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Early State Banking in Kentucky, 1802-1830

S. Beverly Davis
Western Kentucky University

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EARLY STATE BANKING IN KENTUCKY, 1802-1830

BY

S. BEVERLY DAVIS

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Minor Professor Economics

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INTRODUCTION

It is the purpose of this study to examine the early state-chartered banks of Kentucky: their creation, career, and dissolution. To do this it will be necessary to survey the period of Kentucky history from 1802, when the Kentucky Insurance Company was awarded its charter by the Legislature and granted banking powers, to about 1830, when all previously chartered state banks had become non-existent or were in the process of liquidation. Throughout this period it will be necessary to notice the major political trends, events, and problems. These, however, will be of secondary importance, and attention primarily will be centered upon the economic factors involved in the early history of the state, which profoundly influenced the successes and failures of the early banking institutions.

As we survey the period of little more than a quarter of a century, we see the successive efforts of a pioneer commonwealth to establish a financial system which would meet the needs of its rapidly growing agricultural, industrial, and commercial life. We see the founders and makers of the commonwealth, accomplished in politics, government, and war, falter and blunder as they attack the intricate problems of finance. We see banks, successfully organized and maintained for a number of years, crippled and eventually ruined by the interference of politicians. We see a system of over sixty banks arise and then disappear within a decade. And in the end, we see the banking efforts of a quarter of a century apparently availing the commonwealth nothing and leaving the state with no banks except those established and maintained by the Federal government.

Let it be understood that a "bank"to the Kentuckian of the early nineteenth century meant above all a source of money; in other words, it was to him simply a note-issuing institution. All of his opinions of banks, bankers, and banking were based on this fundamental idea. This idea of banks prevailed throughout the country until the Civil War period. The deposit and discount functions were at this time strictly secondary matters. The ideas which the Kentuckian held are peculiar to a certain stage in the development of an economic society. The Kentuckian of this period was viewing banks exactly as did the Englishman of 1694 or the New Englander of 1791. If the situations be not analogous, it is because Kentucky's needs were even greater than those of England and New England in the periods named. The events which took place then must be viewed in the light of this fact.

Banking in Kentucky in the early nineteenth century was similar to, and in many respects typical of, the banking in the other states of the Union at that time. The same periods of inflation and depression were experienced in Kentucky as in other parts of the country. In this treatment no comparison will be made of the banking systems of this and other states, but it is well to understand that we are not dealing with an isolated case.

In this investigation of the early banks of Kentucky, it has been the effort of the writer, as far as possible, to consult only primary or source material. However, the opinions of contemporary historians have been consulted, as well as the periodical literature of the time. The outstanding sources are the Acts, House Journal, and Senate Journal of the Kentucky General Assembly. The various reports of the Kentucky Court of Appeals have also been consulted on cases pertaining to the subject.

CHAPTER I

THE KENTUCKY INSURANCE COMPANY 1802

In 1800 Kentucky was essentially a pioneer state. Though three decades had passed since the intrepid backwoodsmen of Virginia and Carolina had first claimed it for their own, its civilization was far from that of the seaboard states. But despite the primitive conditions existing in the young commonwealth, the years following the cessation of hostilities with the British and the Indians had brought many people to the western country. In 1790 the population of those most westerly counties of Virginia which later comprised the state of Kentucky was approximately 75,000.[1] In the first decade of statehood the population grew enormously to 220,995. By 1810 there were 406,511 people in the state, and by 1820 the number had reached 516,317.[2] Moreover, with the attainment of statehood had accrued the prestige which belonged to one of the United States of America. Kentucky was definitely on her way to becoming within the next half century one of the great sections of the nation, both politically and economically.

The economy of the state was, and remained for a time, of the most primitive sort. The economic foundation necessary for the attainment of greatness by a political state was lacking. A financial system was needed for the rapidly expanding commerce and industry. New products were being transported over the mountains and up the streams to the East, and down the Ohio and Mississippi rivers to New Orleans. Small factories were already being set up in the state. The great forests, the canebreaks, and the fertile barrens were giving way to the cleared fields of agriculture. An adequate system of exchange and credit was necessary to this economic development.

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1. Niles' Register, vol. I. p. 358.
2. Duke, Basil W. History of the Bank of Kentucky. pp. 2 & 3.

At the beginning of the century there were no banks in the state, although banking functions were carried on by private individuals in some instances. Merchants kept their accounts in terms of beaver and other skins, and even received these skins on deposit, issuing certificates therefor. In the Durrett collection of manuscripts is found an interesting survival of this sort of primitive banking operation:[3]

> Know all men by these presents that Daniel Boone hath deposited 6 beaver skins in my Keep in good order and of the worth of six shillings each skin, and I have took from them 6 shillings for the keep of them, and when they be sold I will pay the Balance of 30 shillings for the whole lot to any person who presents this certificate and delivers it up to me at my Keep.
> Louisville, Falls of Ohio, May,20, 1784.
> John Saunders

Certificates of this sort might be redeemed by the holder after the trader had disposed of the skins in eastern markets, or might continue to circulate as a medium of exchange.

Various other commodities, common to the time and country, were used in the same manner for the barter and trade of the backwoodsman. Tobacco had in Virginia in this way, and continued to be similarly used by the migratory sons of that state in Kentucky. Warehouse receipts were assignable and might be passed from one to another as a kind of money. Land warrants were also assignable by indorsement and delivery, and formed a large volume of the currency of the country. Other various forms of paper, receipts, and vouchers were issued by the early traders and merchants, and were extensively used as money.[4]

Besides these improvised forms, many types of real money found their way into the backwoods. "In the early days of Kentucky, coins of the United States and England were circulated as well as coins from nearly every civilized country on the globe. Values were ascertained when in doubt, by weigh-

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3. McElroy, R. M. Kentucky in the Nation's History. p. 378.
4. Duke, op. cit. p. 6.

ing in balances." To encourage their use and to thus increase the volume of circulating money the Virginia Legislature had fixed their value at so many pence and farthing per pennyweight. Of these early foreign coins, the Spanish dollar was perhaps the best known and most used of all as a standard of value.[5]

Continental money and notes of the eastern banks were looked upon with disfavor by the early Kentuckians, because of their uncertain values. This attitude was carried over into the next century and had a great deal to do with forming opposition to the early state banks of issue. In 1785 Virginia had passed a law to become effective in 1787 to exclude from circulation notes of private banks. It "provided that whenever a person should offer such a note, payable to bearer, to discharge his debt, he made himself liable for ten times the face of the note. The creditor or informer received the fine; while the debtor, if the judge favored it, could be put on his good behavior by the court."[6] After 1791, notes of the Bank of the United States were occasionally seen in Kentucky. They were handled with care and admired for the fine pictures upon them. They were universally respected, in addition, for their constant values.[7]

Bills of exchange came to be regulated by the Legislature before the advent of banks. Beginning with the close of the year 1792, whenever bills of exchange were drawn on a non-resident of Kentucky, and the bill was protested for non-payment, a charge of 5 percent interest with a protest charge of 10 percent additional on the face of the bill could be collected from the drawers of the bill. The interest rate on such bills was doubled in 1798. In the same year it was provided that whenever a domestic bill of exchange

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5. Duke. op. cit. p. 6.
6. Griffith, Elmer C. "Early Banking in Kentucky". Proceedings of the Mississippi Valley Historical Ass'n. vol. II. p. 169.
7. Duke. op. cit. p. 9.

for five English pounds sterling or more was drawn at any place in Kentucky upon another resident of the state, whenever the paper was not accepted and then paid within three days after due, the drawers were required to pay face and interest. Such bills had formerly been drawn when the only object sought was to gain time and let the bill act as a circulating medium until presented to the original drawer of the bill.[8] These regulations only tended to reduce the volume of circulating medium and render the need for banking facilities more acute.

A great need of Kentucky and of the entire western country in the early nineteenth century was an ample medium of exchange. The supply of specie and of notes of the Bank of the United States was entirely inadequate. The notes of the eastern banks were mistrusted. There were no individuals in the state at the time with sufficient economic prestige to warrant their issuing negotiable notes which would circulate freely. Relief, in such a circumstance, could only have come from a corporation chartered by the Legislature, and from that source relief did come.

In the legislative session of 1802, an act was passed and approved by Governor Garrard, December 16, to incorporate the Kentucky Insurance Company.[9] The avowed purpose of this corporation was to make possible the insurance of cargoes on the Ohio and Mississippi rivers and to thus facilitate and encourage commerce in the state. The charter was to continue to January 1, 1818, and during this time the Company was to have a monopoly of insurance business in the state. The corporation was to possess property to the amount of not exceeding $150,000. Shares in the corporation were limited to 500, each of was valued at $100 payable in five installments. Regulations for the carry-

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8. Griffith. op. cit. pp. 169-70.
9. Littell, Wm. The Statute Law of Kentucky. vol. III. pp. 25-31.

ing on its insurance business were set forth in detail in the charter.

The Insurance Company was given the right to deal in exchange and to lend its money at 6 percent interest. In the twentieth section of the charter was a clause which gave the company the power to satisfy the great economic need of the state:

> Sec. 20. Where anything is due to any person or persons, for amount insured, for general average loss, or return of premium, and the same shall not be paid by the said president and directors, within thirty days, as before mentioned, it shall be lawful for the general court, or district court, held in Lexington, who are hereby invested with jurisdiction of the said causes, to give judgement, on motion, for the amount of the sum due, against the president and directors of the said company, with interest from the end of the said thirty days to the time of payment, and costs: Provided always, that ten days notice in writing, that such motion would be made, shall have been left at the offices of the said company in Lexington. And the like remedy shall be had against the said president and directors, upon every undertaking they shall make in behalf of the insurance company, whether by policy, bond, bill obligatory, note or otherwise; and every bond, bill obligatory, or note in writing, given by the said president and directors in behalf of the said insurance company, shall be assignable by endorsement thereon, in like manner, and with the like effect as foreign bills of exchange now are; <u>and such of the notes as are payable to bearer, shall be negotiable and assignable by delivery only</u>.[10]

The last clause of the above quoted section gave to the Insurance Company the right of issuing notes which could circulate freely as a medium of exchange. There was no limit fixed as to the amount of notes which the company might issue, neither was there set up a mode of redeeming them. From the wording of the section it might seem that the intent of the authors of the act was not to make of the Insurance Company, a bank. Historians have held, however, that the clause was intentionally included, but that its real meaning was not understood by the members of the Legislature.

An element of doubt as to the use of deception in the passage of the

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10. Underscored by the writer.

act is apparent in the account rendered by Humphrey Marshall:

> And although the operator (i. e., the introducer of the act) was afterwards accused of practising a deception upon his coadjutors, the dexterity and effect with which it was done, ensured to him, the full approbation of his employers, and constituents. The secret was this: The 'Insurance Company', was authorized to take and give bonds, bills, notes, and obligations, in the course of their business; also to receive, and pass them by assignment; "and such of the notes as are payable to bearer, shall be negotiable, and assignable by delivery only". This was the pregnant clause which brought forth the bank. The notes payable to bearer, were made negotiable by delivery. It was only to make all payable to bearer, and all might pass by delivery. And when vested with these properties, they were so much like bank bills, that it required much less genius for trade and negotiation than Lexington possessed, to convert the "Kentucky Insurance company", into a BANK CORPORATION; and thus superseded the objects of its institution; which was soon done: and thus Kentucky came by her first bank.

It remained for Mann Butler to denounce the methods used to introduce banking into the state. Emphatically he stated that "it was at first smuggled into Kentucky and by a fraud upon her legislative understanding, it was foisted into the commonwealth." Furthermore, he alleged that the "bank was forced upon ... legislators, who, at that day, partook of the dread and antipathy to such monied instruments, which then particularly characterized the statesmen of Virginia." "The fate of this institution", he said, "which may as well be recorded at once, was worthy of its birth; it began in fraud and ended in bankruptcy."[12.]

Later historians follow, in the main, the opinions of these early writers. Lewis Collins conceded that the clause by which banking powers were given "was not thoroughly understood by the members who voted for it", and that they "never would have passed the bill, had they understood its provisions."[13.] Richard Collins, in his later edition, restated his father's opinion of the matter. The most logical view of the matter in question has been rendered by General Basil Duke. He said that the clause may have been obscured by

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11. Marshall, Humphrey. The History of Kentucky. vol. II. pp. 349f.
12. Butler, Mann. A History of the Commonwealth of Kentucky. pp. 230, 2[illegible]
13. Collins, Lewis. Historical Sketches of Kentucky. p. 56.

the promoters of the bill, but "there is good reason to believe that if this matter had been fully explained and understood the legislative action would have been the same." "There was much need of banking in some form in Kentucky at that date."[14.]

The Kentucky Insurance Company went into operation at Lexington, April 1, 1803. Its first president was William Morton, and its first directors were James Morrison, Alexander Parker, Charles Wilkins, William Leavy, Thomas Hart, John Jordon, jr., and Thomas Wallace. Its cashier was John Bradford, and its clerk, William McBean. The office of the Company was located in a handsome building, designed by the Baltimore architect, Latrobe, which stood on Main street between Mill and Broadway, where Scott's bakery later stood. The office was later moved to the site of Thompson and Boyd's saddlery store on Main street between Upper and Limestone.[15.]

