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Political.

BENTON ON BANKS & CURRENCY.

WASHINGTON, C. STREET, NOV. 15, 1857.

To the Editors of the National Intelligencer.

GENTLEMEN: Many papers, desirous of the

establishment of a National Bank, are quoting

what General Jackson said in favor of such an

institution at the beginning of his presidency.

I have to remind all such papers that what was

so said was said before Gen. Jackson saw a prospect

of restoring the currency of the Constitution,

and that, after he saw that prospect, he said

nothing more in favor of Banks, National

or State, but the contrary, and labored during

the remainder of his public life to restore and

preserve the hard money currency which the

fathers of our Government had secured (as they

believed) for us. The plan of that restoration

and preservation consisted of five parts, namely:

1. To revive the gold currency by correcting

the erroneous standard of 1791. 2. To create

a demand for hard money by making it the

exclusive currency of the Federal Treasury.

3. To make use of this money by keeping it in

its own treasuries. 4. To suppress all paper

currency under twenty dollars by a stamp duty.

5. To wind up all defaulting banks by a bank-

rupt law against delinquents.

The first three of these five parts were accom-

plished, and to these we are indebted for twenty

years exemption—from 1837 to 1857—from

bank suspensions and depreciated currency;

also, for carrying the country through a foreign

war—the Mexican—without paper money, and

with the public securities above par; also, for

having in the country at this time full fifteen

times as much hard money as we had in the

time of the late Bank of the United States; and

we are indebted to the want of the two latter

parts of the plan for what we now see: nearly

two thousand banks in the country, a great part

of them frauds from the beginning, and the bad

governing the good; a general suspension in a

season of peace and prosperity; people are forced

to use depreciated paper when there is more

hard money in the country than its business

could employ; men and women begging for

work, and unable to obtain it, when the coun-

try needs all they can do, and has the means to

pay for it; families crying for bread, when a

bountiful Providence has given the most exuber-

ant crops that ever were seen; the business of

twenty five millions of people deranged, disor-

dered and thrown out of joint; and all this the

work of the base part of the banks, falling down

themselves for want of foundations, and drag-

ging the solid ones after them. For it is in this

case of bank suspensions as it is with a ship

sinking at sea, where those who cannot swim

drag down those who can.—A stamp duty on

their notes, and a bankrupt process against

themselves would have saved the country from

the calamities it now endures; for many of the

base-ord of banks would have been unable to

"make currency" for want of money to pay

for stamps on their notes, and others would

have been proper subjects for the bankrupt process

in the first few days of their existence.

The restoration of the gold currency was

effected under General Jackson's Administration

the establishment of the hard money currency

for the Federal Government and the keeping of

its own money in its own treasuries, was accom-

plished under Mr. Van Buren, both of which

Presidents took the full responsibility of recom-

mending these three measures, and also the two

others—the two for the imposition of a stamp

duty on all paper money under twenty

dollars, and for a bankrupt act against default-

ing banks. Bills were repeatedly brought into

Congress for both purposes, but were always

defeated by the defection of the paper-money

wing of the Democratic party.

The most plausible of the open objections

made against the stamp duty was in the expense

and the extensive machinery for its collection.

That was answered by providing a cheap and

simple process for both purposes—a clerk in the

Treasury Department for a superintendent of the

business, and the clerks of the Federal courts

to deliver out the stamps which they received

from the treasury. The amount of the duty,

and whether it should apply to all notes or only

to those intended to be suppressed, were ques-

tions on which there was room for some diver-

sity of opinion.—The pre-dominant opinion was

that there should be a duty upon all notes issued

as a currency, (for more were fit to be taxed

than the money powers) the duty being the

same on all notes, and such as the large one

could easily carry and the small ones not. The

amount of the duty was held necessary to be

large—far greater than in Great Britain; for

there no note is re-issued; no one goes out of

the bank a second time, so that the duty in

England is paid every time the bank issues a note.

Not so in the United States. Here a note is

re-issued until it is worn out: until it has be-

come too ragged to hold together, or too filthy

to be handled, or too defaced to be deciphered.

A small duty is, therefore, sufficient in Great

Britain: it would require a very heavy one to

be its equivalent in the United States. Among

the penalties for violating the act, either by

issuing, receiving, or passing the unstamped

paper, should be a disqualification to retain or

receive a Federal appointment; for the pursuit

of office is so general at this time in our country

and so ardent, that in arraying a class so large,

so influential, and active against the unstamped

paper, their circulation would be effectually

checked.

The paper-money wing of the Democracy

was still more against the bankrupt act against

bankrupt banks than against the stamp tax on

notes; and, acting with the habitual opponents

of the party to which they professed to belong,

easily defeated all the bills. The open objec-

tion came from the lawyers, with their profes-

sional idea, drawn chiefly from British statutes,

that merchants and traders were the proper

subjects of the bankrupt law,* although every

late British statute on the subject includes banks,

(the Bank of England excepted) and in a single

section of suspension (that of 1813-14-15)

ninety-two of these banks had been subjected to

commissions of bankruptcy. But this remedy

was not of English, but of Roman origin, as its

name would show, ("bancaus," and "ruptus,")

and bankers were the original objects of the

law, as the same name also shows. "Broken

Bench" is the English of the Latin name, and

was so called because the bankers (money chang-

ers of that time, as now in the east) had their

benches in public places, on which they sat and

did business; and when any one became delin-

quent, or criminal, he was driven away and his

bench was broken. And thus, in its origin,

bankruptcy was a process against banks and

bankers, and still is in Great Britain; and hence

retains its original name of Broken-Bench—the

bench so broken being the sign and warning to

the public that the banker himself was insolvent

and deprived of his place of doing business.

