Banking In Virginia, 1789-1820

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BANKING, as we know it today, did not exist in Virginia prior to 1804. However, during the colonial period, and to a much greater extent following the Revolution, many voluntary associations, which were in reality unchartered banks, filled the state's need for banking services in some small measure at least. These private banks did not suddenly come to an end with the beginning of the practice of state chartered banks, for, although legislation to force the private banks out of business was first passed in 1804, the practice did not completely die out till about 1820.[1]

Soon after the first Bank of the United States was established in 1791, petitions were made by the citizens of Richmond and Norfolk to have a branch of the United States Bank established in each of those cities. The directors of the Bank looked with favor on the petitions, but due to the numerous influential and not so influential opponents of the very institution of banking, approval by the legislature was not forthcoming. Notable among banking's opponents were two of Virginia's most prominent citizens, Jefferson and Madison. The latter had led an anti-United States Bank charter group on grounds that such a bank would be unconstitutional.[2]

In 1792 Jefferson wrote to Madison:

> It seems nearly settled with the Treasurobankities that a branch shall be established at Richmond. Could not a counter bank be set up to befriend the agricultural man by letting him have money on a deposit of tobacco notes, or even wheat for a short time, and would not such a bank enlist the legislature in its favor and against the Treasury bank?

Opposition of this calibre resulted in the denial to the United States Bank of the right to establish branches in Virginia at that time, and it was not until 1799 that a branch bank of the federal bank was established in Virginia, at Norfolk.[3]

Public sentiment in Virginia was generally against banks. Being primarily an agricultural society, Virginia feared any com-

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mercial institution that might develop into a monopoly. This attitude was encouraged by certain capitalists who received large returns on money loaned to merchants and farmers, and who feared that the establishment of banks would deprive them of their lucrative monopoly.[4] Common arguments used against the establishment of banks were, "that they increased the relative price of commodities, that they tended to increase luxury, and that improper connections would inevitably subsist between the banks and the legislature."[5]

In 1792, however, the merchants of Alexandria petitioned the legislature for the establishment of a state bank. Behind this petition was an increasing siphoning off of Virginia trade to Baltimore and Philadelphia, both of which points had banks whose notes greatly facilitated trade.[6] Virginia merchants were becoming impoverished by this exodus of trade from the state, and they soon realized that banks and the trading facilities they offered were necessary for their survival. Since banks served to facilitate the use of capital in commerce, the existence of a system of state banks in Maryland, while Virginia had only a few private banks which rated no great confidence, was a large factor in Maryland's rapidly outdistancing Virginia as an export center during the 1790's. The lack of a sufficient circulating medium of exchange in Virginia necessitated a system of barter between the retailers and their customers. Thus the northern importers who supplied the southern retailers and controlled the money were in a position enabling them to exert considerable power over the latter. With little money at their command the southern merchants were fast becoming mere retailers for the northern importers.[7]

Apparently appreciating the necessity of a bank at Alexandria, the merchants' petition was approved by the legislature, and on November 23, 1792, the Bank of Alexandria was chartered.[8] Opposition to banks, however, had by no means melted away, and though the merchants favored it the farmers feared the bank would drain the country districts of their specie and concentrate it in the cities, while the speculators saw in the new bank the loss of their monopoly of the money market.[9]

The Bank of Alexandria was authorized a capital stock of \$150,000 in the form of 750 shares to be sold at \$200 each.[10] The shares were to be paid for in installments, with one tenth in specie required at the time of subscription and the remainder payable in six months.[11]

By terms of the charter the bank's directors were to meet quarterly and were empowered "to regulate the mode of doing business and to appoint and pay officers," to charge six per-cent discount, and to pay dividends semi-annually. Embezzlement by a director would result in forfeiture of his stock. Stockholders were responsible only to the amount of their stock, unless the amount of the debt should exceed four times the capital, that being the maximum amount of note issue allowed, and then they would be liable only after property of the directors was exhausted. Annual reports to the governor were required. Persons neglecting to pay negotiable notes could be sued on ten days' notice and judgment secured without right of appeal or replevy of chattels taken under execution. The bank could not buy public securities or any goods or chattels except such as were sold in execution of its own claims–this to guard against speculation.[12]

One of the more interesting provisions that was tacked onto the charter had to do with counterfeiting. The penalty for counterfeiting notes of the Bank of Alexandria was death without benefit of clergy.[13] No instance of application of this provision was found, however.