The company was well directed throughout its career to the expiration of its charter in 1818. Its management remained largely in the hands of those men who were first named directors and officers. An attempt was made at first to pursue the insurance side of its business, but it was soon found that the banking business was more profitable. Bills of various denominations were issued, and the Insurance Company became almost exclusively a banking concern. During the early years of its existence the company paid a good rate of dividend to its stockholders. Its notes were soon passing in New Orleans at 101½ to 102, and were desired by the business people over the bulky silver coin then in use.[16.]

The company was opposed bitterly for a few years, and many reports were circulated to stir up sentiment against it. It was felt that it had been

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14. Duke. op. cit. p. 10.
15. Peter, Robert. History of Fayette County. p. 285.
16. Griffith. op. cit. p. 173.

granted valuable privileges without any return on its part to the commonwealth. It was reported to have financed Aaron Burr, while he was in Lexington, to the decided gain of the company. It is perhaps true that a bill of exchange of sizeable proportions was discounted for him, but this was only in the ordinary course of business.[17]

In the later years of the company's existence it is said that the individual stockholders were bought out by James Prentiss, a New England speculator, in the interest of some Rhode Island capitalists. Prentiss was a dashing fellow and had lived in Lexington for some years. He issued notes on the Insurance Company in large quantities, and depending on their previous reputation to hold up their value, flooded the western country with them. The paper of the institution depreciated greatly in value, and at the expiration of its charter at the close of 1817, it was in utter disrepute.[18]

In 1803 a considerable amount of opposition to the Kentucky Insurance Company developed throughout the state, and it was apparent that an effort would be made to secure legislative repeal of at least a part of the charter. Accordingly the company prepared to resist the attempt at repeal, and Henry Clay was sent from Fayette county to the House of Represettatives to lead their fight.[19] He was successful in the 1803 session, but the fight was carried on into the following year.

The General Assembly met in November, 1804, and on the 14th of that month a bill was introduced in the Senate to amend the act chartering the Kentucky Insurance Company. It was referred to a committee composed of Messrs. Slaughter, Desha, Alexander, Trotter, Lancaster, Hickman, and Ewing to prepare and bring in. It was duly reported and November 30th it was passed on to the House of Representatives by a vote of 12 to 7. It was received in the House the next day, and on December 12th was referred to a committee

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17. Griffith. op. cit. p. 173.
18. Peter. op. cit. p. 285.
19. McElroy. op. cit. p. 360. n.

composed of Messrs. F. Grundy, Welch, J. Stockton, Flournoy, Kennedy, G. C. Thompson, Clay, Russell, and Brents for amendments. On the same day a bill to establish a bank at Frankfort was referred to a committee of Messrs. Johnson, Kercheval, Callawyy, Allen, Blackburn, Welch, and Watkins.[20]

The Insurance Company bill was reported from the committee by Felix Grundy on December 13th, and two days later it was sent bank to the Senate with an amendment by a vote in the affirmative. On the same day the bill establishing a bank at Frankfort was voted down, 18 to 35. On December 17th the Senate concurred in the amendment of the House, and the bill was approved by the governor, December 19th.

The bill was intitled "An Act to amend and repeal in part an act entitled 'an act incorporating the Kentucky Insurance Company'".[21] It repealed the section of the original act which gave the company a monopoly on the insurance business of the state. The amount of notes which might be issued was limited to the amount of "debts due to them, money in their vaults, property, real, personal, or mixt, they may own, and their capital stock". The president and directors were to be personally liable if the amount were exceeded and if the excess were not paid by the company. It was also provided that the books of the company might be brought into court to ascertain whether or not the stated limit had been exceeded. This act was in part a victory for the Insurance Company in that the right to issue notes was specifically recognized. Before this authority had been taken from an obscure clause in a bill which did not otherwise concern banking. Now the note issue of the company was placed on a definite basis and regulated by law.

But the opposition to the Insurance Company was not satisfied; encouraged

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20. Kentucky Senate Journal. 1804. pp. 74f. House Journal. 1804. pp.15f.
21. Littell. Statutes. vol. III. p. 213.

by partial success, they prepared to attempt outright repeal of the banking privileges of the company in the legislative session of 1805. This time the iniative was taken by the House of Representatives, and a committee was appointed in that assembly to prepare and bring in a bill to repeal in part the act incorporating the Kentucky Insurance Company. This committee was composed of Messrs. F. Grundy, T. Kennedy, M'Millan, Banker, Guthrie, Clay, Russell, and C. C. Thompson. On November 6th it was reported from the committee by Felix Grundy, and it passed the House on the 21st by a vote of 37 to 19.[22]

It was received in the Senate and passed by that body, November 23rd, 15 to 8. It was sent to Governor Greenup, but it did not meet with his approval. In a vigorous message he vetoed the act and returned it to the legislature. He stated that the charter of the Insurance Company was in the nature of a contract between the stockholders and the legislature, and that no law could be made which would impair previously made contracts. He said that citizens of the state had accepted the notes of the company in good faith, and that repeal would injure the value of these notes.[23] The House proceeded to pass the bill over the governor's veto and sent it again to the Senate, but it failed to pass that body by a vote of 10 to 12.

In this session a bill to establish a state bank was introduced into the Senate by Senator Green Clay of Madison county. After the governor's veto of the Insurance Company bill, he moved an amendment to the bank bill to incorporate the Kentucky Insurance Company as a branch of the state bank, repealing the incorporating act of that company. This amendment passed, 12 to 10, and the bill was sent to the House of Representatives by a vote of 14 to 10. The state bank bill was brought into that assembly on December

22. Kentucky Senate Journal. 1805. pp. 40f. House Journal. 1805. pp. 2f.
23. Kentucky Senate Journal. 1805. pp. 65-69.

14th, but was never finally brought to a vote in the 1805 session. The Representatives seemed to feel that no vote should be taken until the next session of the Legislature, thereby allowing time for the perfection of a plan of organization for the bank.[24.]

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24. Kentucky Senate Journal. 1805. pp.79f. House Journal. 1805. p. 112.

CHAPTER II

THE BANK OF KENTUCKY 1806

As the time for the assembling of the Kentucky Legislature of 1806 approached, it was apparent that some provision would be made for a state bank. The preceding Legislature had all but passed the bill introduced by Senator Green Clay, and it had failed only because the House had not seen fit to act on it in the closing hours of the session. The spectacle of the Insurance Company distributing its semi-annual dividends had aroused the commonwealth to a bank consciousness. The bitter opposition which had existed only a few years previously had now disappeared, and it was now reasoned by most people that the state should participate in banking. In this way the profits would accrue to all. A strong minority, however, continued throughout the period to oppose all banks.

There was at this time, also, a need for an agency to conserve the revenue which was annually accruing to the state from the sale of public lands. It was proposed by the supporters of the bank bill to place all of these moneys in the bank as capital stock, thus giving the state a share in the profits of the institution as well as insuring the preservation of the state's funds. It was supposed that placed here, they would be beyond the "fearful hand of legislative waste", but the experience of a later decade proved this assumption to be false.[1] There was, too, a real need for banking facilities in addition to those provided by the Insurance Company. That institution was limited in the amount of notes which it might issue, and, having only the single office in Lexington, was unable to serve well the greater part of the state.

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1. Butler. op. cit. p. 332.

The Legislature assembled in November, and on the 19th of that month, Mr. Allen of Franklin county brought into the House the state bank bill. It was referred to a committee composed of Messrs. Allen, Hopkins of Henderson county, Pope of Fayette, Grundy of Nelson, Ballenger of Knox, and Cosby of Jefferson. Mr. Allen reported the bill for the committee on December 8th, and, after being read the customary three times, the bill was tabled. It was taken from the table on the 23rd and passed by the majority vote of the lower house. At this time an attempt was made to amend the bill so as to fix the seat of the principal bank at Lexington rather than Frankfort, but the amendment failed to pass. The bill reached the Senate the next day; two days later it passed by a vote of 16 to 5.[2] The act met with the approval of the governor, and was signed by him December 27, 1806.[3]

The act provided that a state bank, called the Bank of Kentucky, be established at Frankfort, to continue until December 31, 1821. The capital stock was to consist of 10,000 shares of $100 each, 5000 of which were to be reserved for the state and 5000 to be offered to private subscribers. The state's shares were to be subscribed as the governor deemed convenient; the others were to be offered, 3000 immediately, and 2000 after the organization of the bank was completed.

Subscriptions for stock were to be received at eleven towns throughout the state by committees named in the act: Frankfort, 500 shares, William Trigg, Daniel Weisiger, and George Greer; Lexington, 500 shares, Alexander Parker, Thomas Hart, Jun., and Henry Purviance; Paris, 200 shares, William Scott (merchant), Thomas Arnold, and Samuel Williams; Washington, 200 shares, John Machir, Basil Duke, and Daniel Vertner; Richmond, 200 shares, Robert

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2. Kentucky Senate Journal. 1806. pp. 131ff. House Journal. 1806. pp. 129[illegible]
3. Littell. Statutes. vol. iii. pp. 390ff.

Caldwell, Thomas Howard, and William Irvine; Danville, 300 shares, James Birney, Robert Craddock, and Joshua Darbee; Bardstown, 300 shares, William R. Hynes, Walter Brashears, and John Caldwell; Louisville, 300 shares, Thomas Prather, James Berthoud, and Peter B. Ormsby; Shelbyville, 100 shares, Adam Steele, Wingfield Bullock, and James Bradshaw; Hartford, 100 shares, Daniel Barry, Samuel Rose, and Joshua Crew; Russellville, 300 shares, Joseph Ficklin, Armstead Morehead, and James Wilson. Any two of the persons named at a place might act as the committee.

Subscriptions were to be opened at the places named March 1, 1807; they were to remain open until April 30th, or until all the stock was subscribed. The shares were to be paid for in current money, one-fifth at the time of purchase, and the remainder in four equal payments 90, 180, 270, and 360 days after the date of purchase. The governor was to certify to the auditor whenever he subscribed for shares for the state, and the auditor was to issue warrants in payment there of. The 2000 reserved shares, the non-subscribed shares, and all shares returned and forfeited because of failure to make payments, were to be offered for subscription after the bank had been organized, as ordained by the president and directors.

The subscription committees were to make their reports on or before June 1, 1807, and the bank might go into operation whenever 2000 shares had been subscribed. Notice was then to be given by the Frankfort subscription committee in at least two newspapers of the state, and a meeting of all stockholders was to be called. At this meeting a president and twelve directors were to be elected who would serve until the first day of January of the following year.

The affairs of the bank were to be governed by these directors and the president. After the first election, six of the directors and the president were to be elected by a joint vote of the Senate and the House of Representatives. The other six directors were to be elected by the stockholders at a meeting to be held the first Monday of each January. It was provided that the Legislature might increase the number of directors to not more than twenty-four at any time that it saw fit to do so. The directors and president were given the powers of appointing the officers of the bank, of fixing their salaries, and of making rules to conduct the affairs of the bank as they saw fit. In addition to the president, the charter provided for a cashier and treasurer, who was required to give a bond of two or more securities, which was to be approved by the directors. The directors and president were required to be owners of stock, they could not be directors of other banks, and they were not to receive remuneration for their services except by an action of the stockholders. Not less than five directors could constitute a board to transact the business of the bank.

A general meeting of the stockholders might be called at any time by the president and directors, or by twenty or more stockholders holding at least 100 shares of stock, by giving four weeks notice in any two newspapers of the state and specifying the purpose of the meeting.

In order to be eligible to vote for directors, except in the first election, the stockholder must have held his stock for at least three months previous to the election. No stockholder, regardless of the number of shares which he held, could cast more than thirty votes. One vote per share was allowed for the first two shares held, one vote for each two shares held from two to ten, one for each four from ten to thirty, one for each six from thirty to sixty, one for each eight from sixty to a hundred, and one for each ten above a hundred. These provisions were made in order to prevent the bank from coming under the control of a few stockholders, and to encourage the small stockholder. Stock in the bank was made transferable.

The amount of notes that might be issued by the bank was limited to three times the amount of the capital, "over and above the monies then actually deposited in the bank," less all debts. If this amount were exceeded, the directors who had authorized the excess were to be individually liable if the excess were not paid by the bank. The notes of the bank were made receivable for all payments to the state. Concerning the transfer of bills of credit issued by the bank, the charter provided that "those which shall be payable to any person or persons, his, her, or their order, shall be assignable in like manner and with the like effect as foreign bills of exchange now are, and those which are payable to the bearer shall be negotiable and transferable by delivery only."

The bank was restricted from trading in anything except bills, money, or goods pledged for debt. The only lands and tenements which might be held by the corporation were those necessary for its business, or such as had been conveyed to it as security for loans. Six percent was fixed as the rate to be charged for loans and discounts, and no loan could be made to anyone who was not a resident of the state of Kentucky. No director could borrow more than $5000, nor endorse as security loans in excess of $10,000.

Dividends of earnings of the bank were to be made half-yearly, in proportion to monies actually paid in by the stockholders. Statements of the accounts of the bank were to be laid before the stockholders, and before the legislature, if required, annually; weekly statements were to be furnished the governor.

Finally, it was provided that the legislature might modify the act at any time, except that it might not alter the time of the corporation, diminish the amount of the capital stock, or establish by law a branch bank. The charter, however, granted to the directors the right to establish offices of discount and deposit wherever they might see fit.

