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Sketches of Debate.

HOUSE OF COMMONS. (N. C.) SATURDAY, DEC. 11, 1843.

MR. STANLY'S SPEECH.

ON THE QUESTION OF EXTENDING THE CHARTERS AND ENLARGING THE CAPITALS OF THE NEWBERN AND CAPE FEAR BANKS.

MR. STANLY said the house had heard the gentleman from Orange (Mr. Cameron) who had just sat down, with their accustomed politeness: they had heard with attention, he had heard him with pleasure—He said with pleasure, because the observations of the gentleman, although aided by all the sophistry and ingenuity of his ability, fell so far short of refuting the argument in behalf of the Banks of Newbern and Cape Fear, as to remove every doubt of the goodness of their cause. Mr. Stanly said if the house were not already satisfied, he believed it was in his power to convince them, that to grant the prayer of the Banks of Newbern and Cape Fear was good policy, and that the Legislature were not restrained from adopting that policy by anything contained in the acts granting the charter to the State Bank. The house would pardon him if he first noticed some remarks of the gentleman which did not relate to the merits of the question. His observations, when the subject was before the house on a former day, though then unnoticed by the gentleman from Orange, were now called by him a violent attempt to excite the passions, and to create a jealousy of the Legislature toward the State Bank, and were considered not sufficiently respectful towards those who managed that institution. Mr. Stanly said his observations, which were alluded to, the house would recollect, were made upon the introduction of the memorial from the State Bank: this memorial he had then stated to be a tissue of error, both in fact and in reasoning; yet, but for what he considered the arrogance and injustice of this memorial in regard to the Banks of Newbern and Cape Fear, whatever ground of complaint might have existed against the State Bank, not one word of reproach should have escaped his lips. The memorials of the Banks of Newbern and Cape Fear contained nothing to justify the language of the State Bank memorial: they plainly and faithfully laid before the Legislature the difficulties under which they labored from the operations of the State Bank, without any imputation of that institution, and in return they had been made the subject of charges and insinuations, ungenerous and unfounded. This was the provocation which he spoke—if he spoke with warmth, he had still spoken with truth: He disclaimed any intention of creating unfounded jealousy against the State Bank. He addressed himself to the sober reason of the house, when he placed before them the dangerous influence which the State Bank would possess, if, for want of encouragement from the Legislature, the Banks of Newbern and Cape Fear should surrender their charters and leave the State Bank without a rival, unawed and unchecked by any competitor.

A single monied institution, under the complete control of three or four large stockholders, would thus become an aristocracy of the most dangerous, of the most odious kind—an aristocracy of money. Yes, sir, with their branches in every corner of the state, without a rival, the sole arbiters of the credit of the country, giving assistance or increasing distress at pleasure; no man will be free from their influence: every stockholder will be their friend, every debtor their slave: they will not only put in, but they will put out of this house whomsoever they please.

This, sir, is a view which experience justifies me in taking of the dangerous influence of this institution, if left to itself.—With some of the directors of the State Bank I am proud to acknowledge an intimacy, and for some of them not unwilling to profess my respect; but sir, as the Roman stabbed to the heart his friend, when that friend aspired to be a tyrant, "not because he loved Caesar less, but because he loved Rome more," so sir, I speak the plain truth though it may be the offensive language of truth regarding the directors of the State Bank, not because I respect them less, but because I more respect the rights and the interests of my country.

Mr. Stanly said the report of the committee now under consideration proposed to extend the duration and to enlarge the capitals of the Banks of Newbern and Cape Fear. The advantages which had resulted to the state and to the people from the operations of these Banks, were admitted by every person of ordinary information. They were the first, and for seven years the only Banks in this state. With a capital of only four hundred thousand dollars, their beneficial influence has extended to every part of the state. The public treasury has repeatedly been assisted by loans from them, the citizens accommodated upon terms of unprecedented indulgence, and scarce a public institution of importance which had not in some way been benefited by their operations.

Upon the decision of the present question it would greatly depend whether these advantages should be continued and enlarged, or whether the Banks and their benefits should cease to exist.

