

# The North Carolina Standard.

THOMAS LORING,

EDITOR AND PROPRIETOR.

THE CONSTITUTION AND THE UNION OF THE STATES—THEY "MUST BE PRESERVED."

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### SPEECH OF MR. J. B. SHEPARD,

In the Senate, Saturday 14th of January, 1843.—On the Bill offered by Mr. Edwards as a substitute to that reported by Mr. Brown, from the Committee on Finance entitled "A Bill to prevent the suspension of specie payments by the Banks of this State."

MR. SHEPARD of Wake rose and said:

MR. SPEAKER: The Bill introduced by myself a month since, and on motion of the Senator from Caswell, referred to the Committee on Finance, of which he is Chairman, had the same object in view as the present, while it also proposed some practical reforms of which the present is entirely destitute. During the discussion I shall point out its manifold advantages over both the latter. The Senator from Guilford expresses some surprise that so much abuse is bestowed on certain institutions and tells us of the dividends and State tax which the Treasury receives from their coffers. Is he not aware that these profits whatever they may be, come out of the labor and industry of the people, proceed from their pockets and in no view can be considered a bounty from the Bank to the State? We are further informed by him that the stockholders have never received but 6 per cent. the legal interest of the country upon their funds thus invested. If the gentleman means by this that the Bank has made but 6 per cent. on its specie capital, he is very much mistaken. It is granted that the dividends have not averaged more than 6 per cent. but their own report shows that if now forced into liquidation they have a bonus of \$250,000 more or less to divide while their specie amounts to 675,000. Its existence began in 1835 and hence instead of 6 the average dividends have been (if divided) 10 or 11 per cent. My friend has also read us the opinion of Chancellor Kent on the great benefit of such corporations, and I could have desired him to extend his selection but a few pages further where that excellent Judge and good man remarks "tie down a charter as you will and it will still play its mischievous tricks." The habit of deceiving is one of their most mischievous tricks and greatest faults. In January 1841 a report was made to the legislature stating that a committee of the other House entertained not a doubt from the strongest assurances that the Banks would resume that month. On the contrary the resumption was not until near eighteen months thereafter and then upon the eve of a most important election! It is denied that we have the power to pass this measure and the question excitingly asked how can one legislature pass a law when by the citizen invests his property in one channel and the next repeal it when perhaps a large amount may be sacrificed through the recklessness and faithlessness of the State? A case has been supposed of a navigation Company being incorporated for twenty years and much capital employed by individuals, under the express pledge that the charter should continue for this specified period. In a case of this nature which might be of grievous oppression if the welfare of the country demanded a repeal of the charter, the only mode of relief would be by an appeal to the sense of justice or generosity of the sovereign. The remarks I intend to make now and the objections I may urge must not be considered as directed specially against the Banks of North Carolina but against the system itself. These corporations should be held to a strict accountability, because in case of failure the assets of the Banks are alone liable for the payment of their debts and not the private property of the stockholders who alone are profited. The Senator from Richmond and Robeson says that I am the only democrat who has been consistent on this subject, alluding to the fate of the amended resolutions of the Senator from Halifax. I most sincerely regret that those whose declamation has been loudest and longest on this subject were afraid to meet the issue presented in those resolutions. If they believed their own charges of corruption to be true I must be permitted to add that they betrayed their constituents. I will now assign the reasons which induce me to vote for the present bill however imperfect it may be. I am not Mr. Speaker so visionary as to suppose that we can or ought to destroy in a moment a system which has existed for centuries, which has in truth intertwined itself with every interest in the country; on the contrary I propose to give strength and stability to our present institutions, at least to such as have been wisely and honestly administered, as well by encouraging the sound and legitimate Banker whose course has resulted in benefit to the people, as by condemning the frauds, the villanies and excesses of those which have become gambling shops and whose tendency has been to degrade and debase our population. Most of them have become irresponsible—their frequent suspension of specie payments, often without sufficient excuse, throwing upon us all the evils of a depreciated and irredeemable currency of worthless paper, and sometimes threatening that the policy of suspension would continue permanent, have all rendered them odious. Many of them increased their average paper circulation in proportion to their amount of specie on hand at the very time that they were pretending to make every effort to a permanent resumption. Will any support this policy? It was not for a want of specie in the country that all our Banks suspended in '37 but because the amount of gold and silver was a mere pittance in comparison with the circulating medium; and this notable difference will always exist when the law can be evaded because the interest of the capitalist and moneyed man or his proceeds and divi-

