John Leatherbury

EASTERN-SHORE WHIG AND PEOPLE'S ADVOCATE.

"THE PRICE OF LIBERTY IS PERPETUAL VIGILANCE."

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July 23, 1839. (G6weow)

WANTED

At this office a youth to learn the printing business.—One that can read and write will be preferred.

GOVERNOR'S MESSAGE.

Delivered to both Houses of the Legislature of Maryland, on Thursday, 2d January, 1840.

Gentlemen of the Senate and of the House of Delegates:

The pecuniary embarrassments of the State, and the present condition of the works of internal improvement are the most important subjects that will come under your consideration. The public debt of Maryland, according to a statement furnished by the Treasurer, amounts to fourteen millions, five hundred and eighty-nine dollars. This sum includes but five thousand five hundred dollars of the loan of seven hundred and fifty thousand dollars, granted at the last session of the Baltimore and Susquehanna Rail Road Company. The bonds for the residue of this loan are not yet disposed of, and are still in the possession of the Commissioner of Loans. Of the millions of dollars subscribed to the Eastern Shore Rail Road, and of the three hundred thousand subscribed to the Annapolis and Elk Ridge Rail Road, the estimate of the Treasurer includes only that portion which has been actually paid.

So far as the State is liable for the balance of these subscriptions, or for the bonds issued for the use of the Susquehanna Rail Road Company, an addition is to be made to the Treasurer's estimate. It is, therefore, difficult to state precisely the amount of the public debt. Some uncertainty in ascertaining it, also arises, from the substitution of five per cent. sterling bonds for those previously issued, at the rate of four dollars and forty four cents for the pound sterling, instead of the true rate of four dollars and eighty-five cents; which makes a considerable difference in the whole amount.

This State received, as its portion of the surplus revenue 958,828 dollars; of which there remains a balance of 647,637 dollars, deposited in the Union Bank, the Franklin Bank and the Bank of Baltimore. As the General Government is not likely to reclaim the sums distributed among the States, the portion received by this State is not estimated at present as a part of its public debt; on the contrary, the balance remaining may be considered as so much added to its means of complying with engagements. Of the old productive capital of the State, there is still left the sum of 528,996 dollars, invested in the stock of different banks. The sinking fund has been gradually accumulating, till it now amounts to 1,013,372 dollars; nearly the whole of which sums has been invested in State stocks. After deducting the sinking fund, the debts and liabilities of the State probably amount to fifteen millions of dollars; and, with the exception of 258,855 dollars, have all been contracted for purposes of internal improvement.

The interest on the public debt is increasing every year, in proportion to the amount of stock sold. The amount payable at the Loan Office in Baltimore, in 1838, was 280,000 dollars The interest payable at London cannot be ascertained, because no report has been made to the Treasurer, of the sales of our stock in foreign markets. The amount is inconsiderable at present, but it will be increased as the improvement companies shall be able to pay the interest on their respective portions of the public debt, before it comes due from the treasury. Of those that have had advances from the State, the Baltimore and Ohio Rail Road Company is the only one, which has fully complied with its engagements. The Chesapeake and Ohio Canal Company is bound "to pay annually 120,000 dollars for interest on the two milion loan granted in 1834. It paid the whole interest in 1838, but only 95,000 dollars in 1839. The Treasury had a claim on the Susquehanna Rail Road Company in 1838, for interest to the amount of 64,466 dollars, and received 45,000; and in 1839 to the amount of 75,082 dollars and 50 cents, and received only 82 dollars and fifty cents. These two companies do not yet receive a sufficient revenue from their works to defray current expenses, and are obliged to depend on loans or the sale of stock, for the fulfilment of their engagements. These means having failed in 1839, in consequence of the scarcity of money, they were unable to satisfy the demands of the Treasury.

The annual revenue of the State, exclusive of interest paid by the internal improvement companies, is barely sufficient to defray the ordinary expenses of Government, which are estimated, for the ensuing year, at two hundred and fifty thousand dollars.—The whole expenditures, including the interest on the public debt, greatly exceed the annual receipts; and the deficiency in the revenue is supplied out of the special deposites. This fund, if applied to this purpose alone, will be exhausted in two or three years; and the bank stock will be the next resource for meeting the deficiency, unless some other means be provided in the mean time. Experience has proved, that the internal improvement companies cannot be relied on, for the punctual payment of their respective portions of the interest of the public debt as it becomes due from the Treasury.