These were the provisions of the act chartering the state Bank of Kentucky. The act was the product of at least two years of careful study on the subject of state banks by the Legislature and advocates of the act. It was undoubtedly patterned after similar acts of the eastern state assemblies, and in the clauses which regulated note-issue, it was similar to the corresponding section of the act chartering the Kentucky Insurance Company. That it was a well framed act was proved by the success of the bank in the years which followed. Eventually some provisions became antiquated, but it was time, and not the makers of the act, which produced this. The act was a pattern for all subsequent bank legislation in the state, and whole passages of it are to be found in later acts of a similar nature.

Subscription books were duly opened at the towns indicated in the act, meeting with varying success in different parts of the state. Frankfort welcomed the new bank since it was to be located there, and subscribed rather heavily to its stock. A great effort was made there to get the citizens to subscribe. The Palladium of March 5, 1807 carries the story of the first subscriptions:

> On Monday last the Commissioners for receiving subscriptions for the STATE BANK, opened their books at the house of Capt. Weisiger. By two o'clock 241 shares were subscribed, and the first installment paid down, which was nearly half the number allotted to this place. On the succeeding days more subscriptions were received; and from the present appearances there is little doubt but that the whole of the shares will be immediately taken up. It is expected that Woodford and Scott counties will enter their subscriptions here; the citizens of Franklin, therefore, who have not yet subscribed, but intend to do it, had better embrace the earliest opportunity lest the books should be finally closed before they come forward. The stock of an institution commencing under such flattering auspices will doubtless rise above par, as soon as the subscriptions are filled, and leave those to regret the loss of a golden opportunity of bettering their fortunes, who may have been too remiss in stepping forward.

Later subscriptions did not come in so readily, and it was September before the meeting of the stockholders was called: [4]

> NOTICE TO STOCKHOLDERS
>
> We the undersigned commissioners for the town of Frankfort, have appointed Monday the 12th day of October for the election of six DIRECTORS to represent the stockholders in the Bank of Kentucky. The election to be held at the Statehouse, and the hours from 10 to 2 o'clock.
>
> William Trigg
> Danl. Weisiger
> George Greer

Although the meeting was called for the election of six directors, in compliance with the provisions of the charter, the stockholders elected twelve and a president. The directors were John Barry, William Trigg, Richard Dallam, William S. Dallam, Daniel Weisiger, George Madison, John Brown, Nathaniel Hart, Achilles Sneed, George Greer, William Hunter, and John Allen.[5] These men were strong supporters of the state bank, and most of them were citizens of Frankfort.

Robert Alexander was elected president of the new bank, William S. Waller, first clerk, and Matthew T. Scott, second clerk. A cashier was not elected on this day, but on November 13th, John Instone, formerly a citizen of Nashvill, Tenn., was appointed to that position. The salary of the president was not fixed, but it was agreed that the cashier should receive $800 per annum, the first clerk, $800, and the second clerk, $500.[6]

On Monday, November 16th, The Bank of Kentucky went into operation in the capital city of Frankfort. For the information of stockholders and others interested in obtaining discounts, the Frankfort papers carried the form of the notes and regulations for obtaining loans. At least two indorsers were required for each loan. The notes, for discount, were to be entered at the bank on the days preceeding the discount days, and the response was to be given on the following day. Tuesdays and Fridays were fixed as discount

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4. From the Palladium and the Western World, Sept. 3, 1807.
5. Western World, Oct. 15, 1807.
6. Ibid.

days, and banking hours were to be from 10 A. M. to 2 o'clock P. M.

At the time the bank began business, 542 shares had been subscribed for by individuals, and Governor Greenup subscribed 600 shares on behalf of the state, making a total capital stock of $114,200.[8] Dividends were soon being declared regularly; the state received from the bank in 1808, $2028.39, in 1809, $6263.83, and in 1810, $9596.83.[9] In the last half of 1810 the dividend amounted to 4 percent, in the first half of 1811, to 4½ percent, and in the last half of that year, to 5 percent.[10]

In the session of 1807 Governor Greenup sent a message to the Legislature calling their attention to the fact that no mode of receiving the state's dividend had been provided.[11] As a result, an act was passed which provided that the half-yearly dividends of the bank were to be made on January 1st and July 1st of each year, unless changed by the directors. Within three days after the declaration of the dividends, the president of the bank was to certify to the auditor the amount which was due the state. The auditor was then to certify the same to the treasurer, who would attend at the bank and receive the dividend.[12]

During the same session, the state having need of funds prior to the collection of taxes, an act was passed which authorized the bank to pay auditor's warrants in specie. The bank was to hold these until there were sufficient funds in the treasury to take them up; it was then to be reimbursed to the amount of the warrants which it had paid, plus the legal interest for the time which it had held them.[13]

Opposition to the bank existed throughout its eventful career. In the

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7. *Ibid.*, Nov. 19, 1807.
8. *Kentucky House Journal*. 1807. pp. 10 & 11.
9. Treasurers' annual reports, found in the *Senate and House Journals*.
10. Griffith. *op. cit.* p. 177.
11. *Kentucky House Journal*. 1807. p. 72.
12. Littell. *Statutes*. vol. III. p. 528.
13. *Ibid.*, p. 452.

Kentucky Gazette, December 10, 17, 24, and 31, 1811, appeared a series of attacks which are worthy of notice. They declared that (1) one-third of the stock was owned by a loyal British subject; (2) that the bank was loaning money at 2½ and 3 percent interest per month, contrary to the articles of incorporation; (3) that the rates of insurance in the state had been raised as a result of the bank; (4) that the bank was buying bills of exchange at par and selling them at 2 to 2½ percent advance; and (5) that it was selling notes on eastern banks at an advance of 6 to 7 percent. The first accusation was partially admitted by the bank: a large block of its stock was owned by a Mrs. Gapper, formerly a resident of England, but then living in Philadelphia. The other charges were declared by the bank to be without foundation of truth.[14.]

The bank, soon after it opened, took advantage of the rights given it under its charter, and established branches in other towns of the state. In 1808 offices were opened at Lexington and Russellville; others followed, Louisville in 1812, Washington in 1813, Danville, Paris, and Bardstown in 1815, Hopkinsville, Shelbyville, Richmond, and Winchester in 1816, and Glasgow and Springfield in 1817. The Louisville branch took over an unincorporated establishment named the Louisville Bank, whose capital of $75,000 plus an additional $25,000 was given over to the state bank. This branch was situated on the north side of Main street, near the corner of Fifth, and was under the direction of Thomas Prather, president, and John Bustard, cashier.[15.]

As the War of 1812 drew to its close the banks of Kentucky, along with those of the other states of the Union, were faced with the grim necessity of suspending the payment of specie. Bank-note circulation throughout the country had increased beyond all bounds of reason. The exportation of $7,000,000

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14. Griffith. *op. cit.* pp. 173-174.
15. Cassety, Ben. *History of Louisville*. p. 135.

in specie after the dissolution of the First Bank of the United States in 1811 had created a vacuum in the specie reserve of the country. The specie reserve was incapable of withstanding any special shock, and when Washington was captured by the British in 1814, all the banks, except those in New England, were forced to suspend specie payments.[16] Into this economic catastrophe Kentucky fell together with her fellow states.

The Legislature sought to remedy the matter by increasing the capital stock of the state bank. In response to a joint resolution of the House and Senate, the board of directors of the Bank of Kentucky replied on January 21, 1814, that in their opinion "a large banking capital might be used in this commonwealth; and that the Bank of Kentucky can advantageously employ an additional capital of one million dollars, without a probable diminution of the rate of dividend".[17] The directors planned to use this additional capital to establish branches throughout the state, in addition to meeting the impending emergency.

No steps were taken further than the resolution in the 1813 session, but in the 1814 session, the Legislature increased the capital of the bank by a series of related acts. It was provided that the seminaries might invest the money which they received from the sale of their lands in the stock of the bank, and that the state might invest its proceeds in the sale of salt lands in the state similarly.[18] In a later act of that session the authorized capital stock of the bank was increased to three millions of dollars by the authorization of an additional 20,000 shares, 10,000 of which were reserved for the state. In this act it was also provided that the Bank and its branches might deal in treasury notes and the funded debt of the United States. It was not

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16. Bogart, E. L. Economic History of the United States. p. 231.
17. Kentucky House Journal. 1813. p. 183.
18. Littell. Statutes. vol. V. pp. 163-5.

to loan money to non-residents, but it might make loans to the United States not to exceed $500,000, nor for more than two years. The notes of the mother bank and the branches were to be current in each other.[19] In the 1815 session additional state receipts were authorized to be invested in bank stock. Money received for the sale of lands acquired by the treaty of Tellico, and from the sale of land warrants under the law appropriating the vacant lands of the commonwealth, was appropriated for the purpose of filling up the state stock.[20]

The state was slow in subscribing for the stock which was reserved for it, and in the next session 8000 of the reserved shares were placed on the market at an advance of 2 percent. The revenue thus accruing to the state was to be used in the stock subscriptions of the state as fast as it was received in blocks of $1000. In this act a former provision was repealed, when it was stated that the bank and its branches were not forced to receive the notes of each other, except in the payment of debts due them.[21] By this act and those which preceded it, the capital stock and note circulation of the Bank of Kentucky was greatly inflated. The increase in note circulation offset the good effects of the increase in the capital stock, and nothing was accomplished toward redemption of specie payments.

It is probable that the condition of the Bank of Kentucky up to and during the suspension of specie payments was sound. The annual reports of the joint committees of the Legislature which examined the affairs of the bank were to the effect that its affairs were in good shape, the accounts were in order, and that it was being conducted with benefit to the commonwealth. In these reports no definite statements were rendered, but the general estimates were favorable to the bank. In January, 1815, the committee reported that the reasons why payments had been stopped by the bank were real,

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19. Ibid., pp. 281f.
20. Ibid., pp. 363-4.
21. Ibid., pp. 517f.

not imaginary; that the stoppage had been prudent and justifiable by existing conditions; and that the institution should continue to be supported because of its real solvency. It was maintained that holders of the bank's notes were entirely secure; the profits for the preceding year had been $123,004.19, while its expenses had amounted to only $14,252.10, leaving a balance in its favor of $108,752.09. No losses were apparent to the committee in the debts due the bank. Included in the committee's report was a letter from the president of the bank, Robert Alexander. He remarked on the nature of the banking business in general, and pointed out that the drain of specie to the East and South from the western country had necessitated suspension in Kentucky.[22] It was after hearing this report that the Legislature voted to increase the capital stock of the Bank of Kentucky.

Following the establishment of the Second Bank of the United States and the subsequent stabilization of currency throughout the country, the banks of Kentucky resumed specie payments in 1817.[23] There followed a period of stable banking in the state of Kentucky until the Legislature saw fit to establish more banks and the crisis of 1819 broke over the nation.

Other events in the realms of banking and finance in Kentucky prior to 1817 deserve attention at this time. In 1809 after the notes of the state bank had begun to circulate freely, an act was passed to discourage the circulation of "cut money". It was placed at a 3 percent discount in exchange with other money, and its receipt for taxes was forbidden after April 1, 1812.[24] This sort of legislation could never have been effected unless the currency of the state was becoming more plentiful.

In 1812 a measure was passed to prevent and suppress private banks and

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22. Kentucky Senate Journal. 1814. pp. 77-82.
23. Niles' Register. June 7, 1817.
24. Collins, Richard. History of Kentucky. p. 26.

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associations for that purpose not chartered by law. In this act a bank was defined as a company or association which loaned money and issued a circulating medium. The officers were named as the president, cashier, clerk, directors, or any person who assisted in the business of the bank, and any such officer or servant of a private bank was subject to a fine of $10,000. Persons who offered the notes of such an institution in payment were to forfeit three times the amount of the notes, and if the notes were without endorsement the penalty was to be four times the amount of the notes. One-half of the fines and forfeitures was to go to the state, and one-half to the informer when it should be recovered by presentment to a grand jury. The private banks were made incapable of suing in the courts, but persons holding their contracts might recover from them. The act was to go into effect on February 10, 1812, except that companies then in existence were to have to December 1st of that year to settle and close their business, and the banks of Louisville were not to be affected until December 10, 1812.[25.]

In 1815, also, was passed the first of the replevin acts which in the next decade were to become the center of political strife. The notes of the suspended Bank of Kentucky were in disfavor among creditors. To enforce the acceptance of these notes the Legislature provided that unless the creditor agreed by endorsement to accept the paper of the Bank of Kentucky, of any other incorporated bank of the state, or of the treasury of the United States, the execution on the judgement might be stayed twelve months. If the endorsement were secured, the stay should then be for only three months.[26.]

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25. Acts of the Kentucky General Assembly. 1811. pp. 206-210.
26. Littell. Statutes. vol. V. pp. 260f.

