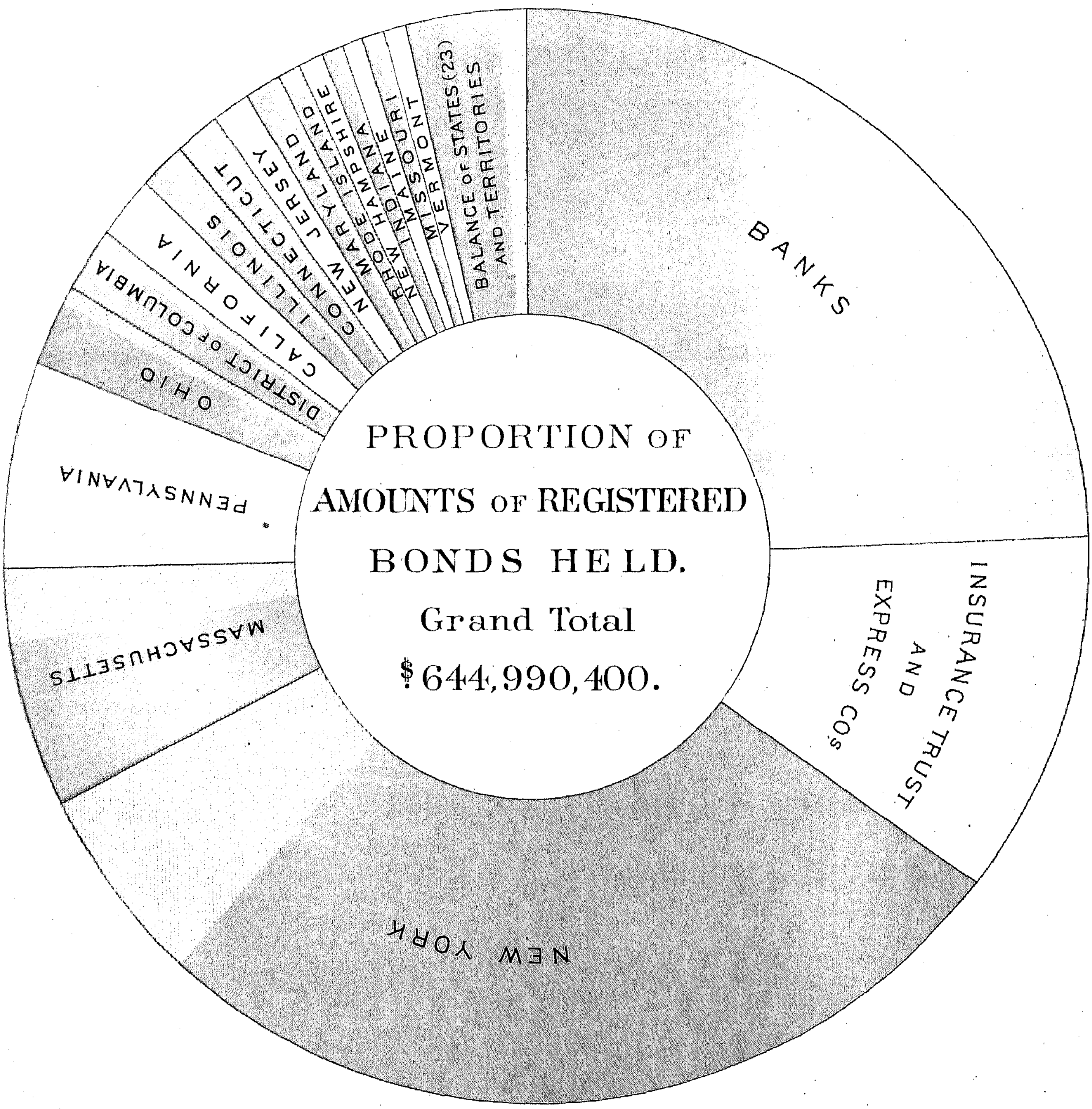
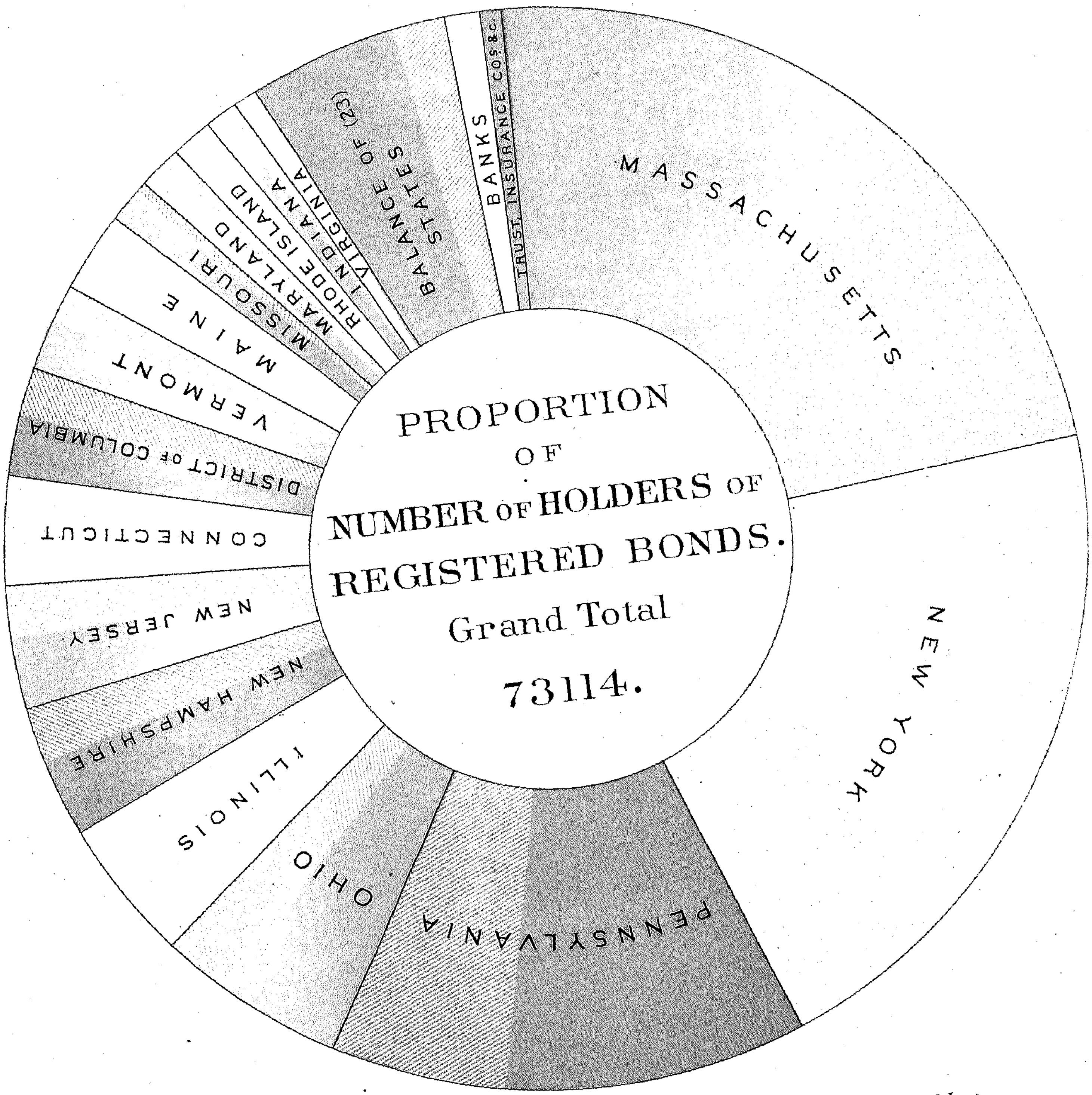
OWNERSHIP OF NATIONAL DEBT.



