

DEBATE ON THE
BILL FOR ESTABLISHING A BANK OF THE STATE.

[CONTINUED.]

HOUSE OF COMMONS.

December 24.

Mr. Gaston spoke as follows: Sir, I have listened attentively to the observations of the gentlemen who have addressed the House in support of the bill now under consideration; and entertaining an opinion decidedly opposed to that which they have endeavoured to support, I beg permission while I declare this opinion, to state also the reasons upon which it is founded. All agree that if the institution, which it is the object of the bill to establish, should go into operation, it must be followed by momentous consequences. But while some regard it as promising the most beneficial results, others view it as fraught with tremendous mischiefs. Surely, under these circumstances, it is the part of wisdom to be cautious. The measure should be well considered before it is fastened upon us. We should not yield our assent to it until, as far as may be permitted to our limited forecast, we can with reasonable certainty pronounce upon its character. In political action, as in individual conduct, the first step is of high importance. Let that be planted on a firm foundation, and the progress to elevation and perfection is natural and easy. But begin wrong, and all subsequent labor may be unavailing to correct the original blunder.

On this occasion, we have especial need of circumspection. I trust that I shall give no offence, and most certainly intend none, when I state that there are few in this body who possess the accurate information on the subject which is necessary to protect them from error and imposition. The business of banking in a State so little commercial as ours, cannot be expected to be well understood in its principles, much less in its details. Several gentlemen indeed avow themselves to be unacquainted with the subject, and they are of course obliged to rely on the judgment and fidelity of those who advance higher pretensions. If unfortunately these should prove blind or treacherous guides, how can their followers hope to escape from injury?

But there is far more danger to be apprehended from other causes than want of knowledge. Honest ignorance is often associated with a prudence, which like those wonderful instincts bestowed by a bountiful Creator on inferior beings, performs its salutary purpose with a certainty beyond the reach of enlightened reason. Where it cannot see, it will not advance—where it feels the ground hollow it refuses to plant its foot—where action may be mischievous it entirely forbears. This is in fact a wisdom which learning should not blush to emulate, and which often puts to scorn the speculations of the visionary and the projects of the ingenious. Our perils arise chiefly from other quarters. They arise from the times, from selfishness, and above all from love of popularity. Among the consequences which have resulted from excessive banking in this State, few are more prominent than the breaking down of those who have too freely availed themselves of the accommodations it afforded. Some of these individuals are deserving of our best sympathies. Whatever else they may have lost, they have preserved their honor, and enduring with honest firmness the melancholy reverse in their condition, they are entitled to even higher respect than they could have claimed in the most palmy state of their prosperity. But such are not all. Unquestionably there are many who bankrupt in reputation as in fortune, turn to Patriotism as a trade, and strive to win place and make money by pandering to the prejudices of the ignorant, the hopes of the necessitous, and the wishes of the vicious. Is it strange that these should project schemes by which new money-factories are to be erected—offices with fine salaries created—and the means of tinkering broken characters and supplying squandered estates, made abundant and easy? Is it singular that they should find a ready hearing with the yet larger number of those who, embarrassed but not broken, alarmed but not despairing, seize eagerly upon every suggestion that promises a change of creditor, or a postponement of the demand, awaiting some lucky chance, till a gold mine or a lottery ticket, shall rescue them from threatened ruin? Or is it extraordinary that those, who are themselves free from selfish or impure motives, should catch by contagion the sentiments disseminated around them, and rashly pledge themselves to plans which they do not understand, but which they are assured are to produce incalculable benefits to their neighbors and friends?

Perhaps even these are not the principal sources of the unwise views which seem to prevail. There is a fashion in political whimsies, as in the fancies of dress, which is adopted without examination, runs its course and then passeth away. Banks of the State have been lately the fashion around us. All of them have not yet broken, and thus made manifest the wretched materials of which they were constructed. And why should not we have Banks of the State too? This, I am convinced, sir, operates most powerfully to produce the delusion which I lament, and which it is my anxious wish to dispel. And as the novelties of dress most strongly attract those who long to catch woman's smile, and please woman's eye, so the novelties of legislation are most readily adopted by the politicians who are eager in the race for popular favor. As no strength of understanding secures the young gallant from the absurdities of the mode, so neither sense nor principle protects from pernicious but fashionable political errors, him who is over solicitous to please the people.

