



AND

Our are the plans of life, delightful Peace, Unwarp'd by party rage, to live like Brothers

GENERAL ASSEMBLY.

BANK QUESTION.

House of Commons—Saturday, Dec. 11.

[Mr. Stanly's Speech concluded.]

The objection to the right of taking judgment upon ten days notice is founded upon an ignorance of the effect of this power. When understood, it is known to be a privilege more valuable to the debtor than to the creditor. If the banks were unable to secure their debts but by a suit in the ordinary course of law, the fear of encountering this delay, and the danger to be apprehended from a change in the circumstances of the debtor pending this suit, would induce them to grant loans only to the rich—to such whose wealth rendered punctuality probable, and delay not dangerous. But with the right to enter a judgment at any time after delinquency, upon giving ten days notice, the banks were less rigid in requiring either the principals or securities to be affluent. The same reasoning obtained among those who became securities for the borrowers of the banks; and under the protection afforded by this right, by the certainty of having the business periodically closed, if circumstances required it, persons daily became responsible for their friends in moderate circumstances, or who were embarking in some new pursuit, who but for the existence of this privilege, could not have obtained the security not consequently not the loan. It is to be remembered too that this right exists in no case but where the debtor has expressly consented to be subject to its operation by making his note negotiable at the bank. Some honest men who had been trusted upon such notes and chose not to pay, contested the right of recovery in this mode—the question went to the Supreme Court and was there decided to be constitutional.

The objections to the existence of paper money and to the use of it by the banks, have been taken up without due examination, and have received a currency to which they have no claim from their worth. The Legislature in 1811 having enacted that the paper money shall cease to be a tender after the year 1817, I have no inclination to engage in an argument, so strictly *ex post facto*, to show this decision was unwise; but pressed upon me as the subject is, by the remarks of the gentlemen who have preceded me, I may be pardoned for a brief notice of them.

Money is of value only as it represents other things which can be obtained in exchange for it: its value depends on the demand and the supply, and as these vary, the value of money fluctuates also. Thus, before the discovery of America, one ounce of gold would purchase ten ounces of silver; but since the opening of that stream of the precious metals which flowed from the mines of South America, an ounce of gold will now command seven or eight ounces of silver. So in England, in the year 1700, one bushel of wheat was worth 4s. 6d. a day's labor 8d., a sheep 14s. sterling—but in the year 1800, the wheat commanded 10s., the day's work 2s. and the sheep 40s. Gold and silver, precious as we call them, are intrinsically but of little value; these metals neither serve for food nor raiment, edge tools of indispensable necessity they cannot make, and I suspect you would find a gold or silver plough an indifferent instrument for our soil; in fact, except for a few articles of household plate, iron is of infinitely more value than gold and silver. The value of these metals then when converted into money, is not intrinsic but conventional; it depends upon the consent and agreement of mankind, not on its real worth. This value the consent of mankind may impart to any substance, and whether it be iron, money of antiquity, the gold and silver or paper money of modern times, only guard against that too great supply, which surpassing the demand lessens its

value, and every desirable purpose of money is obtained no matter what the material of which it is made. Paper money then I contend may answer all the valuable uses of money—our own history proves it; for, since from the settlement of this colony to the peace of 1783, every colony had its paper money; with scarce any other than paper money, these U. States, since a wilderness, have been made to blossom like the rose; industry has been rewarded, commerce, agriculture and manufactures have flourished, and our Independence established. Of the writers on political economy whose opinions claim respect, one, whose name supercedes all eulogy, Benjamin Franklin, the patriot and the sage, has given to the doctrine I have advanced all the support of his sterling judgment. His valuable paper in support of paper money may be found in his works, and will reward the time of those who choose to read it. The only danger from the use of paper money is, that the power to issue it may be abused and more may be thrown into circulation than the commerce of the country can employ;—the consequence then is, it depreciates. But the remnant of paper currency existing in this state was not objectionable to this objection—the state having by the federal constitution surrendered the power to issue paper money, that which it had previously issued so far from depreciating had actually appreciated, and from 14s. to the dollar, at which the federal constitution found it, it had been improved to 10s. to the dollar, at which it has remained. For every domestic purpose this money was as good as gold and silver—it brought the legislature together, maintained and carried them home—it gives the most respectable men for governors, and the best lawyers for judges—it buys land and pays debts. The pedlar, the merchant, the itinerant and the emigrant were not accommodated by it, because it was not money out of the State; so much the better, sir, for then they were in some measure compelled to a course infinitely more advantageous to the state than the exportation of its specie to pay debts, I mean the exportation of our surplus produce. But it is said other states have only gold and silver, and why should not we also have gold and silver? Because, sir, we are not as rich as other states. To the man who labors in the fields of the gentleman from Orange by day, and at night sleeps in a hut, I might as well say, why do you not live in that big house and roll in that carriage? Poverty is no reproach; the answer is the same in 5th cases, "my poverty, but my will consents."