Also, to prevent the state's becoming flooded with notes of small denomination, the Bank of Alexandria could issue no notes for less than five dollars.[14]

The Bank of Alexandria was a success from the beginning, and in January 1794, just two years after its foundation with a capital stock of $150,000, total balance on the books reached the figure of $357,636.74.[15] In the annual statement to the governor of January 1797, the total balance was shown to be $788,684.98.[16] By 1800 the balance had reached $851,356.08.[17] By 1802 the balance had passed the million mark and stood at $1,340,163.45.[18]

Being the only bank in the state it could hardly be expected that the Bank of Alexandria would be able to meet all the demands made upon it. In 1794 the bank declined to make a loan to the State of Virginia on the grounds that the pressing demands by the stockholders for loans made it impossible to accommodate those outside the immediate area of the bank.[19]

On December 23, 1792, one month after the Bank of Alexandria was organized, an act was passed by the legislature authorizing the establishment of a bank in Richmond to be called the Bank of Richmond. Capital stock was not to exceed $400,000, with each share to sell at $200. Shares were to be sold on a pro-rated basis at Richmond, Norfolk, Petersburg, and Fredericksburg.[20] But public sentiment was still so disinclined toward banks that the initial stock was not bought in the allotted thirty days and the movement to establish a second bank failed.[21]

With only two banks in Virginia, the Bank of Alexandria and the Norfolk branch of the United States Bank, the latter having been opened in 1799, banking facilities remained inadequate throughout the 1790's and early 1800's. Until 1804, when the Bank of Virginia was established, the only bank notes in circulation in the Old Dominion were those of the two banks in Virginia, plus some notes from the Bank of North America and two or three New York banks—all of whose notes were readily accepted in a state with so little banking capital.[22]

> Until the Bank of Virginia was opened the greatest amount of currency [specie] was Spanish dollars. In addition there were French crowns, hardly any English silver, but great amounts of gold in Spanish, Portuguese, French and English coins; also Cob [sic] gold and silver in various sizes and uncoined bearing unintelligible stamped figures probably denoting weight, fineness, and the assayer's initials. All gold coins passed by weight and with different nations having different standards of fineness, all had to be weighed separately and the value calculated from printed tables. Not only did merchants have special scales for the purpose and tables of rates, many individuals carried pocket scales and the other necessary apparatus. Counterfeit coin was plentiful necessitating a skilled eye.[23]

With so much coin in circulation, in place of notes or currency, and with all the weighing apparatus and tables, together with the necessary inspection, the problem of paying a debt of any size can be readily imagined. Mordecai relates how he, on the day the Bank of Virginia opened, followed one of the family's husky Negroes as the latter wheeled $10,000 in a wheelbarrow to the bank's vaults.[24]

To make small change it was the prevalent practice to cut or chop silver coins into two or more pieces known as Sharp-shins. In an emergency dollars would be cut into halves and quarters, and in the country the popular place for change making was at the woodpile where an axe was handy.[25]

Cut coins thus became so plentiful that the very existence of whole coins was threatened until several influential citizens drew up an obligation whose signers pledged themselves to accept or pay no cut coins, and the Sharp-shins then soon disappeared. This method also served to eliminate the Shin-plasters, which were paper currency that had similarly been cut into smaller pieces. But in some instances the Shin-plasters were redeemed for whole coins or currency instead of being repudiated.[26]