Areas in body-color represent amounts held by males, in line-work, by females.

PLATE X.



Areas in body-color represent male holders, those in line-work, female holders.

HISTORY OF STATE DEBTS.

STATE DEBTS.

ASSUMPTION OF STATE DEBTS BY THE FEDERAL GOVERNMENT.

One of the first questions agitated in Congress was that of the assumption of the state debts. As early as 1790 a Senate committee reported that it would be greatly conducive "to an orderly, economical, and effectual arrangement of the public finance" should an equal distribution be made of the burdens of the several states among the citizens of the United States. Such a course, it was said, would not only promote more general justice to the different classes of public creditors, but would also serve to give stability to public credit. The justice of this assumption was also strongly urged on the ground that the debts were essentially contracted in the prosecution of the Revolutionary war. An act providing for the assumption of state debts by the general government passed Congress and was approved August 4, 1790.

The following statement, showing the amount authorized to be assumed in the redemption of the debt of each state and the amount assumed, is taken from the "History of the National Loans", prepared by R. A. Bayley, esq., which is published as a part of this report:

States.	Amount authorized.	Amount assumed.	States.	Amount authorized.	Amount assumed.
New Hampshire	$300,000 00	$282,595 51	Maryland	$800,000 00	$517,491 08
Massachusetts	4,000,000 00	3,981,733 05	Virginia and Kentucky	3,500,000 00	2,934,416 00
Rhode Island	200,000 00	200,000 00	North Carolina	2,400,000 00	1,793,803 85
Connecticut	1,600,000 00	1,600,000 00	South Carolina	4,000,000 00	3,999,651 73
New York	1,200,000 00	1,183,716 69	Georgia	300,000 00	246,030 73
New Jersey	800,000 00	695,202 70	Total	21,500,000 00	18,271,786 47
Pennsylvania	2,200,000 00	777,983 48			
Delaware	200,000 00	59,161 65			

From this time to 1820 but a small amount of state debt was contracted. Some of the states incurred a small war debt to aid in the war of 1812, but public improvements were not fairly pushed until after 1820.

CREATION OF STATE DEBTS BETWEEN 1820 AND 1838.

The earliest exhibit showing the amount of stocks issued and authorized by law to be issued by the several states, after this assumption by the federal government, is contained in the following table:

Amount of stocks issued by the several states named below in each period of five years from 1820 *to* 1835, *and from* 1835 *to* 1838.

States.	1820 to 1825.	1825 to 1830.	1830 to 1835.	1835 to 1838.	Total.
Alabama	$100,000		$2,200,000	$8,500,000	$10,800,000
Arkansas				3,000,000	3,000,000
Illinois			600,000	11,000,000	11,600,000
Indiana			1,890,000	10,000,000	11,890,000
Kentucky				7,369,000	7,369,000
Louisiana	1,800,000		7,335,000	14,000,000	23,135,000
Maine			554,976		554,976
Maryland	57,947	$576,689	4,210,311	6,648,033	11,492,980
Massachusetts				4,290,000	4,290,000
Michigan				5,340,000	5,340,000
Mississippi			2,000,000	*5,000,000	7,000,000
Missouri				2,500,000	2,500,000
New York	†6,872,781	1,624,000	2,204,979	12,229,288	22,931,048
Ohio		4,400,000	1,701,000		6,101,000
Pennsylvania	1,680,000	6,300,000	16,130,003	3,166,787	27,276,790
South Carolina	‡1,250,000	310,000		4,000,000	5,560,000
Tennessee			500,000	6,648,000	7,148,000
Virginia	§1,030,000	469,000	686,500	4,132,700	6,318,200
Total	12,790,728	13,679,689	40,012,769	107,823,808	174,306,994

*It is claimed by the people of Mississippi that the debt of $5,000,000 was contracted in violation of the constitution, and that the state was not liable therefor.

†$4,500,000 redeemed. ‡South Carolina had a revolutionary debt of $193,770. §Virginia had a war debt contracted before 1820 of $343,139.

CRISIS IN STATE FINANCE, 1836–'42.

Between the years 1836 and 1842 the states of Pennsylvania, Maryland, Mississippi, Michigan, Louisiana, Indiana, and Illinois had contracted public debts or become obligated for the debts of private corporations, which, in one form or another, through various pretexts, they refused, or threatened to refuse, to pay. At this time Benjamin R. Curtis, esq., afterward a justice of the Supreme Court of the United States, prepared himself with great care and research to sum up the whole case of the repudiating states, and to examine in detail the several arguments, excuses, or subterfuges that had been relied upon, in or out of each particular state, to justify its delinquency. He chose the form of an article in the *North American Review*, because he could there best deposit the facts, principles, and reasoning to which others might resort as to an arsenal, and which would furnish what he deemed the sound and just conclusions to which public opinion should be led. His paper, entitled "Debts of the States", was first published in the *North American Review* for January, 1844, and was immediately republished and widely circulated in pamphlet form. The article is not only valuable now on account of the principles of republican constitutional law to which Judge Curtis has there given the sanction of his authority, but because he presented at length, and with great clearness, many of the causes which had led the states into the financial embarrassments of 1840. Judge Curtis differed from most of the popular writers of the time, holding that a great injustice had been done to the American people in the comments made on the financial policy of the indebted states through leaving out of view the general state of financial affairs at the time when their debts were contracted.

THE CAUSES THAT LED TO IT.

The peace of 1815 [said Judge Curtis] found Europe, and to some extent this country also, exhausted by the wars which were then terminated. Great public debts had been created, population had been kept down by the drain upon it for the armies, production was diminished, and commerce had but a feeble life. The habits and pursuits of the people had so long been formed to a state of war that time was requisite to allow the general peace of the world to produce its effects. This change, however, soon began to be accomplished, and the world was not slow in obtaining the benefit of the new condition of things. Reverses more or less severe occasionally came, especially that most serious one in England in 1825 and 1826, which was felt in this country also; but, on the whole, the affairs of all commercial and manufacturing countries were in a hopeful state. Wealth was increasing, population was greatly multiplied, production was enlarged still faster than population, and the general condition of man in most civilized countries was constantly improving. We felt some checks during the period between 1815 and 1829; but they were beneficial rather than injurious, for they tended to keep the country in a sober and calm state, and to make men industrious and economical without seriously impairing their resources. When General Jackson became President, in 1829, there was a general and well-grounded belief that the financial affairs of the country were prosperous, and that we were in a condition to go forward with accelerated speed.