The State Bank, instead of consulting the interest of the community, in cherishing harmony with the Banks of Newbern and Cape Fear, which it found in existence—instead of extending toward them that liberal spirit of intercourse which ought to exist between such institutions, created as well as itself for the public good, had assumed an attitude of hostility toward the other Banks. Even before its own stock was paid up it began the warfare, by receiving the notes of the other Banks at a discount in payment of stock, although its charter required the stock, the 4th payment excepted, to be paid in gold and silver. Subsequently it has had agents employed at daily wages, banking the notes of the State Bank about the state, in exchange for the notes of the other Banks. During the short period that the State Bank had established a credit for their notes in certain Northern Banks, and their notes thus answered for remittance, they obtained the notes of Newbern and Cape Fear at a discount in exchange for their notes—they held out every inducement to the people to pay them Newbern and Cape Fear notes, and with these notes obtained by these means, by shaving and otherwise, they made runs upon the Banks. Although the charters of these Banks have yet some years to run, it behoves them as early as possible to ascertain under what circumstances they are to exist. The past warfare, having added nothing to the character, to the credit or to the interest of the State Bank, may be supposed to be disregarded by them; but it is as impossible for a Bank of two hundred thousand dollars capital to carry on its operations, profitably, against the continued hostility of a Bank of one million capital, as it is for a child to contend against a giant. The humblest vine has its use as well as the loftiest oak. The Banks of Newbern and Cape Fear, he should show, had in fact been more valuable to the state and more profitable to the stockholders than the State Bank, and were entitled to Legislative protection; but if, by rejecting their present application, they were left weak, to be trodden down by the State Bank, the sooner they laid their charters at the feet of the Legislature the better.

Mr. Stanly said it was expedient to preserve the Banks of

Newbern and Cape Fear, and to enlarge their capitals, as affording the only probable means of checking the State Bank and preventing the establishment of that aristocracy which he had before mentioned. If the Banks of Newbern and Cape Fear surrender their charters, the State Bank is left alone to decide, at the pleasure of the few leading directors, what descriptions of persons in the state shall be accommodated with loans and what refused. If from caprice in the Bank, or for the promotion of their designs, particular individuals are doomed to destruction, and indulgence is denied them—no other Bank being in existence to interpose its assistance between the devoted individual and his ruin—the sacrifice of his credit and estate becomes inevitable, or he preserves both by a surrender of his political independence to the views of the aristocracy.

Another advantage to be derived from the continuance of these Banks will be the increased convenience by which the state can obtain loans on an emergency.—An instance of this convenience is at this moment before you.

We are all desirous, if possible, to alleviate the burthen of the direct tax by assuming it and granting the people two years to make the payment instead of one. The only means of effecting this desirable object is to borrow the money and advance it to the United States. As a member of the committee to whom this subject was referred, Mr. Stanly said he had partaken in the negotiation with the Banks for the loan. They had first applied to the State Bank. To the enquiry, will the State Bank lend the state the money to advance to the United States for the direct tax, or what part of it, and on what terms as to credit and interest? the answer was, the State Bank will lend in proportion to its capital, if the Banks of Newbern and Cape Fear will also lend their proportion, and upon the terms which the Newbern and Cape Fear shall consent to! Yes, sir, this is all the satisfaction the committee obtained from the State Bank—we have it in writing: they would not give a direct answer to any enquiry, neither as to the sum they would lend, nor the rate of interest, nor the length of credit. How different was the treatment the state received from the Banks of Newbern and Cape Fear! Instead of evading the question, and attempting to throw upon a rival institution the odium of defeating a favorite measure of the Legislature, they replied promptly and frankly, we will each of us lend the state thirty thousand dollars for the assumption of the direct tax, and as much more, if desired, for the purpose of internal defence, at six per cent. interest, and payable in two annual instalments. After these offers, and not before, the State Bank, not yet independent of public opinion, gave its reluctant, its sullen consent to lend its proportion upon the same terms. Had the State Bank stood alone, this money would not have been at your command, or you might have obtained it, perhaps, at an interest of eight per cent.

Another advantage to the state from the preservation of the Banks of Newbern and Cape Fear, will be the revenue which the state derives from taxes and shares. On this point let experience speak. The state has stock in each of these Banks to amount of \$25,000, for which it paid its own paper money. In five years the state has derived from these Banks, in dividends at the rate of 10 per cent. and tax of one per cent. per annum, fifty thousand dollars! Enlarge the capital and increase the shares of the state, and the profit of the state will be increased in the same proportion.—On the other side your account with the State Bank exhibits a very different view.

