

**DEBATE**  
**ON THE BANK QUESTION,**

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

Conclusion of Mr. GASTON'S Speech.

It appears from the Report that the State Bank has purchased Cotton in order to furnish itself with specie or northern funds to meet its engagements, and that this Bank and the Bank of Cape Fear with the same motives and for the same purposes purchased stock in the Bank of the United States. Sir, I can have no hesitation in saying that if the first mentioned act should be established in a Court of Justice and brought home to the Directors of that Institution, it is a clear violation of charter; and I incline to the belief that the purchase of stock is also a trading in prohibited articles, and may be pronounced a violation of charter. There is no doubt, if reliance can be placed on human testimony, that the views of the managers of these institutions in making these purchases were pure, and as little doubt that the acts considered in themselves were injurious to no one. But no honesty of motive—no abstract harmlessness in the act—can justify the transcending of the limits imposed on the Corporations by the law which gave them being. The transactions referred to are melancholy illustrations of a truth well known in morals, that one false step almost necessarily induces others. When institutions or individuals fail to comply with their engagements—when the failure is repeated and becomes in some measure habitual—they are insensibly led into shifts, expedients and disreputable contrivances which at first were not dreamed of.

A good deal of invective has been poured upon the State and Cape Fear Banks for having purchased their notes in foreign markets at a discount. That such a practice might render these Banks liable to degrading suspicions, and that on that account they ought to have been foreborne will readily be granted. But that they were violations of charter—or were actually injurious to the credit of their paper, I deny. A Bank is under no obligation to pay its notes except at the places where they are made payable. If it choose to pay them where payment cannot rightfully be demanded, it may like an individual make its own bargain. As to the effect produced on the notes the testimony is complete. The effect as well as the design of the transaction was by giving a greater price than was current in the market to appreciate, not to depreciate the notes.

When then, the charges preferred with the view of founding upon them a prosecution against the Banks are examined and are fairly tested by the evidence, what, Mr. Chairman, is the conclusion to which we are brought? With regard to one—the Bank of Newbern—there surely can scarcely be a difference of opinion.—The most embittered prejudice—the most unsparing spirit of censure—has been unable to point out a single act in the managers of that institution on which to support a charge of a violation of charter. And, sir, I do not hesitate to say to you in the name of these gentlemen, that if you desire to institute a judicial enquiry, whether they have not forfeited their charter—come on. They will not shrink from the investigation—nor depreciate its results.—Come on as soon as you please. And this they say not in the tone of defiance—nor in the language of passion—but with the calm confidence of self-approving integrity. That they have committed errors—can easily be shown, and none so great and so manifest as excessive lenity to their debtors. But a breach of charter you cannot shew. Against the State Bank you probably may establish a violation of charter in the purchase of Cotton, and possibly against that and the Bank of Cape Fear you may prove a violation also in the purchase of United States stock. Whether you will therefore be able to demand a judgment of forfeiture I shall not pretend to decide. Remember that the State is an individual corporation—and to the amount of one fourth nearly of the whole stock. Remember that your Treasurer was and is *ex officio*, a director of the State Bank. Remember that the directors of each of the Banks has been always appointed (with perhaps two extraordinary exceptions) in conformity to the almost overwhelming vote of the State. Remember too, that the State has not only taken her share of the gains of these institutions but a share vastly disproportionate to her share in the stock. When these things are remembered, it may perhaps be doubted whether she will be heard when demanding a forfeiture for acts in which she had a full participation.

Without meaning to go into an exact account of the profits which the State has derived from these institutions, I have drawn up a statement which may give the members of the Committee some information on the subject. If we look into the Treasurer's Report we shall find that

The State holds of State Bank stock 3046 shares—value	\$302,512 67 cents
Has received in Bonus and Dividends	375,242 50
	677,755 17
The State has paid	
In 1811, United States stock and cash,	\$62,500
In 1812, United States stock and cash,	23,593 89
Subsequently, in various purchases of Bank shares	50,112 67
	136,206 56—136,206 56
And has realised in profits from the State Bank	\$339,528 61
The State holds in stock of the Bank of Newbern, 1939 shares,	\$174,810
Has received in Dividends and Bonus	144,108 74
In tax on the shares of other stockholders,	91,919
	410,837 74
The State paid in 1808, 9, 10,	\$25,000
In 1817 and 1818,	41,000
For shares bought in 1824 and since,	34,810
	100,810
Has received in profits from the Bank of Newbern,	310,027 74
The State holds of Cape Fear Bank Stock, 2122 shares, worth	189,140
Has received in Dividends and Bonus	133,104
In tax as above,	87,933
	410,177
The State has paid in 1808, 9, 10,	\$25,000
In 1817 and 18,	41,000
For shares since bought,	17,540
	83,540
Has received in profits from the Bank of Cape Fear,	\$326,637

Thus, Sir, it will be seen, that the State has got back all that she ever advanced, that is to say the sum of \$320,556 56 cents, and made on this principal the enormous profit of \$1,176,213 34. I have not included in the advances the amount of Treasury notes advanced to the Banks, viz. the sum of \$262,000, because they have not been redeemed. But if these were all paid her profits would yet be but little short of a million!—in more precise terms, \$914,213 34 cents.