In 1834 the last installment of the national debt was paid. This fact had a natural tendency to raise the spirits of the people at home and increase the confidence of foreigners in American securities. At that time the money-lenders of Europe were not so familiar with the difference in value existing between the securities of different states, and the promptitude with which the national obligations had been paid made it thereafter less difficult to negotiate state loans.

PURPOSES FOR WHICH THE DEBT WAS CONTRACTED.

Most of the state debts of this period were contracted for the purpose of covering the expense of important works of public improvement. "New communications," said one writer, when commenting on the financial embarrassments of 1840, "have been opened by railroads and canals between different parts of the country, generally at points where they were really wanted, and will be of important service. In some few cases the rage for speculation and the facility for obtaining loans, which characterized the period when the debts were contracted, may have given rise to projects not precisely of this character; but the worst that can be said of them is that they are premature." But at that time the population and the business of the country were rapidly growing up to these improvements, and, as subsequent events have shown, many of the enterprises which at that period of our history seemed to bid fair to bankrupt the states that had promoted them are now profitable investments.

With an improved credit abroad; with an ardent desire at home to push improvements even beyond the wants of population; with manufacturing and commercial industries rapidly increasing, and apparent prosperity on all hands, it is not surprising that, as Judge Curtis said, credit to an immense amount was thus created, and that the entire country felt the stimulating effects of these expenditures. Added to this, it must be borne in mind that during this period occurred the controversy between the government of the United States and the Bank, which finally terminated in the removal of the public deposits from the United States Bank to state banks; and the popular anticipation of the time when the charter of the United States Bank should expire caused local banks to be chartered in many of the states. According to Judge Curtis, in seven years, from 1830 to 1837, the nominal capital of these banks was increased from $110,000,000 to $225,000,000; and paper money, he says, multiplied still faster.

This increase had a necessary effect on prices. The ease with which money was obtained, and the apparent profit from its use, led to the multiplication of engagements of all kinds and to every form of speculation to an amount which, if it could be correctly ascertained, would fill us with astonishment. The following is Judge Curtis' description of the financial condition of affairs in the United States prior to the widespread bankruptcy and distress of 1837 to 1840:

CONDITION OF AFFAIRS BEFORE THE CRISIS.

If we add that, while these causes were in full operation and were gradually working together to produce their natural effects, some of the states began to receive and expend the great sums of money they had obtained upon loan, and that our own country, in its agriculture and other important resources, had been making a real and great progress, while other countries, and especially England, were in a similar state of excitement, and were constantly reacting on us—if we add all these circumstances together, we shall have little cause to wonder that the American people were brought into that most extraordinary condition in which their public debts were contracted. Former times may have exhibited as great madness, but it reached fewer persons. At no other period did the wild spirit of adventure become epidemic over so many countries till it seemed to affect the whole world. At this time commerce and manufactures had largely increased. Wealth had been both accumulated and diffused to an extent before unknown. Wonderful improvements in the means of communication across wide seas and through great continents had brought all civilized, and especially all commercial men, within one common atmosphere of sentiment and opinion. A long and unbroken peace, in whose sunshine population had increased, and production been stimulated, and private enterprise suffered to act freely, incited men to large undertakings. Some, who in former times would have found occupation suited to their daring tempers in the field, embarked their recklessness in commerce; others, whose rashness under ordinary circumstances would have been soon checked by disaster or prevented from showing itself by want of means, found that their energy and love of adventure had made them leaders; and others still, whose fears would have been roused by danger, lost all hesitation in the general confidence. Men acted as if a short and secure road to wealth had been discovered, on which all might travel, and he who went the fastest would be the first to reach the desired end. The result was such a morbid tendency to excess in all financial affairs as had never before been witnessed. In those countries where the currency was bank paper the quantity of money in circulation was enormously increased. Partly in consequence of this increase, and partly on account of the sanguine hopes of men, prices continued to rise. All uses of capital seemed to be followed by certain and large returns, and men were therefore eager to borrow. All pursuits appeared to be safe and prosperous, and therefore those who had money were desirous to lend it. So much security was felt that little security was asked; and to obtain money nothing more was necessary than to show the lender that it was to be employed in some magnificent scheme, which stood well with the large expectations of the time, and was in season with the glorious summer of men's hopes.*

So much for the extraordinary combination of circumstances which led to the creation of these debts. In speaking of the mania for the construction of great public works, for which the money was actually borrowed, the same authority says:

At this same period, and partly in consequence of this extraordinary state of things, there arose in this country a vehement desire to construct great public works, chiefly such as facilitate and promote internal communication. We do not mean to say that the desire was then new. The people of this country are far too sagacious not to have discovered before that time the great value of such works and the extraordinary natural opportunities for them presented by this continent. They have not much taste for cathedrals and palaces, but "the useful magnificence of roads and bridges" excites their admiration. They knew well enough that a canal or a railroad, piercing a great tract of country, was of immense importance to them. They quite comprehended its objects, and did not underestimate its effects; and when their hopes had been raised and their judgment somewhat disordered by the fever in their veins, and they saw the means of accomplishing these great objects not only within reach, but almost thrust into their hands, it is not strange that they seized upon them with incautious eagerness and expended them with a prodigality somewhat in proportion to the ease with which they were obtained.

PUBLIC IMPROVEMENTS IN ADVANCE OF POPULATION.

In view of these facts, it is hardly surprising that so eminent a jurist as Judge Curtis should consider that a great injustice had been done the people of this country by many of the writers and public men of the period, in not carefully weighing the general state of men's minds and the financial condition of affairs as they existed at that time, when considering the subject of their indebtedness. In the following paragraph he admits the great mistakes which were made during that period, but shows at the same time the palliating causes which led to them:

They have been rash, but it was at a time when rashness was epidemic. They have been improvident, but it was when prudence was generally considered little better than narrow-minded timidity. Their fault may have been very great, but it was very general, and it was a fault of which the creditor largely partook with the debtor. If it was rash and improvident in them to borrow, it was rash and improvident in others to lend; for in these cases the lenders had almost as good means of knowing the grounds of credit as the borrowers had. The borrowers were states, whose resources and means of payment are necessarily made public, so that all may know them. The works on which the money was to be expended were public works; their character and purposes were known; and when the loan was obtained for a specific and declared object, which it often was, the reasonableness and the probable results of the undertaking were open to the judgment of all intelligent men. In our opinion, it was the duty of the lender to exercise his judgment on these points. It is reasonable to expect that creditors will not only be vigilant, but suspicious; for those qualities naturally grow out of the relation of debtor and creditor when it is formed, and they spring up whenever an attempt is made to form it. The fears of creditors and of those who are asked to become creditors not seldom lead to untrue judgments and harsh constructions, which are not to be blamed, because they contribute to the general safety. But when we find rashness where we had a right to expect caution, and a blind confidence in place of a careful examination into means and plans, we cannot doubt that the general infatuation must thereby be increased, and that they who have departed so widely from the qualities which usually belong to their position have done much to produce the mischief.

