

AMERICAN VOLUNTEER

Speech of Mr. Honham.

On the Senate bill re-chartering the Eastern Bank—delivered in the House of Representatives March 13th and 14th, 1852.

Mr. BONHAM offered an amendment reducing the capital stock of the bank to \$200,000, and prohibiting the issue of notes by the bank of a less denomination than ten dollars.

Mr. Speaker. Dying to a severe domestic bereavement I feel too much unwell, sir, to enter into a discussion of the subject under consideration by the House, and were it not that I am constrained by a solemn sense of responsibility as a representative of the people on this floor, to express my views on the question submitted in the amendment pending, I should abstain at this time from so doing.

The subject now under consideration is the most important one that has engaged the attention of the legislature at its present session, and I may add, the most important that has engaged the attention of any legislature of the Commonwealth, since the organization of her government. I refer to the increase of the banking capital of the State and the spread of the American system of banking among us, necessarily sub-ordinated by that increase.

I am well aware, sir, that the friends of this bill look upon the amendment which I have just submitted as a hostile movement, and would consider its adoption as equivalent to a rejection of their application. But I can say most sincerely, that in offering this amendment I am actuated by no feelings of hostility to this particular institution, for I entertain none—and I have said before what I repeat now, that I look upon your application of this bank for banking privileges as the most meritorious one that has been made to the present legislature, and that if a bank charter is to be granted during this session it should be granted to the Eastern Bank—for I have always looked upon it as one of the best regulated banking institutions in the Commonwealth.

In submitting my views, therefore, on this bill, I shall address my remarks not so much to the bill itself, as to the subject matter generally to which the bill and the pending amendment relate; and I have taken the occasion of the calling up of this bill to express my views on this subject, for the reason that this bank is a well regulated institution and excites less opposition to its passage on that account.

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This was the policy of the men who framed that instrument. They were opposed to a paper currency, because they had seen its evils. They were opposed to a surrender of an attribute of the highest sovereignty belonging to a sovereign state, because they knew the dangerous purposes for which it would be employed. The power to regulate the currency of any country is a tremendous power. By the expansion of the currency property may be raised in price, by its contraction property may be lowered in price, to suit the views of those who have this power in their hands.

Mr. Calhoun stated in a speech delivered in Congress on the 29th Feb., 1810, on the bill to charter the National Bank, when the whole subject of a paper currency was fully canvassed, "that according to estimation there are in circulation within the United States two hundred millions of dollars of bank notes, credits and bank paper in one shape or other. Supposing thirty millions of these to be in the possession of the banks themselves, they were perhaps one hundred and sixty-five millions actually in circulation, or on which they draw interest, while there are not, according to estimation, but the vaults of all the banks, more than fifteen millions of specie."

The following is a list of the banks proposed to be chartered, which I have carefully collected from the files of the two Houses, and obtained from the advertisements, together with the capital stock for each.

Table listing banks and their respective capital amounts: American Bank of Tampa, \$200,000; Richmond Bank, Philadelphia, \$50,000; Farmers and Mechanics Bank, Carlisle, \$100,000; Valley Bank of Monongahela, \$100,000; Hancock Bank, \$100,000; Spring Garden Bank, Philadelphia, \$250,000; Blair County Bank, Hollidaysburg, \$30,000; Farmers and Mechanics Bank, Allentown, \$150,000; Bank of the Susquehanna, \$200,000; Kittanning Bank, (State stock security), \$200,000; Southwork Bank, for an increase of capital, \$150,000; Kennington Bank, Philadelphia, \$250,000; Bank of Commerce, \$200,000; Mechanics Bank, \$200,000; Schuylkill Bank, (renewal of charter), \$1,000,000; Eastern Bank at Easton, \$400,000; Oneida Bank, \$200,000; Warren County Bank, \$100,000; Farmers and Mechanics Bank, at Phenixville, \$200,000; Bank of Potomac, Montgomery County, \$150,000; Hanover Bank, Lancaster County, \$300,000; Commercial Bank of Pittsburg, \$100,000; Bank of New Castle, Lawrence County, \$100,000; Meadville Bank, \$100,000; Farmers and Traders Bank, Northern Liberties, \$300,000; Farmers and Miners Bank, Allegheny County, \$200,000; Bank of the West, \$1,500,000; Total, \$12,100,000.

Grand total, \$12,100,000.

