WHY DID THOMAS PAINE WRITE ON THE BANK?

ALFRED OWEN ALDRIDGE

Professor of English, University of Maryland

Paine defended the Bank of North America first of all because he believed in the principles on which it was established and felt sure that its influence upon the future of the United States would be beneficial. The truth of this is incontestable. New evidence now reveals to us in addition the particular circumstances which led Paine to announce publicly his adherence to the Bank. This evidence is found in a letter by Paine in the Pennsylvania Gazette, December 21, 1785, which so far as I know has never been reprinted or discussed. This letter reveals that Paine's first public statement was elicited because other published works on the contrary side had been attributed to him and that intense personal embarrassment made him reluctant to criticize the Assembly for acting against the Bank. His embarrassment stemmed from the fact that the Assembly which he was criticizing had just voted him a payment of £500. More important, the letter shows that the arguments in defense of the bank in Paine's later Dissertations on Government; the Affairs of the Bank; and Paper Money (1786), arguments which some recent critics have characterized as "conservative," were not actually founded upon conservative attitudes in Paine's own mind. By means of this letter we see that at first his principal objections to the anti-bank faction were political, not economic. This evidence should help to check the drift of recent scholarship, which has emphasized economic interpretations and neglected political.

A brief summary of the controversy over the bank will prepare for a discussion of Paine's letter. In 1781 the Bank of North America founded by Robert Morris, was granted a charter by both the Continental Congress and the State of Pennsylvania. Two years later when the Revolution came to an end, land values dropped and a great scarcity of money ensued. The farmers and mechanics, who suffered most of all, felt that their economic plight could be remedied by the issuance of a plentiful supply of paper money. The Bank of America stood in the way of this plan, for if the bank refused to accept the new money on the same terms as specie, the new currency would be almost worthless from the outset. When the directors and stockholders of the bank proceeded to issue a petition against paper money, public sentiment rose up against the bank. The Assembly immediately authorized the issuance of bills of credit to the value of 150 thousand pounds and welcomed a petition accusing the bank of dangerous tendencies and demanding the repeal of its charter. Although the bank would still have a charter from Congress if the state charter were to be taken away, the low prestige of Congress at this time made the Congressional charter almost worthless. A committee of inquiry appointed by the legislature to investigate the bank—a committee which Paine condemned for "making no inquiry at all"—denounced the bank on the grounds that it sent most of the specie out of the country in the form of dividends to foreign shareholders and concentrated the rest in the hands of its domestic stockholders. As a result, a bill to repeal the charter passed a second reading in the House on April 4, 1785, and on September 13 the charter was repealed.

The action of the Assembly came just short of dealing the mortal blow. Deposits shrank and European investors berated American bad faith. The bank limped on under its Congressional charter, however, and on February 2, 1786, it was given a charter by the state of Delaware. This gave the bank new life, and Robert Morris began a struggle to win back the Pennsylvania charter. On February 18, 1786, Paine brought out his Dissertations on Government. This pamphlet has been a puzzle to students of Paine, for previously Paine had

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Footnotes:
1 This was not an extraordinary act of generosity. In the previous year the Senate of New York had presented him with a choice of two farms as a tribute to his services to the United States. See: Pennsylvania Packet, April 27, 1784. The Pennsylvania Assembly, furthermore, was somewhat dilatory in making its acknowledgment. On December 22, 1789, a letter by Paine was read to the committee appointed to consider his eminent services in which Paine expressed willingness to have the question of his compensation deferred until a time when the house had less other pressing public business. The letter is printed in the Pennsylvania Packet, January 24, 1785. So far as I know, it has never been reprinted.
sided against Robert Morris and the other financial leaders of Philadelphia, particularly in the Silas Deane-Arthur Lee controversy. Some of Paine’s contemporaries accused him of accepting payment from Morris, and even modern scholars have been unable to explain why he waited until 1786 before declaring himself. The letter reprinted below shows that Paine affiliated himself with the bank early in the controversy—even before the charter was actually repealed. The letter is addressed “To the Printers of the Pennsylvania Gazette”:

Please to insert the following in your next paper, and you will oblige yours &c.