While all things thus concur to make us liable to error, the bill itself was cunningly devised to render us indifferent to mistake. The measure proposed, even if sanctioned by the Legislature, is not to go into operation until June, 1831, so that there will be a full opportunity to the next Legislature to repeal it before it can do mischief. I protest, sir, against what I deem both a mean artifice, and a cowardly skulking from responsibility. If the House are satisfied that this plan is called for by the public interest, why should its operation be postponed, rather than that of any other law which may be adopted at this Session. And if the House do not deliberately approve the plan, can they incur the deep guilt of enacting a dangerous law, and trusting to the firmness and wisdom of the next Legislature to correct the mischief? By the bill also we escape from the difficulty of fixing the salaries of the officers whom it is to call into existence, and this responsibility is to be thrown wholly upon our successors. This trick to draw the House and the community into the adoption of a scheme of undefined expense without examination, is so reprehensible that I can scarcely trust myself to speak of it as it deserves. I will only say that it bears on its face marks of deceptive cunning, and is wholly at variance with every principle of correct legislation.

In considering the mischiefs which have been brought upon our country by our pernicious system of banking, I have on another occasion called the attention of the House to the general state of indebtedness which it has occasioned. The opportunities to borrow money have been so improvidently used as to enable men who were unable to meet their debts, to wear every appearance of opulence. Half-deceived themselves, the borrowers indulged in expense, and embarked in speculation, and their families unconscious of the fatal secret, joined in this wretched extravagance. Friends did not hesitate to endorse, and all around had been ready to trust them. A fictitious credit has thus been created, injurious to the community while it was kept up, and most horribly destructive to all connected with it as soon as the delusion vanished. The parties reduced to sudden poverty, for the endurance of which they are wholly unfitted by habit, have not only plunged their families into misery, but have dragged into the gulph of ruin their creditors and their sureties, and the families of their creditors and sureties. So numerous and so diversified are the ties which in a civi-

lized community bind its members to each other, that it is scarcely possible for a part to suffer without communicating the effects of that suffering to all. In the depreciation of property, brought about or aggravated by forced sales—in the general distrust which prevails when no one knows who is to break next—but above all, in the fatal and ever to be deplored prostration of morals that accompanies this revolution of property, every citizen bears his share in the calamity of the times. I speak to those who are emphatically the guardians of the public morals, and who know that in a political, as well as in a religious sense, it is righteousness that exalteth a nation. I speak to them, and I ask what evil can be compared with that change in the moral habitudes and sentiments of our people which has recently obtained? Fraudulent dispositions of property—quicks and cavils, and dirty devices to cheat creditors, are now resorted to by men who would have once rejected with unutterable scorn the supposition that it was possible for them thus to act. The tone of moral sentiment has been depressed, and the standard of moral action has been lowered in our land. Where is the intelligent man that does not see, and where is the moral man that does not mourn over this melancholy spectacle? And now when our highest exertions should be made to cure this moral pestilence, we are invited most earnestly to adopt a measure the inevitable tendency of which is to give it a wider spread, a more fatal activity, and a longer duration.

What caused this general indebtedness but a facility to borrow, accompanied by a readiness to lend? It is proposed to establish a new Bank, avowedly for the purpose of affording to the people an opportunity to borrow more money, and in the very organization of the Bank, it will be seen that it is constructed with the express view to make it lend to the full extent of all its means. As the bill was originally framed, it was not in the power of the Bank to require the re-payment of more than one tenth of any loan, every six months, and in its present form it can require but a tenth every ninety days. Thus real business discounts—the only ones that can be regarded as useful to the community are to be wholly prohibited. The direct object, the whole scope of the project, is the making of long accommodation loans. It has been remarked by the gentleman from Rowan (Mr. Pearson) for whom I take this occasion to express my high respect as well as sincere affection, that this may be hereafter altered by amendments, and that he purposes, if the bill be not rejected, thus to amend it. My young friend must excuse me for not allowing much force to this suggestion. He is no doubt, perfectly sincere in his purpose, but it is a purpose peculiar to him. Such is not the object of the bill nor of its friends, and if it were possible to frame the bill so as to prevent all accommodation loans, my friend would probably find himself alone in its support. But it would be idle to expect, frame the bill as we may, that the main employment of the institution could be other than long accommodation loans. Remember that the expenses are certain,—the capital is to be borrowed.—Every President, Director, Cashier, Teller, Clerk, Book-keeper, &c. &c. is to be paid. How can these expenses be defrayed otherwise than by making large loans? And if large loans be made, whatever may be their form, they must become long loans, and thus in effect accommodation loans. Thus facility to borrow, and a disposition to lend, and the necessities of the embarrassed, will all combine to increase and perpetuate the general indebtedness, the horrible consequences of which none can be so blind as not to see.

