

ON THE ADVANTAGES OF A
PUBLIC BANK ³³

IF THE experience of other countries on the science of Banking be a matter worth attending to, there can be no hesitation in pronouncing in favor of a well-regulated public Bank. I shall therefore introduce this part of the subject by taking a concise view of the conduct of other nations on this subject.

In countries under a despotic government there are no public banks, because in such countries those who have wealth think it safer to conceal than to expose it. Public banks, therefore, are the offspring only of free countries, or of those which approach the nearest thereto; and in proportion as the people share in the government, in nearly that proportion do public banks prosper and are encouraged.

In Holland and in England, where the people, by their right of election and representation, participate in the government of the country, more than in any other of the same importance in Europe, that participation protects their wealth, and they trust it to a bank with safety: by this means all the money of the country is brought into use: whereas in countries where the people have no share in the government, and live under the continual apprehension of the power exercised over them, the rich secret their money, or keep it locked up for their own use only; and the bulk of the people, from the want of its free and confidential circulation, are kept poor.

It is not so much the quantity of wealth, as the quantity that circulates, that constitutes the monied riches of a country. If we may credit history and reports, there is more money in some countries, where the generality of the people are wretched and poor, than in some others that are esteemed rich; but in the one it is hoarded, and in the other it is dispersed by circulation and gives briskness and vigor to industry and improvement. One of the best methods to increase wealth in a country is to increase the circulation of it, by inducing every part of it to be brought forth, and constantly moving. A pound hoarded for a

³³ From the *Pennsylvania Packet*, June 20, 1786. The letter also appeared in the *Freeman's Journal* of June 21, 1786.—*Editor*.

year, and then paid away, pays but one debt of twenty shillings in that time; but the same pound paid away every day, does the same service three hundred and sixty five times over.

Public banks, therefore, being the offspring of free countries, and of free countries only, or of such as approach the nearest thereto, and are not instituted in despotic governments, it is no reputation to the political principles of those persons, who endeavored to suppress the institution of a public bank in this state.

The superior advantages of a public bank in a country to those of private ones are very evident. Private banks can only be set up by men of large fortune, and therefore they would be a monopoly in the hands of a very few: but in a public bank divided into shares, the monopolizing system is destroyed, and the business thrown open and any man in any part of the country may be a banker by being a stockholder.

In a private bank, the true condition of it can be known only to the proprietor. This being the case, he may extend his credit too much beyond his capital. He may trade or speculate with the money deposited in his hands, and either by ill fortune in his projects, or fraudulent designs, may break. But in a public bank, there are too many people concerned to admit of secrecy; and the business is conducted by established rules, which cannot be dispensed with, or departed from. The directors are refrained from trading with the capital of the bank, or the money deposited there, and therefore the security of a public bank is greater than that of a private one. The proprietor likewise of a private bank be he ever so substantial will die; and when this happens, his affairs will be in the hands of executors, who are not always the best people to settle with: But in a public bank this never happens; its affairs never go into the hands of executors, because the directorship being filled up by election, never dies.

Had the persons who formed the scheme for opposing the bank been the institutors of it, it would then have been held out as one of the finest things imaginable. But such is the intoxicating spirit of party, and such the operation of envy, that where it cannot do the service that is wanted, it endeavors to prevent its being done. But in the instance of opposing the institution of the bank, the spirit of party carries something like a double face. Those who have been most clamorous against it, however they may conduct themselves in other places are nevertheless making use of its convenience. If they are now convinced of the

usefulness of such an institution, they ought to be candid enough to say it.

One of the clamors against the bank was, that none but persons interested in the institution were its advocates and supporters. This is very true, if rightly understood, for every man is interested in supporting an institution that is of general utility. The stockholders are but a very small part of the numerous body of the citizens of the state, who are seeking to preserve and retain so useful an institution as a public bank. All the countries that are arrived at a degree of opulence sufficient to carry on any kind of trade by means of the produce of their lands, are as much if not more, interested in the matter than a stockholder. In short, every man who has any concern with money matters, and that every one has more or less, is in some degree benefited by an institution that serves, like the heart to the body, to give circulation through the state.

Another of the clamors was, that people could not borrow money as before. For this they may in a great measure thank their representatives, who by the instability of their political conduct, and the levity they have shown in making and unmaking of laws, violating faith, and tampering with credit and paper money, have made one man afraid to trust another; and this will ever be the case while such methods are practiced.

But the most beneficial system of loaning, for the general interest of the country, is by means of a public bank. Loans for short periods serve to pay the farmer, the miller, the tradesman, the workman, etc. and hundreds are served in the course of a year to one that would be served by loans for a long period of time. The former system of loans was excellently adapted to the circumstances of the country at that time. It enabled people to make farms; but now that the farms are made, the best encouragement to the farmer is to provide means to buy and pay, in real money, for the produce he has to sell.

If the money that now compose the capital of the bank could possibly be spared by the stockholders, which it cannot, and lent to individuals in different parts of the country for a number of years, only a very few persons could be served, compared with the numbers served now, and those only who had already considerable property to give in security; and the first borrowers would exclude all others from the chance of borrowing during the time for which they had borrowed themselves. He there-

fore who puts his money in the bank, lends it to a more general good, than if he were to trust it to the use of one person only for a number of years.

I shall conclude this paper with a declaration, that in this place may not be improper, which is, That from the first establishment of the bank, to the present hour, I have been its friend and advocate; yet I have never made the least use of it, or received the least personal service or favor from it, by borrowing or discounting notes, or in any other shape or manner whatever or of any person concerned with it directly or indirectly. I have kept cash at the bank, and the bank is at this time in account to me between eight and nine hundred pounds, for money which I brought from New York, and deposited there ever since last September, and for which I do not receive a single farthing interest. This money the country has had the use of, and I think it safer under the care of the bank, until I have occasion to call for it, than in my own custody.

COMMON SENSE.

June 17th.

ADDRESSED TO THE OPPOSERS OF THE BANK ³⁴

ERROR like guilt is unwilling to die. However strong the conviction, or clear the detection, it still disdains to yield, and though defeated struggles to survive. The opposers to the Bank, finding their cause as unpopular as it is unjust, are endeavoring to confound what they cannot confuse, and 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.

New devices, as frivolous as they are unjust, are couched under new

³⁴ From the *Pennsylvania Gazette*, March 7, 1787. In the autumn elections of 1786 the pro-bank forces won out, and, with the full support of Benjamin Franklin, a move started in the State legislature to restore the bank's charter. A bill was introduced in the assembly, but the anti-bank forces resorted to parliamentary tactics to delay the vote and insisted on placing special conditions in the new charter. These tactics infuriated Paine and he wrote this letter denouncing those engaged in these activities.—*Editor*.