government was desirous of extending to them; and shewn to Britain what a formidable body of men her tyranny has exasperated against her.—T. T. American.

If we have taken, sunk and destroyed more than 1500 British vessels since war was declared, be it remembered, in justification, that Britain had captured & condemned nearly 1000 of our vessels before war was declared.—ibc