

RINGLEDER.

UNITED WE STAND. DIVIDED WE FALL.

DEBATE ON THE BANK QUESTION.

Which took place in the House of Commons, from Dec. 29, to Jan. 6.

Continued.

Mr. SWAIN said, it was his opinion, at the time the committee was raised, and he retained this opinion still, that the only good which would result from this investigation, would be to unfold to the legislature and the community, the secrets of the prison house. To unveil the mysteries and expose the evils of banking, that the experience of the past might teach wisdom to us, and to those who shall come after us.

The history of paper money and of banking in North Carolina, is altogether a singular one, but believing it will shed some light upon the subject before us, I venture to request the attention of the committee, while I attempt to revive a recollection of some of its most striking features.

The years 1783 and 1785 found us in the enjoyment of civil liberty, defined and secured by the constitution under which we live. The period of the revolution had passed by, but the blessings of peace brought with them a public debt, for the payment of which no specific or valuable fund was provided. In this state of things, the legislature had recourse to the usual remedy—the country was flooded with paper money, not to be sure, to the same extent that we have witnessed in more modern times, but a greater quantity was emitted than the business of the country required; and what was the consequence? This country never afterwards saw the day, when the rate of depreciation was less than two and a half to two; so true it is that nothing short of actual available capital, will sustain the credit of paper money. Let it be recollected that at the time the charters of the Banks of Newbern and Cape Fear were obtained, the whole amount in circulation did not exceed \$300,000. That for the redemption of this sum, all the public lands, including the state of Tennessee, were pledged, the public faith was pledged; the famous expedient proposed by the bill on the table was restored; the governor's proclamation was issued; and that was furthermore done, which no legislative body, at the present day, can do—the bills were made a lawful tender in the payment of debts. And yet the proclamation money became neither gold or silver, or the representative of gold or silver. Such, sir, is the history of the proclamation money of '85 and '85; and such, we are informed, will not be the history of the circulating medium of the present day, which is to have no redeeming quality but that which shall be imparted to it by the governor's proclamation.

With these facts before them, was the legislature disposed to put a period to this paper money policy? Our state book informs us otherwise. The constitution of the United States was adopted in 1788, and fortunately, we were prohibited by that instrument from emitting bills of credit, or making any thing but gold and silver a tender in the payment of debts. The legislature had not the hardihood to violate this provision, but it was not long until they found means to evade it. In 1804, it was discovered, as we learn from the preamble to the charter, "that the increasing population and commerce of the districts of Wilmington and Fayetteville, rendered it expedient that a bank should be established for their convenience in the town of Wilmington," and the same session was not permitted to pass by, without extending like privileges to Newbern. Not directly, it is true—mischievous doctrines are most generally introduced by stealth—that which was openly conferred upon Wilmington, to answer the purposes of commerce, was extended to Newbern to provide against losses at sea, but that commerce might be thus effectually aided, "The Marine Insurance Company" in name, became the Newbern Bank in fact. Against these original charters, little can be said. They were mere private corporations, intended to subservise the purposes of commerce, and they issued notes handsomely engraved, upon silk paper, which formed an admirable substitute for the ragged proclamation money. Their paper obtained immediate currency, until having supplied their vaults with the necessary amount of proclamation money, in the language of the minority, "they thrust this ragged paper at applicants for gold and

silver."—The immediate result was, that both the bank notes and the paper currency depreciated; the former, because they were redeemed by the latter, and the currency because it was not redeemed at all. In the mean time, however, the legislature, anxious to exempt their constituents from direct taxation, without due regard to the ultimate consequences, having ascertained that these institutions were making large dividends, determined to share the spoil. And in the first time since the foundation of the government, in the year 1807, the state of North Carolina became an individual proprietor in a monied institution, by subscribing \$25,000 to the capital stock of each bank.

In 1809, when the bank notes and the paper currency were alike depreciated, the legislature determined in good earnest to remedy the evil. The opinion was entertained, that if the paper currency could be extinguished, the banks, divested of this shield, would pay specie, and we would have a sound circulating medium. This was unquestionably the proper remedy, but it would have rendered necessary a temporary resort to the ordinary modes of taxation, and, I presume, their constituents had not instructed them to try the fearful expedient, and therefore a different species of taxation was determined on.