Of this paper money thus useful, secured against depreciation, we had in 1811 three hundred thousand dollars. To meet the views of the State Bank, the legislature of 1811 declared this money should be sunk and after 1817 should cease to be money. In this act I firmly believe the people sustain a loss of an amount equal to six years' ordinary revenue of the state! You annihilate, beyond the power of restoration, that which was to every valuable purpose money, and get nothing in return. And by a strange perversion of reason, the accomplishment of this injury, to be effected through the instrumentality of the State Bank, is ascribed to the State Bank as a merit! Yes, Sir, the State Bank agrees to apply the dividends of the State Stock, the state's own funds, and no other, to the annual redemption of this money.—Great merit and wonderful generosity, indeed! Not less fallacious have been the other promises of the State Bank. They reviled the Banks of Newbern and Cape Fear because their notes did not pass out of the state but on a discount, and boasted that the notes of their Bank should have the credit of gold and silver every where.—That the old banks paid paper money, they would pay only gold and silver.

A balance of trade is one of the inevitable results of commerce, and ex-

ists more or less in every country where trade is known. Unfortunately for North-Carolina, in her intercourse with the Northern States, the balance is against us. We import from them goods to a greater amount than we can pay in produce suited to their markets; the difference is to be made up in money. If to pay this balance the bank notes of this state are sent north, however unquestionable the safety of the bank, the notes will pass only at a discount, because N. Carolina being constantly in debt to the Northern States; the holders of our notes there having no occasion to send money south, the notes remain on hand till sent on specially to be exchanged. The value of our Bank Notes in the Northern market depends then on the balance of trade.—That being against us, our notes must pass at a discount. The course of trade of the Southern States is the same, and the effect on their bank notes the same.—They also only pass at a discount.

The State Bank, overlooking this state of things and the reason of it, undertook that their notes should pass current in the northern markets.—They established a credit there to a certain amount with certain Northern Banks, upon the terms that they should redeem them at certain periods. What was the consequence? Their notes from every quarter flew to the north and were received at the banks there.—Did these banks circulate them, or did they keep them?—Sir, you can no more prevail on a northern bank to circulate a southern bank note, than you can prevail on a northern shoemaker to sell southern shoes. The banks sent the notes home for payment. Besides payment by bills, waggons were loaded with silver by the State Bank. After the first settlement, this trade stopped, and State Bank notes, after all the splendid promises of its Directors sunk to the same discount as the notes of Newbern and Cape Fear.—Yes, Sir, and at this time, except on the line of Virginia, whose people live as near our banks as ourselves, you may travel north with a pocketful of State Bank notes, and starve for a dinner.—They will not pass except in cities, and then only at a discount. As to foreign uses then, the notes of the State Bank are absolutely no better than the notes of Newbern and Cape Fear, although the project to make them better has cost the state the loss of its paper money, three hundred thousand dollars, besides other losses I have mentioned.

At home how is it, sir? The State Bank, not condescending to enquire whether and by what means gold and silver could be obtained to answer the wants of domestic circulation and for remittance also, but with presumptuous confidence, as if their fiat like that which said 'let there be light and there was light' could call specie into existence where before there was none, undertook to pay all their notes with gold and silver on demand.—See the consequences. So far from being able to meet their notes with specie they are compelled to resort to devices to keep off the payment. By issuing at one office, notes payable at another, and when these notes are brought for payment, turning the holder round to take a journey across the state, from Newbern to Salisbury or to Fayetteville, to get his specie, they evade the payment. Another device is, to those who happily having found the branch whose notes they hold and who ask for silver, except in very small sums, they tender gold, to know the value of which requires a science our people do not possess, and it is therefore refused. I speak only what I know and can prove in a court of justice. Such are the tricks by which the State Bank shelters itself from the payment of its notes. I do not censure these devices as dishonorable, they result from necessity and might be pardoned, but for the ridiculous boasting of the bank, and its censures of the other banks for valuing a paper money shield to their

specie. The consequence, however, is, (I speak particularly of Newbern, where I know the fact) that State Bank notes pass at a discount of five per cent. in exchange for silver.

