The Bank of North America had been open for business for three years in its quarters in the remodeled store on Chestnut west of Third Street when it suddenly found itself in the midst of the sectional and social quarrels of Pennsylvania politics. In 1785 the charter of the Bank of North America came under attack in the state assembly and in the Philadelphia newspapers. The enemies of the bank were the farmers of the democratic West; its chief supporters were the wealthy merchant oligarchy of the East. The same opposing forces, greatly increased in numbers with the growth of the nation, were to meet some fifty years later over the same issue when President Andrew Jackson slew another “Monster of Chestnut Street.”

The Bank of North America was founded by Robert Morris in 1781, the blackest year of the Revolution, when the Continental Congress turned to Morris to save the country’s finances. Morris declared that the bank would bolster the tottering national treasury by making loans from its capital, and supply the need of a circulating medium by issuing notes on the credit of the stock. The country’s plight was desperate: Morris’s arguments were persuasive; and in 1781 the Bank of North America was granted a charter by both the Continental Congress and the state of Pennsylvania.

The administration of the bank’s affairs rested solely in the hands of its twelve directors, chosen by the stockholders from among their number. The annual elections proved little more than a formality, as there were few changes in the board’s membership from year to year. With the exception of Timothy Matlack, a leading radical and renegade Quaker, who served only one term, the directors belonged to a closely-knit social and economic class and were of uniform political persuasion. They came from old and
interrelated Pennsylvania families, wealthy merchants or professional men of high standing, with political records distinguished for their conservatism as well as for their public service; and more than one of them during the Revolution had incurred suspicion of Toryism. Later they were all to become conspicuous Federalists.

Serving as president for the first decade of the bank's career was Thomas Willing, close friend and business partner of Robert Morris, Episcopalian and a Tory suspect. Other board members included James Wilson, Willing's son-in-law William Bingham and Thomas FitzSimons, a prominent merchant for many years president of the Philadelphia Chamber of Commerce.

The bank's private transactions thrived almost from the beginning, despite the heavy drafts on its resources in the national emergency. By 1783 the stockholders were receiving fourteen and a half per cent dividends on their investment. The venture was so much of a success that when the directors decided to enlarge the bank's capital by a new issue of shares at $500 each, a plan was put forward in Philadelphia for a rival bank, to be called the Bank of Pennsylvania, selling shares at $400. Support for the new organization was evidently drawn from those who had no grievances against the Bank of North America but thought that competition was good for any business, those who wanted to invest in cheaper bank stock than one at $500 a share, and those who thought they discerned a menace to agrarian democracy in the Bank of North America.

Robert Morris, remembering his months of effort to scrape together enough capital to start one bank, knew that Philadelphia in 1784 could not possibly support two, and that the competition for capital would ruin them both. The older bank accordingly reduced the price for its new share issue to $400, and the subscribers to the Bank of Pennsylvania stock transferred their money to the Bank of North America. The first threat to its existence was withdrawn, but the incident had attracted the attention of the people of the state to the fact that a highly profitable banking monopoly was growing up in their midst.

By the time Congress had ratified the Peace of Paris, the account of the Bank of North America with the United States was closed.

1 Jared Sparks, *The Diplomatic Correspondence of the American Revolution* (Boston, 1829), XII, 485.
Robert Morris resigned his stewardship of the national treasury and turned his indefatigable energies toward battling the forces of inflation in Pennsylvania.

The strife between sections and classes with which Pennsylvania had been beset since the beginning of the Revolution had sharpened with the coming of the post-war depression. Pennsylvania's old aristocracy, who for years past had kept the lower classes of farmers, artisans and small tradesmen from any share in the government by the devices of unequal representation and property qualifications for voting, regarded the Revolution with apprehension. Their social inferiors joined the Sons of Liberty and welcomed the Revolution as an opportunity to overthrow the eastern oligarchy, and as a result, Pennsylvania was sidetracked during the war into a sectional and social struggle that prevented the state from throwing its full weight behind the revolutionary cause. The remnants of the old ruling class struggled against the newly-enfranchised westerners for almost ten years, attempting to prevent the declaration of independence, the adoption of the Pennsylvania Constitution of 1776 and the passage of the Test Act which required an oath of allegiance to the state constitution before a vote could be cast. The depression, intensifying the bitterness between rich and poor, brought the controversy to the boiling point. It was as a scapegoat for hard times that the Bank of North America was thrust into the center of the storm.

The war's end sent the continental armies and the state militia on the road back to civil life with no compensation for their seven years' absence from productive labor other than rapidly depreciating certificates. What specie had not been driven to cover by the paper money of the war years was now sent to England to pay for merchandise available in quantity for the first time since 1775. The scarcity of money made payments of debts difficult if not impossible yet debtors found themselves unprotected against "the diabolical dispositions of . . . merciless creditors." The market was glutted with land from confiscated Tory estates, and land was often the

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2 The Freeman's Journal of October 11, 1786, recorded the arrival at London of the ship Mary, with a cargo of cash from the United States, including $46,125, the remainder in foreign coins amounting to a total of about 200,000 pounds in sterling.

3 Pennsylvania Gazette, February 25, 1784.
poor debtor’s only negotiable property. Multitudes were moving west to the great tracts of free land acquired during the Revolution, and business at home was too discouraged to venture into new enterprises. Both state and federal governments staggered under a heavy debt, and the people, as one observer wrote, “shrink in despair from the magnitude and frequency of the tax bills . . . which they declare themselves unable to discharge, for want of cash, which is not to be obtained.”

As always, the economic crisis brought most distress to the poorer classes with no surplus funds to fall back upon when their income suddenly failed, the people whom the prosperous described as “men . . . who labored under the intolerable grievance of being obliged to pay their honest debts.” They were the farmers whose lands had become worthless, and “the honest mechanic and hard-working laborer” in the city, whose “insatiable leeches”—the landlords—“never . . . tired of exacting the last farthing from their distressed tenants.” Seizing upon the scarcity of money as the cause of their plight, the people of Pennsylvania in 1785 set up a cry for paper money.

