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OUR NEW BANKING INSTITUTIONS.

EDITOR NEWS:

DEAR SIR:—Permit me through your columns to make a few remarks upon the above-named institutions—their tendency and danger.

We are certainly living, at the present, in very singular times in relation to financial matters. The time was, until very recently, that our business operations were all transacted with cash, or coin, or in bills of exchange or treasury notes at par.

A number of years ago, Messrs. Livingston and Kincaid introduced into this Territory a large amount of notes of the firm of Page & Bacon, of St. Louis, and commenced issuing them. President Young and others denounced the transaction from the stand, and recommended the holders of their bills to return them and take the cash for them. The house of Page & Bacon at that time was considered one of the most wealthy and reliable in the Western States. About two years after, with all its resources, that house failed; thanks to our President, that paper fell into other hands than ours; otherwise we might have lost from one to three hundred thousand dollars; which at that time would have been a loss of from one and a half to four dollars to every man, woman and child in this Territory, or a larger proportionate amount to holders of their bills. Their promises to pay, however, were redeemable in specie.

In the year 1858, President Young was urgently requested by a great number of persons to provide a circulating medium for the Territory; various expedients were proposed, and it was finally agreed to issue notes having cattle as a basis of security. A mass meeting was called, and it was voted for by general acclamation; a large amount of notes were issued; these answered a very good purpose at home, but after a time, an attempt being made to depreciate them, they were called in and redeemed. This certainly was the most useful currency (excepting silver and gold) of anything we have had in this Territory, and was at the same time the most reliable and substantial; but not being based upon a metallic foundation, it was not well suited for commercial transactions and general exchanges abroad, and was not intended for circulation anywhere but in this Territory.

It has always been ruleable for banks to redeem their paper in specie when called upon or otherwise to be declared defaulters or bankrupts. It is true that a number of the States have, from time to time under severe monetary pressures, granted certain banks the privilege of suspending specie payment, but this has been looked upon as a fraudulent transaction, and has frequently been used to perpetrate the most flagrant acts of fraud by the institutions thus accommodated. About eight years ago paper issued by Indiana banks was bought in New York city for fifty cents on the dollar, and rumor stated by the agents of those banks; thus they issued or sold paper for one dollar and bought it in for fifty cents. Whether they bought it or not the public were alike defrauded by the depreciation of their promises to pay. There were also similar defalcations in Illinois, Michigan, Minnesota, and other States. Some twenty-five years ago, during a monetary crisis, the Branch Bank of England, in Toronto, Upper Canada, applied to the Colonial Legislature for the privilege of suspending specie payment for a time. The Legislature passed an enabling act; but Sir Francis Head, then Governor, when applied to for his signature, replied:—"Gentlemen, I will sign your bill if you request it; but I will immediately proclaim you bankrupt." The request was withdrawn, and the bank stood the test and met its engagements.

The act of Congress making their money a legal tender, without making provisions for its payment in coin may certainly be considered an anomaly in banking; and the present depreciation manifestly shows how much value can be given to paper by legislative enactment, independent of its intrinsic value or the laws of trade.

The value of a dollar consists in what it will purchase. If a paper dollar will purchase as much as a dollar in silver or gold it is then precisely the same as a silver or gold dollar; if it will not, then whatever difference there is comes out of the holder of the note, provided he paid a cash, or par, value for it. When paper is placed on a cash or coin basis, and can at any time be redeemed by coin, then it only fluctuates with the coin, and retains the gold and silver value; but when, as is the case at present with our government issues, paper is made the standard, and a "legal tender for all debts, public and private, except duties on imports and interest on the public debt," then the gold and silver rises, apparently, but in reality it does not rise; it is the paper that falls. Gold can be bought to-day for its equivalent in silver, or one dollar in gold can be bought for four quarters or two half dollars in silver. Gold can also be bought for

British or French paper at par value, or on the same terms that it could be bought for British or French gold. It is very evident, therefore, that the law of Congress making their notes a "legal tender," does not increase or maintain their value. It certainly enables debtors to pay creditors with them, but it cannot make them purchase the same amount of gold and silver will; and thus the act, while it indirectly impairs the validity of contracts, is inoperative in forcing either the buyer or seller, to put a par value upon them, and hence, to-day, if gold is purchased with legal tender notes, one hundred and forty-seven cents must be paid in legal tender notes for one hundred cents in gold or silver.

As stated above, the value of a dollar consists in what it will purchase. If a gold dollar will purchase one hundred and forty-seven cents, in legal tender notes, it will purchase as many goods, or as much property of any kind, as one hundred and forty-seven cents in legal tender notes will, or one hundred dollars in coin will purchase as many goods as one hundred and forty-seven dollars in paper will. If the exchange was one hundred and fifty it would then take just three dollars to buy two dollars in gold.

Banking institutions are generally secured by charters, given by the State in which they are located; and the bankers are obliged to file bonds with the State, as security for their acts; and are limited by legislative enactment to the amount of their issues.

The time has been, in this Territory when goods could not be purchased with either paper, silver, or gold; but only in exchange for goods. Goods, or merchandise, at that time, were more valuable than gold; which, as a natural consequence, depreciated in value, so long as that state of things existed.