The State entered by degrees into a connexion with canal and rail road companies, and still more cautiously into the plan of borrowing money for their support. At the extra session of 1836, the decisive measure was adopted of authorising the issue of bonds to the amount of eight millions of dollars, and of sending them to foreign markets for sale. At that time money was abundant, American securities were in demand, and the credit of the State stood unimpared, and very little doubt was entertained, that the bonds could be disposed of according to the terms prescribed by the act of Assembly. But the following year, when the commissioners, who were appointed to negotiate the proposed loan, visited Europe for that purpose, a great change had taken place in the money market, and it was found impossible to sell the bonds at the stipulated price. After their return, they concluded an agreement with the Chesapeake and Ohio Canal Company, and the Baltimore and Ohio Canal Company, for a sale of a large portion of the bonds, amounting to six millions of dollars. At December session 1837, the Legislature refused to sanction this agreement, because it was apprehended that the companies might be compelled to sacrifice the credit of the State; but assented to a modification of it, which required that none of the bonds should be transferred from the possession of the Commissioner of Loans, till their equivalent in money was paid into the Treasury, according to the conditions of the loan of 1839. Yet at the same session, the Legislature directed the delivery of stock to the Chesapeake and Ohio Canal Company, to the amount of two millions five hundred thousand dollars. The bonds, thus delivered to that company, were transferred to brokers and capitalists on both sides of the Atlantic, to be held as pledges for temporary loans, or sold, at the option of the holders, for whatever discredited stock would bring in a depressed market. The 5 per cent. sterling stock issued in pursuance of the acts of last session and delivered to the internal improvement companies, will probably pass through a similar course of degradation. When these companies are pressed by heavy engagements, which they generally contract without funds, they are compelled to sacrifice whatever security come into their possession, for the purpose of saving their own credit, and preventing the immediate ruin of their laborers and contractors. The Chesapeake and Ohio Canal Company was in this condition when it received 6 per cent. stock in 1838, and the additional 5 per cent. sterling stock, for one million three hundre and seventy five thousand dollars, issued in pursuance of the act of last session. These stocks have been used in the payment of old debts, and the fulfilment of existing contracts, which could not be abandoned without the payment of heavy damages to the contractors. What loss will result from the hypothecation and forced sale of the stock, the high interest of the loans for which it was pledged, and the payment of costs and commissions, it is impossible to ascertain; but the amount will considerably reduce the resources, upon which the company relied for the completion of the canal. The State has invested seven millions of dollars in loans and subscriptions for that work, which will yield neither interest nor dividend till it is finished to Cumberland Between that place and the District of Columbia, there is no intermediate point at which it can terminate, with the least prospect of advantage to the State, or profit to the stockholders. When it reaches Cumberland, it will form, by means of a connexion with the National Road, a cheap and easy communication with the Ohio River; and derive a profitable business from transportation of coal, iron, merchandise and agricultural produce. The State will then begin to derive some profit from her investments; and, when it is extended to the Patapsco, as provided for in the charter, Baltimore will receive a large portion of the trade to which it will give rise. But the complexion of the canal and the engagements of the company will probably require three millions of dollars, in addition to the sums already advanced; and in the present condition of the Treasury, it is a subject of serious consideration, whether so large an addition could be made to the public debt, without entirely prostrating the credit of the State. It was made the duty of the executive, by an act of the last session, to propose on the part of the State, to finish the canal to Cumberland, on condition of receiving a transfer of the stock held by the General Government in the canal company; and that proposition has been accordingly communicated to the President of the United States. If accepted by Congress, it will be the province of the Legislature to provide means for carrying the company to its [illegible]

The Baltimore and Ohio Rail Road Company, until recently, has avoided the error of entering into arrangements beyond its means. After the completion of the Washington Branch its attention was directed more to the repairs and improvement of that part of the main stem which had been previously finished, than to the extension of its works towards the Ohio. The two lines of road, now in operation, afford great facilities for travelling, and for the transportation of goods and agricultural produce—and the Washington Branch yields a profit to the stockholders. The interest on the stock issued to pay the State subscription has been regularly discharged; and a considerable sum has been annually paid into the Treasury, besides from the transportation of travellers on the Washington road.