Banking in the United States is the most un-

restrained and unsafe that there is in the world;

unsafe even for solid and well conducted banks

there being enough of the unsolid and badly

conducted to fall down of themselves every few

years, and to drag down the rest with them.

The laws put few restraints or penalties upon

them; and these restraints and penalties are

regularly repealed just as often as the commu-

nity needs the benefit of them. It is by name in

some places, and by fact in others, a system of

"free banking," which the hard-money Demo-

cracy was accustomed to call "free swindling."

Anybody becomes banker that pleases, and

issues small notes and sends them off to a distance

to be circulated and lost, and to sink upon the

heads of the laboring people.† A favorite plan

is to issue notes at one place payable at another

far off, out of the way, and difficult to get at,

so as to compel the holder to submit to a shave.

That mode of doing business was invented by a

Scottish man of Aberdeen in 1806; but he was

in Great Britain, not in the United States; and

the British Ministry and the British Parliament

immediately took cognizance of the inventor

and his imitators, and placed them all in the

category of swindlers, and so put an end to

their operations. No stamp duty, no bankrupt

act, and no requisition to keep any proportionate

amount of hard money on hand completes the

license and unbounded freedom, and the perfect

title to periodical explosions, which belong to

American banking.

This last requisition, that of keeping on hand

an amount of hard money proportionate to their

liabilities, seems to be unknown (even in name)

in the United States; yet that requisite is a legal

and fundamental condition of the Bank of Eng-

land; and the proportion of one-third in gold

of the total amount of its liabilities in circulation

and deposits is the rate enforced; and below

that proportion the Bank of England does not

deem itself safe. Thus swore Mr. Horsley

Palmer, Governor of the Bank of England, be-

fore Lord Althorpe's committee, in 1832: "The

average proportion, as already observed, of coin

and bullion which the bank deems it prudent to

keep on hand, is at the rate of a third of the

total amount of all her liabilities, including

deposits as well as issues." And thus swore

Mr. George Ward Norman, a director of the

Bank: "For a full state of the circulation and

deposits, say twenty-one millions of notes and

six millions of deposits, making in the whole

twenty-seven millions of liabilities, the proper

amount of coin and bullion for the bank to retain

is nine millions." And to the same effect

swore other directors. But in Great Britain it

is not sufficient that this proportion of one-third

is required to be on hand, but it must be shown

and that continually, that it is there.* This

is accomplished by the publication of the quar-

terly weekly average of the liabilities and assets

of the bank, from which the public can always

see when the bank has crossed the line of safety.

How different this from banking in the United

States, where no proportionate rate of specie

to the liabilities is even prescribed; and when

five, ten, fifty, and hundred paper dollars

for one bar of gold in the vault, are frequently

issued.

But one thing was wanting to complete the

title of our banking system to utter unworthi-

ness, and that one thing has been discovered—it

is the disposition of the specie basis! Through-

out the world, so far as paper money is known,

a specie basis is deemed necessary to an institu-

tion which issues promises to pay specie. Not

so in the United States. Paper upon paper has

become theogue with us. Stocks, and the

notes of other banks, are the "sandy" founda-

tion upon which a large proportion of our banks

are built.

I do not expatiate upon the evils of small

paper money; they are palpable to every observer,

and only require enumeration: 1. It drives

away all hard money of equal denominations;

for, in a competition between two currencies,

the meanest is always the conqueror and chases

the other out of the field. 2. It is the great

source of the crime of counterfeiting; for the

mass of the counterfeiters consist of small notes.

3. It demoralizes the community; for people,

not being willing to lose a note for which they

have given value, instead of burning it when

rejected by a knowing one as counterfeit, put

it back in his pocket and offer it again to an

ignorant person, who receives it, and who goes

through the same process when rejected in his

hands. 4. Small notes make the panic and

bring on the runs which break down good banks;

for these small notes being in the hands of the

masses, when they get alarmed, they assemble

by thousands at the doors of the institution

which issued the notes, demand the money,

break the banks, and propagate the alarm which

they themselves feel until it becomes general;

for nothing is more contagious than a monied

panic, nor anything more unmanageable. 5. It

pillages the poor and the ignorant; for every

base note, every one that is counterfeit, or on

a broken bank, or on a bank that never existed,

although it will run for a while, must stop

somewhere; and when it does, is sure to stop

in the hands of the poor and uninformed, upon

that class least able to bear the loss, who have

no advantage from banks while in operation,

and who bear the loss when they stop. 6. It

excites swindling; for knaves, with nothing

but brass for their capital, and that in their

faces instead of their coffers, are induced to set

up manufactories of small paper, to be sent

abroad and sunk upon the hands of those among

whom it is scattered; all that is so sunk being

clear gain to the manufacturer. 7. It induces

and ever compels people to be wasteful of their

money; for such is the natural honest and just

contempt and distrust of small notes, that he

who receives one, hurries off to lay it out for