No trouble was anticipated in getting a paper money bill through a legislature in which only fifteen members of the conservative party remained. The one serious obstacle to the issuance of paper money was the Bank of North America. For if the bank refused to accept the bills on the same terms as specie, the public would have no faith in them from the first day they appeared.

The sentiments of the bank’s directors on the subject of paper money were only too well known in the state, and the bank’s fate was sealed when a committee of the merchants and traders of Philadelphia, all but two of whom were directors or stockholders of the bank, petitioned the Assembly to refrain from issuing paper for a time, pointing out that public confidence in paper money was so weak that the issue would sink even if the funds provided for its support were seemingly adequate. The petition offered a ready-

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4 *Freeman’s Journal*, June 21, 1786.
5 *Freeman’s Journal*, December 12, 1786.
8 *Pennsylvania Gazette*, March 2, 1785. The petitioners were George Clymer, Mordecai Lewis, John Wilcocks, Samuel Howell, John Nixon, Richard Wills, Tench
made pretext for an attack on the bank, and as soon as the legislature had passed a law authorizing the issuance of "bills of credit to the amount or value of one hundred and fifty thousand pounds, . . . printed on good strong paper" it welcomed a petition setting forth "the mischievous consequences of the institution to the fair trader" and demanding repeal of the bank's charter.

If the Pennsylvania legislature disavowed the charter it had given the directors, the bank's supporters feared that the bank would collapse and leave the way clear for a flood of paper money. The charter from Congress, granted in 1781, had fallen into disrepute with the decline of Congress' prestige; the directors of the bank had regarded it as only a temporary makeshift until they could obtain a state charter, while the narrow provincial viewpoint of the Pennsylvanians who sat in the Assembly, regarded a charter from Congress as approximately as forceful as one of Congress' requisitions for money. It was clear that the existence of the Bank of North America depended upon keeping the charter given it by the Pennsylvania legislature in 1781.

From assiduous repetition, the arguments put forward to demonstrate the menace of the bank to the community were to become exasperatingly familiar during the two years to come. They were based for the most part on no sounder logic than John Adams' belief that "banks have done more injury to the religion, morality, tranquillity, prosperity, and . . . wealth of the nation than they can have done or ever will do good," and could have carried no cogency to any mind not already determined to accept them.

The bank was blamed for having enabled merchants to make unwise purchases of British goods by making money readily obtainable in discounts; and then throwing the merchants into the clutches of usurers by calling for payment of the discounted notes in forty-five days. The farmers complained that they could not borrow money at the legal rates of interest since all the wealthy Philadel-
philanthropy’s money had gone into bank shares, and insisted that it was impossible for them to borrow from the bank because they could not come to Philadelphia every forty-five days to pay or renew their notes. And always there was reiterated the prime objection: "the bank forbids paper money which has been the traditional medium of America." By enabling the settler on the frontier where no specie circulated to improve his lands, and so raise and sell more produce, (said "Philadelphiensis," as he inaugurated the columnists’ incognito battle royal over the bank), paper money actually created gold and silver. "This currency is the true Pactolian stream, which converts all into gold that is washed by it." 

The committee which the legislature appointed to investigate the question whether the existence of the bank was consistent with the public safety, and "that equality which ought to prevail between the individuals of a republic" brought in a report embodying accusations which made former objections seem trivial. Manuel Eyre and William Coats of Philadelphia County, Persifor Frazer of Chester and Robert Whitehill and John Smiley from Cumberland and Fayette, convinced themselves after a summary consideration of the bank and its three years’ activity in the community that it was banishing a great part of the specie from the country in dividend payments to foreign shareholders and collecting what was left into the hands of the stockholders. They foresaw the directors of "this enormous engine of power" who had already threatened to blast the credit of the state’s paper currency, dictating to the legislature "what laws to pass and what to forbear," and predicted that eventually the foreigners interested in the bank would control its policies, and from domestic tyranny "the good people of America [would be] reduced once more into a state of subordination and dependence upon some one or other of the European powers." 

The anti-bank party, outnumbering by two to one the bank’s partisans in the Assembly, knew their victory had been won in the election and did not even stoop to argue with the writers who filled the pages of the Pennsylvania Gazette with defenses of the bank. "A Gazer On" ridiculed the precipitate change of front on the part


13 *Pennsylvania Gazette*, March 30, 1785.
of those who had been involved during the preceding year with the Bank of Pennsylvania and were now loudly damning banks and banking as subversive of democracy, having suddenly decided "that the great profit received by the Bank of North-America" which was to enable its directors to govern Pennsylvania was "of a very different nature from the great profit they had proposed to themselves in the new bank; ... [and] that, though ... the country is deprived of borrowing money by reason of the bank, yet that difficulty would not have happened if both banks had been established, and twice the sum had been locked up." 14

"A Philadelphia County Farmer" tried to convince his fellow-agriculturists in the west that the bank actually did more for the farmer than the trader, raising the prices for his produce by stimulating the circulation of money.

Some of you, who live at a distance, do not see these things, and may not know the cause; but, as I live not very far from town, and am there usually once every week, they are familiar to me, and I would willingly make you understand them. Every man ... who has had a bushel of wheat to sell since there was a bank, knows that he has got more for it than he used to do. 15

Another writer, "Candid," advanced the view that for the Assembly to take away a charter was to violate the social compact. "The annihilation of the bank," cautioned "Candid," "leads directly to a system, which is calculated to loosen all the bands of morality and government, and to introduce the manners and vices of barbarians and savages." 16

Despite such dire forebodings, the bill to repeal the charter passed its second reading on April 4. The Assembly, eager to plunge into the fray over the Test Act, decided to wait until after its summer adjournment to deal the final blow to the bank.

The bank seized the few months' respite to gather its forces in a final effort to save its charter. Several months too late to make any difference to the outcome of the struggle, it yielded to the paper money faction so far as to offer to receive paper on deposit. The directors, most of whom had been exceedingly unwilling to make the concession at all, wanted it to be fully understood by the public

14 Ibid.
15 Ibid., April 6, 1785.
16 Ibid.
that the paper money transactions were to be kept "entirely distinct and separate" from those in specie, and a new ledger was assigned to the paper money accounts.

