

THE COLUMBIA DEMOCRAT.

I have sworn upon the Altar of God, eternal hostility to every form of Tyranny over the Mind of Man.—Thomas Jefferson.

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MESSAGE

From the Governor of Pennsylvania, to both houses of the legislature, at the commencement, of the session, January 1840.

(Continued.)

The first object to be gained, by any recommendation I may make, or by any measures you may adopt, no doubt, is to secure an early resumption of specie payments by the banks, and to guard against a like suspension in future. This desirable end must be attained, on a judicious consideration of the subject, and due regard to its practicality, as well as to the wrongs and inconveniences the people endure.

As I have already stated, the New York banks continue to pay specie, as well as the banks of several other states; indeed, some banks that had suspended, have recently resumed. I believe the condition of most of our own banks is as sound in reality, as those of other states. They have as much specie in their vaults, as good debtors, and I know not why they should be less able and willing to meet all demands upon them in coin. It is alleged that the notes issued by authority of law, in some of the states, of a less denomination than five dollars, have supplied the banks with a substitute for specie, and that this has enabled them to hold out against suspension. Perhaps this opinion is to some extent well founded, and it is certainly countenanced by the fact, noticed by all who are conversant with the matter, that although the banks of Pennsylvania have suspended specie payments since the 10th day of October last, yet we now find in actual circulation among our citizens, more specie than in these states where small notes are allowed to be issued, and their banks continue to pay specie for their notes. This is a most conclusive proof of the utility of our own law prohibiting the issue and circulation of notes of a less denomination than five dollars. Its tendency has been, as I believe, to place in the vaults of the banks, and in the hands of private citizens of Pennsylvania, a greater amount of gold and silver coin than is to be found in any other state in the union. I do not think it would be expedient to repeal that law; on the contrary, I think provisions should be made to render its enforcement more effectual, and by which we should drive back, whence they came, the small notes of the neighboring state. They are debasing our calculation—they usurp the place of our own specie—and they transfer to the issuers of them, large profits arising from their circulation in despite of our law. If we force them back upon those who put them forth, either banks or other corporations, which are solvent, we shall get, or we ought to get, specie in return for them. Let those states whose legislatures choose to authorize the issues of small notes enjoy the benefit of such currency. Pennsylvania prefers gold and silver as small change for her citizens.

While the banks of other states enjoy the advantage of small notes as a substitute for specie, we should doubtless allow our banks that are deprived of it, some indulgence in resuming the payment of specie for their notes and liabilities,—and this indulgence should be extended, not so much on account of the bank's themselves, as of the people of Pennsylvania and their business, which would be most deeply affected by imprudent legislation on this subject. It is apparent to the most casual observer from the foregoing statements of the income of our public improvements, the resources of the commonwealth, and the vast amount of the state debt falling due, and the interest annually accruing on the whole debt, that Pennsylvania has a deep stake in sustaining the business and credit of this state and her citizens. Whatever measures cripple our general business operations and prostrate our credit, force upon us the inevitable necessi-

ty of restoring to taxation, or to a sale of our public improvements, or further state loans at a heavy sacrifice. Against all these measures, I feel a degree of repugnance that cannot be easily overcome. The yearly income of the people is already heavily burthened with taxes—their permanent property is in effects mortgaged with an enormous state debt. In this state of things it behoves the legislature to weigh well the policy of adopting any measures that will curtail the avails of the people's industry, or diminish the resources of the commonwealth to meet its engagements. It should not be forgotten, that, in the case of debts already contracted, the direct effect of reducing the means of the debtor, is to increase the relative amount of his debt.—The creditor gains in proportion as the debtor loses, and no man can foresee the extent of the impending convulsion. The commonwealth of Pennsylvania is in no situation to augment her state debt, either absolutely or relatively. Untried expedients should be considered well.

I respectfully suggest the propriety of immediately inquiring into the condition of the banks of this commonwealth, and of fixing the earliest period for the resumption of specie payments that their affairs and the public wants and expectations justify. It would, perhaps be expedient to graduate this resumption, either by the denomination of notes or amounts to be paid so as to make one or more, payable forthwith, and the residue at such respective periods as in the wisdom of the legislature might seem to be advisable, provided the time be not long protracted.