Confidence is necessary in a bank, or nation, in issuing money, as well as responsibility, honor, probity and prudence. When these are lacking neither charters, laws, enactments or proclamations can make it good. Since the issuing of United States paper that confidence has depreciated nearly one third; the exact amount which the paper has fallen.

The above, then, is the foundation upon which our pseudo bankers profess to base their banks. Yet notwithstanding the depreciation of their issues, the institution is established by act of Congress, and guaranteed by the faith of the United States. The United States promises to pay the bearer.—"It is true this 'promise is 'at the pleasure of the United States' after four years," but then it has the nation to back it up.

What are we to think of our bankers, who without law, without constitution, without charter, without authority, are irresponsibly issuing their promises to pay broadcast throughout this City and Territory? Where are we drifting to? Is it not enough that we have to suffer in common with others the national defalcations, but we must subject ourselves to be further mulct by every grocery, storekeeper and groggery, setting up a banking institution and issuing their promises to pay?

These institutions cannot deceive men of business, they either do not take them, or immediately return them to be redeemed. It is the unwary, the unsuspecting and the uninformed who are in danger of suffering, and it is for those this communication is written.

Assuming that the intention is strictly honorable, in the issue of this paper, let us inquire into the results. As we have no means of ascertaining the amount of paper issued by one of those houses, we will suppose that Mr. A. issued twenty thousand dollars in paper, six or eight weeks ago; at that time greenbacks, as the Legal Tender notes are commonly called, and U. S. Treasury notes have depreciated, in round numbers, from ten to fifteen per cent; say ten per cent. Mr. A. issued the paper when it was ten per cent higher than it is now, and if it is now returned he has the benefit of ten per cent. On what? On money lent you? No, but on the money you have lent to him. You paid him greenbacks when they were ten per cent more valuable than they now are, and receive them back at their depreciated value; thus you not only lend him \$20,000 to trade upon, but pay him ten per cent over. In other words, he borrows from you \$20,000, and only returns \$18,000, making besides the use of your money \$2,000. Should there be a further depreciation of ten or fifteen per cent, he would gain four or five thousand on the \$20,000. You may be told this can make no difference, he redeems his notes with what he said he would. True, but he only says that he will redeem his promises to pay, by other promises to pay; which other promises to pay are constantly depreciating, and that depreciation is all in his favor and against you; it puts into his pocket and takes out of yours;—he is enriched at your expense. But some say we shall take it out in goods and it will make no difference. Here is another mistake. You have to pay as much now for the goods as the paper depreciates, the store-keepers although apparently ignorant of your losses, are well informed in relation to

this matter. You are again told that the goods are rising. This may be true, in regard to cotton fabrics, but in regard to goods in general, it is the paper that is falling, and not the goods that are rising. Our merchants, whether they purchase their goods East, or West, in addition to the rise of cotton, or other goods, have to make up their par value in depreciated paper, viz. as above shown, they must pay three dollars for two. This depreciation, or loss, has to be added to the price of their goods, and you are charged with it as a common business transaction, independent of your paper. So that out of every twenty thousand dollars of greenbacks loaned to them for their paper during the last six weeks, you pay them two thousand dollars for the privilege of lending them your money.

Should you pay them gold, and receive paper in exchange, the case is still worse. If you pay them five dollars in gold, and purchase in goods to the amount of one dollar and fifty cents, they ought, if they deal honestly, to return you three dollars and fifty cents in coin, or return you in their paper, or greenbacks, five dollars in addition to the goods; otherwise you lose upwards of one dollar and fifty cents in the transaction, besides being subject to the depreciation of the United States paper and their spurious issues.

But again, still assuming our bankers to be honest, when money is so easily made, it offers a great temptation to speculate. Supposing a person owing one, or two thousand dollars, issues forty thousand, he takes thirty-five thousand to purchase goods with, and leaves five thousand to meet his liabilities; he may be robbed by Indians, or by guerillas, or otherwise lose all he has. What resource have you? You have simply your rags for pay, and he, poor honest soul, has the pleasure of informing you that he has met with a severe loss and is unable to pay you. He could not have met with this loss if you had not put it in his power—he had nothing to lose.

But as all men are not strictly honest, it is reasonable to suppose that there is a possibility of some of our bankers not being above temptation; admitting then so strange a phenomenon, what a splendid opportunity presents. A man could issue five thousand with a good signature, and fifty thousand with a bungling one, the latter he could pronounce forgeries, and refuse to pay them, and he could thus pocket fifty thousand dollars.

Again, suppose a man—not above temptation—issued one hundred thousand dollars; he has a few store goods which he disposes of, and then places himself in the stage, and leaves for California or the East. What redress have the public? They find his store in possession of another man, who, when they present his promises to pay, laughs at their credulity.

Let us now examine a few of these very singular bills; the first is a one dollar note, and reads as follows: "On presentation of five dollars, I promise to pay the bearer, that amount, in U. S. Legal Tender Notes." In other words, if you collect five dollars of our notes, we will pay you five dollars in greenbacks, or, three dollars as the case may be; but if you don't wish to be at that trouble, you must take it out in our goods.