THE REAL PROSPERITY AN EXCUSE FOR PREMATURE INVESTMENTS.

Another fact which it is important to bear in mind was the real prosperity of the states at the time when these debts were contracted, especially when seen under the bright sunshine which rested at that time upon all things. Truly may it be said that this was a cause, and, to a great extent, a just cause of confidence. Our progress in everything which makes a people powerful and rich had been unexampled. In thirty years the population had increased from 7,000,000 to 17,000,000, and this increase was in a country wide enough to afford ample room for a still

* The life and writings of B. R. Curtis, vol. II, p. 97.

greater population; fertile to produce the means of subsistence; full of all natural resources to invite and reward enterprise, and governed by laws that left the freest scope for the energies of the people. The export of the domestic products of the country had been rapidly increasing. A large amount of capital had been invested in manufactures, until an agricultural community, which had been almost wholly dependent upon foreign nations for manufactured articles, was able to supply many of its home wants, and even to send some of its commodities to other countries. To sum up, in the forcible language of Mr. Charles Francis Adams:

> In the lifetime of one generation we have seen an extent of wilderness that seemed illimitable divided into cultivated farms; solitary inland seas made glad with the presence of an active and prosperous commerce; great rivers, whose waters formerly reflected only the shadows of the forest, running by the luxurious abodes of civilized men and bearing the varied products of labor; cities, which are already worthy of the name, filled with an industrious and intelligent population, springing up in the solitary places; nay, great states, whose people are reckoned by millions, brought into existence and established during this short period.

THE ASSUMPTION OF STATE DEBTS AGITATED IN CONGRESS.

This table gives in detail the amount of each state debt in 1838, and the purposes for which it was contracted:

States.	For banking.	For canals.	For railroads.	For turnpikes.	Miscellaneous.	Total.
Alabama	$7,800,000		$3,000,000			$10,800,000
Arkansas	3,000,000					3,000,000
Illinois	3,000,000	$900,000	7,400,000		$300,000	11,600,000
Indiana	1,390,000	6,750,000	2,600,000	$1,150,000		11,890,000
Kentucky	2,000,000	2,619,000	350,000	2,400,000		7,369,000
Louisiana	22,950,000	50,000	500,000		235,000	23,735,000
Maine					554,976	554,976
Maryland		5,700,000	5,500,000		292,980	11,492,980
Massachusetts			4,290,000			4,290,000
Michigan		2,500,000	2,620,000		220,000	5,340,000
Mississippi	7,000,000					7,000,000
Missouri	2,500,000					2,500,000
New York		13,316,674	3,787,700		1,158,032	18,262,406
Ohio		6,101,000				6,101,000
Pennsylvania		16,579,527	4,964,484	2,595,902	3,166,787	27,306,700
South Carolina		1,550,000	2,000,000		2,203,770	5,753,770
Tennessee	3,000,000	300,000	3,730,000	118,166		7,148,166
Virginia		3,835,350	2,128,900	354,800	343,139	6,662,189
Total	52,640,000	60,201,551	42,871,084	6,618,868	8,474,684	170,806,187

Early in 1840 the question of the United States assuming the states' debts, contracted during the period described, was agitated in Congress. The first figures that bear evidence of authenticity, as showing the amount and the purposes for which the state debts had been contracted, appear in the speech of Senator Benton, made before the Senate in January, 1840, the figures being supplied by Mr. Flagg, the comptroller of the state of New York. From these tables it seems that $170,000,000 of debt had actually been contracted or authorized by the eighteen states previous to 1840, without counting the $28,101,644 91 received from the surplus revenue funds of the federal government. Taking into the calculation the amount probably incurred in the period between the report of Mr. Flagg and the speech of Senator Benton, together with the Florida debt of $5,000,000, and making allowance for possible omissions from Mr. Flagg's tables, the whole debt might then have been estimated at more than $200,000,000. The aggregate, as ascertained by Mr. Flagg ($170,806,187), was distributed among the states of Maine, Massachusetts, New York, Pennsylvania, Maryland, Virginia, South Carolina, Alabama, Louisiana, Tennessee, Kentucky, Ohio, Indiana, Illinois, Missouri, Mississippi, Arkansas, and Michigan. Eight of the states of the Union at that time, viz., New Hampshire, Vermont, Rhode Island, Connecticut, New Jersey, Delaware, North Carolina, and Georgia, enjoyed the distinction of not finding their names on the list. Maine and Missouri were only nominally in debt, the former having created but half a million of debt. Of this $170,806,187, $52,640,000, or about 31 per cent., had been incurred in aiding state banks; $60,201,551, or about 35 per cent., in building canals; $42,871,084, or about 25 per cent., for railroad aid; $6,618,868, or about 4 per cent., for turnpikes and macadamized roads; and for miscellaneous objects $8,474,684. Thus it will be seen that nearly $103,000,000, or about 60 per cent. of this entire amount, was expended for the improvement of our system of internal transportation.

DOWNFALL OF STATE SECURITIES.

It was in the course of the year 1839 that the European market for United States stocks may be said to have been destroyed, and very little, if any, addition was thereafter made to the volume of state indebtedness. An article on state credit in the *Democratic Review* for January, 1842, makes the assertion that no considerable amount of state securities was sold abroad after the summer of 1839, putting out of view, of course, the mere hypothecations which may have been made of some amounts in the possession of the Bank of the United States and other institutions. The heavy issues of state stocks may be said to have commenced about 1830. The amounts created prior to that date had been comparatively small. The amount of stock authorized to be created by eighteen states in each period of five years, from 1820 to 1838, as already shown, was as follows: *

From 1820 to 1825	$12,790,728
From 1825 to 1830	13,679,689
From 1830 to 1835	40,012,769
From 1835 to 1838 (say 3½ years)	107,823,808
Total	174,306,994

SENATOR BENTON'S VIEWS OF THE SITUATION.

Senator Benton took a very gloomy view of these state debts, and declared that almost the whole amount of what the states received for the $170,000,000 was British dry goods, which were "sold for paper money to construct roads and canals and to build up paper-system banks".

> The goods are worn out; the paper money has returned to the place from whence it came; the operation is over, and nothing remains of the transactions but the $170,000,000 of debt, its devouring interest, and the banks, canals, and roads which represent it. The whole of these banks have failed once, and most of them twice, in two years; the greater part of the roads and canals are unfinished, and of those finished several are unproductive.

In the course of the same speech, in calling attention to what the states had realized for their sterling bonds and sterling interest, he said:

> The best of the banks are doing but little; the best of the roads and canals are hardly paying repairs, management, and interest. The mass of these institutions and works may be thus characterized: barren banks, which cannot lend; suspended banks, which will not pay; broken banks, which cannot pay; unfinished roads and canals, which are useless; finished ones, which are either bringing their owners in debt or barely paying the expense of repairs, the cost of management, and interest upon the outlay. This is their condition. Their value at home is shown by the thermometer of the stock market, where they range at all the degrees below par down to the freezing point of zero. In Europe, although backed by the credit of states, they rate from one-half to three-fourths of their nominal value.