THOMAS PAINE

Several publications having at different times appeared in the newspapers and in pamphlets, respecting the proceedings of the late House of Assembly against the Charter of the Bank, some of which I have been supposed to be the author of; I wish to have it known that I have never published any thing on that subject. As an individual, exercising my private opinion, I was concerned at the proceedings of the House on that business, because those proceedings appeared to me a breach of public faith, and hurtful to the general interest—and I constantly expressed this opinion, but published nothing on the subject.

The only sentiments of mine on this head (in writing) are in a letter to the Honorable Thomas Fitzsimmons, Esq; so long ago as the 19th of April; and as several gentlemen have seen that letter, and remember it in part. I think it best to give the whole, which is as follows:

Fitzsimmons, to whom this letter is addressed, was an Irish-born officer of the Revolution. He served as member of the Congress established under the Articles of Confederation in 1782, as a member of the Convention that formed the Constitution of 1787, and as a member of the national House of Representatives from 1789 until 1795. He was one of the founders of the Bank of North America and became one of its trustees. Although a financier, he supported at least one popular cause, the campaign to have the government settle all its obligations to officers and men of the revolutionary army before demobilization. It is possible that he was the author of an open letter to Paine (addressed as Common Sense) in the Pennsylvania Packet, December 7, 1782, asking him to write on the plight of army officers soon to be discharged without prospect of future pay or pension. In March, 1785, Fitzsimmons was one of twelve citizens who petitioned the Assembly to refrain from issuing paper money. Paine wrote to him also on November 19, 1786, about various financial matters, including the bank, and in March, 1787, Fitzsimmons served with Morris and others on a committee to consider Paine’s bridge.

Paine’s letter in the Pennsylvania Gazette is dated April 19, 1785, and written from Brunswick.

Sir,

I received your favor of the 16th inst. by the stageboat to Bordentown, which place I left yesterday for New York, but the bad weather being likely to detain me to-day, I shall dispose of it for the purposes of answering yours, and some other letters.

On the subject of the Bank, and the attack made on it by the Assembly, my sentiments and declaration have been free and open. It appears to me an ill-digested, precipitate, impolitic, faithless, piece of business, in which party and prejudice is put for patriotism. I observe, by a remark in your letter, that the matter struck you as it did me; for if the people of Pennsylvania cannot exercise their judgment as men, and their privileges as citizens, without being threatened with the power and made to suffer under the lash of government, freedom is a mere name. I am the more confirmed in the rectitude of my opinion on this case, because it operates with me, not in conjunction, but in opposition to my interest, and to those for whom I had some degree of predilection. The House is composed of men, with whom I have lived with more intimacy than with the generality of the citizens of Pennsylvania, and who have shewn more disposition to promote my interest than others have. The case between me and the Assembly stands thus:—They have advanced me five hundred pounds, and referred the matter to Congress, with an assurance of complying in such further measures as Congress shall adopt or recommend. But the House appears to me so exceedingly wrong in this business, both as to the matter and manner of it, that my private judgment on the case cannot go with them, and must go against them, disregarding consequences to myself.

As from a point of delicacy I abstained myself from the company of the members while the matter respecting myself was depending. I had little opportunity of knowing what was going on in the House, and none of what was intended to be brought on. When the affair of the Bank broke out, I met several of the members (accidentally) and they expressed themselves on the subject with a sort of triumph. It is a great deal of thinking a man may sometimes do in a little time; and tho’ I am not hasty in altering an opinion, yet in this case it was otherwise. It immediately struck me in a very different light to what it

1 Dictionary of American Biography.

5 Wilson, op. cit., 6.

6 Foner, ed., Writings II : 1259.

7 Ibid. II : 1261.
did then, and appeared to me to extend to consequences they had not attended to. I mentioned to them what those consequences were, considering the matter in a particular view: That this quick rotation of doing and undoing, this facility of making and repealing laws, of granting charters and violating them, would eventually operate against themselves; because it had a tendency to strike at the constitution, which enabled the House, with so much ease, and often with too little deliberation, to exercise a power, that in the change and fluctuations of party might be dangerous to the rights and property of every man. That in a government where nothing was certain, the disposition to obedience would be so too—that acts, when so easily and frequently changed, lost the force and dignity of laws, and ceased to command respect—that their proceedings respecting the Bank was a dangerous precedent—that it came under the description of governing too much—and that, however gratifying it might be to their prejudice, it would, in my opinion, be fatal to their power.