I recommend the appointment of three bank commissioners, to hold their offices respectively for one, two, and three years, so that one shall be appointed annually, hereafter, with the same powers to examine as all times, into the accounts and condition of the banks as are possessed by a joint committee of the legislature; and if any bank shall violate its charter, to institute proceedings to bring it to justice, without delay; or if any bank now in existence be found unsound, to take the proper measures immediately to wind up its concerns. A proper and prudent supervision of this kind, by competent and experienced commissioners selected for their personal weight of character and knowledge of the system, would operate as salutary restraint in the management of our banks, independent of the means which such a commission would afford for correcting abuses.

I also recommend the passage of a law compelling all the banks in the commonwealth to receive each others notes at par, so long as the respective banks continue to redeem their notes in specie; and on failure at any time of any bank so to redeem its notes, that the bank commissioners be required, forthwith, to take charge of it and close its operations, and that each bank be permitted to pay out at its own counter nothing but its own notes or specie, unless at the option of those who have demanded upon it. I am clearly of the opinion that such a law would exert a most salutary influence on our banking system. The rate of exchange between the western and eastern parts of the state is, at times, a serious burden on the community—the banks create that burden—then, on whom could it be placed with more justice and propriety?—They can make those exchanges with much less inconvenience, and with much less expense, than individuals. It would assist to restore confidence, as each bank would be, to some extent, the surety for the notes of the would introduce a wholesome system of checks, long wanted, by inducing each to keep watch over the other; and in case of excessive issues beyond their ability to redeem, their notes would be returned upon them, and the bank be forthwith closed.—Self interest is the ruling motive with banks, and by this law we should enlist in it the support of the public good. It is manifest that this would be an essential improvement of the present system, and would render our banks, and our currency, sounder and better than those of any other state.

I also recommend, that provisions be made by law effectually to prevent any bank, or banks, in this commonwealth from purchasing and holding bank stock, or any other stock except their own, and the stock of this state, or of the United States; and then only to such an amount as shall merely furnish a fund for immediate resort in case of a pressure, or under peculiar circumstances when loans to commonwealth are authorized.

The direct operations of the existing law has been, and must be, to induce banks to engage in wild speculations, foreign to their objects and nature, and to divert their capitals from the legitimate purposes for which they were chartered. Nothing short of the repeal of the present law will arrest this inordinate cupidity, which may be fairly regarded as one of the principal authors of their present embarrassments. Bank offi-

cers should not, under any circumstances, be permitted to dabble in stocks, and a law heavily taxing brokers, and permitting none to follow the business, directly or indirectly, but such as may be specially licensed greatly to check many of the evils of which our city population complains.

I also recommend, an unconditional repeal of the law authorizing stockholders to vote by proxies; or if you should be of the opinion that this would be going too far, then, at least so far, as to prevent proxies from being given by stockholders residing in the county where the bank is located, and prohibiting bona fide stockholders, residing out of the county, from giving proxies to any officer, director or agent of the banks. This system of proxies is susceptible of the grossest abuses. It has been used to keep in office directors, presidents and cashiers of banks, who were not the free choice of the stockholders. It prevents those who are interested in banks from investigating their management, and enabling dishonest officers, not only to defraud the banks, but the banks to defraud the public. It is an unnecessary exception to the plain rule of common sense, that where majorities govern, the voters should attend in person.

I also recommend the prohibition, by law, of the pernicious practice of issuing what is denominated post notes, by the banks, or notes payable at a future day.—This is a violation of the spirit and principles of all judicious banking;—it is a dangerous power to be exercised by the banks, and it will, ultimately, enable them to evade most of our penal laws. It calls for effectual extinction.

I also recommend that the power contained in the amended constitution, of repealing bank charters, reserved to the legislature on the creation of all such corporations, shall be made a fundamental article of every bank charter in the state. This will bring every bank charter directly within the reach of the people, at all times, and will enable them to rid themselves of any banking institution by repeal, the conduct, or power of which, renders it obnoxious.

I also recommend, that the time given to the banks, after the presentation of their notes and refusal to pay them in specie, as well as to make application to a judge by the holders thereof, to exhibit proof of the fact, for the purpose of proceeding to have their charters forfeited, shall be restricted from three months, to thirty days. This will afford a strong guarantee against all future suspensions, and place a more speedy remedy in the hands of the people should such occur.

I also recommend that the directors of the banks of the commonwealth shall be rendered personally liable for the payment of all notes issued by the banks respectively under their direction, if at any time the same in circulation, and the money due to depositors shall exceed the ratio of three dollars for one of the specie in their vaults.