The notion of a Bank of Discount and Circulation, owned by a State and managed by the officers of the State, is as absurd in theory as it is condemned by all experience. With the idea of sovereignty should always be associated awe, reverence and patience. The temple should never be degraded into a place of money-changers. The People have formed themselves into a political body—into a State for purposes utterly at variance with those of trading in bills of exchange and discounting promissory notes. This is a business quite as foreign from the legitimate objects of their association, as would be the retailing of dry goods, the keeping of taverns, the establishment of whiskey distilleries, or any other pursuit of private industry. Not only is the political body degraded by such an occupation, but it must conduct the business unskillfully. It can carry on such operations only through the medium of hired agents who have no personal interest in their success. These agents must be chosen from the representations of friends who are not always competent to judge, and are always interested to misrepresent. To secure a re-appointment, the agents must take care to gain the favor of men of influence or pursue the course whatever it may be, indicated from time to time by the popular voice. Lend money freely—extend the terms of payment—indulge—bear—this is the obvious plan by which favour is to be conciliated, and a continuance in power effected. They would be thus irresistibly compelled to convert the Institution into a public nuisance, or would have to yield their places to others of a more accommodating temper. While the Banks of this State were making loans to all who asked, and permitting their debtors to renew when and as they pleased, it is notorious that they possessed a popularity which put them above law, and which in fact exempted them from the payment of debts. And he knows little of their history, who is ignorant that it was principally the influence, the almost controlling influence which the State had over their direction, that made them lose sight of the true interests of the Institutions, and court the public favour at the expense of the public good. Establish your Bank of the State, and in a few years there will be a large body of debtors who will control public opinion and whose influence direct or indirect, will be felt at the polls, and in every appointment which the Legislature may be called on to make.—This body of debtors will in fact choose the Directors—and it needs no skill in prophecy to predict the character of those whom they will prefer. I protest therefore against the misrepresentation which has been made of the arguments used by my friends on this subject. It is not alleged nor insinuated, that North-Carolina has not sufficient intelligence or integrity among her citizens to furnish men fit to preside over monied institutions, but it is insisted that a stern integrity and strict prudence in the management of such institutions will not recommend them to public or legislative favour. Nor is this any especial imputation on North-Carolina, or those to whom may be confided the power of this State. All History shows, that whenever a Bank of Discount and circulation has been placed under governmental management, it has invariably been mismanaged. The famous Bank of France—is one of the most remarkable instances of it. Up to November 1719, (I take the statement from Stewart's Political Economy) this Bank commanded unbounded confidence, was lending money at two per cent. and operated powerfully to invigorate commerce and rescue the country from its embarrassments. The Government then purchased out the Stockholders, and by the 20th of October in the next year, a pocket full of the notes would not buy a loaf of bread! It is now an established maxim in Political Economy, that the Sovereign cannot have a control over such Banks without fatal consequences, and there is a hardihood in this attempt to set at defiance the lessons of experience, far better calculated to excite surprise than respect. When Hamilton prepared his plan for the Bank of the United States, he was solicitous, could it be done with safety, to give the new government the profits of the Institution; but he was obliged to forego the wish upon the conviction that the thing was not feasible. His observations are so pointed and so just, that I make no apology for calling the attention of the House to them. "Considerations of public advantage suggest a wish that the Bank could be established upon principles which would cause the profits of it to redound to the immediate benefit of the State. This is contemplated by many who speak of a National Bank, but the idea seems liable to insuperable objections. To attach full confidence to an Institution of this nature, it appears to be an essential ingredient in its structure that it shall be under a private not a public direction, under

the guidance of individual interests, not of public policy, which would be supposed to be, and in certain instances under a feeble or sanguine administration would really be, liable to being too much influenced by public necessity. The suspicion of this would probably be a canker that would continually corrode the vital credit of the Bank, and would be most likely to prove fatal in those situations in which the Public good would require that it should be the most sound and vigorous. It would indeed be less than a miracle, should the credit of the Bank be at the disposal of the Government, if in a long series of time there were not experienced a calamitous abuse of it. It is true, that it would be the true interest of the Government not to abuse it, its genuine public husband and cherish it with the most guarded circumspection, and its true interests, in opposition to the temptation of momentary exigencies? What nation was ever blessed with a more successful succession of upright and wise administrations?

"The keen, steady, and as it were magnetic sense of their interest as proprietors in the Directors of a Bank, pointing invariably to its true pole, the prosperity of the Institution, is the security that can always be relied upon for a careful and prudent administration. It is therefore the only basis on which an enlightened, unqualified and permanent confidence can be expected to be reposed or maintained."