Next is a three dollar bill, which promises to pay the bearer in "Treasury Notes." Let us examine this and see what prospect we have of getting our pay. Treasury notes are generally of larger dimensions than Greenbacks, varying from twenty dollars to five or fifty thousand, as the case may be; there may be issues of a less denomination than twenty—if there are I have not seen them—and there are very few as low. The holder of this three dollar note is obliged, if he wishes his pay, to collect whatever amount it may take to redeem a U. S. Treasury note, or the issuer of the note need not pay him, for they are only made redeemable in U. S. Treasury notes. Then, after the holder has been at this trouble, he will have the satisfaction of finding that he can go or send to New York, California, or Washington, at which places he can obtain greenbacks for pay. Or the issuer may favor him, for the promise to pay, which has redeemed his promise to pay, with goods at his store, as a particular accommodation. I do not care to express an opinion of such a transaction the public must be the judge. Suffice it to say, these are the bills that are ostensibly issued to accommodate the public, in making change.

The next that presents itself is one promising to pay in Legal Tender Notes, or greenbacks—better got up bill than most of the others, and on the right hand lower corner is placed "Capital, \$200,000." This seems to be the only firm that thought capital was requisite for banking purposes; all the rest seemed to have thought that five dollars for printing the bills, and to purchase pen and ink to sign them, was all that was necessary to set up a banking establishment; but this assumes that some capital is needed, and places on its bills "\$200,000 capital." If this

be a fact it is really something to rely upon. If it be a fact, some evidence must be forthcoming, which evidence, I am sorry to say, cannot be found. If any one will be at the trouble to examine, they will find no such bonds, securities or capital, registered or recorded in the Territorial, county or city records, nor is there any property, of any kind, over a very small amount that could be collected, by due process of law, provided the parties did not feel disposed to pay. What then becomes of the \$200,000 capital? I would feel as the quaker did, "Friend I do not like to say thee lies; but thee labors under a slight mistake."

Next comes our City Corporation, which promises to pay in U. S. Treasury notes. The city, in its corporate capacity, of course is more responsible than any other party; besides, there is this difference, that any profits arising from their paper issues goes into the city Treasury, and benefits this part of the community. But it would be advisable for the City Council to look well to their issues, and let them be as small as practicable, and redeem them with greenbacks, and not these indefinite, indescribable, uncomfortable Treasury notes, which may answer very well for a city; but certainly are not very convenient for many individuals in a community. If we must have paper at all, don't force us to take that which we cannot use. And further, let us have bills on better paper, more neatly executed and less liable to forgery.

In making the above remarks I do not impugn the character or motives of any individual. I desire to refer to principle and speak of those things that are patent to the whole community, and that, notwithstanding the natural advantages accruing to the issuers, as above referred to, yet if unwisely handled it might prove very disastrous and ruinous to them, while at the same time the community would suffer. I have no doubt but that many have issued these notes without considering the results, simply because others were doing it; but the financial interests of a large community are of too serious a nature to be trifled with in this manner, and I would recommend for the good of all parties that the holders of these bills present them forthwith for redemption.

That a healthy circulating medium would be of great advantage to our citizens, no one acquainted with the position of our Territory, financially, can deny; but we must have capital, responsibility and confidence—a foundation that is reliable, and not these ephemeral, aerial castles, which may do very well to please the imagination and tickle the fancy, but which are too evanescent on which to rest the interests of a community.

Respectfully, &c.,
AN OBSERVER.

DISGRACEFUL OCCURRENCES.

On the morning of Friday last, a soldier belonging to the 21 cavalry C. V. came down to the city, got drunk, and soon commenced displaying his qualities by riding furiously through the streets, and insulting those with whom he came in contact. He finally drew a pistol, and shot at Mr. Frank Dewey, but missed his mark, and then put out for camp in great haste. Before he got out of the city, as stated, he shot at two other men, and assaulted a third, doing however no injury.

A warrant was issued by Alderman Clinton for the arrest of the soldier, and an officer was sent after him, who on arriving at Camp Douglas, found that the offending soldier had been arrested by military authority. He was however delivered up to the civil officer, and brought before the court, and fined fifty dollars.

The court, of course, had a right to fine the individual for getting drunk and otherwise disturbing the peace of the city, but how's shooting at men could be thus disposed of, we are not advised.

A man named Augustus Sprouse was also brought before the Alderman's Court yesterday, and fined fifty dollars for sundry unlawful deeds, one of which was the drawing of a pistol and threatening to shoot a lady who was passing him in the street.

MORE SNOW STORMS.—There was a slight fall of snow on the evening of Tuesday the 20th. On the evening of the 21st, and during the fore part of the day on Thursday the 22d snow fell to the depth of four or five inches, which was used for sleighing purposes to some extent, but it was soon worn out. There was another storm on Saturday night, making the use of runners on Sunday very agreeable. There is now some four or five inches of snow on the ground in and around the city, and the weather since Sunday has been quite wintry.