Preparations are now in progress for extending the main stem from Harper's Ferry to Wheeling, and the line between the former place and Cumberland has been put under contract The distance from Harper's Ferry to Wheeling is two hundred and ninety-two miles; and at a moderate estimate the whole work will cost ten million of dollars. The means of the company, for completing the road between these points, consist of State bonds for three millions of dollars, of city stock for the same sum, of the subscription of Wheeling for one million, and of the contribution of Virginia, of two-fifths of the expenditures within her limits, estimated at one million three hundred and thirty eight thousand dollars. It is understood that no payments are expected from Virginia or Wheeling, till the road is completed to the Ohio; and in the present state of the money market, and of American securities, there is no prospect of selling the State or City bonds, without such a loss, as would materially diminish the resources of the company.

The President of the company went to England in September, with full power conferred upon him by the board of directors, to sell or pledge the State bonds; or to make such arrangements for their future sale or hypothecation, as he might deem most advantageous to the parties concerned. In the execution of this trust, he deposited the bonds with Baring, Brothers & Co. who agreed to become the agents of the Rail Road Company on the following conditions—They are to sell the bonds at certain prices, and to charge certain commissions, and are to allow the company, after next February, to draw upon them for ten thousand pounds sterling a month, under the limitation, that their advances are never to exceed forty thousand pounds at any one time. They are at liberty to sell as much stock, as may be required to cover these advances, without any restriction as to price or prime. After thus reimbursing themselves, they are to permit the company to draw in like manner for similar sums; and this operation may be repeated, till the bonds are all forced into the market for the payment of temporary loans. For some time before the bonds were sent to England, the scarcity of money, and the abundance of American securities, and their rapid fall in value, made it impossible to effect a sale, or negotiatiate a loan on reasonable terms—and the introduction of so large an amount of Maryland stock into foreign markets, under such circumstances, and for so slight an inducement, was calculated to sink more deeply, if possible, the credit of the bonds which had been unfortunately pledged by the Chesapeake and Ohio Canal Company. In making this arrangement with the Barings, the Baltimore and Ohio Rail Road Company has entered into the system of hypothecation, which has been so disastrous to the credit of the State; and, in entering into extensive operations without money or the certainty of raising it, has abandoned the prudent and cautious policy which has generally characterised its proceedings.

The State subscription and loans to the Baltimore and Susquehanna Rail Road Company amount to 1,352,000 dollars, besides the loan of 750,000 dollars, authorised at the last session. The last loan was granted to enable the company to pay its debts, and finish the road to Wrightsville, and thus form a connexion with the Pennsylvania works. The Commissioner of Loans, who was directed to sell the bonds issued for this purpose, has applied a small portion of them to the use of the company, and has retained the rest in his hands, because they could not be sold without loss. As the company could derive but little advantage from this loan, for which it had consented to important modifications of its charter, it made an arrangement with the city of Baltimore for the loan of city stock, to a sufficient amount to complete the road to Wrightsville, which is expected to be in operation next spring.

The State subscribed one million of dollars to the Eastern Shore Rail Road, on the condition that other bona fide subscriptions should be made, to a sufficient amount to complete the road. No new contracts have been made since last winter, and the work has been suspended throughout the line, except a small portion of it in Somerset county. Of its debts, embarrassments and general condition, a report is expected in a few days.

The Annapolis and Elk Ridge Rail Road Company received a subscription from the State of 300,000 dollars, a part of which has been paid in money, and a part in bonds, which last remain unsold in the hands of the Treasurer. The Tide Water Canal Company received, in pursuance of the act of last session, a loan of a million of dollars in State bonds, which were negotiated at the United States Bank, and afterwards transmitted to England, with other securities, to meet the engagements of that institution. The canal is now finished, and will be opened in the Spring for the trade of the Susquehanna. It connects the Pennsylvania canals with the Chesapeake Bay, and forms an important link in the chain of inland communication between the different States of the Union.