Mr. LILLY. The gentleman from Cumberland is mistaken. The people of Carbon county have generally been accommodated by the Philadelphia banks, and those of New Jersey.

Mr. BONHAM. Well, it may be so; but I thought that judging from the petitions presented from the gentleman's (Mr. Lilly's) county, in favor of the recharter, and the character of the petition that must have been produced by some energetic influence, some sympathy between the people of the two counties, in these kindred applications. But in addition, sir, there is also an application from Lehigh county for a bank to be located at Allentown, in that immediate neighborhood, which has passed the Senate, and from present indications, will also pass this House.

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They issue their own promises to pay, and get in exchange the promises or obligations of responsible men, and get six per cent interest for the difference, by reason of the privileges conferred upon them by the government, of having their promises to pay considered as money. They discount paper to three times the amount of the capital in hand, and draw interest on the whole. They charge interest for sixty-four days on loans for sixty-three days. That is their custom. They get the interest in advance, which gives them the advantage of the interest on the interest. The interest at this rate amounts to six and four-tenths per cent, instead of six per cent.

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Mr. Webster said in the same debate, "The banks are making extravagant profits out of the present state of things, which ought to be curtailed. He referred, for illustration of this point, to the state of the bank of Pennsylvania, as exhibiting in the return to the legislature of that State, which they draw interest, while there are not, according to estimation, but the vaults of all the banks, more than fifteen millions of specie."

According to a statement made by Albert Gallatin there were in this State thirty-one chartered banks in 1829, with a nominal capital of \$203,000. One million three hundred ten thousand dollars of this amount was invested in real estate, and four millions six hundred and sixty-four thousand dollars in the purchase of bonds, leaving the banks \$1,022,000 to employ in discounting notes. From the \$5,030,000 invested in stocks and real estate, it is to be presumed they derived as much advantage as private persons derive from similar investments. With the remaining \$8,102,000, they discounted notes to the amount of \$17,526,000, and on this they drew six and four-tenths per cent. The revenue which private capitalists would derive from lending \$8,102,000 at the legal rate of six per cent, would be \$386,120 per annum. The revenue which the banks derive from the management of this amount is \$1,211,001. They thus drew from the people at that time \$765,544 per annum more than would have been drawn by private persons, and \$1,763,000 in the same amount as the amount of the increase of capital. From this we may infer that the amount of the revenue which the banks have paid to the State over and above six per cent on their loanable capital \$17,372,812—and that by virtue of their chartered privileges. From the great increase of the banking capital of the State, the amount is no doubt greater than I have stated—it is greater in the proportion of the increase of capital. From this we may infer that the amount of the revenue which the banks have paid to the State over and above six per cent on their loanable capital \$17,372,812—and that by virtue of their chartered privileges. From the great increase of the banking capital of the State, the amount is no doubt greater than I have stated—it is greater in the proportion of the increase of capital.

Table with 3 columns: State, Pop. in 1850, No. of Banks, Capital. Lists states like Maine, New Hampshire, Vermont, etc., with their respective bank statistics.

Table with 3 columns: State, Circulation, Coin. Lists states with their respective banking circulation and coin statistics.

It is thus seen that three of the States, Illinois, Florida and Arkansas, have no banks or banking capital. Illinois is a most important and flourishing State, with a population of nearly one million.

Table with 4 columns: Date, Capital, Number of Banks, and other metrics. Shows data for Jan. 1837, Jan. 1843, and Jan. 1851.

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Table with 4 columns: State, Capital, No. of Banks, and other metrics. Lists states like District of Columbia, Mississippi, Ohio, etc., with their respective bank statistics.

From this table it appears that we had in the Union in the year 1850 eight hundred and fifty-five banks, the aggregate capital of which was one hundred and twenty-six millions nine hundred and two thousand seven hundred and thirty-two dollars. The classification of the capital is a matter for curious speculation.

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The last table I have to submit on this subject is taken from the Evening Post, and made, it is believed, by a Mr. George, a writer of some celebrity on the subject of banking.

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same net circulation of the banks was more than three times the amount it was on the 1st of January, 1843. I think there is something alarming in the above table. The previous bank expansions reached its culminating point 1830-37, and was, as every one knows, succeeded by seven years of extreme pecuniary distress and embarrassment. Now we have nearly one hundred banks more than we had in 1837, with twenty-five millions additional specie circulation, and yet with sixty-three millions less of capital.