WILLIAM COST JOHNSON'S RESOLUTION LOOKING TO THE ASSUMPTION OF THE STATE DEBTS BY THE FEDERAL GOVERNMENT.

On July 9, 1842, Mr. William Cost Johnson, of Maryland, made his first move in Congress with a view of having the national government assume the state debts. In his resolution he set forth the fact that the states, not foreseeing the embarrassments which now beset them, had, with a laudable desire to advance their interests, to develop their resources, and, by multiplying the means and facilities of inter-communication, to bring into active operation and value much of their otherwise dormant wealth, involved their credit and incurred heavy debts in the prosecution of works which are calculated to strengthen the bonds of union, multiply the avenues of commerce, and augment the defenses from foreign aggression; that these debts, contracted in times of prosperity, when capital was more plenty and confidence more stable, had now become onerous upon the people, and provisions for the annual interest and final payment of the principal would undoubtedly lead to a system of taxation which would still further depreciate the value of property, and become an unbearable burden to the taxpayer. The resolution admitted that many of the issues were improvident, but claimed that they were not the less binding.

THE WILLIAM COST JOHNSON REPORT.

The matter was brought up several times, and much opposition was exhibited to paying the state debts in this manner. In December of the same year, however, the question was referred to a select committee, who filed their report in March, 1843. The tables which accompanied the report of the select committee contain the first official information relative to state debts. They show that the total amount of the debts of the states was $207,894,613 35, and that the amount of interest paid, or due, annually, was $10,394,730 64. Many of the states had omitted to pay the interest as it accrued, consequently greatly increasing their debt, while the gradual but general depreciation of property in such states continued to render the payment of accruing interest and the final liquidation of the principal more and more difficult and doubtful with every delay.

The main objection to the report of the committee set up by those who were opposed to the proposition was that the plan contemplated the assumption of the debts of the indebted states without extending any benefit to the non-indebted states, and that the latter would be responsible for the debts of the former; that if the states were intrusted with the stock or bonds of the general government they might apply them to other uses than the payment

* This table is taken from Flagg's report, and does not agree within about $4,000,000 with the debt statement as given for 1838, on page 526. The difference mainly arises from the payment by New York of that amount of the debt incurred between the years 1820 and 1825.

of their debts; that if the states were relieved from their present difficulties and embarrassments, they would, in all probability, get heavily in debt again; and finally, that, although the states might be relieved, the issue of the amount of stock proposed would greatly embarrass the general government.

To meet the first objection, that no benefit would be extended to the non-indebted states, a plan of distributing the stock equally among all the states was adopted. The table presented below* shows the amount of the debts of the several states, and also the amount of the $200,000,000 of government bonds that each state and territory would receive had it been divided, as was proposed, among the states, territories, and the District of Columbia (the territories and the District being assumed, for the purpose, to have one representative each), upon the basis of $1,000,000 for each senator, the residue to be divided among the states, and so on, according to the number of representatives under the apportionment law of 1840. It appears that this would have involved the issue of United States stock to the amount of $651,982 38 for each representative in the Twenty-eighth Congress. The table also shows the amount of debts that would have been liquidated by the stock; the balance against the states after absorbing their portion of the stock; the balance of stock belonging to the states, etc., after payment of debts; the amount of interest due annually on the state debts at that time; and the amount that would remain after the distribution to be paid.

Estimates of the debts of the several states and territories.

States, territories, and District of Columbia.	Senators.	Representatives.	Total.	Amount of the debts of the states, etc.	$200,000,000 of government bonds, divided among the states, territories, and District of Columbia.*	Amount of debts paid by the stock.	Balance against the states, after absorbing their portion of stock.	Balance of stock belonging to states, etc., after payment of debts.	Amount of interest to be paid annually on the present debt of states, etc.	Interest to be paid annually after absorbing their shares of stock by the states, etc.	Interest calculated at 6 per cent., being the average, including exchange, etc.
Maine	2	7	9	$1,734,861 47	$6,563,876 66	$1,734,861 47	....	$4,829,015 19	$86,743 07	....	$104,091 68
New Hampshire	2	4	6	....	4,607,929 52	....	....	4,607,929 52	....	....	....
Massachusetts	2	10	12	5,424,137 00	8,519,823 80	5,424,137 00	....	3,095,686 80	271,206 85	....	325,448 22
Connecticut†	2	2	4	....	4,607,929 52	....	....	4,607,929 52	....	....	....
Vermont	2	4	6	....	4,607,929 52	....	....	4,607,929 52	....	....	....
Rhode Island†	2	4	6	....	3,303,964 76	....	....	3,303,964 76	....	....	....
New York	2	34	36	21,797,267 91	24,167,400 26	21,797,267 91	....	2,370,132 35	1,089,863 39	....	1,307,836 07
New Jersey	2	5	7	....	5,259,911 90	....	....	5,259,911 90	....	....	....
Pennsylvania‡	2	24	26	36,336,044 00	17,647,577 52	17,647,577 52	$18,688,466 48	....	1,816,802 20	$934,423 32	2,180,162 64
Delaware	2	1	3	....	2,651,982 38	....	....	2,651,982 38	....	....	....
Maryland§	2	6	8	15,214,761 49	5,911,894 28	5,911,894 28	9,302,867 21	....	760,738 07	465,143 36	912,885 68
Virginia	2	15	17	6,994,307 54	11,779,735 70	6,994,307 54	....	4,785,428 16	349,715 37	....	419,658 45
North Carolina	2	9	11	....	7,867,841 42	....	....	7,867,841 42	....	....	....
South Carolina	2	7	9	5,691,234 41	6,563,876 66	5,691,234 41	....	872,642 25	284,561 72	....	341,474 06
Georgia	2	8	10	1,309,750 00	7,215,859 04	1,309,750 00	....	5,906,109 04	65,487 50	....	78,585 00
Kentucky	2	10	12	3,085,500 00	8,519,823 80	3,085,500 00	....	5,434,323 80	154,275 00	....	185,130 00
Tennessee	2	11	13	3,198,166 00	9,171,806 18	3,198,166 00	....	5,973,640 18	159,908 30	....	191,889 96
Ohio	2	21	23	20,000,000 00	15,691,629 98	15,691,629 98	4,308,370 02	....	1,000,000 00	215,418 50	1,200,000 00
Louisiana‖	2	4	6	23,985,000 00	4,607,929 52	4,607,929 52	19,377,070 48	....	1,199,250 00	968,853 52	1,439,100 00
Indiana	2	10	12	12,751,000 00	8,519,823 80	8,519,823 80	4,231,176 20	....	637,550 00	211,558 81	765,060 00
Mississippi¶	2	4	6	7,000,000 00	4,607,929 52	4,607,929 52	2,392,070 48	....	350,000 00	119,603 52	420,000 00
Illinois	2	7	9	13,527,292 53	6,563,876 66	6,563,876 66	6,963,415 87	....	676,364 62	348,170 79	811,637 55
Alabama	2	7	9	15,400,000 00	6,563,876 66	6,563,876 66	8,836,123 34	....	770,000 00	441,806 16	924,000 00
Missouri	2	5	7	842,261 00	5,259,911 90	842,261 00	....	4,417,650 90	42,113 05	....	50,535 66
Arkansas	2	1	3	2,676,000 00	2,651,982 38	2,651,982 38	24,017 62	....	133,800 00	1,200 88	160,560 00
Michigan	2	3	5	5,611,000 00	3,955,947 14	3,955,947 14	1,655,052 86	....	280,550 00	82,752 64	336,660 00
Florida	....	1	1	4,000,000 00	651,982 38	651,982 38	3,348,017 62	....	200,000 00	167,400 88	240,000 00
Wisconsin	....	1	1	....	651,982 38	....	....	651,982 38	....	....	....
Iowa	....	1	1	....	651,982 38	....	....	651,982 38	....	....	....
District of Columbia	....	1	1	1,316,030 00	651,982 38	651,982 38	664,047 62	....	65,801 50	33,202 38	78,961 80
	52	227	279	207,894,613 35	200,000,000 00	128,103,917 55	79,790,695 80	71,896,082 45	10,394,730 64	3,989,534 76	12,473,676 77