Sixty-seven people opened accounts for paper, and Robert Morris by March of the next year could point out to the Assembly that all of the recent emission except that allocated for the use of the loan office had passed through the bank's hands, a total of 107,280 pounds, fourteen shillings having been received on deposit. An examination of the paper money ledger, however, shows that the bank's acceptance of soft money lured none of the apostles of paper to entrust it to their vaults; at the head of all the pages stood the familiar names of Willing, Wilson, FitzSimons, Bingham and Caldwell, most of whom used paper only for their business transactions. They evidently expected the paper bills to depreciate rapidly at any moment, for they were all very careful to keep their deposits just ahead of their withdrawals and often allowed the accounts to run out completely, while the bank kept close check on the ledger and balanced the accounts approximately every two months. Thomas Willing was scrupulously punctual in paying his taxes in paper bills.

Then the desperate directors instructed Willing to commission James Wilson, the eminent political philosopher, to make an eleventh-hour appeal to the Continental Congress.

"Fiat justicia, & contentus sum;" [Willing wrote]. With the assembly the word is "Carthago est delenda" let the Congress judge for what end or purpose; & let them consider too, that when this political child of theirs, has once breathed its last, they have no Promethean power to call another such into existence. Confidence once lost, is not often, if ever, to be regained.

This is perhaps the only instance when a politic body has been annihilated & private Interest and property violated, without any the least charge of abuse of power, or mal practice suggested, much less proved, before a jury of twelve men.

In the present case, not only the constitution of the State is violated, but the confederation of all the states is also violated, & a stab, a mortal stab, is given to the honor of Congress,—& the credit of all America. I have devoted a large portion of my time, and considering the period of my life, a very precious part of it too, to the service of my Country in the establishment of the Bank, it is my pride, it is my greatest glory that it has thus far suc-

17 Directors' Minutes and Letter Book, June 2, 1785.
18 Carey, Debates, p. 119.
ceed... to preserve it from destruction & to further our public measures,—I would devote the few remaining years I have, in its service, rather than it should fall a sacrifice to the delusion of Party, or to the insidious designs of Tories & British Emissaries. God Grant that this may not be the Case. To prevent it I conjure you by every tie you have to the institution of which you was an early protector, by every tie you have to the country you live in, to exert every nerve in its defence.

Congress by the summer of 1785 was moribund, and Wilson decided to turn his talents toward the composition of a “very ingenious Pamphlet on the Subject of the Bank.” For this effort the directors paid him $400, hardly a princely honorarium but sufficient in view of Wilson’s some $30,000 debt to the bank then outstanding.

Wilson’s pamphlet, couched in legal terminology and heavy with quotations from Blackstone and Burlamaqui, set out to achieve the double purpose of saving the bank and making a case for the (inherent) sovereignty of Congress, by the method of establishing the validity of Congress’ charter. The clause in the Articles of Confederation empowering Congress to control the general interests of the states Wilson interpreted to signify that whenever “an object occurs, to the direction of which no particular state is competent, the management of it must, of necessity, belong to the United States in Congress assembled.” Wilson grouped among such objects the forming of new states, and contended that if Congress could give the “charter of compact” permitted by the Articles to a new state she could likewise charter the Bank of North America.

Although he was certain that the bank could operate with perfect security under Congress’ charter alone, Wilson nevertheless asserted that for Pennsylvania to attempt to revoke its charter would be a grave error. The repeal, should it go through, would destroy confidence at home and abroad in the financial stability of the United States, and would as well deprive the country of the advantages it enjoyed from the bank. The kernel of his argument, however, was the contention that the Pennsylvania legislature had no legal right to repeal the charter. The assemblymen, he said, could revoke only

19 Directors’ Minutes, May 12, 1785.
20 Directors’ Minutes, September 1, 1785.
those of their acts which affected the people of the state as a whole, including themselves; for, if they had the power to discriminate against one particular group, all security for property would be at an end. A charter was a compact between two groups of people, subject to emendation or rescission only in a court of law.\textsuperscript{22}

This pamphlet, Thomas Willing told his son-in-law, "is wrote solely for Congress & the Assembly—other Fugitive and Weekly pieces will directly follow, to suit the people at large."\textsuperscript{23} By September with the attacking party apparently unmoved by the barrage of reasoned confutations of their arguments, prophecies of dire disaster in score for a state which failed to safeguard property rights, and cogent expositions of the legal niceties involved, the partisans of the bank fired the final shot of ridicule. One of the most effective of these pieces was a description of a dialogue supposed to have been overheard in a tavern.

Scene—A Tavern, sundry Persons sitting round a Table, with Beer, Pipes, Tobacco, &c.

1st. Huzza for the downfall of the Bank; we have knocked it in the head.
2nd. You are quite right; the bank [is] a many headed monster.
1st. The Bank never did anything but mischief. Mark me, while I tell you what mischief the Bank does. How are we to pay off our bonds? All honest men should support their country, by cheating their creditors: Creditors are the bane of a young country: So here is confusion to them all—a tender-law forever!
3rd. Gentlemen, many of you are not in trade, so I suppose it is by reason of that you have said nothing about the worst thing the Bank does. I am a dealer in huckstery. Now, do you see, if I owe a man money, I give him my note for it: Well, suppose it is twenty or thirty, or even fifty pounds, why he carries it to the Bank, and when it is due I am obliged to pay it. There is not a greater hardship in trade than making punctual payments. I say it is the destruction of all trade.
1st. Is it not a great hardship, that we should pay so extravagantly for servants and labourers in the country? They never used to be so dear; and why? Because we did not use to have a Bank.
4th. For my part, I am sure it is owing to them the roads are so bad.
5th. And the weather so dry.
6th. Aye, and that the weavil has got among our grain.
1st. Well, this is what this hydra has done in the country.\textsuperscript{24}