CHAPTER III

"THE FORTY THIEVES", INDEPENDENT BANKS, 1818

The close of the War of 1812 brought to the western country in general, and to Kentucky in particular, temporary prosperity. The energies devoted for a time to war were now directed to the pursuits of peace. Progress in agriculture was evident on all sides, being based on varied crops with tobacco and hemp the most important. Immigrants were settling in the new lands of the western part of the state, and the rich Blue Grass section was developing a landed aristocracy. A writer describes the region around Lexington: "The farms in the neighborhood are well cultivated, and the farmers are generally rich and opulent, and many of them have coaches and carriages, made at Lexington, that cost one thousand dollars."[1] The vast increase in the volume of paper money in the country, and the suspension of specie payments had caused the prices of agricultural products to rise to unheard of heights. Common wool sold for 50¢ per pound, while the best grades sold for $2. Hemp was priced at $80 a ton and flax $15 a hundred pounds.[2] Land increased in price at the same time; farms around Lexington were reported to sell for as much as $100 per acre.[3]

Prosperity on the farms of the commonwealth did not keep all the farmers there. Many persons deserted agriculture to seek greater fortunes in other lines of economic endeavor. Following the War, Europe, with great surplus stores of merchandise, sought to unload in America by extending very liberal credit. As a result it was possible for a person to set himself up as a merchant with a small outlay of capital. Many did this, and since the goods

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1. Niles' Register. vol. VII. p. 340.
2. Ibid., vol. VII. pp. 339-340.
3. Kerr, Judge Charles, (editor). History of Kentucky. vol. II. p. 593.

were bought on credit, they were usually sold on credit. Thus a vast volume of debts, many needlessly made, grew up to burden the people of the commonwealth.[4] This great credit structure grew until it toppled of its own weight, and, when the day of reckoning came, the cry of the debtor for relief from his debts arose to confound the state.

Throughout this period to the middle of the year 1817, specie was rare in Kentucky. The Bank of Kentucky, though in good condition itself, had been forced to suspend in 1814 along with most of the other banks in the country. Thereafter paper money had circulated at a discount, in a confused and ruinous way. To relieve this general condition, in 1816 Congress established the Second Bank of the United States. In 1817 two branch offices were opened in Kentucky, one at Lexington, and one at Louisville. Largely due to the efforts of the new national bank, specie payments were resumed in practically all states by the middle of the year. Under the administration of its first president, William Jones, the bank allowed its branches to issue their paper without restraint. This they did and made an enormous amount of loans. The Lexington office discounted $947,924 in July, 1817; $1,084,148 in October of the same year; $1,619,969 in June, 1818; and $1,712,023 in November of that year. The Louisville office loaned in two months of 1818, $938,552 and $1,229,520.[5]

Although specie payments had been nominally resumed, the stock of specie was so small that for a long time after this time it commanded a premium in exchange with paper money. Specie was constantly rising in value during 1817 and 1818; in October, 1817, Spanish silver dollars were at a premium of 1½ percent in New York City, and a year later in the same city they bore a premium of 7 percent.[6] At the same time paper money was very abundant; one commentator stated that during this time "silver could hardly have been more plentiful at Jerusalem in the days of Solomon, than paper money was in Ohio, Kentucky, and the adjoining regions."[7]

4. Ibid., p. 594.
5. Catterall, R. C. H. The Second Bank of the United States. p. 34. n.
6. Ibid., pp. 37-8. 7. Ibid., p. 35. n.

In Kentucky, prosperity, inflation of currency, and expansion of credit brought demands for more banks. These demands were prompted by a desire to share in the gains of banking and by a feeling that the banking facilities of the state were insufficient. Towns which had grown up since the older banks had been established began to ask for banking accomodations; particularly was this true in the Green River country in the western part of the state.[8] At this time, Hopkinsville, with its branch of the Bank of Kentucky, was the most westerly town in the state with a bank. In 1814 business interests in Lexington had asked the Legislature to charter a company which would combine banking with manufacturing. With an authorized capital of $1,000,000, it would devote two-fifths of it to manufacturing, and the remainder to banking. In 1815 a movement was started in the Green River country to secure charters for banks in that region.[9] In the 1816 session the demands on the Legislature for new banks were rather numerous.

Due to insistent demands on the part of their constituents and to personal inclinations of their own, the legislators of Kentucky in the 1817-1818 session of the General Assembly passed an act which chartered forty independent banks at towns and cities throughout the commonwealth.[10] The amount of capital stock which each might raise, the name of the bank, and commissioners to effect the organization of each were named in the act:

> Georgetown, Bank of Georgetown, $300,000; James Johnson, Job Stevenson, Samuel Theobald, Philemon B. Price, and William B. Keene.
>
> Bowling Green, Southern Bank of Kentucky, $300,000; Elijah M. Covington, Alexander Graham, Samuel I. M'Dowell, William R. Payne, John W. Powell, John Hines, James M. Blakey, and John Loving.
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> Lexington, Farmers and Mechanics Bank of Lexington, $1,000,000; Thomas Bodley, Asa Thompson, Thomas January, Elisha Warfield, Gabriel Tandy, Patterson Bain, and John T. Mason, Jun.

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8. Stickles, A. M. <u>The Critical Court Struggle in Kentucky</u>. p. 9.
9. Kerr. <u>op. cit.</u> p. 596.
10. <u>Acts of the Kentucky General Assembly</u>. 1817. pp. 375-393.

Versailles, Bank of Versailles, $200,000; Peter C. Buck, John M'Kinney, jun., William B. Long, William Mayo, Porter Clay, Norborne B. Cook, and John Buford.

Cynthiana, Bank of Cynthiana, $120,000; William Brown, Isaac Miller, James Finley, James Kelley, Alexander Downing, Henry O. Brown, and Joseph Ward.

Louisville, Commercial Bank of Louisville, $1,000,000; John T. Gray, Levi Tyler, James M'Crum, James H. Overstreet, John Gwathmey, Worden Pope, and James A. Pearce.

Bardstown, Centre Bank of Kentucky, $200,000; James Smiley, Martin H. Wickliff, Samuel T. Beall, Thomas Hite, Samuel M'Lean, Daniel S. Howell, Thomas Q. Roberts, and Samuel Smiley.

Mount Sterling, Bank of Mountsterling, $100,000; John Ramey, Paul Durrett, George Howard, James Megowan, Alexander Lackey, Henry Daniel, John Mason, Jr., Samuel L. Williams, and Thomas Mosely.

Maysville, Bank of Limestone, $300,000; Maurice Langhorne, John Sumrall, John Armstrong, John Coburn, Henry Machir, James Moss, James Morrison, James Chambers, and William Tureman.

New Castle, Bank of New-Castle, $100,000; Isham Henderson, Littleberry Foree, James Bartlett, Thomas Smith, and Rowland Thomas.

Lancaster, Kentucky Exporting Co., $100,000; David L. M'Kee, Thomas Buford, William Jennings, William Cook, and Joseph P. Letcher.

Harrodsburg, Farmers' Bank of Harrodsburg, $150,000; Samuel Daviess, Beriah M'Goffin, Jesse Head, William Nord, Joel P. Williams, Christopher Chinn, David Sutton, William Robertson, Jeremiah Briscoe, Robert B. M'Afee, John Glover, and Henry Eccles.

Shelbyville, Farmers and Mechanics Bank of Shelbyville, $200,000; Isaac Watkins, James Simrall, Thomas Mitchell, Charles Beard, James Bradshaw, Benjamin F. Dupuy, and John B. Graham.

Flemingsburg, Bank of Flemingsburg, $150,000; William P. Roper, Joshua Stockton, Thomas Wallace, James Alexander, and Thomas W. Fleming.

Petersburg, Petersburg Steam Mill Company, $100,000; Archibald Huston, Benjamin G. Willis, John Alloway, jun., John Terril, and Oliver Fairchild.

Greensburg, Bank of Greensburg, $100,000; James Allen, Daniel Brown, Elias Barbee, John Sandridge, and Nimrod H. Arnold.

Hopkinsville, Christian Bank, $200,000; Augustus Webber, Charles Caldwell, Charles W. Short, Samuel A. Miller, Joshua Hopson, Robert Patterson, Francis Wheatley, and John Burgess.

Henderson, Bank of Henderson, $150,000; Samuel A. Bowen, James Wilson, James Hillyer, Walther Alves, Nicholas C. Horsley, Leonard Lyne, and Wiatt H. Ingram.

Barbourville, Bank of Barbourville, $100,000; Joseph Eve, Richardson Herndon, Richard Ballinger, Thomas Tuggle, William Hudson, and John Patton.

Lebanon, Bank of Washington, $100,000; Benedict Spaulding, David Philips, Evan Young, Nathan H. Hall, Richard Forrest, Jeroboam Beauchamp, Paul I. Booker, and William B. Booker.

Russellville, Farmers and Mechanics' Bank of Logan, $200,000; Amos Edwards, Jonathan Payne, David Caldwell, William I. Morton, and Joseph Gray.

Elizabethtown, Union Bank of Elizabethtown, $100,000; James Crutcher, Benjamin Helm, Horatio G. Wintersmith, Charles Helm, William S. Young, James Larne, and James Perceval.

Carlisle, Farming and Commercial Bank of Carlisle, $100,000; Morriss Morriss, James Hughes, John G. Parks, Samuel Waugh, and James Baker.

Frankfort, Frankfort Bank, $500,000; John H. Hanna, Henry Crittenden, Samuel Lewis, William Hunter, and George Adams.

Greenville, Bank of Greenville, $100,000; James Weir, Alney M'Lean, William Campbell, senr., Charles F. Wing, Robert M'Lean, and John S. Eves

Burksville, Cumberland Bank of Burksville, $100,000; Peter Simmerman, James W. Taylor, William Smith, John M. Alexander, Isaac Taylor, John M. Anderson, and Joseph Alexander.

Owingsville, Bank of Owingsville, $100,000; Thompson Ward, Thomas D. Owings, James M'Ilhaney, Daniel Connor, James M. Graham, Alexander Lackey and James Saunders.

Columbia. Bank of Columbia, $100,000; William Caldwell, John Field, Benjamin Lampton, John Montgomery, Elijah Creel, William Patterson, and Benjamin Selby.

Somerset, Farmers Bank of Somerset, $100,000; William Fox, William C. Thurman, Daniel Clere, John Tammelson, John Prather, and Tunstall Quarles

Morgantown, Bank of Morgantown, $100,000; Robert Morrison, Joel Suggs, John S. Waddle, Richard B. Dallam, John Harrill, Elisha Bennett, and James A. Porter.

Hardinsburg, Farmers Bank of Breckenridge, $100,000; S. Shemault, David Murray, William Hardin, John P. Oldham, Joseph Allen, Nathan Anderson, and John Helm.

Burlington, Bank of Burlington, $100,000; William Vawter, Elijah Kirtley, Benjamin Johnson, Willis Graves, and ----- Laton.

Nicholasville, Farmers' Bank of Jessamine, $100,000; William Shreve, George Walker, Francis P. Hoard, James Harvey, Daniel B. Price.

Newport, Newport Bank, $200,000; James Taylor, Thomas B. Carneal, John M'Kinney, William Caldwell, and John B. Lindsey.

Glasgow, Bank of Green River, $200,000; Samuel Murrell, Henry Crutcher, Braxton B. Winn, John Gorin, William T. Bush, Alexander Adair, William Thompson, Richard Garnett, Joseph Winlock, Benjamin Monroe, and William Savage.

Paris, Paris Bank, $300,000; Henry Clay, junr., Abraham Spears, Hugh Brent, William Scott, William Cockran, Samuel G. Mitchell, Hugh Talbot, and William Garrard.

Augusta, Augusta Exporting Company, $100,000; Francis Wells, James Armstrong, Nathaniel Patterson, and Arthur Thoms.

Port William, Farmers Bank of Gallatin, $100,000; Samuel Saunders, Thomas L. Butler, and Garland Bullock.

Shepherdsville, Bank of Shepherdsville, $100,000; Wilfred Lee, George F. Pope. James Alexander, Daniel Drake, Guy Phelps, John Burks, junr., John Reid, William Simmons, senr., and Rodolphus Buckey.

Danville, Bank of Danville, $150,000; Joshua Barbee, William Akin, John Calhoon, Charles Henderson, David Ball, Richard Davenport, Jeremiah Clemens, and James G. Birney.

There were actually forty-seven of the so-called "Forty Thieves", seven being added to the original forty by later acts of the General Assembly. In an act passed January 31, 1818, over the veto of the governor, permission was given the Sanders' Manufacturing Company to employ one-half of its capital stock of $300,000 in banking.[11] The other half of its capital was to be used in the manufacture of wool, cotton, paper, leather, grain, and soap. This company had been organized to take over the factory of Lewis Sanders, Sanders, Fayette county. Subscription books were to be opened at Lexington under the direction of James Morrison, William Leavy, John Fowler, Thomas Bodley, James Weir, and William W. Worsley. By an act of February 3, 1818 it was made to conform to the act creating the independent banks as regarded redemption of notes, choosing directors, ownership of stock, and issue of bank notes.[12]

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11. Acts of the Kentucky General Assembly, 1817. pp. 405ff.
12. Ibid., pp. 515f.

On February 3, 1818, six additional independent banks were chartered, which were to go into operation and be governed by the same rules as those previously chartered:[13]

Springfield, Farmers and Mechanics Bank of Springfield, $150,000; Thomas C. Roberts, John Hughes, Jun., Thomas W. Kantz, John Calhoun, Christopher A. Pudd, Matthew Walton, and Paul I. Booker.