Although but two years previous to this time, the state had become interested in these institutions, to the amount of one seventh of their whole stock, a bill was introduced to provide a fund for extinguishing the paper currency, by imposing a tax of two per cent. upon that portion of the capital owned by individuals. It was ultimately determined by a small vote that the state should receive full profits upon her own stock, and exact from the other corporations a tax of one dollar per share—and this tax has been levied ever since. This may have been constitutional; I pretend not to determine; but was it fair?

I have before stated, that previous to the establishment of any bank, the paper currency in existence did not exceed \$300,000. Those who recollect the events of that day, will, I apprehend, sustain me in the opinion, that it constituted at least one half of the entire circulating medium. It follows that at that period, \$600,000 was a sum entirely adequate to the commerce and business of the state. In 1809, the actual capital of the Banks of Newbern and Cape Fear, was \$300,000. They contained within their vaults a large proportion of the proclamation money; their notes composed almost exclusively the currency of the country, and it is not therefore probable, that the whole amount of the circulating medium of the state greatly exceeded \$800,000, and yet sir, at that day, the complaint was not with regard to the quantity, but the quality of money in circulation. Suppose that on the 1st of January, 1810, when the whole amount of banking capital of the state was—in the Bank of Newbern 250,000 dollars, in the Cape Fear 150,000 dollars, making an aggregate of 400,000 dollars, the amount of money in circulation to have been one million. I respectfully request the committee to pause one moment, to contrast the situation of the state then, with that in which we find it on the 1st of Jan. 1811, and to determine, who are really the authors of all the evils of which we so feelingly and so justly complain. The committee will recollect that in 1810, the State Bank was established, with a capital of 1,600,000 dollars, and that on the 1st of Jan. 1811, it was in actual and active operation. The result is, that on that day the banking capital of the state was nominally 2,000,000 dollars, actually, 1,600,000 dollars; that the nominal increase in one year was five fold, and that the actual capital was quadrupled! Did the increase of commerce in that ill-fated year, warrant such a measure? Was it acting with good faith to our partners, the Banks of Newbern and Cape Fear, with whom we had participated equally in the profits of their enterprise, by this fourfold increase to hazard a fourfold diminution of their profits? No, sir, the legislature of 1810, with honest intentions, no doubt in the establishment of the State Bank, pursued a policy which was wanting in good faith to the existing banks, and suicidal to the best interests of the state. If her calculation is necessary to prove it to a mathematical certainty, I have it at hand. They not only quadrupled in a single year the banking capital of the state, but they created an institution capable

in law, upon the payment into its vaults on account of stock, 875,000 dollars, to issue paper to the amount of 4,500,000 dollars, which added to the legal capacity of the banks to issue paper to the amount of three times their capital, enabled the three institutions to issue at their discretion, six millions of dollars, and thus in a single year to have put in circulation 8,500,000 dollars for every dollar previously in existence in the state.

What was the object to be effected by this sudden and unprecedented interference with the circulating medium? The preamble to the charter of the State Bank informs us that the corporation was established "to redeem the paper currency then in circulation." How far this has been effected, I will presently take the trouble to inquire. The end proposed was a most desirable one, it gave popularity to the project and insured the success of the application for the charter; but the means by which it was to be accomplished, were idle and visionary in the extreme. It required but a single year to prove them so, for in 1811, the legislature in the amended charter, admit the disappointment of their hopes; and do they then retrace their steps? No, sir, the favourite project is persevered in, the existence of the charter is lengthened fifteen years, the powers and privileges of the corporation increased, and the faith of the state is expressly pledged "that no other bank shall be established by any future law of this state during the term of this extension." Well might an express pledge be required at the hands of the legislature by the stockholders in this corporation, when by its very creation an implied pledge, given to her partners in trade, the Banks of Newbern and Cape Fear, equally binding in reason and in consequence, had been violated; not only without necessity, but against policy. But the State Bank was not only to "redeem the paper currency," it was to extend within its vaults the Banks of Newbern and Cape Fear, and use a mammoth from the ruins. It was a favorite project, at that day, as it is at this, to have but one bank, and the only difference between them is, that "The State Bank," was to swallow up the paper money and the Banks of Newbern and Cape Fear, and "The Bank of the State," is to swallow up the State Bank in addition to the Banks of Newbern and Cape Fear. But the Banks of Newbern and Cape Fear did not choose to accept the invitation to subscribe their capitals on the books of the State Bank, and we have no assurance that a similar invitation on behalf of the Bank of the State would meet with any better success now. The project failed then, and it may fail again.