*The territories and the District of Columbia are placed upon the basis of one representative each, and $1,000,000 is allowed for each senator, and the residue is divided among the representation upon the basis of the apportionment law of 1840, which would be a fraction of a cent more than $651,982 38 for each representative in the 28th Congress.

† It is evident that the figures showing the number of representatives in Connecticut and in Rhode Island should be transposed, but the above table is an exact copy of the public document.

‡ The debt of Pennsylvania, according to a report of the state treasurer, issued about this time, amounted to $40,000,000.

§ Maryland was actually indebted but $10,000,000, though her nominal indebtedness amounted to the sum in the table.

‖ Of this amount $22,200,000 was for the banks, of which $4,811,111 10 was not negotiated, and remained in the banks.

¶ The state denies its responsibility for $5,000,000 of this debt.

The above estimates of the debts of the several states and territories are taken from the report made by the Secretary of the Treasury to Congress June 25, 1842. The calculations of the interest annually paid by the several states, etc., in the above table are made at 6 per cent., that being the nearest average.

* Report of committees H. R., 27th Cong., 3d sess., Rep. No. 296, pp. 120, 121.

THE PROPOSED PLAN OF ASSUMPTION.

This plan the advocates of the assumption of the debts by the United States thought would sufficiently remove the first objection urged, that no benefit would be extended to the non-indebted states. To the second objection, that if the states were intrusted with the stocks or bonds of the general government they might apply them to other uses than the payment of their debts, the memorialists answered that it was proposed to credit the states on the books of the treasury with their respective or relative proportions, and that the transfer was to be made, not to the indebted states, but to the holders of their bonds, in exchange for a fixed equivalent amount of state stocks, when the contracting parties, the state and their bondholders, should have made amicable arrangements. The above table shows that $128,103,917 55 would have been the amount of stocks paid, and that $71,896,082 45 would have been the amount standing to the credit of the non-indebted states. This amount, it was suggested, need not be issued, but credited on the books of the department, and the states might draw their semi-annual interest on the same and their proportion of the principal when finally liquidated.

The third objection, that if the states were relieved from their present difficulties and embarrassments they would in all probability get heavily into debt again, was answered by the fact that the states most indebted in 1790, when the government assumed their debts, were Massachusetts and South Carolina, and that at that time (1842) these states had not become again embarrassed.

DISTRIBUTION OF THE SURPLUS REVENUE FUND.

Ever since 1830 efforts had been periodically made to distribute the land revenue or surplus revenue, or to induce the government to assume the stocks of indebted states and to distribute an equal portion of credit to non-indebted states. In 1837 a distribution of the surplus revenues of the United States among the several states, provided for by an act passed in 1836, actually took place. The fund originally proposed to be distributed among the states was $36,000,000, and $28,101,644 91 was in fact distributed, in three quarterly installments, the first amount transferred being under date of February, 1837, the second amount in April, and the third in July of the same year. The fourth and last installment, however, was not paid. A series of disasters, culminating in the panic of 1837, so disordered the finances of the general government before the distribution had been completed that it became necessary to have recourse to a new act of Congress, which was passed on the 2d of October, to direct the postponement of the transfer of the remaining fourth until the 1st of January, 1839. A subsequent act was passed, postponing the payment indefinitely. This last law further provided that the amount deposited should remain with the states until otherwise directed by Congress. Here the matter has rested for forty years.

The amount of money "deposited" with the several states under the act of June 23, 1836.

Maine	$955,838 25	Alabama	$669,086 79
New Hampshire	669,086 79	Louisiana	477,919 14
Massachusetts	1,338,173 58	Mississippi	382,335 30
Vermont	669,086 79	Tennessee	1,433,757 39
Connecticut	764,670 60	Kentucky	1,433,757 39
Rhode Island	382,335 30	Ohio	2,007,260 34
New York	4,014,520 71	Missouri	382,335 30
New Jersey	764,670 60	Indiana	860,254 44
Pennsylvania	2,867,514 78	Illinois	477,919 14
Delaware	286,751 49	Michigan	286,751 49
Maryland	955,838 25	Arkansas	286,751 49
Virginia	2,198,427 99		
North Carolina	1,433,757 39	Total	28,101,644 91
South Carolina	1,051,422 09		
Georgia	1,051,422 09		

THE EFFECT OF THE DISTRIBUTION OF THE SURPLUS REVENUE FUND AND OF THE DISCUSSION OF FEDERAL ASSUMPTION OF STATE DEBTS ON THE PUBLIC MIND.

Undoubtedly this distribution of national funds tended to stimulate improvident undertakings, and at the first signs of embarrassment it was not unnatural that the states should turn to the national government for succor and relief from their premature burdens. The table already given of the annual increment of debt from 1820 to the close of 1839 shows that from 1820 to 1825, when none of the distributive schemes had been thought of in Congress, the amount of state debt incurred was only twelve million and three-quarters in five years—about two and a half million per annum, and this was confined to the old and populous states, whose resources were adequate to their undertakings and whose means were equal to the payment of their contracts. In the next period of five years, from 1825 to 1830, the increase of state debts was still in the same slow and moderate proportion, and, as a general thing, confined to the same class of states. About this time Mr. Dickerson's bill for the distribution of the surplus revenue was brought forward. But it was at that time condemned by the Senate, and hence did not have an important effect upon the expenditures and undertakings of the several state legislatures. The third period, from 1830 to 1835, was filled with bills and speeches for the distribution of land revenue, and majorities were found in both houses of Congress to countenance the projects.