Millersburg, Hinkston Exporting Co., $100,000; William Bowles, James M'Clelland, Hugh Talbot, Joseph Miller, Robert Miller, Daniel Talbot, James M'Kee, Lewis Viemont, and Anthony Sheriff.

Winchester, Winchester Commercial Bank, $200,000; Benjamin H. Buckner, Thomas G. Jones, James Cartwright, Silas W. Robbins, George Webb, Robert Clark, and Elijah G. Browning.

Stanford, Stanford Bank, $150,000; William Craig, Francis S. Reed, James Davidson, Thomas Helm, Michael Davidson, William Forbes, David Swoope, and John C. Thurman.

Richmond, Richmond Bank, $200,000; Anthony W. Rollins, Squire Turner, William Barnett, Tarlton Embry, Samuel Stone, Thompson Burnham, and John Patrick.

Monticello, Monticello Bank, $100,000; George Berry, Hardin M. Weatherford, Abel Shrewsbury, Thomas Clemens, and Joseph Beavin.

Subscription books for each bank were to be opened at the place of its location April 1, 1818, or a convenient time thereafter, and were to be kept open sixty days at each place, except at Somerset, where they were to be kept open 120 days, and at Morgantown, Nicholasville, Augusta, and Richmond where they were to remain open ninety days. The time of subscription might be extended by the president and directors of a bank. All rights of the charter were to be cancelled if the stock of a bank was not sold within eighteen months after the books were opened. No bank could begin operations until the total stock had been sold and one-fifth of it paid for. Payment for shares was to be made in current money, notes of the Bank of the United States, or notes of the Bank of Kentucky, one-fifth at the time of subscribing, and the remainder in four equal instalments 90, 180, 270, and 360 days after the date

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13. *Ibid.*, 1817. pp. 491f.

of subscribing.

No person could hold more than one-eighth of the capital stock of any one bank. A president and eight directors were to be elected by the stockholders of each bank on the first day of each year. The ratio of votes to stock held was fixed at the same rate as that of stockholders in the Bank of Kentucky, with the limit which anyone might cast fixed at thirty votes. Charters of the banks were to continue to December 31, 1837. Tangible property which might be held by a bank was limited to one and a half times the amount of the capital stock.

A bank might issue notes up to three times the amount of its capital, over and above monies actually in the bank. Directors concurring in amounts in excess of this amount were to be held individually liable for the excess. The charter of a bank was to be considered repealed and annulled whenever that bank ceased or refused to redeem its paper in specie, notes of the Bank of the United States, or notes of the Bank of Kentucky. The rate on loans and discounts was fixed at 6 percent. Loans to any state or government were forbidden, and loans to directors were limited to $5000. The banks were required to pay annually to the state a tax of one-half of one percent on each share subscribed and paid for.

The aggregate authorized capitalization of these independent banks was $8,870,000. Since they could issue notes to the amount of three times their capital less indebtedness, permission was given to issue nearly $27,000,000 in paper money that would circulate almost entirely within the state. Such inflation was wholly unregulated and without the bounds of reason. Whereas the banks before this had been too few, they were now too numerous. Many of the new banks were located in towns too small to support them; eight were in places of less than two hundred inhabitants, while at least two had less than

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a hundred.

Criticism of the independent bank system was immediately forthcoming. J. H. Todd wrote to John J. Crittenden on February 4, 1818 that the acts would "afford facilities to commerce and increase the nominal value of real estate; but that it will deluge the state with too much paper money, increase the thirst for speculation, which is already too eager in our country and envolve many of our most useful and enterprising citizens in ruin and bankruptcy, (I) entertain the most fearful apprehensions." Robert Wickliffe attacked the system more severely: "By the grant of these forty-eight charters, you emphatically granted away the suffrage of the people, and laid the foundation of a tyranny as corrupt as it was strong. Sir, I wish to be understood-- I say that the tyrrany which you founded with these banks, was as corrupt as it was burthensome, and that the extent of its corruption was only ascertainable by its duration."[15]

M'Murtrie, writing of banks in his Sketches of Louisville in 1819, tells of the fate of the independent banks:[16]

> It is now but fourteen months since the last great accouchment at Frankfort produced a litter of forty (banks), a promising and independent family, that were to have banished poverty and duns forever from Kentucky. Specie, it was said would always be paid on presentation of those notes, many of which at this moment will not be taken on exchange for tobacco for your pipe, without paying into the bargain a small discount fo from ten to fifty percent, and others again, which are of no use but to light that tobacco when you have got it. This, as may be supposed, affords fine sport to shavers, who should strenously unite in the production of a second batch, equally numerous with the first, which, in due time, would enable, like Silky, in the Road to Ruin 'to provide for their families'.

Economic distress followed close in the wake of the new banks. It was soon discovered that they were unable to redeem their paper in specie, and

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14. Niles' Register. vol. XIII. p. 377. January 31, 1818.
15. Kerr. op. cit. p. 597.
16. pp. 123-4.

their notes depreciated rapidly in value. A distrust of all banks and currency was the result, and late in 1818 even the Bank of Kentucky was in such straits that it was forced to suspend specie payments temporarily, from November 20th to the 25th. In December, representatives of ten banks met in Glasgow, and resolved to "recommend to their respective institutions, to suspend the payment of specie, notes on the bank of the United States and its branches, notes on the bank of Kentucky and its branches, until otherwise ordered by said institution, or the decision of the legislature."[17] Although pretending to pay specie for their notes, few of the independent banks were actually doing so at this time. The pretense was continued in order to retain their charters. The banks refused to ratify the resolutions of their representatives at Glasgow, and continued the pretense of paying specie as before.[18]

In January, 1819, Niles records that the notes of some of the independent banks were at a discount of from 20 to 30 percent.[19] In May he relates in some detail the conditions then existing in Kentucky:[20]

> The people of this state are reaping the 'full harvest of misery', by reason of their banks, which we mournfully predicted a long time ago. 'Warrants, writs, and executions' are becoming almost as common as bank notes were! There will be no peace for the people until the quantity of the banks are reduced, and those that may remain are compelled to recollect that they cannot do what they please. The paper age must pass away, and speculation must fail. At present, the command of what passed for money is not in those who hold <u>property</u>, but in such as are directors of banks, or who hold shares in them. Real wealth has little to do with the <u>circulation</u> of money, at this time, because the priests of Mammon want it for-- themselves. We allude chiefly, to the modern money-shops. Many of the old banks are yet highly honorable and eminently useful institutions.

By the middle of 1819, it was estimated that the total amount of debts due the banks in Kentucky was ten millions of dollars; of this amount, five millions were due to the Bank of Kentucky, three millions to the branches of

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17. <u>Niles' Register</u>, vol. XV. p. 290. December 19, 1818.
18. <u>Ibid</u>., p. 361. January 9, 1819.
19. <u>Ibid</u>., p. 385. January 16, 1819.
20. <u>Ibid</u>., vol. XVI. p. 180. May 8, 1819.

the Bank of the United States, and two millions to the independent banks. County meetings were being held throughout the state to consider means of relief. Proposals were made to suspend specie payments, to issue more paper money, and to call an extra session of the Legislature to pass some laws on the emergency.[21] The stockholders of the bank at Richmond voted not to carry their institution into operation; they thereupon withdrew their stock and dissolved their charter.[22] The stockholders of the bank at Winchester voted to do likewise.[23] By autumn many of the banks were refusing to make any sort of payments.[24] The only banks whose notes were bankable in Lexington were the Lancaster Exporting Company, the Louisville Commercial Bank, Versailles Bank, Frankfort Bank, Bank of Flemingsburg, and the Centre Bank at Bardstown. The notes of a few others were receivable in payments of debts.[25]

The ridicule of the press added to the confusion of the newly organized banks. A newspaper of the time carried the following verses:[26]

PARODY
(_Oh! blame not the Bard if he fly to the bower, etc._)

Alas! for the banks, their fame is gone by--
And that credit is _broken_, which used but to _bend_;
O'er their fall, each director in secret must sigh,
For 'tis interest to love them, but _shame_ to defend.
Unprized are their notes, or at ten percent selling,
Unhonored at home, unredeemed on demand.
But still they've a merit-- I joy in the telling--
They're taken for pork, though rejected for land.

But their glory is gone! --every dog has his day--
Yet their fame (such as 'tis) shall abide in my songs;
Not e'en in the hour when my heart is most gay,
Will cease to remember their _notes_ and their wrongs.
The stranger in passing each village shall say,
(As he eyes the sad spot with his hand on his breast.)
THERE ONCE STOOD A BANK! --but, unable to pay,
It _suspended itself_, and, thank God, is at rest!!

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21. _Ibid._, p. 261. June 19, 1819.
22. _Ibid._, p. 311. July 3, 1819.
23. _Ibid._, p. 359. July 24, 1819.
24. _Ibid._, p. 434. August 28, 1819.
25. _Ibid._, vol. XVII. p. 20. September 11, 1819.
26. Ranck, George W. _History of Lexington, Ky._ pp. 292f.

As the value of the bank paper depreciated the prices in specie of commodities also decreased. A writer in the Kentucky Gazette tells of conditions in this connection:[27]

> Slaves which sold some time ago, could command the most ready money, have fallen to an inadequate value. A slave which hires for $80 or $100 per annum, may be purchased for $300 or $400. An house and lot on Limestone street (in Lexington), for which $15,000 has been offered some time past, sold under the officer's hammer, for $1,300. An house and lot, which I am informed was bought for $10,000, after $6000 had been paid by the purchaser, was sold under a mortgage for $1,500.

In some parts of the state conditions were even worse; men were everywhere begging for jobs. Governor Adair urged that internal improvements be commenced at this time to relieve the unemployment situation.[28]

During this time the General Assembly continued to pass acts regulating the banks of the commonwealth. In February, 1818, it gave the independent banks the privilege of dealing in the stock of the Bank of Kentucky, of the United States, and of the Bank of the United States; at the same time it allowed the academies to invest their funds in the stock of the independent banks, rather than in the stock of the state bank.[29] The charter of the Kentucky Insurance Company, which expired at the end of 1817, was not renewed, but the company was allowed to pursue its non-banking activities to the end of 1819. Note-issue and the exercise of banking powers after January 1, 1818, however, were specifically forbidden.[30]

In the session of 1818-1819, concessions of minor importance were granted to the Commercial Bank of Louisville and the Bank of Green River at Glasgow.[31] The tax paid in to the state by the Farmers and Mechanics' Bank of Lexington was appropriated to the use of Transylvania University for a period of two years.[32] In this session, also, additional requirements were made of the independent banks.[33] The amount of tax which each bank should pay was more clearly

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27. Niles' Register. vol. XVII. p. 85. October 9, 1819.
28. Kerr. op. cit. p. 599.
29. Acts of the Kentucky General Assembly. 1817. pp. 526 & 567.
30. Ibid., pp. 512f.
31. Ibid., pp. 606-7, 665-9
32. Ibid., 692-3.
33. Ibid., 717ff.

defined, a statement was required to be made to the Legislature annually, and, after May 1, 1819, no notes of less than $1 were to be issued. It was provided also, that notes made payable at one bank might be discounted by another bank. Another act of this session extended the charter of the Bank of Kentucky to the end of the year 1841, but fixed a tax of fifty cents on each hundred dollars worth of capital stock, to be collected annually after December 31, 1821. This act also provided that no director of the bank was to own more than five shares of stock, that not more than two-thirds of the directors could be re-elected, and that no one could hold office more than three years out of every four. Stockholders under the old charter might withdraw their stock and proportion of the profits.[34]

In the elections of 1819, the Relief Party came into power throughout the state. One of the principal acts of the General Assembly of that year was the long-advocated repeal of the charters of the independent banks.[35] Their rights "to deal and trade in discounts, bills of exchange or current money, or to issue notes or bills of credit, payable to bearer or otherwise" were to be revoked after May1, 1820; all other rights were to be revoked after January 1, 1823. Persons who engaged in banking contrary to this act were to be subject to the penalties of the statute against private banking. So much of the charter of the Sanders Manufacturing Company as related to banking was also repealed. The tax collected from independent banks for the year 1820 was ordered to be remitted. The Legislature defended its actions in repealing the charters of the banks in a preamble to the act:

> Whereas in the tenth article of the constitution of Kentucky, it is declared: First,-- That all freemen, when they form a social compact, are equal; and that no man or set of men are entitled to exclusive, separate public emoluments or privileges from the

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34. Ibid., 1818. pp. 693ff.
35. Ibid., 1819. pp. 908-11.

> community, but in consideration of public services: And secondly,— that all power is inherent in the people; and all free governments are founded on their authority, and instituted for their peace, safety, and happiness. And whereas, it is self-evident, according to those fundamental principles of government, that all laws which grant to a few, the power to oppress the many, are tyrannical in their nature, and adverse to the primitive rights of the people; and therefore repealable by the supreme authority. To say that a sale of primitive rights of the people, by the legislature, is to be perpetual and unalterable, because there is a contract in the case, is to declare that error and abuse of power may consecrate themselves. Fraud vitiates all contracts. That a privilege granted shall be used for the destruction or even to the disadvantage of those who granted, never could be the intention of the parties. All legislation and legislative power is derivative, proceeds from the people, and is used for their prosperity and happiness only. Consequently, all laws of a contrary tendency, violate the intention of a social compact, and are subject upon first principles to the condition of being repealed, whether the evil springs from the nature of the privilege granted or contract entered into, or from the abuse of either. A bank charter, from its nature, extends and necessarily confines the powers and privileges granted, to a few, to the exclusion of the many. It, therefore, follows as an unavoidable conclusion, that if the powers and privileges granted in a bank charter operate against the public good, the people, by their legislature, have the primitive right to revoke such charter. To the end, therefore, that the good people of this state be delivered in future from the baneful effects of the power and privileges granted by the law establishing independent banks in this commonwealth, which have been exercised in many instances, in the plentitude of tyranny, oppresion and abuse, to the great injury of the good people of this state.