\textsuperscript{22} Ibid., 15-19.
\textsuperscript{24} Pennsylvania Gazette, September 21, 1785.
When the Assembly reconvened, the directors renewed their petition to be heard by counsel in defense of the bank's charter, which had been ignored in the previous session.\textsuperscript{25} The legislature appointed a day for the hearing of both sides of the case, and Thomas Willing, accompanied by James Wilson, appeared before the bar of the House. Wilson spoke for the bank during one day and part of the next, but his defense could not stand before the vehement attack of Jonathan D. Sergeant, the state's attorney general, and on September 13 the charter was repealed. Eleven members of the Assembly and two other citizens lodged a formal protest with the Speaker, but it went unnoticed.\textsuperscript{26}

II

Even before the final repudiation of its charter the bank's business had been dwindling. The stock now fell to six per cent below par, and the cash account shrank from the high figure of $59,570,000 for 1784 to $37,000,000 in 1786. The Assembly's action lost the bank much of the always lukewarm confidence of European investors,\textsuperscript{27} and the Dutch minister to the United States joined four New York shareholders in writing Thomas Willing "that the very existence of the institution has by this proceeding been drawn into controversy, a circumstance which we consider in so serious a light as to render necessary the most speedy and effectual measures to decide the doubt." They demanded a test case to determine whether Pennsylvania law still recognized the bank as a corporate body, and a provision for the return of their money in the eventuality of an adverse decision.\textsuperscript{28} The bank hastened to extract from this unhappy situation the only possible good by inserting in the Pennsylvania Gazette an "Extract of a letter from an American Gentleman, now at the Hague."

\textsuperscript{25} Directors' Minutes, March 29, 1785.
\textsuperscript{26} The protest was signed by Richard Willing, Robert Ralston, Charles Humphreys and Edward Jones of Chester County, Henry Miller, James Ewing, Philip Gartner, Henry Tyson, John Hay, Joseph Lilly and David McConnaughy of York County, and Robert Cloggage and Matthew Ritchie.
\textsuperscript{27} Carey, Debates, p. 44.
\textsuperscript{28} P. J. Van Berckel, William Edgar, Sampson Fleming, William Denning, and John Barker Church, by Alexander Hamilton, his attorney, to Thomas Willing, January 9, 1786. Stockholders' Minutes.
The act of your Assembly for taking away the Charter of the Bank, has done more mischief to our country than you can conceive. Hundreds of people (many of whom had property) in England were preparing to embark for America; others, who have overgrown fortunes, were about to invest their cash in our lands; and a few were about to lodge money in your Bank, when the tidings of the attack upon it reached London. They have all changed their minds, and consider nothing as secure in the new states.29

The directors' first step to save the stockholders' money was to stop discounting, and call in all outstanding notes. A number of letters were written to the bank's debtors on the order of one to George Henry: "You can be no stranger to our late publick measures, nor to the effect they have had on our Operations; and therefore cannot wonder at this pressing application to you for payment." 30 After the first shock had been weathered, however, and it looked as if the bank was not in immediate danger of expiring, the directors cautiously offered discounts for two months, though with no promise of renewal, and on the strength of the charter from Congress, business went on as before, though on a reduced scale.

In January, 1786, the directors of the bank instructed their attorneys in Wilmington to petition the Delaware Assembly for incorporation, conveying at the same time their "opinion that they have in their power to become serviceable, for instance their present capacity would admit of their lending the state of Delaware 50, 60, or 70,000 dollars payable in annual installments within five years from the time of lending at 6 pC p' annum, the State mortgaging to them some certain revenue equal to such payments and making the notes of the bank receivable in taxes throughout the State." 31 Delaware chartered the Bank of North America on February 2, and Willing told the "Patriotick legislature of the Dela-ware State . . . that I feel in the highest Degree the Obligation the Institution is under to the State of Delaware for thus kindly taking us by the Hand, and giving us their protection, at a Time when our misguided Assembly here, have attempted most unreasonably to crush and destroy us." 32

But in Pennsylvania the bank's position was still precarious at

29 December 21, 1785.
30 Directors' Minutes, January 7, 1785.
31 Stockholders' Minutes, January 18, 1786.
32 Directors' Minutes, February 6, 1786.
best, and Robert Morris once more took the helm in an organized effort to win back the charter. The bank was an issue in the new elections and when the votes were counted it was found that not only had all but six of the bank party been returned to the Assembly, but that there were nineteen fresh recruits; while the number of the enemy remained approximately the same. And now, with Thomas FitzSimons, George Clymer and Robert Morris sitting for Philadelphia, the conservative members could take the offensive under expert leadership.

In December, 1786, for some unknown reason, Thomas Paine, who had theretofore been on notoriously poor terms with the financial leaders of Philadelphia, produced under the signature “Common Sense” a pamphlet against paper money, the legislature’s assumption of judicial functions, and its general “want of moderation, and prudence, of impartiality and equity, of fair and candid inquiry and investigation, and of deliberate and unbiassed judgment” in dealing with the bank’s charter.

None of Paine’s arguments, especially his conviction that the saying “money is money, and paper is paper” summed up the entire controversy, soothed popular wrath against the bank, and it was not surprising that a representative from the west made a thinly veiled reference to “an unprincipled author, who lets his pen out for hire.”

Paine’s desertion of his old friends was more probably prompted by disillusionment proceeding from the behavior of the unicameral legislature of which he had so highly approved in theory, and by a genuine belief that the bank’s services to the country were indispensable. He also took pride in the Bank of North America as the offspring of the old 1780 Pennsylvania Bank of which he claimed to have been the founder. Robert Morris emphatically disavowed the charge of bribing Paine, and Thomas Willing’s letter to him acknowledged only the bank’s debt of gratitude.

Paine had been a supporter of the Pennsylvania Constitution of 1776 during the Revolution, and a leader of the Arthur Lee faction in the Deane-Lee controversy in which Robert Morris and his friends took the side of Silas Deane.


The Pennsylvania Bank of 1780 was a subscription raised by a number of Philadelphians to supply the Continental army.

Carey, Debates, p. 116.
I... feel myself greatly obliged to you for the trouble and attention you have bestowed on the subject of this Institution—The Memorial has been printed in some of the newspapers & I have got a number struck off by Mr. Hall [printer of the Pennsylvania Gazette] on single sheets, he is also to get it translated into the German language; which with the original in English will be circulated thro' the State.