In giving a particular account of the embarrassments into which the State has been drawn by the wild spirit of internal improvement, my object is to call the attention of the Legislature to the necessity of guarding against an increase of existing evils, and of providing, if possible, for the gradual redemption of the public debt. I do not perceive how these objects can be effected, without assisting the further issue and hypothecation of State stock; reducing the public expenditures by a rigid system of economy, and increasing the revenue by a moderate tax on real and personal estate, till it is sufficient to pay the interest, and have a small surplus to be applied to the principal of the public debt. Two hundred thousand dollars a year, in addition to the present revenue, would probably be sufficient for this purpose, if raised immediately; but the longer the taxes are postponed the heavier they must be at last. The opinion may be held by some few, that this debt is not binding on the State; and by others that it binding, it will never be paid, because the people will not consent to be taxed. But it has been contracted, and confirmed by successive Legislatures, sanctioned by the people themselves, in the continued re-election of Representatives, who were most prominent in creating it; and the obligations of the State are in the hands of men, who relied upon her good faith, and whose borrowed money has been expended on her works. It is impossible to question the validity of debt, and unreasonable to plead inability, without first making an effort to discharge it.

(*Concluded next week.*)

From the Baltimore Sun.

REPORT

OF THE SECRETARY OF THE TREASURY.

This document occupying eight columns of the Globe, commences with a statement of the gratifying fact, that notwithstanding the embarrassments of the present year, the revenues of the General Government have been increased, the expenditures diminished and most of the Treasury Notes redeemed. The available means for the year, including the balance in the Treasury on the 1st of January, 1839, about $2,750,000 collected last year, but not carried to the Register's books, receipts from lands and miscellaneous sources, the estimated receipts for the fourth quarter, receipts from some indebted banks and from the third issue of Treasury notes under the act of March 2nd, 1839, amount in the aggregate to $37,217,812,75. These are exclusive of the Post Office, and of trusts, as are the expenditures for the same time, which amount to $35,661,427.82, including the civil, foreign, miscellaneous, military and naval expenditures for the first three quarters, and estimate for all, for the fourth, the funded debt, the redemption of Treasury notes, including $2,750,000 from duties and lands, paid in last year, but not carried to the Register's books, and the estimate for the redemption of notes for the fourth quarter, and leaving an available balance, on the 31st instant of $1,556,384.93.

The condition of what remains of the funded debt has not materially altered since last year. The interest on that debt and the Treasury notes has been paid punctually, and in specie, when desired, notwithstanding the pressures and suspensions Of the Treasury notes it is computed, that not more than two millions and three fourths will remain unpaid at the close of the year, out of twenty millions issued since October, 1837. Not more than ten millions have been permitted to be outstanding at any time, and the unredeemed aggregate is now less than the sums due from suspended banks, including the U. S. Bank, and could easily have been paid, had the money been received from the banks. The late emission does not become due till March, 1840, except in payment of dues.

The exports during the year ending Sept. 30 1839, are computed to have been $118,354,004. This $9,872,388 more than those in the year 1838. Of the whole exports, only $17,408,000 were of foreign origin, and of the excess in exports over 1838, only about five millions were domestic produce. The imports during the same year, were about $157,600,560, being the very large excess of $43,892,355 over those during the previous year. This may be a solution of a portion of the pressure in the money market. The difference between the imports and exports being $39,250,556 in favour of the former, is larger than in any year, except three, since 1789, and is much larger than any difference in the valuation of the same articles with the profits in the foreign trade added. It must, therefore, except so far as reduced by an unusual quantity of goods consigned here from abroad, and yet in store unsold, be a very decisive evidence of an increased indebtedness by this country to other nations. And except so far as this new indebtedness may consist of stocks sold and the proceeds returned here in merchandize, it must furnish another proof of one immediate cause of the present pecuniary pressure.

The history of our commerce from 1818 to 1838 shows a great and growing excess of imports over exports. In the last ten years of that period, the excess was nearly $212,000,000, or over $20,000,000 annually, being more than 250 per cent. greater than in the former ten.