Until 1820 or later, there circulated, notably in the Petersburg and southern Virginia areas, a type of state-issued currency, issued soon after the Revolution, and known as proc. or proclamation money, on bits of thick paper about the size of playing cards for sums from sixpence to forty shillings. It was receivable for taxes, and that issued by North Carolina survived all other, circulating there and in the border areas of neighboring states.[27]

The Bank of Alexandria never met more than strictly local needs and was never regarded as being more than a local institution. Besides, its being chartered by no means indicated the state acceptance of banking as a necessary institution, because at the charter date it was commonly expected that Alexandria would soon pass from the jurisdiction of the state to that of the newly created District of Columbia.[28] Indeed, the bank's establishment at best was an expedient measure designed to serve one end and one economic class—the recapturing of Virginia trade that had been lost to Baltimore and Philadelphia for the benefit of the Alexandria merchants.

It was the chartering of the Bank of Virginia on January 30, 1804, that marked the real beginning of banking in Virginia.[29] The new bank was authorized a total capital of $1,500,000 with shares at $100 each, to be sold at popular subscription—3,750 shares allotted to Richmond, 3,000 to Norfolk, 2,250 to Petersburg, and 1,500 to Fredericksburg, with much smaller amounts assigned to Staunton, Winchester, and Lynchburg. The main bank was to be located at Richmond, with branches at Norfolk, Petersburg, and Fredericksburg. Branch locations were stipulated in the charter and the mother bank at Richmond was not free to establish branches wherever it chose. Each bank was to have its own board of directors, but stockholders were not stockholders in the individual banks; instead they held stock in the main Bank of Virginia.[30]

Because the charter of the Bank of Virginia served as a model for later charters it is worthwhile to take a look at its main provisions:

(1) The bank could hold real estate and other assets up to $3.5 million (including capital stock).

(2) The cashier was required to post bond of $50,000.

(3) The issue of notes could not exceed three times the amount of its initial capital of $1,500,000.

(4) The directors were made liable in their private capacities for any loss by reason of excess issue.
(5) The discount charged could not be more than six per-cent.
(6) No loans could be made to any state or government, except by an act of the Assembly.
(7) Annual reports were to be made to the Legislature.
(8) No note could be issued for less than five dollars value and no note was negotiable unless so expressed on its face.
(9) The notes of the Bank of Virginia and its branches were receivable for all payments and dues to the State and all idle public money was deposited with the banks.
(10) The notes were payable in specie upon demand.[31]

The sum of $300,000 or one fifth of the capital stock was reserved for purchase by the state.[32] In the "partnership" thus formed with the bank, the state hoped to derive the following advantages:

(1) Maintenance of a voice in the bank's management to check any policies that might not be to the public's interest.
(2) Share in the bank's profits. (The small amount of private capital that was available in Virginia for investment caused the bank's organizers to welcome such support and cooperation from the state.) [33]

The bank's charter was granted by a Democratic Assembly amidst strong objection from Federalist quarters, particularly to the charter provisions whereby the State Treasurer was given the majority vote in electing the board of directors. This feature was regarded as a political move allowing the state to assume control of the bank if it desired.[34]

The initial stock was soon subscribed for, and on October 8, 1804, the bank opened its doors.[35] The bank was located in the State Treasury offices, together with the office formerly occupied by the Attorney General, which space had been granted by the governor.[36]

The first board of directors of the Bank of Virginia in Richmond was composed of the following men: Edward Carrington, Joseph Gallego, Robert Pollard, George Jefferson, Philip N. Nicholas, John Brockenbrough, Thomas Rutherford, Benjamin Hatcher, J. T. Leitch, Joseph Selden, William Mitchell, W. B. Giles, Abraham B. Venable, Samuel Pleasants, John Harris, James Brown, and

Gervas Storrs. The directors elected Abraham Venable president of the bank at a salary of $2,500 a year, and John Brockenbrough cashier.[37]