It is not an agreeable thing for a man to stand in opposition to his friends, especially circumstances with them as I was, for the matter respecting myself was then depending; but in this case I used the sincere freedom of a friend to them.

I found they put too much stress upon what they called the dangerous influence of the Bank. I replied, that the influence did not appear from its effects on any of the elections, and that the temper and complexion of the House was an evidence that invalidated the assertion; to which I added, that I was apprehensive they had started a word that would change sides, and retort on themselves, for that it was probable a very general idea would arise, that the influence of the House was assuming over the privileges of citizenship would be thought more dangerous than the influence of the Bank, which, admitting it to operate, could extend only to the city, and in the late election not even to that.

In conversation with a principal Member of the House on the subject, I mentioned to him that the House ought to hear the Bank previous to their publishing the bill for public consideration, which is after the second reading; for that as considering naturally includes the idea of judging, the public ought to have the whole matter before them, and hear the Bank as well as its opposers; to which I added another reason, which was the reputation of the House; for that as the causes and reasons for a law are to be set forth in the preamble, if the causes and reasons assigned in the preamble of the bill for taking away the Charter of the Bank should, when the House came afterwards to hear the Bank, be proved to be ill founded and groundless, it would put the House in a disagreeable situation. I was surprised when he told me that the bill had been read the second time that morning, and ordered to be published. From the manner in which the bill crept through the House on the second reading, I am apt to think its advocates are suspicious of more embarrassment than they at first conceived.

As to paper money, which makes a part of the politics of the house, and was one of the causes that led to the attack on the Bank, it is a subject that will bear much investigation. There may be cases in which paper money may be generally serviceable; but it is an expedient, that should be used with the greatest caution, or we shall have all the evils of depreciation both of money and morals over again.

There is but one way in which paper money can be secure and retain its value, and that the present system of the house does not provide for. If every house is to strike as much as it pleases, and exercise its discretion unlimited, where is the evil to end? I think the house misconceives its authority upon this case. It derives none from the Constitution, for that is silent on the subject, and only enables the house to make laws, not money, and provides no other means of revenue, than by taxation. Neither does the house copy the practice from any custom in the English government, for were the government of that country, to create a revenue by paper, instead of raising it by taxes, it would be considered as an attempt at arbitrary power, erecting itself independent of the grants of the public. Neither is the present mode conformable to that practised before the war, for then there was a restraining power over the conduct of the house; as to the quantity to be struck, which prevented depreciation.

Perhaps it may be said, that while it is not a legal tender, in all cases, the evils may not be so extensive; but the house conceives it has this power; if so, there is no security for property, where such power can be exercised; and it is inconsistent with the nature and genius of the Constitution of Pennsylvania, to admit it: for the Constitution declares that the acquiring, possessing and protecting property, are the certain natural inherent indeniable rights of the citizens, and therefore, any law of the Assembly which makes that a legal tender in payments, which is not equal in value to the property received, is a violation of the principle on which the Constitution is founded.

In writing you this letter, I have omitted all those matters which are familiar to the subject; such as the usefulness of a Bank in a commercial country; the convenience it may be to government in certain cases, and sudden emergencies, and the services of the present Bank in the late war, and touched chiefly on such parts as are connected with it in its political consequences, and which it is probable do not occur to the generality of people.

I sincerely wish the affair had not arose. I have hitherto confined myself to such national matters only, as were connected with the independence of the country, and the issue of the contest. These having happily succeeded, I was in hopes everything else would have gone well, and that the experience and discretion of the country and the government, would have been
equal to its domestic concerns in all cases. I am much concerned to see it, otherwise, and sorry to find they want so much putting to rights.