Now, then, let us suppose that you can establish against the Banks, or some of them, the charge of a violation of charters, and that you may be heard complaining of acts in which you have concurred, and from which you have derived the principal part of the gains. I ask, what do you purpose to effect by the prosecution which you are to order? Do you wish that these institutions should cease to operate, and close their concerns? You have but to intimate such a wish, and they will all do so. There is not one which is not ready to quit, if it were not withheld by a regard to the public convenience. The business has ceased to be profitable, and the Stockholders can apply their funds to other objects. Do you wish to produce a forfeiture of the charters? Its effect is a dissolution of the corporations—

a complete extinction of their existence. And when this takes place, what is the condition of our Country? Upon a dissolution of a corporation—upon its civil death—I state the law to be, and I state it with an entire readiness to pledge, on the correctness of this statement, my professional reputation, whatever it may be.—I state the law to be, that the lands of the corporation revert to those from whom they came—that the personal chattels are taken by the State for the want of an owner—and that all debts due to or from the corporation are completely and forever extinguished. Suppose the Bank Corporations dissolved, then, and what is the condition of our country? The debtors are indeed released—they may be benefited by the tremendous catastrophe. But what is the value of the million and a half of the Bank Notes in circulation? They are converted into rags. What the value of your 7027 shares of Bank Stock? Whence will come your available funds to carry on the operations of Government? How are you, from an impoverished people to raise the necessary revenue?

If a dissolution of the charters is not designed, what other object can you have? Is it—plunder? I blush to ask the question, but it must be asked. Is it plunder? I have heard it called by a more sonorous, perhaps a less offensive name, Confiscation. But no change of name will alter its nature. I never can believe that a respectable portion of this Committee can be brought to sanction such a scheme. Yet it is avowed. The gentleman who instituted this enquiry, who offered you this resolution, offered some time since, a bill to carry his plan into complete operation. It is true, the bill which he has just read does not go the whole length of that which he first presented. It is but a part of his proposed plan, and the residue is reserved for subsequent enactments. But as we have been heretofore favored with his plan *in extenso*, as there has been no retraction of any part of that plan, and as it is proper before we act, that we should distinctly see the end to which we are to be conducted, I feel myself justified in calling the attention of the Committee to his entire scheme.

By it he purposes to seize to the use of the State all the effects of these corporations. With this fund of rapine, he designs to establish a New Bank, to be owned by the State, and to be managed by Directors annually appointed by the General Assembly. These Directors are to be empowered to borrow a Million of Dollars in Specie, to assist the operations of the Mammoth Institution. And the faith of the State—that is to say, the property of all its citizens—is to be put in pledge, to answer for the engagements of these Directors.

I dislike to use harsh terms—and I certainly design no personal imputations. The gentleman is probably not aware of the character of his own project. But I must say of this plan, that a more stupendous scheme—a more monstrous compound of tyranny, profligacy and folly—it has never been my lot to meet with. Of tyranny—lawless tyranny! Where is the law which imposes the penalty of *confiscation* on any of the acts which you attribute to the Banks? Can you enact the penalty—prescribe the punishment—after the alleged offence is committed? If they be delivered over to the Courts for trial, can you give to these Courts any rule of decision but that which is contained in the Universal Law of the Land? Can you make a special law to suit a case after it has occurred? Of profligacy and wickedness! The State, perfectly content while the operations of herself and her associates were profitable, so soon as the annual gains are diminished, complains that they were unlawful; and, by way of punishing the *Concerns*, keeps her share, and seizes also the stock and profits of her co-partners! Of folly and insanity!—In violation of the Constitution of the United States, prohibiting a State from issuing Bills of Credit, she becomes a Bank! She commits the management of this Bank of the State, owning effects to the amount of five millions, to men who have no personal interest—who give no security for their fidelity—who are to be elected by members of the Assembly—and to be elected by the arts, the managements, and the corruption, which an unwholy thirst for money may and will put in exercise. These men who *may*, and who probably *will* use their power to enrich themselves, their associates, dependents and parasites, are to pledge the faith of North-Carolina to any extent, and put in pawn every dollar of her citizens. And after experiencing the evils resulting from an excessive issue of paper, we are to have a Mammoth Institution, with an unlimited power of issues, and which is to make paper almost as plentiful as the Old Continental Money!