dends will be larger according as the specie is small and the paper abundant. Again, the enormous frauds of which the banks had been guilty, deprived them of much of their former credit and hence the necessity of hoarding a larger amount of specie to meet the payment of their notes which a loss of credit will ever cause people to present. It was not then an actual want of specie which originally induced suspension in 1837, but the suspension itself and the necessary consequence of that act—the abandonment of specie as a currency—forced the latter elsewhere; to wit: to those places where it might supply a currency for the population. This position admits not a question; suppose the circulation of Raleigh to consist of irredeemable bank paper 25 per cent. below par, that is below the market price of gold or silver and then imagine one to possess specie. Will he pay with it? By no means. He will sell his specie for the per cent. and pay and purchase with the irredeemable paper that answers every purpose, and the specie would thus silently work its way to some specie country where it would perform the functions of currency. Thus those States which encourage bank suspensions are continually drained of the precious metals which flow where they can act as a currency. Now what are the only ways by which these institutions can return to the honest payment of their debts? First, I answer, by the purchase of additional specie; secondly, by contracting the amount of their paper circulation. Now have our banks endeavored to do the latter? By no means. At any rate if they diminished their loans, they did not cease them altogether when in a state of suspension.

Have they attempted the former? Quite the contrary. Instead of purchasing, our banks have been actually selling specie for notes made by themselves which by their own suspension had become depreciated in value. And I venture to say that from this source much the greatest profits of the banks have lately been derived. It must be admitted on all hands that they have been in the habit of selling checks on New York while in a state of suspension, and these checks being payable in specie it is the same as if the bank sold the specie itself. But perhaps I may be here reminded that it would be too troublesome and expensive to transport the specie hither for resumption. In answer we should recollect that the note-holder who demands specie here would in nine cases out of ten, prefer a draft on New York. Extortion and usury are generally also concomitants of these suspensions. Suppose for illustration the depreciation to be 5 per cent. and a man borrow \$100 for 6 months. Here the bank obtains for six months legal interest \$3 and the borrower loses 5 per cent. by depreciation or pays for \$100 for 6 months 8 per cent. or 16 per cent. per annum. Banks should never loan to a director or to any one in any way connected with them. They should never issue the note of a suspended bank, and on a refusal to pay should be prevented from a further issue under their own notes in the way of loans or discounts. And this is reasonable because the permission to discount was granted on the express understanding that it should redeem its paper in coin; because also each stockholder and every man interested would then find it to his advantage to return to a specie paying state. It is the true and rational cure and one which would test the solvency of the institution; and if it be solvent enable it and all in a similar situation to resume forthwith. One of the most usual and at the same time shallow artifices urged by the opposition is that if the bank calls in its notes or curtails its circulation its debtors must be pressed and these again will press those who shall owe them and so on until the property of every debtor would be sold for one-half its real value. This argument is fallacious, for the sound and solvent debtor would not be pressed by the payment of a debt for which he must be prepared, having previously known the precise time it would become due; and hence the insolvent debtor alone would be straightened and probably less so now than at a future date when he may and probably will have become more embarrassed and involved. The question is, did our banks have the means and if so, ought they to have continued specie payments. I am told that they ought not; because they would have been drained of all their coin, even supposing they had dollar for dollar, which would have left neither a paper nor a coin circulation. But this, Mr. Speaker, supposes that all the notes of our banks were held by brokers and northern banks; which is not true, as the amount on the contrary was but small. Besides, if an attempt had been made by brokers and adjoining States to collect our paper and demand our specie, we could have prevented them from so doing by rapidly curtailing the debt due to our own banks and demanding specie or their own notes for debt and suing the foreign banks for 12 per cent. But I am told that such a course would have prevented the circulation of their paper in our State because dishonored at bank. If a bank in another State dishonor its own paper by a failure to pay, it seems uncommonly strange sympathy in our banks to refuse to dishonor it too. And again, I am told that such a course would have prevented our own bank paper from circulation out of our own State, because by the rapid collection of debt it would have been in great demand at home.— Now this is entirely inconsistent with the other argument of the bank apologists who support suspension because, say they, our notes will be collected by brokers and broken banks in other States and sent here for redemption to carry off specie. But in the next breath I am informed that our banks can pursue such a course as will prevent our notes from leaving the State and consequently brokers and broken banks cannot get them and hence specie will remain with our own citizens. Another reason assigned by the Senator from Guilford for the long protracted and often deferred return to specie payment by the banks of this State is that "the Banks north of us would not resume." The Senator from Caswell in reply to this argument of the Senator from Guilford says that "we ought to have more pride than to be governed here by the action of other States." And indeed it is true, Mr. Speaker, to say the least of this apology that it is a clear admission that our currency, our legislation and our depreciation must depend upon that of foreign States. However much this is to be regretted I must confess, sir, that I have a stronger reason than that of mere pride which induces me to dissent from the argument of the Senator from Guilford. His doctrine leads necessarily to the policy of permanent suspension. Now the position is that our notes (if we pay specie) will be purchased by the suspended banks in other States and returned upon us for redemption. Suppose then that N. York should contract a large debt and were compelled to borrow ten millions of her banks to pay it off; on condition that her banks might suspend for ten