With the redoubtable Tom Paine agitating for the bank, Robert Morris began his campaign by presenting at the end of December a memorial to the House from the “Directors and Trustees” asking a repeal of the law which had abrogated their charter. A flood of petitions poured in on the legislature during February and March, all “praying that the charter of the bank of North America may be revived, in such manner that in future its existence may be determined by the laws of the land, administered in the courts of justice, and not otherwise.” 38 Six hundred “inhabitants of the city and liberties of Philadelphia” filed a lengthy petition protesting against the “spirit of haste and precipitancy” in which the repeal had been rushed through, without allowing “the persons whose property was immediately to be affected by the passing this bill into a law” adequately to be heard in their own defense. 39 Thomas Willing published a statement acknowledging the directors’ “grateful sense of the obligations they are under, for the honourable and voluntary aid thus publicly given by their fellow-citizens.” 40

The debate on the bank began with George Clymer’s presentation of a report on the petitions. His committee was shocked to find that the committee of the preceding year had not bothered to call at the bank to investigate the nature of its transactions, before recommending repeal of the charter to the Assembly, and came to the decision that the bank had been the victim of “precipitancy, prejudice and partiality,” with the annulling act remaining on the statute books as a reproach both to the government and the people. 41

John Smiley of Fayette County, and Robert Whitehill of Cumberland, the two members of the late House’s committee, arose in its defense, and were joined by William Findley of Westmoreland. All three were Scots-Irishmen from the west; Findley had been

38 Pennsylvania Gazette, March 1, April 19, May 17, June 28, 1786.
39 Carey, Debates, pp. 2-7.
41 Carey, Debates, p. 10.
born in Ireland, and Whitehill was a first generation American; both of them exercised a formidable influence on western Pennsylvania public opinion. Violent Whigs from the start, they had welcomed the Revolution as a means of seizing control of state politics from the east; Whitehill had been George Bryan's right-hand man in drafting the Constitution of 1776. Their later record was as consistent as Robert Morris' and James Wilson's in the opposite party. Findley virulently opposed the Federal Constitution, and Whitehill used every expedient to delay the election of delegates to the Pennsylvania ratifying convention until he could familiarize the back country with the evils of the Constitution.

The atmosphere in the Assembly was strained from the first day of debate. The opposition to the bank refused to speak until the conservative party had presented its case, and the adjournments were made so short that Robert Morris complained that "they scarcely allow us time to take a comfortable dinner and glass of wine, before we are obliged to return to the charge." The galleries were packed. "No subject of debate that has been agitated before the legislature of Pennsylvania," wrote Thomas Paine, "ever drew such crowded audiences as attended the House during the four days the debate lasted." 42

In reply to the charges of the Clymer report, Whitehill asserted that precipitancy had been harmful only in the original chartering of the bank, which had been under discussion only a month, not in the repeal, in the course of which, as Smiley said, the bill had lain over the four months between the winter and the fall session without arousing any public sentiment in its behalf. Smiley then proceeded to accuse his opponents that "the influence and terrors of the bank, have been exerted to procure subscribers to those memorials," and went on to take full advantage of a bad tactical error made by Clymer in reporting that the said subscribers "included the most respectable characters amongst us." "This," proclaimed the representative from Fayette, "is holding out an aristocratical idea. If we enquire what constitutes the respectability meant in the report, we shall very probably find it riches. They have more money than their neighbors, and are therefore more respectable." 43 Whitehill wound

42 Pennsylvania Gazette, April 5, 1786.
43 Carey, Debates, p. 10, 21.
up the first round by parrying Clymer's charge of the cursoriness of the 1785 committee's investigation. If we had called at the bank, he inquired, "would the president and directors have told us of the partiality and favouritism they might have been guilty of?" 

An interchange of opinions on the extent of the Assembly's sovereignty in charter repeals delayed Robert Morris' keynote address for most of one day. William Robinson declared that the late House, by usurping judicial powers, had broken the original and fundamental principles of the Constitution. To this allegation Smiley replied that the constitution also secured the natural rights of the people from invasion by monopolies. Whitehill pointed out that there were two precedents for a legislative repeal of an act of incorporation, the cases of the charter of the College of Philadelphia and the charter of the proprietaries, and Findley observed that the legislature had done violence to no one's property: the directors could still run a private bank.

Robert Morris had prepared a full answer to the Bank's enemies. The bank did not banish specie abroad, he said, but on the contrary actually made sending cash to Europe more difficult, as it was the policy of the directors not to lend money for exportation. To be sure, some money was sent in dividend payments to the 200 or so foreign shareholders, but the advantages received by the bank from the use of their capital more than compensated for the loss of such small sums. He denied the accumulation of enormous wealth would enable "a society who claim perpetual duration" to exert an ominous influence in the government.

One of my worthy colleagues and myself are stockholders, and gentlemen affect to suppose we are under this influence: how far does our influence go? We offer our sentiments on various occasions; we urge reasons and arguments which we, at least, think ought to have weight, and to carry conviction. But if these arguments are offered against a certain system of measures, there are certain gentlemen from the country, who possess a kind of magic, which produces much greater effect than our reasoning. We carry very few points against this magic charm: and with a vote on the question, our influence is ended.

As for the evil effect the investments of foreigners in the Bank of North America were expected to produce on the institutions of

44 Ibid., 60.
45 Ibid., 15, 22, 64, 74.
republican government in the United States, Morris assured the apprehensive gentlemen from the country that it was not logical that foreigners "by depositing their money with us, shall become our enemies and seek our destruction. Nothing can make such stockholders our enemies, but breaking our contracts with them." 46

The stockholders, continued Morris, did not remove all the country's specie from circulation by investing in bank shares, but actually increased its circulation, as the profits of the bank were paid out in dividends, and passed from the stockholders' hands around the community. Then, too, since the opening of the bank, the merchant who wanted to make a large purchase could deposit his savings as he acquired them, making them available for circulation as loans instead of inactive in his chest or drawer, for the bank could lend out part of its depositors' funds since they would not all call for their money at the same time. The increased circulation of money would thus be useful to the farmer by making it easier for people to get cash to buy his produce, and benefit the mechanic by enabling his employer to procure cash to pay his wages punctually.