Due to its naturally advantageous location at the falls, affording a fine focal point for western trade, little doubt was ever entertained in regard to the likelihood of success of the bank.[38] The notes of the Bank of Virginia enjoyed a wide circulation, and as evidence of their soundness, they were at only one-quarter of one per cent discount in New York.[39]

It was not to be expected that the Bank of Virginia could long meet all the banking needs of the state or that there would not soon be movements for the establishment of another bank. The rapid revival of trade in 1810, after a slack period lasting from 1806 to 1810, due to the Berlin and Milan decrees, greatly increased the demands on the bank. Complaints began to be made about the size of salaries of the bank officials and inequalities in discounts. The bank generally fell into disfavor and lost many of its former supporters. However, much of this criticism was designed to mold state sentiment for another bank, as it was expected that the charter of the United States Bank would not be renewed when it expired in 1811. Some of the criticism, though, was undoubtedly justified, because enjoying a virtual monopoly of banking as it was, the Bank of Virginia had become somewhat arbitrary in its practices and was open to censure on several accounts.[40]

In 1811 a popular petition from the citizens of Richmond and Manchester was sent to the legislature requesting increased banking capital for the state. The petitioners pointed out the inability of the Bank of Virginia to meet the demands and needs of the Richmond citizenry due to insufficient capital, and pointed to the "astonishing increase of demand, proceeding from the increase of population and other causes."[41] An even greater need for more banking facilities was foreseen with the opening of permanent roads and canals, and the erection of bridges, as such would invite the trade of western settlements in Virginia, Tennessee, Kentucky, and Ohio. While there were millions in banking capital in Washington, Baltimore, and Philadelphia, there were but one and a half millions in Richmond. Capital in Richmond was inadequate to meet the needs of trustworthy citizens, and this inadequate amount enabled those who had established their credit to squeeze out those who had been less fortunate. In closing, the petitioners took care to stress the point that such increased banking capital in the state would serve not only commercial interests, as "the Agricultural

Interest will receive the most certain and permanent assistance."[42]

With so much popular demand for more banking capital and facilities in the state, the question seemed to be not so much whether the legislature would grant the petitioners' plea as whether approval would be in the form of increased capital for the Bank of Virginia or the establishment of another bank.

The Bank of Virginia, as was expected, brought strong pressure to bear on the legislature in order to have its own capital increased instead of a new competitor created.[43] But citizens of Lynchburg and Winchester, particularly, were equally vociferous in their demands for a new bank. These two towns had long pleaded for the establishment of a branch of the Bank of Virginia, but had repeatedly been refused by the directors on the grounds that a bank would not pay in either place.[44]

The legislature, in debating whether to authorize the establishment of a new bank or increase the capital stock of the Bank of Virginia, seems to have been primarily concerned with the question of which scheme would bring the most money into the state treasury. And when the special committee on banks estimated that the establishment of a new bank would benefit the state to the amount of $572,000, the legislature being desirous of receiving such a sum for use in building new roads, the matter was soon settled.[45]

On February 8, 1812, the Farmers' Bank of Virginia was chartered with a capital stock of $2,000,000. Branches of the new bank in Richmond were to be located at Norfolk, Lynchburg, Winchester, Petersburg, and Fredericksburg. The state received 3,334 shares ($300,000) gratis, which were to be paid for out of the semiannual dividends to the stockholders.[46] Gold and silver coin were accepted as payment for shares in the bank.[47]

The first board of directors of the Farmers' Bank consisted of: Joseph Marx, J. G. Gamble, Robert Graham, John Cunningham, John Ambler, and J. W. Winfree, all appointed from the city. In addition to these six directors, Governor Barbour appointed nine directors to represent the state (which number was out of proportion, inasmuch as the state owned only a little more than one-sixth of the capital stock.) The nine were: Benjamin Hatcher, Robert Pollard, A. McRae, Christopher Tomkins, Benjamin Tate, Fred Pleasants, J. L. Harris, William Nekervis, and W. C. Williams. Benjamin Hatcher was elected president of the bank and William Nekervis, cashier.[48] Both state and federal officials were barred from serving on the board of directors.[49]