Time will not permit me, Sir, to indicate all the evils which "Banks of the State" are calculated to produce. Suffer me but ever to suggest, that of all the factious divisions that ever did exist in a free country, the most pernicious is that of debtors and creditors. Such of us as have not forgotten all our youthful studies, can not but remember the factions of this kind which prevailed at Rome, immediately previous to the final destruction of Roman Liberty. Now the inevitable tendency of such institutions is to convert the citizens into two classes—public creditors and public debtors. The influence of the first will be exerted to compel—and the energies of the other directed to postpone, and finally to give the payment of debts. "To pay, or not to pay," will be the question; our counsels will be distracted; the wholesome course of public justice perverted,—internal harmony destroyed,—and the foulest corruption introduced among our public men, by means of these factions. It is difficult for my imagination to suggest a scheme more fatal to tranquillity, justice, or purity of morals, than the project of an annual election of men to distribute the public money at their discretion among those who may need it. My understanding revolts at it, as the *ne plus ultra* of political absurdities. It will call into action all the artifices of cunning, all the combinations of interest, and all the profligacy of corruption, and when once brought into activity for this purpose, they will be at hand to act on all occasions and for all purposes. Every appointment of honorable trust, and even the ordinary business of legislation will feel their pernicious, their blasting, their accursed influence.

And what are the inducements to tempt us thus to scorn the maxims of wisdom and the deductions of experience, to hazard the public wealth and the public credit, the resources and the morals of our People upon this dangerous experiment? That most generally urged—and which most requires to be refuted is the profitable character of the undertaking. Sir, projectors are never backward in making plausible schemes of profit to tempt the credulous and sanguine to risk their money and credit upon wild speculations. Let us examine that by which our avarice is beset. Banks, it is said, are certainly profitable,—and if so, is it not better that the State should reap these profits instead of individuals? It might be remarked, to these compendious reasoners—commerce skillfully conducted is profitable—so are manufactures—so the mechanical arts—so the various pursuits of private industry. Is it not better that these profits too should redound to the benefit of the whole community, than be monopolised by a few? Ought not the State then to buy ships—set up Cotton and Woollen and Iron Factories—have its steam-mills and its water-mills—its shoe-shops, its taverns and its distilleries? The answer to these suggestions would probably be made at once, such pursuits are profitable indeed, when under individual management, but cannot be advantageously conducted by hired officers; nor need the State envy the profits of its citizens in any enterprise, for if they be benefited, the State is ultimately enriched. How happens it that this answer applies not also to the present project?—What is there in the purely mercantile business of negotiating bills, discounting notes, and dealing in bullion, that fits it for a public, instead of a private direction? It may be profitable, pursued as a private occupation, and most ruinous if undertaken by the State. But gentlemen are in an error throughout the whole of this argument. Banks in North-Carolina are now any thing but profitable. There is not a Bank in this State that, if it could now close its operations without endangering its capital, would not close to-morrow. There is not a Bank in this State that will not immediately sell out its whole concern at 80 in the hundred. And it is at least questionable whether there is a Bank in this State that will ever be able, upon correct banking principles, to make another dividend. To speak of the profits heretofore made is any thing but applicable. Profits were indeed made when the whole country was crazy—when issues were showered without any purpose to redeem them—loans made without any defined period for re-payment—when the public voice sanctioned the suspension of specie payments and when the Legislature approved that suspension. The United States Bank has put an end to this state of things, and by its severe but most salutary pressure, has corrected an evil which would otherwise have probably remained too powerful to be corrected. But the age of profits has gone by, and that of privation and suffering succeeded. All that the Banks can now hope for, is to be permitted, without too heavy a loss to collect enough to pay their debts and return to the Stockholders the larger portion of their capital. And it is at this moment the State is invited to embark in this business with a view to profit!

(Mr. Gaston's Speech to be concluded.)

It is not a little remarkable, that no Statesman of our country has so emphatically set the seal of his reprobation on the nullifying doctrine, by which we understand, the right of a minority in a Republic to resist the majority, as Mr. Jefferson. When the committee were selecting sentiments from his Inaugural Address, for Toasts at the late Political Dinner in this city, how came they to pass over the following? Among "the essential principles of our government, and consequently those which ought to shape its administration," he places the following:

"Absolute acquiescence in the decisions of the Majority, the vital principle of Republics, from which there is no appeal but to force, the vital principle and immediate parent of Despotism."—Nat. Intel.

Dr. Anderson relates the subjoined anecdote, which shows how perseveringly these animals will follow their leader, and presents an amusing fact in illustration of natural history:

"A butcher's boy was driving about 20 fat wethers through the town of Liverpool, but they ran down a street along which he did not want them to go. He observed a scavenger at work with his broom a little way before them, and called loudly to him to stop the sheep. The man accordingly did what he could to turn them back, running from side to side, always opposing himself to their passage, and brandishing his broom with great dexterity; but the sheep much agitated, pressed forward, and at last one of them came right up to the man, who fearing it was about to jump over his head, whilst he was stooping, grasped the broomstick in both his hands, and held it over his head. He stood for a few seconds in this position, when the sheep made a spring and jumped fairly over him, without touching the broom. The first had no sooner cleared this impediment, than another followed, and another, in so quick succession, that the man, perfectly confounded seemed to lose all recollection; and stood in the same attitude, till the whole had jumped over him; not one of them attempted to pass on either side, though the street was quite clear."