years at the expiration of which period the loan should be returned by the State, and in case of failure by the State so to return it that then her banks might continue suspended until the State could do so. If then the public debt of New York was so great (like that of Great Britain) that the State could never redeem the principal then her banks may continue non-paying forever. And according to the argument of the Senator from Guilford, we must endure here all the evils of a permanent suspension irredeemable and depreciated—because forsooth New York has incurred a heavy debt for Internal Improvement and has to borrow money of her banks to sustain her character. And this alleged by men of discretion in this chamber as a reason why the interests of our people—almost an entirely agricultural population—should suffer. This sir, is no fancy-picture—no speculative dream. At the memorable session of the Pennsylvania legislature, when certain hitherto violent opponents of this system suddenly supported the federal side, what was the law—the offspring of such an unhalloved union. Why, the banks agreed to loan the State 3 millions, provided the State would permit them to suspend for five years longer; and further, that they should not be compelled to resume even then unless the State were then able to return the three million loan. Here was a plain bargain between the State of Pennsylvania and her banks for a permanent suspension of specie payments—for a permanent, irredeemable and depreciated paper currency. Here the liberties of this State were contracted away—bargained and sold to pay her enormous public debt. And is this a good reason why we who have no public debt should equally suffer for the extravagance and profligacy of a sister State?

Here Mr. Moyer the Senator from Pitt rose and asked Mr. Shepard "if the legislature of Pennsylvania was not then democratic." Mr. Shepard replied that "if we were to judge simply and without reference to this particular case, it is generally and almost universally true that wherever the liberties of the people are bartered away for gold, the act is perpetrated by the federal or whig party." Mr. Moyer insisted on a direct answer to his question. Mr. Shepard said that he would candidly state the facts. The democrats he said had a majority of one or two but still the measure he had alluded to was a whig measure, as every whig voted for it and all the democrats against it, except one or two, just sufficient to change the result!

The Senator from Guilford says that "the banks north of us suspended." Is this, I would again inquire, a good reason for Bank suspensions in North Carolina? Certainly not, unless the banks north had all their means and refused to pay it to them. It is no more, Mr. Speaker, a good reason than it would be for me to say that I would not pay my debts, because you cannot or do not pay yours, when you do not owe me a dollar and my means are neither diminished or increased by your paying or not paying your debts. The suspension of the banks anywhere causes coin to be sought after to pay foreign debts or debts that are contracted in our commerce with the world where our bank notes will not answer as money. Throwing impediments in the way of getting the coin by one set of banks would cause it to be sought elsewhere, where it is paid more readily, and as most of our foreign commercial transactions require promptness and people generally cannot suffer the delay of enforcing payment from a delinquent or refusing bank, and many of those that are able to do so, refrain from it, either from policy because they are interested in the Banking Institutions or from the fear of offending a large and wealthy class of citizens, such as generally compose the stockholders of banks, the effect of such suspension is an immediate depreciation of its notes, and enables the banks in suspending to realize larger profits.— They have no check or limit to their business then except the refraining of the community to ask loans, for if they can exchange their notes not bearing interest, and which they have proclaimed they will not pay, for your bearing interest, they are doing a very profitable business and it can be extended (as far as the bank is concerned) infinitely; for they only have to be at the expense of paper and engraving to circulate theirs bearing no interest to exchange for the note of the community bearing interest. The profits indeed are so great that no bank has yet ever been found wanting in a plentiful supply of engraved notes. By suspending the banks make large profits also by what is called exchanges. The proper exchange between any two places is the cost of carrying and the insurance of safe carriage—e. g. take \$100,000 at Tarboro', Elizabeth City, Wilmington or Newbern for 1-4 per cent. freight \$250 and 3-8 to 1-2 insurance \$375 to \$500, viz. from \$675 or \$750 at most, you can send the \$100,000 to New York and insure it to get there safe. Now in the late suspensions North Carolina bank notes were at a depreciation of from 3 to 6 per cent. discount, so that the bank at any one of those places by refusing to pay their notes at the counter, as promised and as bound to by every principle of justice and good morals, can make and does make very large profits.