The Bank's enemies had lamented that they could find no one to lend them money now that all the money they were used to draw on had gone to make up the bank's capital. One-half of the bank's stock, rejoined Morris, belonged to persons living outside of Philadelphia, which would not be available for borrowing even if removed from the bank, and the Philadelphia investors would have to use their part of the stock for running their businesses, as now they often borrowed from the bank as much money as they had in shares.47

The lack of a circulating medium brought the Assembly around once again to the subject of paper.

The question is not, [Smiley declared], whether or no we shall have paper money—but who shall emit it—the bank or the state? If the bank emits it, it must have the profits. If the state is obliged to borrow, she must necessarily pay 6 per cent.—whereas, if she emits on loan, she gains 6 per cent. in her favour. All these advantages we must give up, if we restore that institution.

Robert Morris could not help "expressing my astonishment at

46 Ibid., 51-57.
47 Ibid., 104, 97, 93, 96, 95.
this constant cry for paper money by the country gentlemen, when it is notorious that they will not sell the produce of their farms for it.” Findley retorted that he had observed no depreciation in the state’s recent issue of paper, but on the contrary, that it was enjoying a rapid circulation. Everyone with whom he had had dealings had been willing to receive it except those who said they must have money for the bank. Rapid circulation, Morris rose to point out, was an infallible sign of lack of confidence. The paper was being “pushed from hand to hand, like the lighted stick in the play of ‘Jack’s alive, and alive like to be,’ each holder fearing that it should die in his hands.”

As the debate grew heated the arguments verged more and more on the farcical. Money which would have gone to build new houses and farms was now locked up in the bank where it could increase free from taxes and without the labor of its owner; “thus by discouraging improvements, it prevents population, and with it the rising glory and strength of the commonwealth.”

Findley pursued an involved line of reasoning to prove that the bank, “having no principle but that of avarice, which dries and shrivels up all the manly—all the generous feelings of the human soul,” was hourly encompassing the ruin of small traders by handing them over to usurers.

Does it not give a facility to trade? Is not this its proper use? Is not the balance of trade against us? Does it not, therefore, give facility to importation in a degree too great for our exportation? Surely, it does. When gentlemen obtain the assistance—the ready and generous assistance of the bank, to purchase imported goods—must they not pay at a short and certain day? And when the market is glutted with goods, and the appetite of the consumer cloyed, what shall—what can the borrower do? He may and often does go to the vendue stores [public auction], and lose his property by ready money sales, at the rate of 50s. a minute: or he may go to the rapacious brokers, whose existence in Philadelphia is coeval with the bank, and of them borrow at five or six per cent. per month. This has been the relief, no less common than destructive—the mournful relief of those who have with the best designs and flattering expectations, made use of the delusory assistance of the bank: and thus it is likely to be with every institution inconsistent with the laws and manners of a people.

The bank, he declared, was inconsistent with the Pennsylvania Bill of Rights, which stated that government was not instituted for

48 Ibid., 24, 80, 69-71, 97.
the emolument of any man, family, or set of men. It was inconsistent with the laws of the state, because its charter was granted for perpetuity and even the state’s most sacred law, the constitution itself, was subject to revision every seven years. Whitehill here interjected the observation that the salutary principle of rotation of office had been ignored by the bank, whose directors might occupy their positions all their lives.

The bank was opposed to the manners of the commonwealth, because “our laws and habits countenance long credits, and afford slow methods for recovering debts.” The Pennsylvania farmer was helpless before the power of a wealthy corporation, which belonged in a country where such institutions as an opulent nobility and “royal prerogative supported by an enormous civil list and numberless dependents” had the power necessary to keep it under control. The gentlemen from the country had long experience in rabble rousing, and found that inflaming the public mind with lurid pictures of impending autocracy was as effective as it had been before the Revolution. The bank, they prophesied, would end by causing a schism in the state. Philadelphia would become “like Hamburgh and Dantzick, [and] not only promote monopolies, but have its foundation placed in the principles of monopoly and aristocracy.”

The debate took the form of speeches consisting chiefly of defamatory attacks upon the probity and patriotism of members of the opposing party, with the arguments for both sides presented, refuted and repeated several times over. Smiley suggested that the bank had bought its partisans, including the “unprincipled author, who lets his pen out for hire,” whereupon Morris expressed the wish that “more delicacy were observed” in mentioning people “who cannot speak here, and of course have it not in their power to defend themselves,” and in his turn accused Findley of land jobbing on commission for his neighbors in Westmoreland. Findley countered with a thinly veiled reference to FitzSimon’s presence in the Assembly, which had neglected, he said, “to guard against men, who have procured peculiar privileges by obtaining partial laws in their own favor, for the sole purpose of gain, advocating their own cause by the advantage of a seat in this house.”

George Clymer, who had been silently watching the effect of his

Ibid., 123-126, 61-66, 75.
report upon the representatives from the west, now recalled to the legislature Findley’s statement that while the passing of the repealing law might have been hasty, such means were amply justified by the end attained. “It has been a reproach to the order of the jesuits, that they held this doctrine: but I find there may be jesuits out of the Roman Church. It is not taught by any presbyterian synod that I know of.” The ablest piece of repartee however, passed between Morris and Whitehill. Morris earlier in the debate had exclaimed in exasperation after a particularly illogical speech of Whitehill’s that “even were an angel from heaven sent with proper arguments to convince him of his error, it would make no alteration with him.” The member from Cumberland seized the next lull to deliver himself of a telling rejoinder. “One of the city members has remarked, that he believes, if an angel from heaven were to endeavor to convince me, it would have no effect: if an angel spoke as he has done, I should regard him as a fallen angel.”

At this point Quaker George Logan intervened to say that he was sorry to see that the gentlemen, instead of answering the arguments made use of on the other side, had had recourse to personalities. He himself had become a subscriber to the bank when the subscription was enlarged two years previously, but had since sold out.