And so the independent banks, the "Litter", the "Forty Thieves", ceased to be. There remained in the state only the Bank of Kentucky with its thirteen branches, and the two offices of the Bank of the United States. But the status quo was not to remain undisturbed, the cry for "relief" grew louder.

CHAPTER IV

THE BANK OF THE COMMONWEALTH 1820

The repeal of the charters of the independent banks did nothingto still the cries for relief within the state. Indeed, the effect of this act was to aggravate the situation, since liquidation of these banks and collection of their loans now became necessary. The Relief Party won overwhelmingly in the state election of 1820, and its program, begun in the session of 1819, was continued in the session of 1820. The Legislature in December, 1819, passed over the veto of the governor a law to suspend sales if the defendant gave bond to satisfy complaints at the end of sixty days. In the same session an act was passed extending the power of replevying judgements from three to twelve months, and if the plantiff refused to accept notes of the Bank of Kentucky in payment of the debt, the defendant could replevy for two years. Laws were also made which forbade the imprisonment of anyone for debts.[1]

In the legislative session of 1820 the Bank of the Commonwealth of Kentucky was chartered as a part of the "relief system". The replevin laws were passed for the relief of the large debtor class, and the Bank of the Commonwealth was instituted for the relief of the small debtor class, who at this time owed in the aggregate $2,000,000. The act establishing the bank was approved November 29, 1820, and a supplementary act was approved December 22, 1820.[2] These two acts set up the organization of the bank, which was to go into operation on or before May 1, 1821, and to continue to January 1, 1841.

With an appropriation of $7000 for the purchase of plates, paper, and books for the operation of the bank, provision was made for the issuance of $3,000,000 worth of notes in the state before the next meeting of the General

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1. Stickles. *op. cit.* pp. 21-3.
2. *Acts of the Kentucky General Assembly*. 1820. pp. 55ff. & 165ff.

Assembly. These bank notes were to range in denominations from a fraction of a dollar to one hundred dollars, and were made receivable for the revenue and county levies, and were to be redeemable in gold and silver. The amount of outstanding debts of the bank were limited to twice the capital of the bank, a limitation which was never observed. It was provided that the bills or notes of the bank, made payable to order, were to be transferable by assignment. This class of notes might become the basis of an action by the assignee, the same as foreign bills of exchange. The bills and notes which were made payable to bearer were transferable by delivery only, and it was this latter class which was issued by the institution.

The capital stock was to be owned by the Commonwealth of Kentucky exclusively, and was to consist of the proceeds of vacant lands, land warrants, and lands west of the Tennessee river, and the state's portion of the stock of the Bank of Kentucky. The revenue of the state remaining in the treasury at the end of the 1820 session might also constitute a part of the capital, subject to the appropriations made by the Legislature.

The principal office of the Bank of the Commonwealth was to be located at Frankfort. In addition, there were to be branches in each judicial district except the Frankfort district. These branches were located at Flemingsburg, Falmouth, Lexington, Louisville, Hartford, Princeton, Greensburg, Harrodsburg, Winchester, Mount Sterling, and Somerset. When the judicial districts of the state were changed in 1821, the location of the branches was not affected.[3] In 1822 the county of Owen was changed from the Falmouth district to the Frankfort district, and the Muhlenburg county from the Princeton to the Hartford district.[4]

The principal bank was to have twelve directors and a president, to be

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3. Acts of the Kentucky General Assembly. 1821. p. 298.
4. Ibid., 1822. pp. 38-9.

chosen by a joint vote of the Legislature at each session. Each branch was to have eight directors and a president, to be chosen in the same manner as those of the principal bank. Seven directors of the principal bank might constitute a board to transact business. No director of another bank, nor a stockholder of the Bank of the United States, could serve as a director of the Bank of the Commonwealth. They were to make annual reports to the Legislature and to keep records of their proceedings. No member of the Legislature which passed the bill chartering the bank could become an officer of the bank until at least twelve months after his term of service, nor could any officer of the bank be a member of the Legislature. The presidents and directors of the branches were required to reside in the district in which the branch was located. No director nor president might be bound as security for any debt due to the bank or its branches.

The president and officers were to appoint all other officers. The cashier of the principal bank was to be bonded for $100,000, and the cashiers of the branches for $50,000. The salary of the president of the principal bank was fixed at $1500 yearly; the cashier of the principal bank was to receive $1200 yearly, the cashiers of the branches, $800, and clerks, $600. Officers were not to act as security in the bank for others, and they were required to take an oath on assuming office. They held their offices during good behavior, and might be removed from office by the president and directors, or by the Legislature. They were not permitted to have an account with the branch of which they were officers except in relation to their salaries.

The functions of the bank, as stated in the chartering act, were to receive money on deposit free of expense, to discount bills of exchange, current money, and notes with two or more securities at six percent per annum, and to make loans on mortgages of real estate. These loans were not to exceed one-half of the value of the estate nor to be for a longer period than one year, nor to be at a higher rate of interest than 6 percent per annum. The interest was to be paid in advance, and no reloan was to be made unless the interest was paid up. Calls were not to be made for more than ten percent without sixty days notice. Persons failing to pay calls were to be deprived of future credit in the bank, and were liable for immediate suit.

Loans of the bank were to be apportioned among the various counties in proportion to the taxable property as represented in the list of 1821. The president and directors were not to reloan moneys to one county originally intended for another. Loans were first limited to $1000, but were increased to $2000 in the supplementary act. No loans were to be made in 1821 except to pay debts or for the purchase of produce or livestock for exportation. Loans were not to be made to any other government or citizen of another state, or to any corporation, and the interest on all loans was to be a part of the revenue of the state.

Five commissioners in each county, who were to be paid $1 per day for their services by the borrower, were to be appointed to value property offered for mortgage. The form of the mortgage to be used by the bank was indicated in the act. All mortgages held by the bank were to be considered as of record from their date, and were to have a preference of others not previously recorded for the same property. The applicant for a loan was required to produce a certificate that the land was unimcumbered, and the morigage was to be recorded within thirty days. In default of payment of the loan, the mortgaged premises were to be sold for cash, but the mortgager might redeem the property within two years by paying the amount of the indebtedness plus 10 percent interest per annum.

The Bank of the Commonwealth went into operation according to the provisions of its charter. It was designed by the Relief Party to furnish a depreciated and abundant currency wherewith the debtor class of the state might repay its creditors. Its notes, immediately after their issuance, circulated at a 30 percent discount from specie or notes of the Bank of the United States, and they later dropped in value to less than fifty cents on the dollar in specie.[5.] A little more than a year after the bank was organized, $2,792,063.87 worth of its paper was in circulation, and only $2,633.25 was in the bank's vaults in specie. There was in addition, however, in the vaults in notes of the Bank of Kentucky, $98,089.50.[6.] The notes became so plentiful and worthless that it was remarked that "one good thing may come out of this --such notes will not be counterfeited, 'that's flat'-- because they will not pay the cost and hazard of their fabrication".[7.]

It was held by the opponents of the bank and by the Anti-relief Party that the issue of notes by the institution was a violation of the Constitution of the United States, which declared that no state should "emit bills of credit". They held that since the stock of the bank was owned by the state, the state was, in effect, issuing the notes. A judgement was sought in the Adair County Circuit Court by the Bank of the Commonwealth against one Benjamin Lampton on a loan made to him by the branch at Greensburg. The defendant pleaded as his defense that the consideration of a note given to the Bank of the Commonwealth was the loan of their notes issued as bills of credit in violation of the federal constitution. The court held that the notes of the bank were not bills of credit in the meaning of the constitution, and this decision was upheld by the Kentucky Court of Appeals.[8.] The question finally went before the Supreme Court of the United States in the case of John Bris-

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5. Niles' Register. vol. XX. p. 225; vol. XXI. p. 278.
6. Journal of the Kentucky Senate. 1822. p. 48.
7. Niles' Register. vol. XX. p. 225.
8. Littell, William. Reports of Cases of the Court of Appeals. vol. III. pp. 300-1.

coe and others vs. The Directors and President of the Bank of the Commonwealth of Kentucky, and it was held that the bank was not the state, but rather a corporation created by the state for a specific purpose.[9]

The Bank of Kentucky was forced to suspend specie payments May 4, 1820. This was the beginning of the end for the institution which had served the commonwealth so honorably for many years. Its officers and directors were conservative bankers, and did not approve of the methods used by the Relief Party to restore prosperity to the state. Efforts to bring the Bank of Kentucky into line with the relief program failed, and thereafter it became a target for adverse legislation. An act of December 26, 1820, reduced the continuance of the bank from 1841 to the end of 1829, and placed a tax of 50¢ per share on the capital stock.[10] The stock of the state was to be paid over to the treasurer of the commonwealth in three annual payments beginning December 31, 1824, and any stockholder might withdraw his stock by giving notice on or before May 1, 1821. If additional branches were established, there was to be a concurrence of two-thirds of the state's directors, two-thirds of the stockholders' directors, and the assent of the General Assembly. It was provided that the existing branches were to be withdrawn if they failed to yield a fair profit. This act was the first legislative step toward the abolishment of the Bank of Kentucky. In this same session Robert Alexander, who had served as president of the bank since its beginning, was replaced by John Harvie.

In November, 1821, a law was passed which stated that no further stock was to be subscribed to the Bank of Kentucky on the part of the state, and which repealed all existing laws to the contrary.[11] This General Assembly adopted a set of resolutions which set forth the conditions under which the

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9. Kerr. op. cit. pp. 619-20.
10. Acts of the Kentucky General Assembly. 1821. pp. 189ff.
11. Ibid., p. 275.

bank should operate if it was to continue:[12]

> 1. The Bank of Kentucky ought to be permitted, and ought to receive real property mortgaged to them, at a reasonable price, in discharge of debts, in all cases where the principal debtor has no other means of payment.
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> 2. The Bank of Kentucky ought to give credit and currency to the paper of the Bank of the Commonwealth, by receiving it in payment of debts, and reissuing it in moderate loans to the people.
>
> 3. The branches of the Bank of Kentucky ought to receive and reloan the paper of the Bank of the Commonwealth of Kentucky, upon the same terms and conditions that may be adopted and pursued at any time by the principal bank; and in case of failure or refusal by any branch to do so, it shall be the duty of the directory of said principal bank, forthwith to withdraw such branch; and upon such withdrawal, to transfer the books, notes, accounts, and effects thereof to the branch nearest that which is withdrawn.

The warning of the Legislature was not heeded, however, and in the sessio of 1822 the rights of the Bank of Kentucky to loan money and to discount notes or bills of exchange were taken away from it.[13] The president and directors were instructed to collect debts due the bank and to declare semi-annual dividends of surplus moneys. The bank was given the rights to renew notes, to sue and be sued, plead and be impleaded as before. Calls on debtors were not to exceed 2 percent per month, and stock might be taken in payment of loans. The act provided for the cancelling by burning of all surplus notes of the Bank of Kentucky and the Bank of the Commonwealth, which were held in their respective vaults. It was the opinion of the governor, John Adair, at this time, that when the stock of the state had been withdrawn from the Bank of Kentucky, the participation of the state in its government should and would cease. He said, "The divided government of the private stockholders and the state, established by the original charter of the corporation, was impolitic and unequal; it has been the origin of much evil, and no advantage can fairly be anticipated from its longer duration."[14]

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12. _Ibid._, pp. 469-70.
13. _Ibid._, 1822. pp. 119-24.
14. _Kentucky Senate Journal_. 1822. pp. 9-11.

The Senate Committee on Currency did not favor an immediate severance of relations between the state and the Bank of Kentucky:[15]

> So far as relates to the policy of permitting the state bank to pay over the whole of the state's stock to the bank of the commonwealth at this time, your committee believe that it would be injurious to both institutions to disconnect them too suddenly, at a time when their true interest does not require it; but said institution should be permitted to wind up its concerns in connection with the state, until a just and equitable division be made so as complete justice may be done to all the stockholders as well as the state, according to the provisions of the charter. Your committee would therefore recommend that the state bank continue to be united with the state for the present, and that a rigid and faithful adherence to the views and intentions of the founders of the Commonwealth's Bank be maintained by stictly and honorably fulfilling the provisions of the charter, in sustaining the directory in their reguäar calls, and in all other measures calculated to promote the public good, and we may then justly expect to see confidence soon restored, and the currency of the country once more assume a value which will enable the bank to provide the means for the payment of gold and silver for its notes.