One word more, in passing, Mr. Chairman, upon this notion of establishing a Bank of the State. It has been suggested in another form, and from another quarter. I do most earnestly and solemnly warn this House and the People, from ever adopting so pernicious a project. Disguise it as you may, it is a palpable violation of the Federal Constitution, which we are all sworn to support. What are bills for the payment of money, issued by order of the State, and for the payment of which the faith of the State is pledged, but Bills of Credit issued by the State? Do you change their character by converting the State into a Bank, and calling the notes Bank notes? Miserable subterfuge! Do you get rid of your oath that you will not issue Bills of Credit, by causing it to be done on your account? Wretched prevarication! The measure is as repugnant to true policy as it is abhorrent from the Constitution. A State never can carry on Banking operations with discretion. These require the keen sighted and ever-vigilant superintendence of those who have a direct and personal interest in their good management. For their success, it is essential that they should be conducted on those principles of steady, cautious and often severe policy, which alone can attract to them the confidence of the public. But put them under State control, and in every emergency, these principles will be made to yield to real or imaginary State necessity. The election—the annual election of Directors—will introduce into the Legislature a spirit of intrigue, combination, and corruption, destructive of moral principle; and sooner or later such Banks must blow up. Sir, so far from countenancing a Bank owned by the State, I lay it down as a sound rule, that a State never should have any concern in a Bank. The alliance, like that between Church and State, is unnatural. It corrupts all parties. While the favor of the State is propitiated—and often it is propitiated by scandalous sacrifices of principle—the Bank has an influence which secures to it irresponsibility: When the favor of the State is lost—and it may be lost without a crime—unmerited partiality gives way to capricious hate and tyrannical resentment. I would have Banks owned solely by individuals—managed by Directors having a deep personal interest in their good conduct, and appointed by their brother stockholders. I would have them regulated by proper charters which compelled them to a punctual fulfilment of engagements, and denounced prompt and adequate penalties against delinquency. Such Banks—under the double control of enlightened self-interest and impartial law—would indeed be blessings to the community.—But from Banks of the State may a kind Providence save my country!

But sir, it may be asked, have not the operations of the Banks been irregular and often mischievous? Do we not now experience evils which have resulted from these operations? Ought not these evils to be cured, and is it not the duty of the Legislature to apply the remedy? Must we not do something? That the evils alluded to have existed, and to a certain extent yet exist—that they ought to be removed—and that we should apply the appropriate remedy, if it be with us to be administered, is cheerfully conceded. But it is well to remember that a restless and hasty impatience “to do something,” to apply some remedy or other for an existing disease, is often more injurious than absolute inactivity. Where the constitution is sound the patient will frequently recover if he be let alone—while the rash prescriptions of officious nurses and unskilful Doctors will but ensure his death. Quackery in legislation is as common as quackery in medicine, and in both is usually manifested by the exhibition of violent remedies. At no moment since the year 1819 have the evils complained of

been less aggravated, and the prospect of removing them so encouraging as the present. The true remedy—one too beyond our control—has been and continues to be in operation. Its effect is certain. The United States Bank has compelled the Banks of this State to withdraw from circulation their redundant issues—to collect their debts—curtail their discounts, and redeem their paper. The consequence is, that at this moment depreciation has almost disappeared. It was foreseen, it was designed by those who established this powerful institution that it should restore a sound currency. The Bank of Cape Fear from its locality was first subjected to the operations of the United States Bank. Every expedient which could be devised to elude its action and to baffle its efforts—was tried, and tried in vain. The Bank of Cape Fear was at length forced to become a specie paying Bank, and at this day is as regular and punctual in all its operations as any institution in the United States. Gentlemen have no idea of the irresistible control which the Bank of the United States holds over the Banks of the State. The paper which these issue is received by the Bank of the United States as gold and silver. It is immediately presented for redemption, and redeemed it must be. No Banks now can continue to exist in North-Carolina issuing discredited paper. The Bank of Newbern is following, rapidly following the example of the Bank of Cape Fear. It is making every effort in its power to become to all intents and purposes a specie paying Bank. Of this the Bank of the United States has unquestionable assurance, not by words but by deeds, and under this assurance it aids, in these efforts so as to accelerate the accomplishment of this end. The State Bank finding its capital too unwieldy and its machinery too cumbrous to permit it to continue operations with advantage, has announced its purpose to retire their paper from circulation, to collect their debts, and discontinue business. Is legislation wanted then to correct depreciation, or to enforce punctuality? No laws which the wisdom of men can enact can more effectually produce these ends, consistently with the well-being of the community, than they will be produced without legislation. It is possible that by rash and violent measures you may compel a too rapid reduction of the circulating medium, and a too severe pressure upon the debtors—you may thus impair the safety of the debts, increase the sacrifice of property, and induce insolvency and bankruptcy through the country. But you do not want to force the Banks to collect more rapidly than their exigencies demand. On the contrary, at the very moment when the Banks are arraigned because their paper is not equivalent to gold and silver, the strongest fears are expressed and the loudest clamours indulged, because they are taking the only means to cure this depreciation. The Banks require payments from their debtors—and the State Bank is about to wind up its affairs. If this be permitted, explain these inconsistent accusations, they will wind up also the affairs of the citizens of North-Carolina!