In the progress of this affair, on the part of the Bank, one thing is necessary to attend to, which is, that of not relying too much upon it as a law case; the House in their preamble have set out with a declaration that the Bank is injurious to the state, and in its consequences dangerous; unless this idea be removed as publicly as it is asserted, the merely considering the question of taking away the Charter as a law question, will not be effectual to all the circumstances to which the subject extends.—But it is time to close my letter,

I am, Your obedient humble servant,

Thomas Paine

Eight other letters by Paine on the subject of the bank appeared in the Pennsylvania Gazette from March 29, 1786, to March 7, 1787. The first five of these appeared originally in the Pennsylvania Packet, and they are reprinted by Foner in his edition of Paine's works. Foner also reprints the eighth letter, which appeared in the Pennsylvania Gazette, March 7, 1787, but for some reason he does not mention the sixth and seventh. These appeared in the Pennsylvania Gazette on September 20, and November 8, 1786.

The first of these neglected letters reemphasizes the political foundation of Paine's support of the bank. The Assembly's act in revoking the charter, he regards as proof that a single legislature ruled by party prejudice "is capable of being made a compleat aristocracy for the time it exists." Because of "the superabundance of its power, and the unconstrained rapidity of its execution," it may become "as dangerous to the principles of liberty as that of a despotic monarchy." This is an expansion of the denunciation in his letter to Fitzsimmons of the arbitrary conduct of the Assembly in reversing the act of a previous session. Most of the letter is devoted to the disadvantages of a unicameral legislature and is not specifically on financial matters.

The second letter, on paper money, is entirely economic, however, and demands fuller discussion. As we have seen, the issuance of paper money was closely involved with the revoking of the charter of the bank. In other states besides Pennsylvania the demand for paper money raged. Paine, therefore, described paper money in November, 1786, as "both the bubble and the iniquity of the day." Some had people have been concerned in the paper money movement, he asserts, but the far greater part are innocent but misled. These men are so confused that they maintain such absurdities about paper money as that it has improved the country and carried on the war. Paine explains that credit, not paper money, did these things and that the credit which once existed has failed by non-performance, by the country being involved in debt, and by the levity and instability of government measures.

Even the name "paper money," Paine asserts, reflects confusion and error. The name should not be "paper money," but instead "bills of credit." The issuance of these bills amounts to "anticipating or forestalling the revenue of future years and throwing the burden of redemption on future assemblies." It is like a man mortgaging his estate and leaving his successors to pay it off. But even this is not the worst of paper money. It banishes hard money and diminishes the value of revenue. The State of Pennsylvania cannot now emit bills of credit because the assembly which makes such an emission cannot bind future assemblies. The precedent of revoking the charter of the bank has become a precedent for any assembly to undo what another has done. It keeps an assembly from doing anything extending beyond the year in which it sits. People will no longer have confidence in the acts of any assembly which requires the sanction of another assembly to carry them out. "The politicians of the project for revoking the bank charter (and it was besides most wantonly done) to use a trite saying, aimed at the pigeon and shot the crow—they fired at the bank and hit their own paper."

We have no legal tender bills in Pennsylvania, Paine continues, but since they exist in other states, he presents a commentary on them. He begins with the general maxim that "the abuse of any power always operates to call the right of that power in question." Consequently, to judge of the right or power to make legal tender acts requires a study of principles of civil government. The fundamental principles of civil government are security of our rights and persons as freemen and security of property. Legal tender acts cannot be justified under civil government since they take away a man's share of civil and natural freedom and render his property insecure. It would be a strange law which would compel a man with six hundred dollars of silver money to deliver them up to any person who discovered he had them, in exchange for one hundred dollars of paper money. This result of a legal tender act would violate the principles of civil government.

Principles of civil government, furthermore,
"compel the exact performance of engagements entered into between man and man." A man cannot undertake to deliver a quantity of wheat and deliver rye instead; likewise a man cannot contract to pay in hard money and actually pay in paper or anything else. Civil government also "disowns the practice of retrospective laws." A legislature, for example, cannot punish a man for a crime committed before the law against it is made. The principle against retroactive laws extends to property as well as life. A law made after a contract is made cannot govern that contract any more than a law to punish crime can be applied to acts prior to the law. All legal tender acts which apply to the alteration of past contracts, Paine asserts, are contrary to principles of civil government.