I also recommend that from and after a certain period, perhaps of one year, no banks in this commonwealth shall be allowed to issue any notes of a less denomination than ten dollars. This will insure as a larger amount of specie in general circulation, and add greatly to the stability of the currency and the banks. Our experience in relation to excluding from circulation notes under five dollars, fully confirms the policy of this recommendation.

I also recommend that the banks be prohibited from making dividends exceeding seven per cent, per annum, and that the law prohibiting the declaring of dividends during the suspension of specie payments, be rendered more effectual. It is understood that several banks in this commonwealth, have wantonly and needlessly violated this law since their suspension in October, last. If this be found to be so, on examination, I recommend, further, the passage of a law repealing their charters, on such conditions as may seem expedient to maintain the laws inviolate and to protect the rights of the community. The idea of a set of associated individuals publicly declaring a division of profits among themselves, and refusing at the same time to pay their just debts, is revolting to every principle of common honesty and good morals. If the laws of this commonwealth are thus contemptuously trampled on, without even the poor pretext of necessity urged in behalf of the act of suspension. I think it is time an example was made of the offenders, to vindicate the law, and to punish their temerity.

It also recommend that more effectual provision be made to compel the banks to furnish full statements of their condition to the auditor general, or to the bank commissioners, should the legislature enact a law for their appointment.

The principal of making the stockholders liable in their personal capacity, for the notes of the banks, in case the corporate funds be inadequate, appears just and

equitable; and if the legislature can devise a practicable mode of bringing it into operation, I will most cheerfully co-operate with them. Those who share the profits of loaning their credit, should be willing to share the responsibility of making that credit good.

The foregoing recommendations and suggestions, if adopted, would, in my opinion, tend to correct most of the abuses and evils of our banking system; strengthen the banks themselves in the confidence of the people, and secure the public against loss and imposition. I will add, that I think a total separation between the state and banking institutions ought to take place. The association of private individuals with the state, in banking institutions, results almost entirely to the advantage of the former. Whatever hopes might have been founded on such association, by the legislature that the banks thus owned would be at all times ready to aid the commonwealth, have been illusory. Although the state owns 3750 shares of stock in the Pennsylvania Bank; 5233 shares in the Philadelphia Bank, and 1709 shares in the Farmers' and Mechanics' Bank, yet she has not such a share in the direction of either as to control any of the proceedings, and derives no benefit from the partnership. Her capital is used by her individual associates for purposes of private gain and speculation, and the commonwealth, when she wants money, is compelled to look elsewhere. I therefore recommend the passage of a law authorizing the sale of the state's stock in said banks, at such time, and in such a manner, as will yield the greatest amount to the state, or if it be found that such sale cannot be made without too great a sacrifice; owing to adverse circumstances or other causes, that authority be given to declare their charters annulled and to divide the assets among the state and the private stockholders. The opinion is rapidly gaining ground in this country, that direct associations, between governments and banks is neither advantageous to the parties concerned, nor safe to the public. Our banks so essentially depend on the fluctuations of trade and commerce with foreign nations, and are so liable to be influenced by those monetary convulsions and embarrassments in Europe, which operate with increased force since the relations of business have become so intimate, and the communication is rendered so easy by modern improvements on the ocean, as to form very improper depositories for the money of the people, and a very insecure basis for the public treasury.

The measure of establishing an independent treasury for the general government, with such multiplied securities and guards for the keeping of the public money, as will render it safe and convenient for the use of the government, has been imperatively called for, and justified, by recent events. Public sentiment is settling in its favor with unprecedented strength, and there is every reason to believe, that the laudable efforts of the President of the United States on behalf of it, will be successful. Among other reforms of our present banking system, I do not consider this as the least. It will remove from the banks many temptations to extend their business to an unreasonable degree; it will check foreign importations; it will save the community from the manifold evils heretofore suffered in consequence of the governments withdrawing from the banks large amounts of its funds therein deposited; and will place all the banks on an equal footing, by preventing the exercise of that parity or indulgence, which may very readily be used to strengthen and uphold particular banks, at the hazard of crippling and breaking up others. Under whatever aspect we view it, it seems to be a measure, both of wisdom and necessity, which sooner or later will meet with universal assent.