In 1822, when the Bank of Kentucky began liquidating, its stock was $2,449,120; of this amount, $596,700 was owned by the state and $1,852,420 was owned by individuals. Its loans were $3,205,747.26 and its notes outstanding were $1,017,013.49. In the first year of its liquidation its note issue was reduced more than $500,000, its loans more than $800,000, and 6,988 shares of stock had been surrendered. Bank notes to the amount of $2,043,123. were cancelled in accordance with the order of the General Assembly.[16] Liquidation continued, and by 1830, the Bank of Kentucky had satisfied almost all claims against it.[17] In that year its notes outstanding were $38,894.39, its stock was $596,797, its loans were $589,121.55, and its surplus profits were $274,149.50.

In 1825, by an act of the Legislature, the number of directors of the Bank was reduced to eight, and in 1828, the number was further reduced to four.[18]

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15. Ibid., pp. 50-55.
16. Ibid., 1823. pp. 267-71.
17. See Appendix IV for receipts of the state from the bank in liquidation.
18. Acts of the Kentucky General Assembly. 1824. p. 97; 1827. pp. 38-9.

In an effort to reduce expenses, the Legislature fixed the salaries of officers: president, not to exceed $1200; cashier, $1200; first clerk, $1000; second clerk, third clerk, $800; and agents, each, $1000. The fourth and fifth clerks were discontinued, and no allowances were to be made agents for traveling expenses.[19]

In closing its affairs and liquidating, the Bank of Kentucky adopted the plan of withdrawing its branches and using agents instead. The plan was explained in detail by the president in a letter written by him to the Legislature:

> The business of the former branches of the Bank of Kentucky, is thrown into three districts, to each of which an agent is attached. The concerns of the Lexington, Winchester, Paris, Washington and Richmond branches constitute the first district. Those of Danville, Springfield, Bardstown, Louisville, and Shelbyville, the second district. And those of Glasgow, Russellville, and Hopkinsville, the third district. The duties of the agency consists in renewing notes, collecting and paying over monies, strengthening and securing debts, managing and supervising the real estate and attending to and bringing to a close such claims as may be thrown into the courts of justice. The notes are made renewable every 120 days. There are in each district as many points designated for renewing notes as there were formerly branches therein. The notes are generally renewable at the place where originally contracted. The agents visit these points three times the year, if not oftener, and on the respective days for renewal. Catalogues of all the business arising within the district at the several points of renewal, are made out, signed and receipted by the agents, who are furnished with copies thereof. Upon the copies he sets down in an appropriate column, his collections opposite to the debts upon which collected. Upon the close of his tour, he renders an account to his agency and pays up and settles for all monies received and collected by him.
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> The agents of the second and third districts have complained of the heaviness of the labors devolved upon them, as being more than could be advantageously performed by anyone man. Those of the first district are perhaps not so burdensome. The heaviness of the labors does not arise out of the regular business of renewing notes; it is the cases in litigation which produces it. The attending sales, the settlement with collecting officers, the assiduity, and attention and diligence necessary to guard against the delays, the subterfuges, and the chicanery incident on litigation, are engrossing of time and annoying in the extreme. The expenses of litigation are enormous. Able counsel must be had or the bank interest will be overlooked; their compensation must be somewhat correspondent to

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19. Ibid., 1825. p. 74.
20. Kentucky Senate Journal. 1826. pp. 233-7.

to their standing. The summoning of witnesses, the expenses of having them in attendance, the attending of sales, the disappointments consequent upon such attendance, produce, altogether, an accumulation of costs and expenses highly onerous to the bank. My own experience has taught me, that a resort to the courts of justic under the present state of things, is almost the last step which ought to be taken. My impressions are, that the agencies as at present constituted, are adequate to the business of the bank, if well attended to; but if so attended, there will be but little leisure on hand or time to devote to other pursuits.

During the period from 1820 to 1830 the independent banks were also closing their affairs and liquidating. Their notes continued to circulate during this time until they chanced to be presented for redemption, and the percent of discount from specie on them varied with the faith of the public in the institutions which had issued them. In 1824 a Lexington bank note exchange office made the following quotations:[21]

Farmers' and Mechanics, Lexington	par
Limestone, Maysville	par
Flemingsburg	par
Lancaster	55 pr. ct. dis.
Cynthiana, Georgetown, Greenville, Hopkinsville, Henderson, Mountsterling, Somerset, New port, Versailles	90 " " "
Other banks	no sales

Additional time was allowed the independent banks to close their affairs. The repealing act had allowed them to January 1, 1823, but in 1821 they were granted to March 1, 1824; in 1824 they were allowed three years, in December, 1825 three years; in February, 1828 two years, in January, 1830 three years, and in 1831, two years additional time from the passage of the act on January 15th. The first method of liquidation which was provided for the independent banks was the appointment of commissioners to manage the concerns of the bank. This method was provided by an act of February 14, 1820.[22] Stockholders might appoint the commissioners, but if they failed to do so, the circuit judge for that district was to appoint. The commissioners were to have the powers of

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21. Pike's office, quoted in the Richmond Republican. October 22, 1824.
22. Acts of the Kentucky General Assembly. 1819. pp. 978-80.

suing, arbitrating debts of the banks, and making reports to the circuit court. They were to receive real estate and dispose of it to pay debts due the banks. No suits could be brought against them for a year, and all suits were to be prodeeded in as if the charters had not been revoked. It was stat in the act that the plea that the banks did not go into operation agreeably to their charters was not to be held valid; their holding a note was to be evidence of its having been discounted.

After liquidation of the independent banks had progressed to a certain point, the commissioner method was no longer practicable because of the expens involved. The agent method was then provided by an act of February 4, 1828. [23] This act provided that after due notice had been published in some newspaper three weeks in advance, the stockholders of each bank were to meet on the first Monday in April, 1829, and elect an agent to close the concerns of the bank. The elections of the agents were to be conducted by the late president or cashier of each bank, and certificates of election were to be returned to the respective county courts. The agents were required to give bond to the value of $20,000 to their county courts, and their compensation could not exceed 5 percent of collections in addition to reasonable expenses. They might sue, be sued, and might settle the debts of their banks by arbitration or compromise. The custody of all books and property was to be given to them, and they were to sell property, pay debts, and distribute the proceeds among the stockholders.

During this period when the Bank of Kentucky and the late independent banks were liquidating, the Bank of the Commonwealth was going through a period of prosperity, which was followed in the late twenties by a period of of dissolution and liquidation. In the end this institution of the Relief

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23. Ibid., 1827. pp. 66-8.

Party, weakened by the losses of its supporting party in the political arena of the state, suffered the same fate which had been forced upon the other banks of the commonwealth.

The first few years of the Bank of the Commonwealth relative to dividends were rather successful. It earned from its beginning to July 1, 1822, $140,63 the next year, to July 1, 1823, $112, 527.33; and the next year for a like period, $87,793.08. The state received in dividends in 1822, $61,248.34, and in 1823, $46,403.07.[24.] The dividends of the bank were decreased for a time by the creation of the Literary Fund by an act of the Legislature of December 18, 1821.[25.] This act provided that one-half of the clear annual profits were to be appropriated for the support of general education in the state, to be thereafter distributed. The bank was to keep an account of these funds and report annually to the Legislature. Some of this fund was distributed to the college and academies of the state, but the scheme for a general educational system in the state did not materialize. The Literary Fund remained largely untouched, and when the State's treasury came to be in want in 1824, the Fund was appropriated to the aid of the public revenue. This was continued in 1825, and made made permanent by an act of December 21, 1825.[26.]

The chief source of concern to the bank in its early days was the great depreciation in value of its notes. Its debts were believed to be safe and well secured, but efforts were made to check the depreciation of its paper and to bring it back to par. In an effort to do this calls on loans were increased to 2 percent per month, so that circulation of its paper would be quickened, and at the same time funds would be available for new loans.[27.] Soon it became evident that the bank was to be short-lived; Governor Adair expressed the opinion in 1823 that it should continue in its present course,

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24. Auditors' Reports, 1822, 1823, 1824. Found in the House and Senate Jou
25. Acts of the Kentucky General Assembly. 1821. pp. 351-2.
26. Ibid., 1823. pp. 469-70; 1824. p. 197; 1825. p. 121
27. Journal of the Kentucky Senate. 1822. pp. 44-83.

but that it should wind itself up as soon as the people were prepared to do without it.[28]

Governor Desha in 1824 called the attention of the Legislature to several economic needs of the state.[29] In answer to his call for economy in the affairs of the Bank of the Commonwealth, the clerks in the branches were abolished, the salaries of the officers of the principal bank were decreased, and but one clerk was retained in the principal bank.[30] The treasury was supported by the diversion of the Literary Fund to the public revenue, also in answer to the governor's demands.

The notes of the Bank of the Commonwealth were gradually brought back to par by the cancellation of large numbers of them by the bank. The act of 1822 relative to this has already been noted. There were originally notes to the amount of $2,943,479.55 outstanding: by the end of 1827 there had been cancelled by burning, $1,473,165.50.[31] Thereafter the Legislature annually passed resolutions providing for the burning of additional notes: 1827, $400,000; 1828, $300,000; 1829, $270,414.05; 1830, $150,000; 1831, $100,000; 1832, $100,000; 1833, notes withdrawn from circualtion, to be burned quarter-yearly.

By the middle twenties, the bank was declining, and there was a general demand for its gradual liquidation. In the bank's report to the General Assembly in 1827, it was recommended, as a means of lessening expenses, that the number of branches be reduced from twelve to seven.[32] This was the first acquiescence on the part of the bank to an idea which had prevailed in the state for some years. Governor Desha introduced the idea in 1825: "It is worthy of consideration, whether the branches of the Commonwealth's Bank might not all be discontinued, and the business of each intrusted to an agent with adequate

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28. *Ibid.*, 1823. p. 9.
29. *Ibid.*, 1824. pp. 9-11.
30. *Acts of the Kentucky General Assembly*. 1825 pp. 101-2.
31. *Journal of the Kentucky House of Representatives.* 1827. pp. 51-4.
32. *Ibid.*, p. 52.

compensation."[33] In 1826 a report was laid before the General Assembly which showed the total expenses of the branches to be $23,100.43 for one year.[34] In 1827 the Committee of Ways and Means of the House reported that about $10,000 could be saved annually by withdrawing the branches, and recommended such an action.[35] In this session a bill for this purpose was reported by a committee of the House and tabled until June 1, 1828.[36] The question met with opposition in the 1828 session and was not enacted into law then.

In a message to the General Assembly of 1829, Governor Metcalfe expressed his opinion of what should be done with the branches of the Bank of the Commonwealth:[37]

> After the most mature deliberation, I have been led to consider it my duty, respectfully to recommend the withdrawal of all the branch banks, as soon as may be practicable. By doing so, the risk of loss by fire, robberies, or other accidents, will be lessened in a ratio proportionate to the number of branches-- or thirteen to one: and the expenses of the establishment will be considerably reduced. By the appointment of collecting agents, in lieu of the branches, it is believed that the convenience of the debtors, as well as the interest of the commonwealth, would be consulted.

The judgement of the governor was concurred in by the Legislature, and a act was duly passed which provided for the liquidation of the Bank of the Commonwealth.[38]

The liquidating act provided that any branch which was not paying expenses which had been mismanaged, or which the interests of the state required to be withdrawn, should be so done. Agents should then be appointed for the withdrawn branches, and should perform the duties incident to liquidation in much the same manner as the agents of the Bank of Kentucky. After the passage of this law, continuance of the branches was impossible since all had been mismanaged and were not paying expenses. During the next session the General

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33. _Journal of the Kentucky Senate_. 1825. p. 13.
34. _Ibid._, 1826. p. 164.
35. _Journal of the Kentucky House of Representatives_. 1827. p. 106.
36. _Ibid._, p. 169.
37. _Ibid._, 1829. p. 24.
38. _Acts of the Kentucky General Assembly_. 1829. pp. 242-7.

Assembly was informed by the president, Henry Wingate, that all the branches had been withdrawn and their books and effects lodged with the principal bank.[39] In the report of the bank to the Legislature that year, the following request was made:[40]

> As there is no corresponding advantage resulting to the Bank for the trouble and risk of receiving money on deposit, it is respectfully submitted whether it would not be good policy to repeal so much of the 8th section of the charter as makes this a duty.

In reply the House of Representatives passed the following resolution:[41]

> Resolved, by the House of Representatives, that the officers of the Bank of the Commonwealth of Kentucky be, and they are hereby instructed, not to receive any further deposits by individuals, in said bank.

In this manner the Bank of the Commonwealth drew its affairs to a close. It had ceased to issue notes years previously, and almost all of its notes had been cancelled by burning. It had ceased to loan money and to discount paper, because it had no money with which to do this. Now its deposit function was surrendered, and the two branches of the Bank of the United States were the only banks in Kentucky doing an active business at the close of the decade.

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39. Journal of the Kentucky House of Representatives, 1830. p. 50.
40. Ibid., 1830. p. 106.
41. Ibid., 1830. p. 150.