The next thing to which I will call the attention of the committee, in the history of these corporations, is, that the Banks of Newbern and Cape Fear, not having subscribed their capital in the books of the State Bank, apply to the legislature, in 1814, for an extension of their charters and an increase of capital. It was alleged in their behalf, that although banks were in themselves exceedingly useful to all communities, indispensable to the welfare and character of North Carolina, yet that competition and rivalship in this, as in every thing else, was necessary; that a single bank would be pernicious to commerce, and dangerous to the liberties of the people. Controlling the whole monied capital of the country, it would wield an immense political influence, and generate that most odious of all aristocracies, "an aristocracy of money." The argument prevailed—the favourite project of but one State Bank, was in the short space of four years, abandoned and forgotten; and the faith of the state, twice pledged by solemn legislative acts, was held to apply, not to the "increase" of the capital of a bank already in existence, but to the "establishment" of a new one. Be it so; to the State Bank the effect was one and the same; for, as I shall hereafter show, in proportion as banking capital was increased, banking profits were diminished. In the brief period of four years, the banking capital was increased in the ratio of eight to one—from \$400,000 to \$3,200,000. And although it has been shown, in 1800, \$600,000 constituted the entire circulating medium of the state, we find in the year 1814, three monied institutions in existence, with a legal capacity to issue \$12,800,000, more than twenty one times the amount in circulation at that day, and more than twelve times the amount estimated to be in existence four years before.

Mr. Chairman, at this stage of the argument, before we adopt the language of the resolution on the table, not that it is suggested, but "that it appears that the State Bank, the Bank of Newbern, and Bank of Cape Fear have violated their charters, and committed great frauds upon the people of N. Carolina, and before we determine, in the language of the gentleman from Granville, (Mr. Potter,) to bring the directors of these institutions to the bar to "wear their doom," permit me, for mercy's sake, to inquire whether there is nothing can be urged in their behalf. Sir, it is the privilege of the wisest felon who expiates his crimes upon the public gallows, at the awful moment when his condemnation is about to be recorded, to have a patient hearing, if he can say any thing, why sentence of death should not be pronounced against him. And are these "bank felons" without the pale of the constitution? Is their no redeeming trait in their characters? No single act of their lives, which, if it does not extenuate their guilt, entitles them to our compassion? I stand not here as their advocate, but I will not, to criminate them, become the apologist of unwise legislation. I believe that neither of the institutions have answered the expectations of their founders, that all have been mismanaged; that the State Bank particularly, has pursued a course of business oppressive and ruinous to the community. I admit, without hesitation, that the whole system of exchange—the purchase of cotton—of United States stock—of their own notes—is not only wrong, but indefensible. But wrong as these practices are in principle, it is not from them that the injuries which the community sustains have proceeded; and these vices may be corrected without resorting to the tremendous engine of oppression which the bill proposes to introduce. No, sir, the evils which have come upon the country have not been produced by usury, by exchange, by the purchase of cotton, or of U. S. Bank stock, but by an inordinate anxiety on the part of the bank to make larger dividends, and an insatiable desire on the part of the community to borrow money. These were the capital evils from which the comparatively little irregularities followed naturally, not inevitably. The community was anxious to borrow money, the banks to lend—the country was deluged with paper—property rose in value—money depreciated in proportion—a resulsion was inevitable—pay-day came, alike to the banks and the people, and found both alike unprepared to meet it. In this state of things, I wish the facts would warrant me in saying that the banks and their debtors were alike honest in the worst of times.