Then it was [says Senator Benton, in his speech referred to] that speculation and state debt received a powerful impulse, and the debts of the states made the gigantic stride of $40,000,000 in five years, being at the rate of $8,000,000 per annum. What was worse, some of the young states began to be infected with the heresy that state debts were state blessings, and rushed into undertakings for which they were not ripe and for which the credit system had to furnish the means. The fourth period only embraced three years and a half, from 1835 to 1837, and a part of 1838, but it covered the period of the cluster of bills for the distribution of the surplus revenue, as it was called, the seductive speeches in their favor, and the dazzling tables of distributive shares, which then filled this chamber, and which took the ultimate form of a deposit with the states. The state debts in that delusive period advanced $108,000,000. Counting the $28,000,000 received from the United States, and the total advance was $136,000,000, the progressive rate of interest being close on $40,000,000 per annum. This frightful career of debt involved in its course even the youngest and weakest states and some of the territories, and the result of the whole was a larger debt contracted in that brief period by about one-half of the states than the whole Union owed at the highest point of our national debt for all its wars and acquisitions of territory—the Revolutionary war, the Louisiana and Florida purchases, all inclusive.

NEW ENGLAND STATES.

The history of the state debts of the New England states is of the most simple character. The following table presents the debt at six different periods:

New England States.	1839.	1841.		1853.		1860.		1870.		1880.	
		Funded debt.	Other debt.	Funded debt.	Other debt.	Funded debt.	Other debt.	Funded debt.	Other debt.	Funded debt.	Other debt.
Maine	*a* $554, 976	*b* $1, 734, 861	....	*c* $471, 500	....	*c* $690, 500	....	*d* $8, 067, 000	....	$5, 848, 900	....
New Hampshire	....	....	....	*c* 74, 899	....	*c* 50, 087	....	*d* 2, 752, 200	*e* $65, 600	3, 501, 100	$60, 100
Vermont	....	....	....	....	....	*c* 175, 000	*c* $24, 036	*d* 1, 002, 500	....	4, 000	....
Massachusetts	*a* 4, 290, 000	*b* 5, 424, 137	....	*c* 6, 445, 000	....	*f* 6, 817, 127	*f* 315, 500	*d* 27, 128, 164	*d* 1, 142, 717	53, 020, 464	14, 262
Rhode Island	....	....	....	....	....	....	....	*g* 2, 913, 500	....	2, 534, 500	....
Connecticut	....	....	....	....	....	....	....	*d* 7, 275, 000	....	4, 007, 600	....
Total	4, 844, 976	7, 158, 998	....	6, 991, 399	....	7, 741, 714	340, 136	49, 140, 164	1, 208, 386	49, 876, 564	74, 362

a Appendix to the Congressional Globe, 26th Congress, 1st session, page 90.

b House Report No. 296, 27th Congress, 3d session.

c State treasurer.

d Ninth Census.

e The authority is the Ninth Census. The amount shown is inclusive of $45,019 owed to trust funds.

f Governor.

g The authority is the Ninth Census. The amount shown is inclusive of $3,940 owed to the school fund.

As will be seen by the foot-notes, the figures of this table have been taken from what was deemed to be the most reliable source. It was impossible in all cases to make these figures agree precisely with those in the detailed reports. For example, it has been deemed that the data in the William Cost Johnson report were, upon the whole, the most reliable for that date. Still there can be found state documents for some states which, purporting to be for the same year, do not agree with the figures given in this report. It will be readily seen that to establish complete uniformity the William Cost Johnson report either had to be accepted as a whole or omitted altogether. Believing it to be substantially correct, it has been used, with some modifications in the way of foot-notes. Further, the dates at which reports are made for a given year may vary from January to December, so that varying statements for the same year may both be true.

From the above table it appears that in 1839 the total debt of these six states amounted to less than $5,000,000. In 1842 Maine, as we shall show in the detailed report on that state, had somewhat increased its liabilities, and so had Massachusetts; but up to that period New Hampshire, Vermont, Rhode Island, and Connecticut had contracted no debts. At the close of the third period Maine had paid a large portion of its debt. The debt of Massachusetts had increased about $1,000,000, and New Hampshire had a small debt of about $75,000. In short, there was but little fluctuation in the debts of the New England states from 1839 until the close of 1860, at which period there was but little change in the debt of Maine, New Hampshire, and Massachusetts. Vermont, owing to the burning of its state-house, had contracted a debt of nearly $200,000. Rhode Island and Connecticut still continued on the list of those states that were free from debt. Owing principally to the debts contracted for war purposes, and, in the case of Massachusetts, in part for public improvements, the debts of these New England states had increased sevenfold in the decade ending in 1870, and the census of that year gives the aggregate amount of bonded and floating debt at $50,348,550. While the debts of individual states have, since that period, undergone some fluctuation, they virtually remained at about $50,000,000, in the aggregate, at the close of the census year 1880.

NEW HAMPSHIRE.

The first loans of importance of New Hampshire were made for war purposes, and the following statement exhibits the fluctuation in the debt of this state, and also the annual reduction from June, 1867, to June, 1880:

Year ending June 1—	State debt.	Reduction of debt.	Year ending June 1—	State debt.	Reduction of debt.
1867	$3,747,776 95	$254,293 18	1874	$3,826,590 02	$305,570 42
1868	3,487,411 97	260,364 98	1875	3,741,330 45	85,259 57
1869	3,136,879 33	350,532 64	1876	3,629,538 49	111,791 96
1870	2,779,291 98	357,587 35	1877	3,576,390 87	53,147 62
1871	2,360,087 52	419,204 46	1878	3,530,190 07	46,200 80
1872	*4,138,124 26	427,658 70	1879	3,573,550 90	(†)
1873	4,132,160 44	5,963 82	1880	3,501,100 00	72,450 90

* Municipal war loan bonds, amounting to $2,205,695 44, distributed to towns to equalize bounties and added to state debt. Old debt reduced as stated.
† Increase of debt, $43,360 83. During year $94,704 40 disbursed on account new state prison (see note, p. 1 state treasurer's report, 1879).

The following is a statement of the bonded debt of this state on May 31, 1880, as reported by Hon. Solon A. Carter, state treasurer. It shows the purposes for which it was issued, the rate of interest it bears, and the date of issue and of maturity:

Bonded debt, May 31, 1880	$3,501,100
Issued for war purposes	2,809,100
Issued for refunding	552,000
Issued for public buildings	140,000
	3,501,100
At 6 per cent. interest	3,061,100
At 5 per cent. interest	440,000
	3,501,100

ISSUE.		MATURITY.	
1861	$3,000	1880	$255,000
1864	600,000	1881	14,000
1872	2,206,100	1882	14,000
1873	252,000	1883	14,000
1879	440,000	1884	464,000
		1885	......
		1886	14,000
		1887	14,000
		1888	14,000
		1889	264,000
		1890	114,000
		1891	114,000
		1892	206,100
		1893	176,000
		1894	174,000
		1895	150,000
		1896	150,000
		1897	150,000
		1898	150,000
		1899	150,000
		1900	150,000
		After 1900	750,000
Total	3,501,100	Total	3,501,100

VERMONT.