What an enormous tax is this system upon the resources and industry of our people. Not only the robbings and stealings of the system, but here a million and a half and twenty-one sets of officers and the dependants, directors, stock speculators and users, who live by banking operations, who are all taken from the productive pursuits of life and added to the non-producing classes—which we all know are numerous enough without them. They thus diminish the wealth of the nation by taking from its active productive industry. The learned professions, the Divines, Lawyers, Doctors, and the trading classes, were drawn enough in the hive, without adding to the list nine hundred and twenty-one sets of bank officers. All the wealth of a nation consists in the soil, and the productive industry of the people—and here the productive classes are to be taxed in addition to support another growing and numerous non-producing class. And these are to be supported in all the extravagance inherent to and connected with the system. There are the expenses of banking houses, the salaries of these officers and a thousand sources of outlay which must eventually be made up by the labor of the country—by the men who till the fields, toil in shops and factories, work in mines, and employ their energies in many active, vigorous, and wealth-producing pursuits. It is stated in the Massachusetts Journal of 1830, that the expenses of the banks in the city of Boston alone, for salaries, rent, and the maintenance of their branches, were \$120,000. There were in 1832 but twenty-two banks in the city of Boston and sixty-one in other portions of the State—so that the \$120,000 spent for these purposes constituted but a small part of the cost of the system in the whole State.

The expenses of the bank of the United States were \$600,000. According to Adams Smith, six millions of people in the country now composing the United States, were, before the revolution, governed at an expense not exceeding \$350,000 a year. The expense therefore of the whole system throughout the entire country must be a very large sum, which is thus taken from the people, in addition to the large dividends or profits declared by these banking institutions.

The system is now rapidly expanding in some of the States. Since the free banking law has been in operation in the State of New Jersey, the banks in that State had increased in June last to the round number of two hundred and twenty-two, and they are now considerably above that figure. And yet with all this array of currency makers and prosperity manufacturers, there has not been a "hard time" for money among the people of that State since 1837, as they have passed but recently.

But it is not the mere wear and tear of the system, even if honestly managed, that afflicts the people so much, as the power it gives to certain men who are enjoying this sovereignty of making money plenty or scarce, and have the disposition to exercise that power dishonestly. Those behind the curtain can first inflate the currency and enhance the nominal value of articles in the market, and when every thing is in the full tide of "successful experiment" sell at high prices. They can then apply the screws, make money scarce, reduce the value of their own bills, and so on, at their pleasure. This is the practical routine of a paper medium. It is a most excellent system to place the honest and unswerving in the power of the sharper and the Shylock. The banker directs who votes to turn down the paper of a needy customer, can follow him to the street and loan the money of the bank to him at two per cent per month. It is a most excellent system to enable the shrewd and cunning to grow rich upon the industry of the simple and unsuspecting. In the recent crisis in New York, it was boldly asserted in certain leading journals, (the New York Herald and Hunt's Merchant Magazine,) was brought about by design. The banks in Wall street contracted their discounts, \$600,000, in the three months ending on the 27th of September last. It is not so much, as the power it gives to certain men who are enjoying this sovereignty of making money plenty or scarce, and have the disposition to exercise that power dishonestly.

Thomas Jefferson often raised his warning voice against the American system of banking. On one occasion he says: "In copying England we do not seem to consider that like premises induce like consequences. The bank mania is one of the most threatening evils in our country which has already set the government at defiance, and although forced to yield a little on the first essay of their strength, their principles are unyielding and unyielding. They have taken deep root in the hearts of that class from which our legislators are drawn, and the sap to Corberus, from false has become history. Their principles are unyielding and unyielding. They have taken deep root in the hearts of that class from which our legislators are drawn, and the sap to Corberus, from false has become history. Their principles are unyielding and unyielding. They have taken deep root in the hearts of that class from which our legislators are drawn, and the sap to Corberus, from false has become history.

Mr. BENTLEY (of Schuylkill) here rose and wished the gentleman from Cumberland to give way, to enable him to make a motion, for the purpose of holding a night session. The motion was made and lost on a call of the eyes and nose.