But to return to a subject from which I have digressed. Is there nothing which can be said in favor of the State Bank, confessedly the most culpable of the three? If any I have shown, sir, that the master evil, in the catalogue of banking errors, is the creation of too much stock, and the consequent issue of too much paper. Now, sir, who is the author of this evil? on his head rests the blame, and there let "the doom" fall. Was the legislature satisfied with enormous extension of banking capital, and consequently bank issues, by the addition of \$1,100,000, to the capitals of the Banks of Newbern and Cape-Fear, in 1814? No, sir, I have before me journals of 1817, when it appears a committee was raised, at the head of which was placed a highly distinguished member of the senate, with instructions to confer with the stockholders of the State Bank, upon the propriety of increasing their capital. I will take the liberty to read to the committee a few extracts from the respectful reply of the stockholders on that occasion, declining the proffered boon. It is, to my mind, the most luminous and conclusive argument against the run-mad policy which at that time pervaded the legislature, and is not without its advocates now. (Mr. S. here read extracts from Judge Murphy's Report.) They decline the invitation—they depreciate the policy; but the banking mania had not reached its crisis, and all argument was idle. The legislature, at that very session, require them by resolution, to bring their unsold stock into market, and in the following year, (1818) a bill is introduced intended to punish the State Bank for "contumacy," by adding a million of dollars to the capitals of the Banks of Newbern and Cape Fear." A capacity to issue 21 times the amount of money in circulation in 1800 would not suffice; the

proposed ratio would have been as 24 to 1. The spirit of speculation was abroad in the land—the "high tide of commercial prosperity," depicted by the minority, wafted wealth and improvement from the seashore to the mountains. The paper shower descended in our laps. Splendid cities were to adorn the banks of Roanoke, and a bank was indispensable to the growing prospects and commerce of Milton. Sir, the state escaped the ruin in which this wild project would have involved her. But with the argument to which I have adverted before them, let it be remembered, that she was saved by a single vote.

Mr. Chairman, permit me to recommend to the gentleman from Granville, an extension of the enormous powers to be exercised by the judicial tribunal created by his bill. When the officers and stockholders are called to their account, direct your judges to bring before them the legislatures of 1810, of 1814, of 1817 and 1818, not "to hear their doom," not because "it appears to us that they have committed great frauds," but ascertain by an impartial examination whether the immediate representatives of the people, were not the innocent authors of the evils, which we may increase by an injudicious attempt to remedy.

I will proceed now, sir, to examine the correctness of the leading charges of the Minority Report, "that the whole of the additional stock of the Banks of Newbern and Cape Fear was manufactured by the banks themselves;" in other words, that it was paid for in paper money, when the law required it to be paid in gold and silver. The gentleman from Granville seems to regard this as his strong point, and he dwells upon it with peculiar emphasis. It would be a grievous charge, if true, but it is so utterly groundless, that I must confess I am sorry to hear it urged by so intelligent a gentleman, in his official capacity as chairman of the bank committee. The extended charters of 1814, do not require the new subscriptions to be paid "in gold and silver," and the omission of the expression, which is to be found in the charters of 1804, is conclusive evidence that payment of specie for stock was not contemplated by the legislature of 1814. It is impossible for iniquity to raise a quibble upon this point. Suppose the language to be ambiguous, is it not a matter of history, that at that time there was no specie in the country, and that the popular opinion of the day was, that specie capital was entirely unimportant in North Carolina, nay that we would do better without it, than with it. That specie was only necessary to give credit to notes abroad, and that it was our interest to retain our issues at home. I declare, sir, that the mere circumstance, that this matter should be drawn into doubt, is one of the most striking instances which can be given of the frailty of human greatness. Have the committee forgotten who was the author of the charters of 1814? Has the ablest argument ever delivered by the illustrious statesman who at that day represented the town of Newbern, so soon faded from our memories? It is a source of mortification, I may say reproach, that in this city, I have sought for a copy of it in vain. Time has shown that his opinions were fallacious; but where is the man who never erred? The legislature confided in his judgment; but where is the individual who ever heard the tones of his voice, and will not extend his mantle to conceal their frailty?

The state subscribed 100,000 dollars of this fabricated capital, 100,000 dollars in each bank, and was her subscription paid in specie? Not a farthing. The banks gave us 36,000 dollars for their charters, we paid them treasury notes to the amount of \$2,000 dollars more, and the public treasurer, I presume, never knew that the charter required him to pay the remaining 82,000 "in gold and silver," at all events he never did so, and in the absence of all other authority, I should be disposed to give to the acts of our official officer, the weight and character of a contemporaneous exposition of the statute. Where does the gentleman get his evidence that upon this "fabricated capital," the 1,100,000 dollars subscribed under the acts of 1814, nearly a fifth of which was owned by the state, notes to the amount of between 3 and 4,000,000, were issued? I have yet heard no testimony, that goes to show, that both institutions, upon the whole amount of their capital, ever issued more than half this sum.

I will now direct the attention of the