The estimated receipts for 1840, available for public purposes, are computed not to exceed $18,600,000, which, with the addition to the available balance estimated for the first of January next, makes the efficient means amount $20,156,385. The expenditures of the different departments, exclusive of the redemption of Treasury notes for 1840,000,000, including those notes $22,750,000, If Congress make the required appropriations, there will be a deficit of over two millions and a half; but this is very nearly balanced by a debt due by the U. S. Bank, in September next, and if to this be added what is due for deposites, from the suspended banks of 1837, and should all be collected in 1840, instead of a deficiency, it is recommended to reduce the appropriations, by postponing some and lessening others, so as to leave an average balance of about $2,000,000, which is the smallest balance that could be relied on, to secure promptitude and good faith in public payments; and it is believed, that this can be done, without injury to any useful object. If such reduction be not made, it is suggested, that provision be made in some other way for the contingent deficiency. Upon a review of the state of the national finances, independent of any constitutional objections, the Secretory deems it unnecessary to make donations of the proceeds of the public lands, or to provide for any deposit or distribution among the states, of a surplus not likely to occur.

The estimated receipts from lands in 1840 are lower than of last year, as it is believed, that the causes of the last year's large recipts will not then be operative; and the estimate is considered sufficiently high unless a graduation bill should pass. It is believed too that the revenue from duties will be less than last year. This, it is supposed, will result not only from a reduction of certain duties, but from the derangement of the currency, the large quantities of foreign unsold goods, now in the country, the diminished price of our exports, which on account of foreign indebtedness for such goods, and for the construction of unprofitable public works, and indivdual and corporate debts, will not bring back an equality of imports; from these one some others causes the receipts from duties are put at a low estimate.

The estimate of expenditures for ordinary purposes in 1840 are in the aggregate about five million less than what it is computed will be spent in 1839. The great reduction has been proposed, although the expenses of 1839 will be quite six million less than those of 1838, and those of 1838 were somewhat less than the expenses of the previous year.

The Secretary speaks of the increase of wealth and population, and enumerates many of the causes of the former, but considers the true question in respect to expenditures to be, not how large burdens can be borne, but how much can be dispensed with. A dollar and a quarter per head he considers light compared with fifteen under other governments. But in addition to this, the people have to support the State Government, hence the rule should be not how much can be collected from them without suffering, but how much can be left with them, both of money and power, and insure all the benefits off the social system.

The increase of the expenditures, since the early years of our government are shown not to have been in proportion to the increase of population and wealth; and on a review of the history and causes of these, a recommendation of reduction is based. It is deemed better to make a *pro rata* reduction of the compensation of all officers, civil and militiary, executive, judicial and legislative, than to expose the Treasury to bankruptcy, by continuing to make appropriations beyond the ceraitn means provided for the payment of them, or to resort in a period of peace, to the spendthrift and suicidal policy of affecting permanent loans to defray ordinary expenditures Extraordinary and unforseen expenditures, on account of a difference in character, are not held to be exactly subject to the same rule. In reference to the ills of fluctuations in the receipts and expenditures, and the causes of them, he says, most of them are evils inseparable from the periodical contractions and expansions incident to the present defective system of banking, in a country so full of enterprise as ours, with such freedom in pursuits; such facilities of intercourse, and argues from these and other considerations, the necessity for some safeguards against them.

The public money, during the present year has been kept by suitable banks where they could be obtained, in conformity with the act of June, 1836; in the absence of such, it has been kept in banks on special depositе, and in cases where the amount has been small, or likely to be wanted for immediate use, it has remained with those collecting it, till drawn. Only two banks are now used as general depositories under the act of 1836. The Secretary argues at considerable length the necessity of some legislation on the subject of the safe keeping and disbursement of the public money. In the course of his remarks, he states the greatest defect in former systems to have consisted in a want of an absolete prohibition to employ the public money for any private purpose whatever, and in the want of severe penalties to enforce such approbation, and of other adequate checks and guards possessing a preventive operation on both the minds and acts of officers, sufficiently powerful to diminish defalcations; and shows the largest amount of losses by depreciation of their notes, and the smallest by collecting officers, those by banks and duty bonds amounting to more than two thirds of the whole since 1789. The accounts of the post office being kept separate, are not