But even if there were no illegality in tender laws, Paine concludes, they are defective on other considerations. "They cannot bind all and every interest in the state, because they cannot bind the state itself. They are, therefore, compulsive where they ought to be free: that is, between man and man, and are natural free where, if at all, they ought to be compulsive: for in all cases where the state reserves to itself the right of freeing itself, it cannot bind the individual, because the right of the one stands on as good ground as that of the other." 8

8 Paine's denunciation of legal tender acts suggests that he may have been the author of the following letter in the Pennsylvania Packet, February 8, 1780. The letter is signed "T. P." and addressed:

"To the Honorable the Congress of the United States.

The Law which makes the Continental Money, a legal tender for old debts, was made in consequence of a recommendation of Congress for that purpose. This law, though originally well intended, has done more mischief in our country than the British army. It has been fatal to thousands of the most worthy and helpless members of the community. It has depreciated the money more than all the counterfeit Sir William Howe ever lent among us; and lastly, it has contributed more to extirpate religion and virtue from our country in the space of four years, than the writings of Hume and Bolingbroke could have done in a century. As the above law originated in Congress, the public have a right to look to the Congress for a resolution recommending a repeal of it. Several of the Legislatures of these States, are looking up to you, gentlemen, for a resolution for that purpose. The perishing widow and orphan, and the aged citizen, whose ground-rents and leases once afforded him a handsome subsistence, have more than once beset your doors with their cries. 'Take care (to use your own emphatical words) that they rise no higher.'—Say not the mischief is done. There are hundreds and thousands of people in our country, whom a repeal of the tender law would immediately restore to competence and happiness. Let no false reasonings upon the subject of money lead you to delay this necessary resolution. That policy is ever weak, which is maintained at the expense of justice, and, to use the words of a member of that illustrious and immortal body of men who composed the Congress of 1774, whilst America was innocent, and knew nothing of the cruel despoiler of her virtue (for that name best befits the law for making the Continental Money a legal tender for old debts,) 'NOTHING (said he in a debate where the subtleties of policy were argued against the plain rules of equity) THAT IS MORALLY WRONG, CAN EVER BE POLITICALLY RIGHT.'

The references to widows, orphans and the aged anticipate a passage in Paine's Dissertations on Government (see below). If the T. P. of this letter is really Thomas Paine, the reference to the writings of Hume and Bolingbroke shows that he was not as close as original in The Age of Reason as he pretended to be in its autobiographical passages. For this reason, the letter cannot be assigned to Paine with certainty.
shows that he is not substituting "party and prejudice... for patriotism."

Paine's chief argument is that a legislature is a continuous, responsible body, even though its members may change, and that the members of one session are bound by the actions of previous sessions. To Paine, the opposition to the bank looked like government by personal prejudice and hence "governing too much." He saw a danger to the "rights and property of every man" in "this quick rotation of doing and undoing, this facility of making and repealing laws, of granting charters and violating them." His demand for legislative stability resembles on the surface Edmund Burke's famous principle of prescription, which Paine was to denounce several years later. Burke argued that personal privileges once granted by custom may never be taken away, and Paine seems to believe that institutional privileges once granted by a legislature must not be abrogated by succeeding legislatures. In his *Dissertations on Government* Paine clarifies his position, however, and tells us which measures must be respected by succeeding legislatures and places limits on the duration of immunity from change. He makes a distinction between laws and matters of negotiation. The latter comprehend all kinds of public business which the assembly transacts with individuals or particular groups for special needs of the state. These acts, such as borrowing money or purchasing goods, are contracts, and like all contracts are binding for the duration of the agreement. "No law made afterwards can apply to the case, either directly, or by construction or implication: for such a law would be a retrospective law, or a law made after the fact."[9] A law proper, however, unlike these contracts, binds every individual of the commonwealth. Since laws cover every citizen, "they may be altered, amended and repealed, or others substituted in their places, as experience shall direct, for the better effecting the purpose for which they were intended." If Paine went no further than this with his system, it would indeed deserve to be called conservative. But even contracts, he believes, cannot last forever. "As we are not to live forever ourselves, and other generations are to follow us, we have neither the power nor the right to govern them, or to say how they shall govern themselves."[10] This sentence is so contrary to conservatism that it could easily be fitted into *The Rights of Man*. Paine's denunciation of Burke's theory of prescription. Paine adds that since thirty years is the average duration of a generation, thirty years should also be the terminal point for all laws and acts. "Such as were proper to be continued, would be enacted again, and those which were not, would go into oblivion."[11] The granting of a charter to the bank, Paine regarded as being in the first category, a contract between the state and a particular group of individuals, and hence an agreement that could not be lightly set aside. He did not specifically apply his principle of thirty years duration to the charter of the bank, but strongly suggested that the application should be made. He candidly admitted that a weakness in the charter was its failure to limit its duration.