The new bank was permitted to purchase its own stock up to

1,500 shares, on condition that they be sold at par as soon as possible.[50]

The only other banks established in Virginia by 1820, other than a branch of the second United States Bank, in Richmond in 1817, were the Bank of the Valley at Winchester, and the Northwestern Bank at Wheeling. These banks were established simultaneously by an act of February 5, 1817, with numerous branches, and charters substantially like those of the two earlier banks.[51] It is not clear exactly where the branches of the Bank of the Valley and the Northwestern Bank were located, but in a report on banks presented to the House of Delegates by a committee of that house in 1815, it was recommended that banks be established at Abingdon, Charlestown, Wheeling, Morgantown, Clarksburg, Parkersburg, Staunton, Romney, Winchester, Martinsburg, Warrenton, West End, and Dumphries; and a bank in each of the counties of Loudoun and Jefferson. It is reasonable to assume that branch banks of the two new mother banks were located in at least some of these places.[52]

Both the Northwestern Bank and the Bank of the Valley were allowed to subscribe not less than $400,000 and not more than $600,000 of initial stock at $100 per share.[53] So great, however, was the demand for banking facilities, that the amount of stock subscribed in the Bank of the Valley for the counties of Shenandoah, Frederick, Fauquier, Loudoun, Jefferson, Berkeley, Hampshire, and Hardy, was $735,000.[54]

In both of these banks the State of Virginia received a number of shares equal to fifteen per cent of the amount of stock subscribed, for benefit of internal improvements, with the shares to be paid for in thirty semi-annual installments out of the dividends on each individual's—but not the state's—shares.[55]

Fear of banks caused Virginia to be one of the last of the original states to adopt a system of state banking; and when she finally did, she was literally forced to do so by the great number of banking activities in the surrounding states.[56] In choosing a banking system Virginia was strongly influenced by the Scottish system as popularized by the writings of Adam Smith and James Steuart. The Scottish system was characterized by heavy capitalization and branch banks. "In no other state did the system of branch banking attain such a high state of development and receive such a thorough trial as in Virginia."[57]

The main advantages of branch banking can readily be seen. Where capital was scattered, as it was in Virginia, the branch method served to collect it and use it where most needed. And when one bank of a branch system was in financial trouble funds could be transferred from the mother bank, or from the branches to the mother bank, as circumstances might demand. However, it was perhaps not so much this foresight as neccessity fostered by lack of capital where it was needed, that caused Virginia to adopt the branch system of banking.

The advantages of the branch system were demonstrated, when, in 1817, specie payments were resumed, not one Virginia bank failed, while in neighboring states banks failed on a wholesale scale.[58]

At this point it is well to take a brief look at banking as it existed in the other states in order to put Virginia banking in a comparative light. In 1789 there were but three state banks in all the United States with a total capital of $2,000,000. By 1811 the number of banks had increased to eighty-eight with a total capital of nearly $43,000,000. However, this growth was but small when compared to that which took place following the expiration of the charter of the first United States Bank in March 1811, for, between that date and January 1815, in an attempt to fill the vacuum that had been created in capital by the closing of the United States Bank, no fewer than one hundred twenty new banks with a capital of $40,000,000 were established. Virginia's neighbor, Maryland, alone created forty-one banks in a single act of March 1814, and thirty-seven of them actually went into operation.[59]

Just before the War of 1812 specie payment was stopped by all banks. Large loans made by banks in the middle states to the federal government caused them to be the first to cease specie payment, and banks in the other states rapidly followed suit for reasons of either necessity or expediency.[60] There followed an era of speculation where bank credits were unlimited, as was the issue of irredeemable bank notes.[61] However, the end of the war did not bring about a resumption of specie payment as was expected. The banks were in no hurry to resume hard money payment because the keeping out of their bills as long as possible served to increase the banks' dividends.[62] Specie payment was finally resumed in 1817, after a mutual agreement between the second United States Bank and the state banks of New York, Philadelphia, Baltimore, and Virginia.[63] With resumption of specie payment nine-tenths of the speculators ceased payment of any sort and many Richmond businesses failed.[64]