This the cost of getting \$100,000 to New York, and insurance, is, at the highest, \$ 750  
After getting it there, by drawing on it and selling exchange at 3 per cent. premium, they would get 3,000  
Thus realizing a profit, by that operation, of 2,250  
And if the premium for which they sold was 6 per cent., it would give 6,000  
And yield a profit of 5,250  
More than they could make if they paid their debts honestly and as required and expected to do by the Legislature when the charter was granted.— And this is a gain to the Bank and a loss to the people among whom the Bank is situated and circulates its notes. And again, unless the Banks north of us held the notes of our Banks or had deposited with them and call on them for payment, the suspension of the northern Banks can be no more a justification of the southern Banks suspending than it would be a justification for a man in Raleigh to swindle his creditors because several men had swindled their creditors in New York or any other northern city; for if one Bank or set of Banks suspend to deteriorate the value of their notes in order that they may buy them in at a large discount, either by the intervention of brokers to take their specie and buy their notes up for them, or by the Banks themselves in the way of exchanges, it is no excuse for another set. By selling exchange on a point where their notes will not be received at some 3 or 4 or 5 or greater per cent. premium more than they are worth in good money, and sending their specie off to meet their drafts, or by procuring funds on specie paying points and pressing them there so as to buy up

their notes at a large discount, instead of bringing the coin home to pay their debts with, dollar for dollar, they make large profits. It was also urged as a further excuse for the suspension of our Banks "that if they had continued paying specie, they would have been drained of all of it by brokers and suspended northern Banks." In reply to this I may say, that they would have been so drained if a man from the very nature of his business were to create more and greater moneyed demands than he knew he could pay, and by so doing get possession of other people's property in exchange for his notes, and when called on for payment by any holder of his notes were to refuse because not having enough to pay all, and as he might by possibility be called on to pay all—then, in consequence of refusal, his notes depreciate in value and the holder has not the ability to wait to recover his just dues by law or is rather fearful to undertake it, and this man were then to take advantage of the depreciation which his refusal had caused, and buy in his notes with what money he had on hand, either by an agent or by way of exchange, would not, I ask, such a man be justly condemned and treated as a swindler? And does a company doing the same alter the principle?

But, Mr. Speaker, it has been said that this bill is unconstitutional because it violates a contract.— Considered as a mere party question, we have high authority on the federal side for the repeal of charters, as Gen. Harrison, their late chief, introduced in 1819 into Congress a proposition to repeal the late U. States Bank charter. Other eminent federalists have held the doctrine that no State could pass a law impairing contracts between individual and individual, but had the undoubted right to annul a contract where the State itself was one of the contracting parties. The case of *Brown vs. the Pnocoboc Bank*, decided in the Massachusetts Supreme Court, at March term, 1812, also decides the same; but candor compels me to acknowledge that this is the only case either in the U. States Supreme Court or any of the Supreme Courts of the several States which countenance so odious a doctrine. I believe the following, however, to be the settled doctrine of the country, and I think the uniform decisions of the Supreme Court of the U. States will bear me out in the assertion, that the laws of the different States may be in their nature and character retrospective, and may even divest or determine vested rights; and this, unless the obligation of a contract is at the same time impaired, does not amount to a violation of the Federal Constitution. I repeat then that the decision in the *Pnocoboc Bank* case is, in my opinion, not regarded as good law; and that the course of Gen. Harrison as alluded to above, was very agrarian. The law is settled, however, that you may determine vested rights, provided you do not at the same time impair the obligation of a contract. Let us now apply the principle to the case before us. Every thing is implied in favor of the sovereign according to the good old rule that no laches can be imputed to the crown. When the sovereign parts with any portion of its sovereignty it must be done in express terms and not implied from the words of the grant. If then North Carolina has made a contract with her banks that she will not force them into liquidation or make them forfeit their charters for a suspension of specie payments, I for one will admit that she is bound by it, and this Legislature cannot alter the terms. But I insist that gentlemen shall show the paper, convince me that such a bargain was made. It must, however, be in express terms, for I repeat that neither the previous nor the present Legislature can dispose of any portion of its sovereignty by implication. I have read the charters of the several Banks in this State and find no such bargain. It is true that they pay 12 per cent. to the note-holder in the shape of damages to the individual sufferer, but I find no promise on the part of the State that she will not pronounce the prerogative of sovereignty by altering, increasing or enlarging the penalty or by changing entirely its nature where the republic no less than individuals may suffer. On this point I am satisfied.