Had the members who spoke against the present report made good their charges against the bank, he had determined to vote with them, although not convinced of the propriety of the house assuming judicial powers. But the charges were not made good. There were [he said] two modes by which the interests of agriculture could be promoted; by a loan office, and by the bank, which latter, furnishing the merchants with money, procured a ready sale for produce. As a farmer, he had experienced the good consequences of it. The other, by enabling the farmer to borrow money for the improvement and cultivation of his lands, greatly advanced his interests.

This serene pronouncement brought the members to a realization of the folly of their ways. At last the report of the committee was put to vote. Again the decision had been made at the polls, for on April 1 by a vote of twenty-eight to forty-one the report was rejected. Seconded by Adam Hubley of Lancaster County, and still

50 Ibid., 111, 116-117, 110, 72, 131, 77, 113.
51 Ibid., 112-113.
hoping for the best, Robert Morris brought in a resolution for the suspension of the charter repeal, on the ground that the petitioners had mentioned it as the alternative to reincorporation, but it was promptly negatived by the Assembly. 52 Strangely enough, at least two radical members, John Creigh of Cumberland and William Will of Philadelphia, had had accounts for three years past at the bank they now consigned to another year of insecurity, and one of them, William Tod, an accomplice of William Findley's from Westmoreland County, was depositing several sums of well over $100 during and even after the Assembly's debate. 53

III

The narrow margin by which the bank had met defeat made its supporters certain that enough seats could be won in the autumn elections to insure victory. Thomas Paine declared confidently only four days after the vote in the House that by "the great change of sentiments that is spreading through both the city and country, it is visible, that the people are recovering from the delusion and bubble of last year." 54 The leaders of the bank party, in an attempt to break the hitherto solid ranks of their opponents in the western counties, now laid down a steady barrage of campaign literature to influence the autumn elections.

In one of the most important of these pamphlets Pelatiah Webster undertook to dispel the instinctive distrust of banks of the financially uneducated by explaining with an air of "only see how simple this is" the workings of bank bills, deposits and discounts. To the charge that the bank by discounting notes made cash so readily available that "dissipating young fellows . . . spend money faster," Webster objected that the bank should not be blamed because some people made ill use of it; such reasoning, he said, would be as illogical as to declare that "good victuals and drink are wose [sic] than bad, because gluttons and drunkards will eat and drink to excess." 55

Webster urged the voters to endorse the protection given by the

52 April 7, 1786, Pennsylvania Gazette, August 2, 1786.
53 See the Individual Ledgers of the bank.
54 Pennsylvania Gazette, April 5, 1786.
55 Webster, Essay on Credit, pp. 14, 19.
bank to the savings of the aged, and the funds deposited for the support of widows, orphans and infants, churches, hospitals, poor-houses and sea captains. He pointed out, moreover, that it encouraged salutary habits of frugality and diligence in the state. When a man was saving for some important purpose, he said, such as making provision for his old age, knowing that the money would be safe if he deposited it in the bank "he will be very industrious, and his oeconomy will be very good, 'till he has made up his heap." Thus, he would continue to work and save, inspiring his neighbors to do likewise, until "such oeconomy and industry, may become general among . . . men through the state, to the great advantage . . . of the state, the bank and themselves."

In the newspaper war resort was had to sneers, since both sides had long since used up their supplies of arguments. Paine first relieved his feelings on the matter of Smiley's uncomplimentary reference in the Assembly to his integrity, by appealing to his public to decide "whether there can be a greater instance of meanness, and depravity, or a greater prostitution of legislative privilege than, for a man . . . to make use of that opportunity to abuse private characters." Tom Paine attempted to prove that Smiley was the tool of a group of wealthy men wishing to destroy the bank because it stood in the way of their private interests.56

Smiley's friends retorted that Paine was a low drunkard: "As it was said of the orations of Demosthenes that they smelt of the lamp, it may justly be said of some modern Essays that they smell of the cask."

I cannot conceive, [wrote "Atticus,"] in the wide extent of creation, a being more deserving of our abhorrence and contempt, than a writer, who, having formerly vindicated the principles of freedom, abandons them to abet the cause of a faction; who exerts the little talent which Heaven has allotted him, . . . to vilify measures which it is his duty to respect, and . . . [devote] his pen to the ruin of his country.

When Paine took no notice of "Atticus" efforts other than quietly to protest that he deliberately gave a false impression to the public

56 Pennsylvania Gazette, April 12, 1786. Paine identified as the leader of this group of saboteurs George Emlen, who had been one of the directors of the 1784 Bank of Pennsylvania.
by taking his sentences out of their context, "Atticus" lost all sense of moderation.

With a silly levity natural to your disposition, [he addressed his adversary], I suppose you profess to "laugh" at the attack which has been made on you. To be insensible to the shafts of ridicule, and the precepts of truth, is the last stage of human depravity; to this principle therefore we may safely attribute your boasted derision of my letters to the people; for should you really be as unfeeling as you pretend, and should the justice of the laws ever take you in your career, like Pierre in the tragedy of Otway, (and he too conspired against the liberties of his country) you may triumph in your crimes when stretched upon the rack, and laugh like an idiot in the pangs of expiration. 57

That attack of frenzy was fortunately short-lived; the columnists now began an attempt to develop new angles to the controversy. Thomas Paine declared that public banks were "the offspring only of free countries," for "where the people . . . live under the continual apprehensions of the power exercised over them, the rich secrete their money . . . and the bulk of the people, from the want of its free . . . circulation, are kept poor." Atticus rebutted by citing a long list of wealthy characters of history from Crassus to Cosimo de Medici whose riches had enabled them to "become possessed of an unbounded influence in the State," adding that it was in despot-ridden Florence that "the institution of a Bank was first established." 58

To Atticus also came the inspiration to exploit the clause in the bank's charter providing for punishment of counterfeiters of bank notes "without benefit of clergy." By decreeing the same punishment for forging the signatures of the president and directors of the Bank of North America and forging the public securities, the legislature had violated the canon of justice demanding punishment to fit the crime, and made "the code of criminal jurisprudence . . . in Pennsylvania, for the sake of the few, a black and bloody roll of penalty and prosecution." 59

The very preposterousness of such bombast was good evidence that the opposition to the bank was losing strength. After almost a year of charterless existence, the directors no longer worried about running a bank without state protection. Willing assured the Dutch

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58 Ibid., June 21, June 14, 1786.
59 Ibid., May 10, 1786.
minister and his friends, prominent stockholders, that "we are going on with our business, having experienced no diminution of Confidence amongst the trading or Country Interest; not even with many of the most respectable of those, who have been our Political Enemies." 60

The autumn elections fully justified the hopes of the bank's adherents. Of the thirty-one conservatives who had served in the Assembly during 1785-1786, twenty-four were returned, together with thirteen new representatives, making a gain of six members; twenty-four out of forty-two of the anti-bank party had been defeated, and only eleven new members joined their ranks. Findley and Whitehill now led a faction smaller by thirteen members than their following of the year before.