I also recommend that thorough investigation be made into the facts, whether or not any of the banks of this commonwealth have charged and taken illegal and usurious interest, either directly or through the fiction of bills of exchange, or by setting a part portions of their funds, to be used by committees or other persons for such purposes. I have reason to believe that all, or some of these things have been done by certain banks in the city of Philadelphia. And if it should be ascertained on investigation, that such is the case, I recommend that the charters of those banks, which have so acted be repealed, for this gross and unjustifiable violation of this salutary law. I have also been informed, that certain banks in the city of Philadelphia have neglected or refreshed to observe the provisions of the 42d section of the act of 16th April, 1838, relative to the rotation and election of bank directors. This law, I regard as wise and salutary, and if it should appear or inquiry that it has been wilfully disregarded by any bank or bank subject to its operation, I respectfully suggest the propriety, of pass-

ing such a law on the subject, as will effectually prevent future violations, and punish past transgression.

Saving institutions and loan companies have increased greatly in number and importance in this commonwealth, within a few years. Great complaints have been made, especially in the city of Philadelphia against their mode of doing business. It is said that they, or some of them, have taken illegal and usurious rates of interest,—that they have dealt oppressively, and illegally with their debtors and customers—and that they have contributed, in some measure, to aggravate the evils and embarrassments produced by the conduct of the banks. I recommend strict inquiry into those and other allegations against them, and if found to be well grounded, that the charters of all that have thus acted be repealed. It is not to be tolerated, that those creatures of legislation, should set the laws at defiance.

I also recommend the passage of law for the more adequate prevention and punishment of frauds and fraudulent breaches of trust by officers of banks, collectors of public moneys, and all other receivers and disbursees of public moneys. Recent experience has shown, that civil liabilities are altogether insufficient to protect the public from fraud and imposition by these several classes of officers. I am not, in general, in favor of multiplying penal laws, but the peculiar temptations afforded to these officers to transgress their duty, and the hope of impunity, arising from the mere civil responsibility to which they are subjected, call for the special interposition of the legislature. Instances of delinquencies have occurred within a short period, in which not only has the commonwealth most probably sustained considerable losses, but numerous private persons, little able to bear the consequences, have been deeply affected, and in some cases entirely ruined. The perpetrators of these deeds should be taught, that our penitentiaries were constructed for the reception of inmates like themselves.

Considering the various banks in this commonwealth, incorporated at different times, on different principles, and of widely different amounts of capital, it might perhaps seem expedient to some, that I should recommend discriminating legislation applicable in its penal consequences to some and not to all the banks alike. It will be seen that several of my recommendations though expressed in general terms, will operate on particular banks only. I have not been able to perceive any good reason for making discriminating recommendations. I think on the contrary, all banks in a sound condition should stand on the same basis, and be subject to the same general regulations. Such of my recommendations, as are applicable to particular banks, are intended to bring all within the operation of the same rules and restrictions.—The laws should be made strong enough to control the most powerful, they will then be sure to be strong enough to control the weaker ones. The principle of banking on a large or a small capital, is precisely the same in its influence, except the difference in degree, upon the human character. The greatest gain, at the least expense, is the ruling motive of action in both, and sways with the same power, the bank of one hundred thousand dollars capital in a country village, as the one of so many millions in a great commercial metropolis.—The whole difference consists in the influence and power of these respective institutions. I think the recommendations I have made, if incorporated into the charters of the most powerful banks in the commonwealth, will bring them within the immediate reach of the legislature and the law. In that condition, they will be humbled in their lawless pretensions, and stripped of their ability to set at naught, as they have done, the will of the people.

As we cannot get rid of the banks altogether, without the most serious losses, and inconveniences of the public—the extent of which can be but imperfectly computed, when we consider that it would most certainly reduce our circulating medium very considerably, and that the inevitable consequence of such reduction must be to depreciate our farm lands to one half perhaps of their present value, and all other property in the same proportion; increase in effect, our state debt in a corresponding ratio, and individual debts in a like relative degree; I find in these things motives of no slight weight to my mind for urging steadfastly upon the legislature, the adoption of the suggestions and measures which I have suggested. Or at least, if other measures should seem to them preferable, that they should be those of a kindred bearing.

I dismiss the further consideration of our banking system, fully convinced of its manifold imperfections, and abuses; and reiterating the hope and the assurance, that this legislature will not separate, till thorough