I regret that this bill does not contain a provision preventing the President and other officers of these corporations from holding the proxies of stockholders; for it was this which placed the late U. States Bank under the sole control of one man. This bill is very defective, as it does not prohibit the circulation of cut notes and post notes or selling exchange when suspended, or prohibit our Banks from receiving or paying out the notes of Banks of other States issued and payable out of the State of North Carolina, and many other salutary provisions which we should engraft upon these institutions. The truth is, that neither this bill nor that reported by the committee propose any judicious, practical and wholesome restraints on the system. The acts of incorporation of the several Banks in this State prohibit the emission of any notes of a less denomination than three dollars, but a practice prevails in many parts of the State of cutting the notes into two parts and circulating each half for half the amount of the whole bill. The Banks, sir, have given countenance to such mutilation of their notes and evasion of the laws prohibiting the circulation or emission of notes under three dollars, against both the letter and spirit of the act. The object of such a provision was designed to infuse into the common circulation of the country a larger portion of specie, and the reason for encouraging this violation of the law is very apparent as thereby the notes are gradually destroyed, to the great profit and advantage of such institutions.

It is highly important, too, in my opinion, to prevent the Banks from selling exchange when suspended. They should not, when suspended, pay their debts by selling exchange at exorbitant premiums. They would, under the restrictions I proposed, find their interest to keep their coin at home to pay with instead of sending it off, as it will cost something to send it off, and then not being able to charge a premium for it they cannot make a profit by it, and would therefore keep it at home. Otherwise a price or reward is held out to them to keep suspended, as when so suspended their notes must and will depreciate. By sending their money off instead of paying their notes with it at their counters, they can get a larger or

smaller premium for redeeming them as they are more or less persevering in refusing all payment, and thereby causing them to depreciate.

Experience has also taught me how necessary it is to prohibit our Banks from doing business on other than their own or some notes of Banks payable in this State, so that the community when they want specie may have notes on which it can be made in the State, and not be sent to Virginia or South Carolina, or Georgia, or elsewhere, to get it wherever the notes that are given them may be payable. It is, it seems to me, a necessary check that all Banks ought to have on them.— For otherwise when they suspend and wish to play off such a game on the community they might send off and get some of the most worthless Bank notes they could procure and palm them off in loans to the people and then refuse to take them back, as it was said some of the North Carolina Banks did in regard to the Virginia Bank notes the preceding year.

It seems to me, further, nothing more nor less than justice that they should pay into the Public Treasury three per cent. on their circulation and deposits when in a state of suspension, because they the stockholders alone profit by such a state, and the noteholder alone suffers. I do not believe that the penalties proposed in the bill submitted by myself were severe; they are, it is true, exemplary but in my view moderate and proper. I think, Mr. Speaker, that I have reviewed the different provisions of my own bill, with the exception, perhaps, of the second section; the obvious propriety of which in regard to post notes seems to me not to require an argument. If the views I have suggested on this absorbing question be in any degree correct, the provisions of the tenth section will follow as a matter of course; to wit: that a suspension for the time therein specified shall work a forfeiture of their charters and subject them to an information in the nature of a bill in Equity, and as a necessary consequence their effects be divided. In such a division the noteholder and depositor should first be satisfied because they derive no profit, and the stockholder should only take the balance as he alone is profited by large discounts, a bloated circulation, suspension and bankruptcy. In order to know the true state of the Bank each Cashier should be compelled to declare on affidavit as to its actual condition. For these and similar reasons I much prefer the first bill to that of the Senator from Caswell or the substitute offered by the gentleman from Warren.