The state subscribed for \$250,000 stock in the State Bank, of which sum there has been paid in the funded debt of the United States held by this state, and in cash, \$86,000; and for the balance, \$164,000, still due the Bank, the state pays an interest of 4 per cent.

The State has paid the Bank two years and nine months interest on \$164,000, at 4 per cent. \$18,040

The State has relinquished to the Bank the interest annually payable on the funded debt of the United States assigned it, which, to the 31st of the present month, would have amounted, by the books of the Commissioner of Loans, to 44,593

Making an aggregate of For which the State has received three dividends of two and a half per cent. on its stock, amounting to 32,633 48,750

Leaving a balance of actual loss by the State, from its concern with the State Bank, of \$18,383

To which may be added the tax not paid by the State Bank, which if paid at the same rate as that on the other Banks, one per cent. on its actual capital, \$1,200,000, would have yielded to the treasury in the three years it has existed \$36,000: which sum added to the actual loss shews, that while the Banks of Newbern and Cape Fear have profited the state fifty thousand dollars, the State Bank, by the management of its wise men, has lost the state an equal amount.

And here, sir, I will notice the observation of the gentleman from Orange, (Mr. Cameron) that the Banks of Newbern and Cape Fear were invited to subscribe to the State Bank, but that like dutiful children they had refused the good provided for them!—It is true, sir, the stockholders in these Banks had not confidence in the promises of the State Bank projectors: they declined the invitation to convert their stock into State Bank stock—Ninety-nine in an hundred of their fellow-citizens thought as they did, and did not subscribe, and are therefore alike undutiful. The Banks of Newbern and Cape Fear still decline this transfer of their funds. They make ten per cent. dividends while the State Bank can get but five—their ambition does not prompt them to become partners in the aristocracy, at the expense of five per cent. a year on their capital.

Another beneficial effect of enlarging the Capitals of the Banks of Newbern and Cape Fear was, that the Commercial capital, and commercial enterprise of the state would thereby be increased.—We should have more purchasers of our produce at home: by sending less produce to Virginia for a market, our citizens would be rendered less tributary to other states, and by a less expensive intercourse between the farmer and the merchant both would be benefited.

A farther benefit of considerable importance ought not to be overlooked—if their capitals are enlarged, these Banks may establish branches when at present there are none. Why shall not Hillsboro', Warrenton, Halifax, Morganton, Windsor and other flourishing towns and rich counties have the benefits of access to Banks, as well as the few that now enjoy them? At present a very great part of the state are denied the use of banks, or a loan costs the citizen a commission to an agent, or a long journey and an expense perhaps of 10 per cent. on the money borrowed.

Among the uses of Banks, their tendency if uprightly conducted to keep down usury, ought not to be overlooked but; neither this nor any other of their uses can be calculated on, if there be but a single Bank.—Among Banks (as among individuals) competition is necessary to secure diligence and integrity, and to create a disposition by good conduct to obtain public favour and confidence.

That I may not be thought to rely solely on my own judgment on these points, I will read the house a part of the opinion of Mr. Blodget, the intelligent author of the "Statistical Manual for the United States."—"Among the most striking features of the benefits derived from the American banking system are, 1st. Punctuality in all commercial transactions, which alone is the saving of many millions annually to the United States.—2d. It reduces usury, wherever there is a sufficient number of rival Banks, to prevent a monopoly of its benefits."

"In a town of 7 or 8000 inhabitants, a banking capital of a million divided into two parts or even more [parts] rather than all in one, will be found more beneficial for the average of the community, tho' perhaps not so advantageous to the stockholders." Mr. Blodget then demonstrates that public safety as well as public convenience is consulted by the increase of Banks, since the greater their number the less the amount of notes to be issued by each, and the smaller the sum of notes emitted by each, the greater must be the ability of the bank to meet them. "When banks were first instituted, they excited many unreasonable jealousies, but these have subsided in a great degree, since it is known that banks co-operate in various practices and tend to make of every sixty dollars a circulation of eighty, thereby increasing the *facile* money of the community one third beyond its real amount in specie with no risk; and yet as it is the nature of man to imbibe prejudices, it is incompatible with the general interest of a large community of freemen, that either a single set of Bank directors or a single company of bankers should have an extensive control over the necessities most essential to our natural or political existence; hence, by equitable divisions, the banking principle should be distributed over every quarter of a City, with a Capital of not more than one million of dollars to one Company."