Mr. BONHAM, continued. One of the greatest objections, sir, to the banking system is that it is a most important part of the sovereignty of the State in irresponsible corporations, in the hands of individuals who will do as directors and officers of such corporations, what they would not do as individuals. A celebrated English writer has roughly, but strongly said that "corporations have neither bodies to be kicked nor souls to be damned." Such artificial persons are held in being by a mere fragment of law, and are soulless as well as heartless. They are an eye single to their own interests. And it is a most soulless and heartless bodies that have a sovereignty of regulating the currency of the country, a power sensitive and vital interests of the community, entrusted. Almost all civilized nations are in a degree guilty of this. What? To protect the man, whatever it may be treated as a mere commodity, a piece of mechanism, which shall bring also, to fulfill—that of forming a standard of value, it could not be tolerated that money should be thus dragged to the contracts and dealings of men. We would not like to have an Indian rubber yard measure a standard of measure, which sometimes might measure a half a yard and sometimes a yard and a half. Neither would we have laws which rigidly to sanction such a derangement of the standard of value. Yet such are the legitimate consequences of the operations of the banking system. When the volume of the currency is increased the influence of price follows, and when the currency is again withdrawn, and when the currency is so difficult the banks can raise prices. And this is a most important matter, and a most delicate matter, disposed, as they must take care of, to increase the very contraction of the currency, and the influence of price follows, and when the currency is so difficult the banks can raise prices. And this is a most important matter, and a most delicate matter, disposed, as they must take care of, to increase the very contraction of the currency, and the influence of price follows, and when the currency is so difficult the banks can raise prices.

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they paid to achieve their independence, and as for a bloody war their connection with Great Britain. From 1811 to 1830 there were about sixty-five broken banks. To this list may be added twenty-eight banks not mentioned in Mr. Gallatin's table, making one hundred and ninety-three in all.

In an address by Nicholas Biddle to the stockholders of the United States Bank in 1823; he stated that of five hundred and fifty-four banks in the United States, one hundred and forty-four had been openly declared bankrupt, and about fifty more had suspended business. There has been a sad list added to this number since that period, strewn in wrecks down through the crisis of '37, and among the number the mammoth institution with its thirty-five millions of capital, over which he so proudly presided, when he made the statement to which I have referred, and which carried with it the hopes and hearts of thousand of widows and orphans, into the yawning gulf of despair and ruin.

I am constrained to say, sir, that the boasted system of free banking turns out to be but little more safe from casualties than the old system. I find in the Philadelphia Ledger, of Dec. 22d, 1851, the following statement of facts on this subject, which I will read to the House: "The friends and advocates of the free banking system, will see an admirable illustration of its workings in the State of New York, by the winding up, last week, of the James and New Rochelle banks. The banks, which were held by the Superintendent of the Bank Department as security for their circulating notes, were sold at public sale at Albany on Wednesday. The sale was well attended notwithstanding which, there was a heavy loss, amounting to nearly fifty per cent. upon the face of the mortgages. The failure of the securities pledged to meet circulation was, however, slight, but the loss of the system, unsafe, and disastrous as they are, was great."

Now, sir, we have a bill on our files to adopt this system also, and allowing an increase of the banking capital of the State to the amount of fifteen millions of dollars. But the system would not stop at increasing it to that amount. We it adopted in this State, based upon our Debt of forty millions of dollars, it would swell the volume of currency thirty-two millions of dollars, besides what it would be increased by banking on the indebtedness of other States and the stocks of the Federal Government. Banks of this description would have no limits, would be prescribed by no bounds; the more debts, stocks and bonds, the more banking capital. It would lead to the most unsafe expansion of the currency. The inability of corporations, municipal and others, would soon be considered as good basis of circulation for paper money as State stocks and mortgages on real estate. Now in order that we may have some idea of what would be the magnitude of such a credit system, will read to the House an estimate of the indebtedness of the country, in various forms. It is as follows, as calculated by those who have the opportunity of voicing for its correctness:

Table listing various forms of indebtedness: Federal indebtedness (\$64,000,000); Indebtedness of the States (\$211,000,000); Indebtedness of the cities (\$5,000,000); Indebtedness of western counties (\$5,000,000); Bonded debts of railroads (\$6,000,000); Total (\$370,000,000).

Under the system of free banking, this would add at least two hundred millions of dollars to the banking capital of the country—and this system is seriously urged upon the consideration of the Legislature, and the bill on our files came within two days of being taken up on second reading in this House, and was probably within that number of the force sufficient to be carried through this body.

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