The Banks of this State, Mr. Speaker, have frequently suspended specie payments, and have remained so suspended for the greater part of the last five years past to the great loss and injury of the community in which they are situate; against good faith and good morals; in open violation of the requirements of justice; and solely, as it appears to me, for their own profit and advantage. They have also pretended to qualify and alter their terms of doing business from the requirements and privileges of their charters, by giving notice that for all deposits made; for all discounts they will only pay out current notes; which in their practice they make to mean notes payable at the most distant points from the place where they are paid out; to the deterioration of the currency, without authority of law, against the principles of good morals and honest dealing, to the loss of the dealers, in derogation of the implied confidence reposed when the charter was granted and only to the benefit and advantage of themselves; as thereby they were enabled to sell exchange for nearly double what they would otherwise get for it.

I certainly think that a company should not cease to pay while it has a dollar to pay with, and when it has exhausted its money it should give any means it has in exchange for its notes. If this principle were fully acted on, I believe ninety-nine times out of every hundred there would be no necessity for suspension by any bank. The late suspensions I believe to have been unjustifiable, wholly inexcusable, and ought not to have been tolerated by any community as long as the Bank had a dollar of means to pay with; for it is a borrowing of the money of the people (by circulating their notes among them as money) to sustain them in their broken fortunes and throwing the burthen of their bad management on the people who suffer all the inconvenience and loss occasioned by the depreciation of their notes and have none of the benefits of their profits. They have made loans when in a state of suspension and from this and other sources, as exchange, they have made larger profits than if they had not suspended.

The man who perils life in a cause dear to his affections is supposed worthy of the crown of martyrdom; and if so, how much more deserving is he who perils what is much dearer than life—his reputation, his feelings—and who passively becomes the object of hatred, calumny and malice in defending the sacred cause of truth against the attacks of error—error held sacred on account of the length of time it has prostrated reason and blunted every moral perception? Before engaging in such a cause one should reflect upon the activity, endurance and fortitude it requires. He should remember that Sans culottes—leveller—infidel—Jansenist are epithets which enemies will spare not: while every even the most infamous suspicions with regard to his objects, his views and opinions will be harbored and circulated in order to lessen the effect which calm and dignified argument or pure and spotless devotion to the true interests of his country may have upon those who honestly differ in opinion. But conscious of his own innocence, and willing to believe others as honest (though mistaken) as himself, it is no less his duty than his privilege to enforce them on all proper occasions. In expressing my views fully and freely on this vital subject I have been discharging but a duty I owe my constituents and a privilege to which I am entitled.

I have thus, Mr. Speaker, discharged my duty whatever may be the consequence. It becomes us to enact some law whereby in future these institutions cannot evade the payment of their liabilities, and the penalties of their so doing ought in my opinion to be exemplary. Several years, nearly six, have now passed since the people of North Carolina have been enduring, with a fortitude worthy of a better cause, the most intense suffering—have been laboring under a currency of paper money, and that currency, too, not only below par but irredeemable. Such a currency experience has proved to be productive of enormous burdens and to have injured not only the pecuniary interest, but the moral and social circle—it has created an utter disregard to character, holding out to individuals impunity from reproach on a failure to pay their debts, because the same has been excused in corporations of larger capital—it

has sown distrust and apprehension, while the producing classes, the laborers and mechanics of the land, have suffered more than those privileged few who enjoy the unholy profits of the system.

## JUDGE CAMERON'S LETTER.

BANK OF THE STATE OF NO. CA.

December 28, 1842.

HON. BEDFORD BROWN, Chairman of Joint Select Committee on Banks.

SIR: In reply to the first inquiry contained in the resolution of the Committee, viz: "why is the circulation of the Bank so much reduced," the following Statement is submitted.

It is a fixed and settled law, in regard to the circulation of money or currency, that the currency of the market in which the products of the soil are sold, becomes to the amount of the value of the products so sold, the currency of that portion of the country, in which the products were raised for market. The products of the Northern and Southern section of this State, are carried almost exclusively to the markets of Virginia and South Carolina, and are paid for in the currency of those States, and being brought by the sellers into this State, of necessity excludes from circulation a like amount of domestic currency.