A little more about this State Bank machinery and I have done with it. They tell you they have extracted the paper money from the Banks of Newbern and Cape Fear: that they did this not from hostility but from duty, and therefore their conduct was meritorious. Here again it is my duty to expose a misstatement. The experience of a very short time convinced the State Bank of the difficulty it had to encounter in dealing only in specie in a state where very little of that article was to be found, and where that little was in a course of steady drain to the northward. The devices I have mentioned gave a little respite: The banks of Newbern and Cape Fear possessed more than their capitals in specie; but with the right to tender paper money to such as were known to ask for specie for the purpose of sending it abroad, their specie was protected. To lighten its burthen, to make the other banks bear a part of what it had undertaken to sustain alone, the specie payments of the state, the State Bank undertook to compel the other banks to pay in specie & commenced the runs I have already mentioned.—The banks of Newbern and Cape Fear knew they should be obliged to yield their paper money or their specie to these runs, and though they had refused to unite their stock with the State Bank, yet willing to be on such terms of friendly intercourse as are usual among banks, in June, 1812, by letter to the President and Directors of the State Bank proposed terms of intercourse and offered to deliver to them immediately all the paper currency and to take any notes in payment, or even to credit them if they required it. The reply of the State Bank to this offer was, that the banks of Newbern and Cape Fear should pay them the paper money when demanded.—That exchanges of notes mutually received should be made at stated periods and the balance made in specie.—(Here Mr. Stanly read parts of the correspondence of the Banks to this effect.) This attempt at a treaty failed. The State Bank continued its runs, and was paid in paper money to about \$140,000. The payments in paper money were then suspended, and subsequent runs paid in State Bank notes, until 10th of October, 1812, when, finding the contest unprofitable, its courage diluted by the paper money payments, which lay as dead capital on its hands, the State Bank magnanimously proposed to come to terms, and a treaty was made which the Bank of Newbern in its correspondence, has justly called not an alliance of friendship but a regulation of the mode of warfare.

Since this treaty the bank of Newbern tendered to the Newbern Branch of the State Bank in payment of its notes, a sum of paper which that Branch refused to receive—which is nevertheless reserved for them and still waits the call of that branch.

Now, Sir, knowing as we do, that the State Bank is not sound, by the act of 1811, to call in the paper money until December, 1817.—With the facts in proof that the paper money was offered to them by the other banks as early as July 1812, and not accepted—that what paper money they have was therefore forced upon them—that they have since refused to receive a sum (I believe 18,000) which to this day awaits their call at the Bank of Newbern—and that they uniformly refuse to receive paper money either in payments or exchange from the citizens.—What shall we think of the candor of these gentlemen who extracted this money in performance of a duty, make a merit of having done so, and yet whiningly complain of its dead weight.—Sir their enmity, not their duty extracted this money; it was paid them for their punishment;—they received it as a child takes phy-

sic—with many a wry face: They have acted like the fool in the fable, who put the saddle on his own back to spite the horse; let them wear it.

The out-cry that if the charters and capitals of the Banks of Newbern and Cape Fear are extended the paper currency will be again issued, is all fudge.—In my opinion such a result, if practicable would be a benefit, not an injury to the State.—But as the Legislature of 1811, have ordered it to be called in, the bill reported by the Committee provides, that the Banks of Newbern and Cape Fear shall redeem the paper money upon the same terms and within the same time as the State Bank has undertaken to redeem it; and I am willing to go further and by an additional clause restrict these banks from using the paper money in any payments but to the state.

From the dread, of the State Bank and its proprietors, of paper money, a stranger would imagine they never touched any thing but gold and silver, or that though they condescend to issue notes stamped on paper, they yet can pay gold and silver for them all at sight. Their practice I have shewn is far otherwise. In these U. States, the total gold and silver coin, in the opinion of the ablest statist, does not exceed ten millions of dollars. Upon this specie capital we have banks in the U. States whose capitals exceed fifty millions; & these issue notes probably not less than seventy five millions. There is then a circulating medium of sixty millions of dollars of paper money which there is no specie to meet. Yet we get on in our affairs pretty well without the specie. And this State Bank of ours, after all that they say for themselves, is in no better a situation as to specie than other banks. Deduct from its stock the sum of \$164,000 not paid by the State; the sum of \$304,000 which cannot by any process be turned into cash; the amount of their stock paid for by the subscribers in their own notes, or in monies borrowed from the bank and the payments made in the notes of other banks; the monies waggoned to Virginia to pay the balance due the banks here, and sir, my life upon it, their balance of specie is one third less than one third of their capital. Look at another statement:

Table with financial figures: They divide 5 per cent on \$1,200,000 amounting to \$60,000 and they pay the expenses of seven offices not less than 21,000 which shows their annual receipts to be at least \$81,000

Table with financial figures: Of this sum the state pays in interest on \$164,000 at 4 per cent 6,560 To raise the balance requires 1,241,000 dollars to be on interest at 6 per cent \$74,440 \$81,000

How have they put this \$1,241,000 on interest by lending their notes to that amount: which notes they of course owe to their holders. The result then is that the State Bank owed a debt of at least 1,241,000; that one fourth of its capital (the paper money and state debt) cannot be used to face its debt, and in all probability the money it has to pay its debts is one third of the debt it owes. A bank thus situated is excusable for resorting to devices to avoid the payment of their notes in specie, and for making a lean dividend of five per cent.—Nor is their dread of having rival banks to be wondered at.

To deter us from doing what is both just and profitable in this business, we are told (not here, sir, but out of doors) that if the Banks of Newbern and Cape Fear are extended, the State Bank will surrender its charter. If they will do so, sir, we ought to meet them more than half way; we might pay them money from the treasury, to surrender, and gain by the bargain. In that institution you have not only created an ar-