The other arguments in Paine's letter to Fitzsimmons are also presented at greater length in his *Dissertations*. He further animadverts on the haste and secrecy by which the bill to repeal was twice read to the House in one day. He charges that the committee of inquiry which drew up the bill made no inquiries except concerning their own opinions, that they were "a committee of inquiry making no inquiry at all, and giving an opinion on a case without inquiring into the merits of it."[12] He repeats in almost identical words his argument that the assembly derives no authority from the Constitution to make paper money,[13] and asserts that "the assumed authority of any assembly in making paper money, or paper of any kind, a legal tender, or in other language, a compulsive payment... is a most presumptuous attempt at arbitrary power."[14] After further consideration of the evils of paper money, he concludes with the contention that "all tender laws are tyrannical and unjust, and calculated to support fraud and oppression."[15]

The political implications of these arguments are less apparent in the *Dissertations* than in the letter to Fitzsimmons. In a private letter to a friend skilled in political theory, Paine could emphasize the points of law involved. For popular consumption, however, he realized that such abstract considerations would not do. The *Dissertations*, consequently, stress the concrete advantages to the state offered by the bank and refute the contention that it is in any way dangerous—arguments likely to bear most weight with "the generality of people."

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[12] Ibid. II: 389.
Paine did not foresee a bank as an undesirable "accumulation of wealth," giving profit to its stockholders or influencing the economic life of communities for the benefit of individuals. He saw nothing wrong in "accumulation of wealth" in itself; nor for that matter do the most radical of economic thinkers today. What the radical of today opposes is the accumulation of private wealth and monopoly. Paine probably shared this view, for he supported the bank specifically because he regarded it as an agency to prevent private monopoly. If a farmer comes into a city with produce, he argued, only a few merchants could purchase it with ready money and these few would command nearly the whole market. "But, by means of the bank, this monopoly is prevented, and the chance of the market enlarged." 18 Monied men, he observed in a later letter, view a public bank as "standing in the way of their private interest." 17 Neither Paine's political theory for statesmen nor his specific arguments for the generality of men are fundamentally conservative. He consistently defends property rights by human rights and nowhere suggests that he would sacrifice the latter for the former. Although he characterizes money as having "something in it sacred that is not to be sported with, or trusted to the airy bubble of paper currency," money is sacred only when "considered as the fruit of many years' industry, as the reward of labor, sweat and toil, as the widow's dowry and children's portion, and as the means of procuring the necessaries and alleviating the afflictions of life, and making old age a scene of rest." 19 Those who, on the other hand, benefit by paper currency and repeal of the bank's charter are unscrupulous traders who buy up great holdings on credit, agitate for increased issues of paper money, and pay their debts with depreciated currency which they get at little price. 19

Today we should interpret Paine's support of the bank in the light of these specific arguments used in its favor, not in the light of hasty contemporary accusations by enemies of the cause he was championing, nor in the light of a presupposition from a later day that supporting any financial institution is in itself a stamp of conservatism.

16 Ibid. II: 398.
17 Ibid. II: 424.
18 Ibid. II: 405.
19 Ibid. II: 406.