Regarding the extent to which the banking principle may be carried without danger to the community, Mr. Blodget is of opinion that the thing may be left to regulate itself, since it is found that where banks are not wanted the subscription will not fill."

It is as absurd to expect an anxiety to oblige or a disposition to indulge, to exist in a single Bank having the sole right to carry on banking business, as it would be to hope for low prices and long credits for merchandize, if a single store in the state had the exclusive privilege of selling goods.

Whether, therefore, we found our opinions on the reason of the thing, or seek information from the writings of practical men, and from the experience of other states, we are brought to the conclusion that liberal dealing and beneficial effects are only to be expected from Banks, where different establishments exist, and that the surest mode to protect the people from the political influence of a set of Bank directors, or to shelter them from the usurious gripe of the three-per-cent.-a-month men, or from the shaving operation of a few favoured borrowers, is to have rival banks.

Having said thus much of the expediency of continuing the existence of the banks of Newbern and Cape Fear, Mr. Stanly said he would proceed to examine the objections which were urged in opposition to the prayer of the memorials of the Banks. The Committee of both houses (of whom the memorials have been referred, have reported a Bill to permit the Banks of Newbern and Cape Fear to enlarge their Capitals to an amount equal to the Stock of the State Bank and to extend their duration from the year 1820, when their present charters would expire, to the year 1835, the term granted to the State Bank.

Against this proposition it is alleged that an increase of bank capital is not necessary—that the State Bank can accommodate the wants of all the people, and that the State Bank has not been able to fill up its capital.

By what rule the gentlemen undertake to ascertain the too-much or too-little circulating medium of the State, I am unformed; I do know, however, that although the ruined state of commerce, rendering torpid commercial activity, and the operation of the suspension act, postponing the collection of debts, have, for a while, lessened the necessity of borrowings, and reduced the urgency of the applications to the Banks, there are still applications for as much as the banks can lend—And so far from money being obtained at 6 per cent. good paper sells at a discount of twenty five per cent. If the State Bank or any of its branches believe they could lend more than they have already lent, let them manifest a willingness to loan and they will soon find customers. While, sir, there are applications to borrow more than the existing banks can lend, it is as absurd to say there is already too much banking capital, as it would be to declare there was too much land cleared, or too many houses built, although every field was cultivated, and every house had a tenant. The use of money or its substitute bank notes, is proportioned to the commerce and wealth of the state. Can it be believed that North-Carolina, the fifth state of the Union in point of population and territory, has not as much wealth and trade, and cannot employ as much bank capital as is kept in activity in the ten-miles-square district of Columbia, or in the little State of Rhode-Island? And yet, Sir, the capitals of the banks, if extended as proposed, and that of the State Bank, will not together exceed the half of the bank capital in the district of Columbia or in the small state of Rhode-Island. That the state bank stock is not sought after, only proves that the plan and management of that institution have not secured general confidence. It cannot be quite consistent to say that there is already bank stock enough and no more will sell, and yet tell us there will be too much if the bill authorizes the banks of Newbern and Cape Fear to enlarge their stock.—Since if the stock is not wanted, the subscription will not fill and the increase will be on paper only. But let it be supposed for the argument that there may be more banking capital actually subscribed and paid for, than the business of the state requires, what will be the consequence? Sir, I venture to express my clear conviction that an excess of bank capital cannot be in any wise injurious to the community. If the banks emit notes for which there is no employment, they will return upon them; they must pay them in specie; this error cannot long be indulged;—for their interest's sake they will not commit it twice. The surplus capital thus useless in banks, will speedily be directed to other purposes; the establishment of manufactures, the making turnpike roads and canals. This application of the money may not be as profitable to the proprietors as bank stock, but it will be as beneficial to the public. On the other hand, suppose the banking capital of the state is too little, there is then in fact a scarcity of circulating medium; the consequences are obvious, enterprise is checked, property and produce fall in value, industry is discouraged, usury flourishes, the poor are trodden down, and the bank stockholder gets rich. No man but a stockholder in the State Bank can fail to see that an excess of bank capital, if such excess could be created, so far from being injurious, would be highly beneficial to the state.—It is further objected that the state, by compact with the State bank made in the years 1810 and 1811, is precluded from adopting the measure. To this opinion, Mr. Stanly said, he entered