APPENDIX I

ACTS OF THE KENTUCKY LEGISLATURE 1802-1830 RELATIVE TO BANKING

Date of Approval	Subject of Act
1802, Dec. 16.	Incorporating the Kentucky Insurance Company.
1804, Dec. 19.	Amending the act incorporating the Kentucky Insurance Compa[ny]
1806, Dec. 27.	Incorporating the State Bank of Kentucky.
1808, Feb. 11.	Relating to the state's dividend of the Bank of Kentucky.
Feb. 24.	Providing for the payment of auditor's warrants by the Ban[k] of Kentucky.
1812, Feb. 8.	Suppressing private banking in the state.
1815, Jan. 26.	Authorizing the sale of seminary lands, and the investiture of proceeds in Bank of Kentucky stock.
Jan. 26.	Authorizing the investiture of monies arising from the sale of salt lands in the stock of the Bank of Kentucky.
Feb. 8.	Increasing the capital of the Bank of Kentucky.
Feb. 8.	Making the notes of the Kentucky Insurance Company and the Bank of Kentucky receivable for county levies.
1816, Feb. 8.	Authorizing the investiture of monies arising from the sale of lands acquired by the state by the treaty of Tellico, and from the sale of land warrants.
1817, Feb. 3.	Providing for the sale of a portion of the shares of the Bank of Kentucky reserved for the state.
1818, Jan. 26.	Chartering forty independent banks.
Jan. 31.#	Incorporating the Sanders' Manufacturing Company and giving it banking powers.
Jan. 31.	Incorporating the Louisville Insurance Company: denied banking powers.
Feb. 3.	Taxing the branches of the Bank of the United States in the state.
Feb. 3.	Chartering six additional independent banks in the state.
Feb. 3.	Extending the non-banking activities of the Kentucky Insurance Company to Jan. 1, 1820.
Feb. 3.	Making the Sanders' Manufacturing Company conform to the regulations of the other independent banks in the state.
Feb. 3.	Allowing the academies of the state to subscribe their funds to the independent banks instead of to the state ban[k].
Feb. 4.	Authorizing the independent banks to deal in the stock of the Bank of the United States, of the Bank of Kentucky, and of the United States.

#. Passed pursuant to the provisions of the constitution, the objections of the acting Governor to the contrary notwithstanding.

1819,	Jan. 1.	Increasing the number of directors of the Commercial Bank of Louisville.
	Jan. 28.	Imposing a tax on all banks not incorporated by the commonwealth.
	Feb. 5.	Allowing the Bank of Green River (at Glasgow) to resume business under certain conditions.
	Feb. 6.	Appropriating the tax derived from the Mechanics' Bank of Lexington to Transylvania University for two years.
	Feb. 6.	Extending the charter of the Bank of Kentucky to 1841, and amending certain sections.
	Feb. 8.	Amending the laws incorporating the independent banks.
1820,	Feb. 10.	Repealing the charters of the independent banks and allowing them until Jan. 1, 1823 to close their affairs.
	Feb. 10.	Providing that 2/3 of the dividends of the state's stock in the Bank of Kentucky be invested in the Kentucky Ohio Canal Company.
	Feb. 12.	Placing the president and directors of the Bank of Green River on the same footing as other debtors.
	Feb. 14.	Providing for the bringing of suits by and against the independent banks.
	Feb. 14.	Regulating interest and recovery on notes or obligations given to corporations not created by a law of the state.
	Nov. 23.	Repealing the act requiring that the paper of the Kentucky Insurance Company be taken for county levies.
	Nov. 29.	Establishing the Bank of the Commonwealth of Kentucky.
	Dec. 13.	For the benefit of the stockholders of the independent banks.
	Dec. 22.	Supplementing the act establishing the Bank of the Commonwealth.
	Dec. 26.	Amending the charter of the Bank of Kentucky and extending it to the end of 1829.
1821,	Nov. 22.	Preventing the state from subscribing to any more of the stock of the Bank of Kentucky.
	Dec. 1.	Change in judicial districts not to change Bank of Commonwealth districts.
	Dec. 5.	Repealing certain qualifications of the directors on the part of the state, of the Bank of Kentucky.
	Dec. 18.	Establishing the "Literary Fund" from the profits of the Bank of the Commonwealth.
	Dec. 19.	Providing a mode for the state receiving the profits of the Bank of the Commonwealth.
	Dec. 21.	Providing for the settlement of the concerns of the Farmers and Mechanics' Bank of Shelbyville, and allowing two years additional time for the independent banks to close their concerns.
	Dec. 21.	Providing for the sale of the vacant lands west of the Tennessee river: duties of the Branch Bank of the Commonwealth at Princeton in regard to.
1822,	Nov. 14.	Changing certain counties in the districts of the Bank of the Commonwealth.

1822, Dec. 5.	Repealing the charter of the Bank of Kentucky and regulating the Bank of the Commonwealth.
Dec. 11.	Amending the above act.
1823, Dec. 16.	Allowing additional directors to certain Branch Banks of the Commonwealth.
1824, Jan. 7.	Further regulating the Bank of Kentucky and the Bank of the Commonwealth.
Jan. 7.	Regulating the liquidation of certain independent banks, and allowing all three years more to wind up their affairs.
Jan. 7.	Appropriating the net profits of the Bank of the Commonwealth to the public revenue for the year 1824.
Jan. 7.	Repealing certain qualifications for the directors of the Bank of Kentucky.
1825, Jan. 3.	Reducing the number of directors of the Bank of Kentucky.
Jan. 11.	Regulating the liquidation of independent bank at Columbia.
Jan. 11.	Concerning the directors of the Bank of Kentucky.
Jan. 12.	Appropriating the net profits of the Bank of the Commonwealth to the public revenue for the year 1825; and taxing U. S. Bank stock.
Jan. 12.	Concerning the independent bank at Greensburg.
Dec. 17.	Allowing the independent banks three more years to wind up their affairs.
Dec. 17.	Fixing the salaries of the officers of the Bank of Kentucky.
Dec. 17.	Authorizing county academies to draw their stock from the Bank of Kentucky.
Dec. 21.	Fixing salaries of the officers of the Bank of the Commonwealth, and allowing an additional director to the branch at Somerset.
Dec. 21.	Providing for the payment of all interest on the loans of the Bank of the Commonwealth and all receipts from public lands into the treasury of the commonwealth.
1827, Jan. 10.	Providing for the liquidation of the independent Bank of Limestone.
1828, Jan. 30.	Reducing the number of directors of the Bank of Kentucky and further regulating it.
Feb. 4.	Allowing independent banks to elect agents to close their affairs.
1829, Jan. 22.	Concerning the liquidation of certain independent banks.
Jan. 29.	Concerning the liquidation of certain independent banks.
1830, Jan. 7.	Allowing the independent banks three more years to wind up their affairs.
Jan. 29.	Providing for the division of specie of the Bank of Kentucky among the stockholders.
Jan. 29.	Providing for the withdrawal and liquidation of unprofitable branches of the Bank of the Commonwealth.

1831, Jan. 15.	Providing for the liquidation of the independent bank at Frankfort, and allowing all two years more to close their affairs.
Jan. 15.	Further regulating the liquidation of the branches of the Bank of the Commonwealth.

APPENDIX II

PRESIDENTS AND DIRECTORS OF THE BANK OF KENTUCKY 1807-1830

Presidents

Robert Alexander, 1807-1820.

John Harvie, 1821-1827.

Peter Dudley, 1828-1830.

Directors for the Stockholders.

John Barry, 1807.

William Trigg, 1807-1815.

Richard Dallam, 1807.

William S. Dallam, 1807-1811.

Daniel Weisiger, 1807-1820.

George Madison, 1807.

John Brown, 1807, 1808, 1810, 1825.

Nathaniel Hart, 1807-1819.

Achilles Sneed, 1807.

George Greer, 1807-1809.

William Hunter, 1807.

John Allen, 1807, 1812, 1813.

Jephthah Dudley, 1809.

John Instone, 1810.

John H. Hanna, 1811-1815.

Martin D. Hardin, 1814-1818.

John J. Marshall, 1816.

Alexander J. Mitchell, 1816-1820.

John Pope, 1817-1819.

Benjamin Taylor, 1819-1820.

Isham Talbot, 1820.

John J. Crittenden, 1820.

Robert Alexander, 1824-1825.

Preston W. Brown, 1824.

Benjamin Gratz, 1824.

Jephthah D. Garrard, 1824.

Charles Julian, 1824, 1828.

Charles Miles, 1825, 1828.

<u>Directors for the state</u>.

John Allen, 1808-1810.

Henry Clay, 1808-1809.

John Barry, 1808, 1810.

William Hunter, 1808, 1813.

Richard Dallam, 1808.

Jephthah Dudley, 1808.

George Madison, 1809-1813, 1815.

Martin D. Hardin, 1809-1812.

Jessee Bledsoe, 1810.

Christopher Greenup, 1811-1813.

James Johnson, 1811-1814.

Richard Taylor, senior, 1811-1815.

Willis A. Lee, 1811-1819.

William Gerard, 1814-1818.

George Adams, 1814.

Peter Dudley, 1815-1819, 1821, 1823, 1826-1827.

Richard Taylor, junior, 1815-1819, 1821.

Anderson Miller, 1816.

George M. Bibb, 1816-1820, 1824.

Robert S. Todd, 1818-1819.

Oliver G. Waggener, 1819-1820.

Achilles Sneed, 1820-1825.

Herman Bowmar, 1820, 1823-1825.

John Harvie, 1820.

John M. Foster, 1820-1821.

John M'Kinney, 1821-1822.

Joseph C. Breckenridge, 1821.

Alexander J. Mitchell, 1822.

Daniel Weisiger, 1822-1828.

Henry Crittenden, 1822-1824.

Abram Ward, 1822-1823.

James W. Hawkins, 1824.

S. A. Dudley, 1825.

Robert Alexander, 1826-1827.

Charles Miles, 1826.

Nathaniel Hart, 1827.

John Brown, 1828.

Henry Wingate, 1829-1830.

Benjamin F. Johnson, 1829.

James Shannon, 1830.

APPENDIX III

PRESIDENTS AND DIRECTORS OF THE BANK OF THE COMMONWEALTH, 1821-1830

Presidents

John J. Crittenden, 1821-1825.

John J. Marshall, 1826. #

Oliver G. Waggener, 1826-1827.

Joseph Smith, 1828.

Francis P. Blair, 1829-1830. #

Henry Wingate, 1830.

Directors

Willis Field, 1821-1829.

John Buford, 1821.

George B. Knight, 1821-1829.

James Bartlett, 1821-1822.

Thomas L. Butler, 1821.

Jacob Swigert, 1821-1822, 1824-1828.

Jephthah Dudley, 1821-1824, 1829.

Amos Kendall, 1821-1823.

Samuel B. Crockett, 1821-1824.

Francis P. Blair, 1821-1825.

Joseph Scott, 1821-1823.

Isaac Caldwell, 1821.

Samuel Tevis, 1822.

Lyddell Wilkinson, 1822-1824, 1826.

Samuel Todd, 1822.

John Cowan, 1823.

Benjamin Hensley, 1823-1824, 1826.

#. Resigned office; successor elected by the directors.

William O. Butler, 1823-1829.

Gervas E. Russell, 1824-1825.

Joseph G. Roberts, 1824-1825.

Price Nuttall, 1824-1827.

T. Triplett, 1825-1826.

B. E. Johnson, 1825.

Robert Johnston, 1825-1828.

William Gerard, 1825-1827.

John Wright, 1826-1827, 1829.

Dixon G. Dedman, 1826.

John J. Crittenden, 1827.

Ambrose W. Dudley, 1827-1828.

Thomas S. Page, 1827-1828, 1830.

Joseph Smith, 1827.

Robert Samuel, 1828.

C. Lillard, 1828.

Henry Wingate, 1828.

James Davidson, 1828, 1830.

John J. Marshall, 1828.

John M'Intosh, 1829.

Ezra Richmond, 1829.

Benjamin Hickman, 1829.

Dandridge C. Freeman, 1829.

Willis Long, 1829.

Herman Bowmer, 1829.

James Downing, 1829.

James P. Johnson, 1830.

Moses B. Morrison, 1830.

APPENDIX IV

REDEIPTS OF THE STATE FROM THE BANK OF KENTUCKY, 1808-1830

Year	Dividends of Earnings	Tax on Stock	Capital Stock
1808	$2028.39		
1809	6263.83		
1810	9596.83		
1811	14,646.37		
1812	20,281.65		
1813	20,162.06		
1814	31,119.07		
1815	31,678.31	$1500.	
1816	46,036.58	4500.	
1817	48,763.23	4021.50	
1818	45,147.47	5990.92	
1819	37,148.50	8046.	
1820	37,250.01	7886.25	
1821	38,078.33	7897.87	
1822	26,105.63	7708.50	
1823	14,917.50	9222.	
1824	11,934.		$59,670.
1825			119,340.
1826			59,670.
1827			59,670.
1828			29,835.
1829			29,835.
1830			29,835.
Total	441,157.76	56,772 1/4	387,855.

APPENDIX V

AMOUNTS PAID INTO AND RECEIVED FROM THE BANK OF THE COMMONWEALTH BY THE STATE OF KENTUCKY, 1821-1830

Year	Stock Subscriptions	Dividends
1821	$12,800.	
1822	79,215.13	$61,248.34
1823	28,009.50	46,403.07
1824	83,604.	66,797.91
1825	130,740.	66,148.71
1826	88,850.	37,053.02
1827	59,670.	36,115.17
1828	29,835.	10,466.27
1829	29,835.	23,116.75
1830	29,835.	
Totals	572,393.63	347,365.24

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