Sir, the evils of overtrading can not be cured without some and serious inconvenience. Easy is descent to error, but to retrace our steps requires labor, privation and fortitude. The fears however, which have been expressed, are greatly exaggerated. It can never be the interest of an institution to break down any of its debtors and thus endanger the solvency of the others. But if the managers of any of the Banks, should be tempted by solicitude to close their concerns, to adopt a too rigorous rule of collection, you have a sure and efficient control. The Directors must obey the orders of the Stockholders. Many of these stockholders are themselves debtors. I am within bounds when I say, that a third of the debt due to each Bank is due from its own stockholders. The vote of the State in all general meetings, by reason of the peculiar strength which the charter assigns it, is of itself nearly sufficient to counterbalance all opposition. United with the suffrages of those who never will vote for their own destruction, it is absolutely irresistible.

We underrate, strangely underrate, the resources of our State. We make no show in the list of exports, because but little is directly exported to foreign markets. But, sir, the products of our industry, which are sent annually, either to our sister States or foreign markets, are not less than eight millions of dollars. I state confidently, that the ports of Newbern, Washington, Beaufort, Swainsborough and Ocracoke, export this year to the amount of two millions of dollars. I do not know what are the exports from the immense country and the numerous ports adjoining to the Albemarle and its tributary waters. I have heard from respectable authority, that they are at least equal to three millions of dollars—but let them be stated at two only. The detailed report on the subject of the appropriations for the Flats below Wilmington, must convince us that the exports from Cape Fear are two millions more. Now, sir, what shall we say of the valuable products of our rich Western, North-western and South-western Counties, which are carried to Lynchburg, Petersburg, Richmond and Norfolk, on the north, and to Columbia, Augusta, Cheraw, Camden and Charleston, on the south. Do I not undervalue them when I estimate them as equal to one fourth of those of the whole State? It has been asked where is the money to be had? This, sir, is the most idle of all apprehensions. Money will always go where there is productive labor to buy it. Industry—skill—economy—never fail to command it. When Spain owned all the mines of Mexico and Peru, did she abound with money? Without mines, have England, France and Holland, in the days of industry and peace, ever wanted it? To the list of means to meet and defray our debts, I may, with truth, add a traffic to which even allusion is painful. At least one million of dollars will be brought into the State this year, in payment for slaves that have been carried to the south and south-west. However humanity may deplore the existence of slavery—and however she may regard those who enrich themselves by this traffic, it cannot be denied that the State is doably benefited by the removal from its boundaries, of the surplus of our slave population.

I see indeed, sir, calls for exertion, prudence and economy—but I see no reason for despondency or alarm. The Banks have at length entered in good faith upon the course of regimen which alone can cure the chronic disease under which the State has long labored. Should they deplete too fast, check them. If they go on judiciously, sustain and encourage them. You may in one way advantageously cooperate with the Banks, give facilities to their debtors, and procure for yourselves a moral freedom to act as you may judge best, when their charters shall expire. Let the true value of the shares in the capital stock of each Bank be ascertained. Authorise the Directors to receive, at a price not exceeding this value, these shares in payment of debts. When thus received, let the shares be completely extinguished—and cease, in every respect, to constitute a part of their capital stock. We have seen, that the ability of a Bank to operate, depends not on the nominal amount of its capital. A small, but efficient capital, enables it to do as much business as one larger, but not more efficient, while the latter tempts constantly to excessive issues. Some of the debtors have stock which they would be willing to pay in discharge of their debts, and those who have it not can procure it from their neighbors without a sacrifice of property. To this extent, it will form a convenient addition to the exchangeable commodities of the country, and perform at the same time, the functions of money.—And, above all, the institutions which do not purpose to wind up their concerns, may thus get them within a manageable compass, so as to be ready to pursue whatever course you may deem most expedient when the allotted term of their charters shall be about to expire.

Sir, there is nothing striking, or original, or violent, in my plan. But on that account it is not likely to be less efficient. I have lived long enough to distrust the assurances of confident projectors, and to regard bold experiments with some degree of apprehension. Violent changes are never made, without producing consequences unforeseen and unexpected. True wisdom endeavors humbly to emulate the wisdom which is displayed in the operation