In the runaway increase of the number of state banks following the end of the first United States Bank in 1811, it was inevitable that great numbers of them should fail due to simply too great multiplication, often in places not adapted to the banking business, to large discounts, ignorance of the principles of banking, over-issue of notes, and occasionally fraudulent interests.[65]

> From January 1st, 1811 to July 1st, 1830, no less than one hundred and sixty five state banks, either failed, or discontinued their business, having an aggregate capital of about thirty millions of dollars. These failures took place in almost every state and territory.[66]

At the same time that the banks were multiplying so rapidly the country was being flooded with notes of small denomination. Only the states of Pennsylvania, Maryland, and Virginia prohibited the issue of notes below five dollars, thereby lessening the differences in amount of specie as opposed to the amount of currency, because the hard money would be used to fill the currency gap below five dollars.[67]

After seeing how Virginia fitted into the general banking scene we can now turn to the particulars of Virginia banking. Perhaps the greatest mark of distinction of banking in Virginia was the role of the state in both the banks' chartering and operating. When new banks were chartered the state received, free of cost of it, a bonus in the form of stock to the amount of fifteen to twenty per cent of the banks' initial capitalization as the price for the charter. And, being a stockholder, the state likewise named a proportionate share or greater of the directors. No other state in the Union maintained such a measure of control of its banks and limitation of their number. This feature served to protect the citizens of the state both from the establishment of fraudulent banks and from the operation of established banks on fraudulent or ill chosen principles and practices.[68]

Once banks were established the state zealously protected them —and its own interests of course. To guard against the competition of unchartered private banks legislation was passed that forced them out of business. In 1805 it was made unlawful to pass a note of any unchartered bank, and in 1816 unchartered banks were declared illegal and their notes null and void; a fine was imposed for signing such a note, and the holder of a note under one dollar could recover five dollars from its issuer or signer. In 1820 the penalty for circulating such notes was made imprisonment from one to twelve months for individuals and a fine of fifty dollars for corporations.[69] However, at the same time they were being outlawed, the honesty of the private banks in Virginia was recognized and they were commended for having served the state by:

(1) aiding in the collection of public taxes
(2) retaining specie in the state after the suspension of specie payments by the banks had made the coin of the United States a subject of universal speculation.
(3) rendering relief during a period of great and threatening calamity.[70] [i.e. the War of 1812]

During the period of suspension of specie payment, the notes of Virginia's banks, as was the case of bank notes in other states, depreciated greatly. We have seen that the Virginia banks were forced to suspend specie payment because the great northern banks had done so, after having been forced into that situation by large loans made to the federal government. However, there was another reason for the Virginia banks' cessation of specie payment. An unfavorable balance of trade existed against Virginia in the northern states as a result of the blockade of the Virginia coast—her exports being products whose bulk did not lend itself well to land transportation while her imports did.[71]

In governing the conduct and operation of banks the state was very lenient, as the only laws controlling them were contained in the individual charters.[72]

One other means, whereby the state used the state chartered banks to fill its own treasury coffers, lay in the levy of a tax amounting to one quarter of one per cent of a bank's capital stock to be paid the state out of each semi-annual dividend.[73]

The usual period of loans was sixty days, but this limit was rarely enforced, and in practice the banks carried such "standing accommodations" for many months or even several years.[74] Nevertheless, the general impression seemed to exist among the citizenry that the banks were wholly arbitrary and impervious when outstanding notes came due. An interesting memo to the contrary bearing out the banks' policy of leniency was found in the Wilson Cary Nicholas papers. Nicholas, however, was a leading Richmond citizen, and the Farmers' Bank may have been a little more indulgent of Colonel Nicholas than it was of ordinary citizens. The memo was written about 1819 and read:

> Whereas this Board do not think it a judicious course to bind the the Bank in any specific terms beyond the period of their election, but feeling every disposition to avoid the sacrifice of his property and that of his endorsers, where it can be done consistently with

> the interest of the Bank—Be it therefore Resolved that where the notes of Col. Nicholas shall be due, they shall be renewed until the 15th day of January on condition that the interest be paid on the 24th Dec. and that the subject be suspended until the said 15th Jany. next, it being distinctly understood that this Bank will give the greatest indulgence which its situation and the duty of the Directors to it, will admit.[75]

The charter of the Bank of Northwest Virginia (1817) set one hundred twenty days as the maximum period of loans. Not till 1837 was a state law passed which allowed all banks to make six months loans a legal practice.[76]

Stockholders who wished to borrow from their own banks could do so on pledge of their bank stock. For example, the Bank of the Valley allowed loans to its stockholders on pledge of bank stock without an endorser, for three-fourths of the amount paid in.[77]

The State of Virginia was also a frequent borrower from the banks, borrowing $350,000 at six per cent in 1813 from the Bank of Virginia to defray war expenses; again in 1814, a like amount was borrowed, and at the same time $400,000 was borrowed from the Farmers' Bank.[78]

The state banks regularly paid dividends that made investment in their stock at least a moderately profitable one. In January of 1815 the Bank of Virginia declared a dividend of 4¼%, and the Farmers' Bank a dividend of 5¼%.[79] In January of 1819 the Bank of Virginia declared a dividend of 3¾%, and the Farmers' Bank 4¼%.[80] Dividends of the Bank of Virginia during the War of 1812, however, had been much larger, reaching 12% in 1812 and 1813.[81]

When the Farmers' Bank failed to pay its first semi-annual dividend in 1819 some of the stockholders met at Winchester and passed a resolution censuring the board of directors of the mother bank for not publishing the reasons for this failure, which had necessitated a reduction in the salary of the bank officers.[82]

Relations between the office of the United States Bank in Richmond and the state banks and citizens of Virginia were not always the most harmonious. When the United States Bank, in 1819, called on the state banks to pay off their balances at the rate of twenty per cent a week, till paid, then to settle up weekly or within some short period, the following editorial appeared in the Richmond *Enquirer*:

> . . . . It is time . . . . to aid our state institutions—But how? Easily. Let such as have deposits in the U. S. Bank withdraw their deposits and put them into the state banks. Let those who have

> notes to take make them payable in the state banks. Why? Because but few notes of the U. S. Bank are in circulation: deposited notes must, therefore be paid in state paper—which is equal to drawing so much specie from the state banks and putting it into the U. S. Bank. The merchants of New York rally around their state banks; and shall not we?[83]

One final word on the role of the state in banking must be said. At times the practices of the state government seemed almost high handed, as in 1814, when the charter of the Bank of Virginia was renewed for a period of fifteen years. In return for renewing the charter, increasing its capital by $1,000,000, and authorizing the establishment of branch banks at Lynchburg and one other place "on the eastern side of the Alleghany mountains," the state wrung a similar gift of stock as it had gotten from the Farmers' Bank upon its establishment, plus a loan of $350,000 at seven per cent.[84]

Until 1818 all state funds had been kept in the Bank of Virginia, but in response to a petition made by the Farmers' Bank in 1814, after May 1, 1818, the state funds were divided equally between the two banks.[85]

This is the story of the institution of banking in Virginia during the first half of the Middle Period. Unfortunately it is a story in which there are still numerous gaps, but it is complete enough to clearly show that during the period of the "Virginia Dynasty," Virginia furnished the Union with not only sound political leadership, but set an example of safe, stable, state supervised banking, which the other states might well have imitated.

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