The city of Philadelphia was for the first time solidly conservative, as were Bucks and Chester counties. The group of conservatives from Lancaster and York had survived their third election on the issue of the bank. Most important of all, inroads had been made in the western counties. John Smiley had lost his seat, and from Berks and Westmoreland, two conservatives appeared in the Assembly for the first time; one of them being Hugh Henry Brackenridge, the future author of Modern Chivalry.

Benjamin Franklin, always a firm believer in the bank, and now President of the Supreme Executive Council, put all the weight of his prestige behind the final effort to regain the charter. Its restoration now seemed virtually assured provided the bank would agree to fix its maximum capital at $2,000,000, and to accept a limit of the charter's existence to fourteen years. After James Wilson had assured the directors that he was "decidedly of opinion that the Modification of the Bank Charter as to limitation of Time or Capital will not affect the Congress Charter," 61 which Thomas Willing had come in the last year to regard as the bank's "Sheet Anchor," 62 the bank gave its consent.

On November 16 a petition from "divers inhabitants of the city and liberties of Philadelphia" was presented to the Assembly, re-

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60 Thomas Willing to P. J. Van Berckel, William Edgar, John Barker Church and Sampson Fleming, June 13, 1786. Directors' Minutes.
61 Stockholders' Minutes, November 23, 1786.
62 Thomas Willing to Arthur Lee, December 29, 1786, Directors' Minutes.
capitulating all the old arguments in favor of the bank, and offering to "submit to the wisdom of the house the manner of modifying the Charter." A committee was once more appointed to consider the petition, and a week later reported

That it is consistent with the policy of government immediately to revive the Charter of the Bank; but as this Charter, altogether unlimited in duration, and almost so in capital stock allowed to be employed, may . . . become an object of some jealousy and apprehension, your committee are of opinion, that it might be expedient to qualify it in its revival; . . . but in such manner, as, that while all reasonable ground of objection to an institution so eminently useful to the commerce and agriculture of this state is removed, the Bank shall remain uninjured in its essential rights, and be left fully to its own operations.

While the report was under debate Hugh Henry Brackenridge and George Clymer tried to force the issue by moving to postpone consideration of it in order to bring in a bill to restore the charter, but the majority of the House decided to proceed with the report, and after a short discussion approved it by a vote of thirty-three to twenty-eight. George Clymer, Gerardus Wynkoop of Bucks County, and James Hockley of Montgomery were appointed a committee to prepare a bill embodying the recommendation of the report.

By the time the bill was presented for passage Whitehill and Findley had ready to put before the House petitions from 121 Philadelphians, 203 Bucks County citizens, 301 residents of Chester and 170 of Montgomery County, remonstrating against the revival of the charter. After winning the Assembly's consent to debating the bill by paragraphs, they tried to hamstring it by proposing extensive emendations to each clause and demanding a vote on all of them, but the Assembly by a narrow vote successively rejected motions to require rotation of bank officials in office and the presence of a majority of the stockholders at their election, to allow any stockholder dissatisfied with the charter to withdraw his shares, and to prohibit proxy and plural voting.63

These parliamentary tactics exasperated Thomas Paine.

The opposers to the Bank [he fumed], finding their cause as unpopular as it is unjust, are endeavouring to confound what they cannot confute, and

63 Pennsylvania Gazette, December 6, December 27, 1786; June 24, 1787 (on House proceedings of December 13, 1786); February 14, 1787 (on proceedings of December 28, 1786); April 25, March 21, 1787 (on proceedings of March 16, 1787).
to recover by contrivance what they lost by misconduct. Failing in the onset, they seek to embarrass the issue, and escape undefeated in the fog of perplexity.

In a final burst of righteous wrath Paine catalogued all the misdeeds committed by the bank’s enemies since the Revolution, when they “lay smug with what hard money they had in their pockets” while the public-spirited stockholders in the bank risked losing its whole capital in meeting the “pressing and necessitous” requisitions of Congress.

On the termination of the war, all risk and danger being over, those same persons, so quiet then, and so noisy since, formed the scheme of setting up another Bank. Not from any public principle or for any public purpose; not to expel the enemy, for he was already expelled; but merely with a view to make money and profit. They had no hard money, God help them, not they, while there was danger of losing it; but when that danger was over, they could find hard money for a new bank.

Foiled in this attempt to rival the Bank of North America, this group of miscreants then “propagated a report that Banks were injurious and dangerous” and proceeded to demolish the bank. “Their conduct,” concluded Paine, “is in itself a satire upon hypocrisy, and equalled only by the impudence of acting it.”

The bill “entituled ‘An Act to revive the incorporation of the subscribers to the Bank of North America’” passed the Assembly on March 17, 1787 without much further ado and was enacted into a law. The opposition in the newspapers had dwindled to a few murmurings about the “sums . . . buried in the caverns of the Bank”; after eleven years, the control of the Pennsylvania politics was slipping out of the hands of the Scots-Irish from the west. Just before the bank bill became law, the party which had won back the charter finally pushed through the Assembly a revision of the Test Act, releasing thousands of Pennsylvanians to vote against the state constitution they had refused to swear to support. In two months the delegates to the Federal Constitutional Convention were to arrive in the city, inaugurating a period of stability in which a central bank was to be an essential part of the national financial organization.

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JANET WILSON

64 Ibid., March 7, 1787.
65 Ibid., March 21, 1787.