The amount of the products of this State, carried to markets, within the State, as compared with the amount carried to those out of the State, is small, and after the usual exchanges for the necessities of life, require but little money to pay the difference in favor of the producer, and the prices of produce in foreign and domestic markets decline, the amount of currency required to pay for it is consequently lessened. In an agricultural community, (such as ours,) the products of the soil, constitute the only natural or legitimate basis, to sustain the circulation of Bank notes; such an amount of circulation as may be necessary for converting the former into money, can be sustained and no more, and whenever there is an excess of circulation, it is thrown back on the Banks issuing it, for redemption.

For several years past, the amount of produce raised in this State, and sold in our own markets, has been progressively reduced: while at the same time, the prices have continued to fall; hence, a much less amount of money has been required to pay for it than in times gone by, when there was a much larger amount of produce sold in those markets and at much higher prices.

It does not follow, that the general circulation of Bank notes in this State, has been reduced in proportion to the reduction of the circulation of this Bank, or of all the Banks of this State, because the vacuum created by such reduction, has been filled by the notes of the Banks of those States in which the products of this State are sold, so far as the value of such products goes to produce that result.

To the influence of the foregoing cause, on the circulation of this Bank and necessarily compelling its contraction, may be added the following, growing out of the great and unexpected revulsion in the commercial and monetary affairs of the country, commencing with the suspension of specie payment by the Banks of New York, in May 1837, and followed by all the Banks in the United States.

By the 29th Section of the charter of this Bank, it is enacted that on failure by the principal Bank and its branches, to redeem the notes respectively issued by them, in specie on demand, they incur the penalty of 12 per cent. interest. Although suspension of specie payments was forced on this Bank, by the general suspension of all other Banks, and more especially by those in Virginia, and although in most, if not all other States, the Legislatures released their respective Banks from the penalties prescribed for the failure to redeem their notes with specie, this Bank made no application to the General Assembly of this State, for the remission or mitigation of the penalty inflicted for not redeeming its notes in specie on demand.— It determined to abide by the charter and meet the difficulties by which it was beset as best it could. The most efficient means at its command, was the reduction of its circulation, thereby lessening its liabilities to pay specie interest. It was moreover compelled to this course by the long continued suspension of specie payments by the Banks in Virginia, sanctioned by the Legislature of that State. During that period the notes of the Banks of that State became greatly depreciated; Brokers and other dealers in money purchased the notes of this Bank in Virginia, at premium, with the notes of the Banks of Virginia, and then demanded payment in specie, or to place them at 12 per cent. interest, until paid, while the Banks in Virginia, were excused by law from redeeming their issues in specie, and were subject to no other, or greater penalty, for failing to redeem, than the payment of 6 per cent. interest.

In proof of the foregoing, a Broker from Richmond, demanded the redemption of seventeen thousand dollars of the notes of this Bank and branches in specie, which he admitted he had purchased with the notes of the Banks of Virginia, paying a premium of from three to five per cent. for our notes. Many other demands of a like kind, and on our notes obtained in like manner, were made during the suspension of specie payment by the Banks in Virginia. Since their resumption of specie payments, on the 15th September last, they have been rapidly reducing their debt and circulation; which has necessarily pressed on this Bank and its branches a further reduction of their circulation.

The contiguity of the States of North Carolina and Virginia, and the intimate and extensive Commercial relations between them, necessarily affect the question of Currency in this State. The amount of Banking Capital in Virginia exceeds Twelve Millions of Dollars, while in this State it but little exceeds three Millions. It follows that the operation of their Banks must always, to a very great extent, control the action of the Banks of this State.

To what extent the reduction must be carried, for self-protection and preservation, experience, to be derived from future events, can alone determine.

The Directors of this Bank and its Branches have endeavored at all times, and under all circumstances, to keep their notes at par within this State: in this they have succeeded to the fullest extent of their wishes and without loss to the holders of them. During the general suspension of specie payments, instead of extending their debts and circulation, to enhance the profit of the stockholders, they steadily and gradually curtailed both, thereby reducing the profits of the Bank.

They preferred safety, the enjoyment of public confidence, and small profits, to hazardous loans, distrust, and large profits. They could not disre-