The state of Vermont, as the tables show, had no debt, except it might have been a temporary one, until the winter of 1858–'59, when the state-house was burned, and the state authorized a loan with which in part to rebuild, and borrowed $148,000, on an issue of notes or bonds, all of which was paid in 1861, 1862, 1863, and 1864. In 1861 and 1862 a further issue of bonds was authorized to supply funds needed in consequence of the war, under which authority Vermont issued bonds, amounting in all to $1,650,000, which bonds were paid when due. There now remains unpaid $4,000, due in 1876, and the amount of the agricultural college fund held by the state treasurer in trust, due in 1890, $135,500. The state has now funds on hand more than the total of all the state liabilities of all kinds.

RHODE ISLAND.

The debt of Rhode Island was also incurred for war purposes, and the following is a statement of its present condition:

Bonded debt	$2,534,500
Issued for war expenses, at 6 per cent. interest	2,534,500

ISSUE.		MATURITY.	
1861	$500	1881	$500
1862	965,000	1882	965,000
1863	831,000	1883	200,000
1864	738,000	1893	631,000
		1894	738,000
Total	2,534,500	Total	2,534,500

CONNECTICUT.

The bonds of Connecticut were all issued after 1860, and, excepting the last ones, were for war expenses. The bonds issued in 1877 were for the purpose of redeeming optional bonds due July 1, 1871, to 1881, and the bonds due October 1, 1874, to 1894, the amount of both issues then outstanding being about $1,078,000. The following statement from the state treasurer's report shows that the debt of the state was originally made for raising and equipping troops for the war, the amount being, at the close of the war, $10,000,000, but now reduced to less than half that amount.

Bonded debt, December 31, 1879	$4,967,600
Issued for war expenses	4,967,600
At 6 per cent. interest	3,936,600
At 5 per cent. interest	1,031,000
	4,967,600

ISSUE.		MATURITY.	
1863	$877,000	1883	$877,000
1864	1,318,500	1884	1,318,500
1865	1,741,100	1885	1,741,100
1867	1,031,000	1887	1,031,000
Total	4,967,600	Total	4,967,600

MAINE.

The foregoing statement embraces the four New England states that virtually had no debt until war times. The history of the debts of Maine and of Massachusetts is of more general interest. In 1820 Maine, formerly a part of Massachusetts, was admitted as a state. Like many others during the period between 1830 and 1840, the state was seized with a debt-creating mania, which severely taxed its resources at the time. The funded debt reached its maximum December, 1841, when it stood at $1,734,861 47. This debt was contracted partly for an insane hospital, partly for primary schools, and for expenses incurred under the border difficulties, and for other purposes, large sums being paid from its treasury, as bounty on the growth of wheat and corn, amounting to about 8 cents per bushel on the former and 4 cents on the latter, to farmers who raised over 50 bushels each. In one year the bounty paid was $87,352 30.

The present outstanding debt of this state, according to the state treasurer's report, December 31, 1879, was incurred for war purposes, and stood, at the close of December that year, as follows:

Bonded debt, December 31, 1879	$5,848,900
Issued for war purposes	5,848,900
Bearing 6 per cent. interest	5,848,900

ISSUE.		MATURITY.	
1863	$692,000	1880	$307,000
1864	2,330,000	1883	385,000
1869	2,826,900	1889	5,156,900
Total	5,848,900	Total	5,848,900

MASSACHUSETTS.

For many years prior to 1837 there had not been, in Massachusetts, any permanent loans. In that and in subsequent years, however, bonds or scrip were issued in aid of the construction of certain railroads, and to procure the means to establish certain charitable institutions. The bonds then issued by the state have been promptly paid as they respectively became due, except the $400,000 of bonds issued in aid of the construction of the Norwich and Worcester railroad, which matured in 1857, and at that date were renewed for twenty years, at 6 per cent. interest, and paid in 1877. There is also outstanding $1,000 in bonds of the issue of 1856, maturing in 1862, which has not been presented for redemption.*

In 1837 there was loaned to the Western Railroad Company (Worcester to Albany) $2,100,000. In 1839 a further loan of the credit of the state was made to that company of $1,200,000, and in 1841 the sum of $700,000, making a total of $4,000,000. The state issued her bonds for these several sums, payable thirty years after date, in London, with interest at the rate of 5 per cent. per annum. In 1837 the state also subscribed $1,000,000 to the capital stock of that company, and in payment therefor issued bonds payable in twenty years, with 5 per cent. interest. The railroad company executed mortgages to the state to secure these several loans. There was also loaned, under similar conditions, during the year 1837, to the Eastern railroad $500,000; Norwich and Worcester railroad, $400,000; Andover and Haverhill railroad, $100,000; and, in 1839, to the Boston and Portland railroad, $50,000. No further permanent loans were made by the state until 1849, when the construction of a reform school, of lunatic hospitals, almshouses, and other public buildings, was commenced, and in that and in subsequent years until 1858 a debt of $1,314,000 was created, which has since been paid.

In 1861 there was an accumulation of temporary loans aggregating $300,000, and scrip to that amount was issued, which has been paid. In 1861 and 1862 there were issued $3,000,000 of Union loan bonds bearing 6 per cent. interest, and $600,000 of similar bonds bearing 5 per cent. interest. These have been paid, as also $3,505,000 of war loan 6 per cent. currency bonds, issued in 1866 and 1867.

The following table shows the amount of *funded* debt on the dates mentioned. This table has been compiled from the governors' addresses for the respective years:

On January 1, 1860	$6,413,355	On January 1, 1871	$27,128,164
On January 1, 1861	6,817,127	On January 1, 1872	29,630,364
On January 1, 1862	†5,002,047	On January 1, 1873	27,692,704
On January 1, 1863	†5,257,000	On January 1, 1874	28,477,804
On January 1, 1864	†6,338,000	On January 1, 1875	29,465,204
On January 1, 1865	14,372,935	On January 1, 1876	33,886,464
On January 1, 1866	19,131,435	On January 1, 1877	33,550,464
On January 1, 1867	24,399,224	On January 1, 1878	33,220,464
On January 1, 1868	22,943,760	On January 1, 1879	33,020,064
On January 1, 1869	26,807,420	On January 1, 1880	33,020,464
On January 1, 1870	29,737,259		

The funded debt outstanding January 1, 1880, is divided as follows:

Issued for war purposes	$10,468,188
Issued for railroad purposes	17,738,996
Issued for public buildings	4,113,280
Issued for improvement of rivers, harbors, &c	700,000
Total	33,020,464

It will thus be seen that more than one-half of the entire state debt was incurred to aid in the construction of railroads, and of this sum $14,139,972 was issued in aid and to secure the completion of the Troy and Greenfield railroad and the Hoosac tunnel. The building of this road and the tunneling of the Hoosac mountain was a private enterprise, undertaken by the Troy and Greenfield Railroad Company. Soon after the organization of the company, however, application was made for public aid, which was granted, and finally the state was obliged to take the control and management into its own hands, in order that the large amount already advanced and expended might not be lost and the enterprise fail.

* Paid since the date of this report.

† Exclusive of loans to railroad companies.

The first aid was granted to this company in 1854, when the legislature passed an act entitled "An act authorizing a loan of the state credit to enable the Troy and Greenfield Railroad Company to construct the Hoosac tunnel".*

This act authorized the treasurer of the commonwealth to issue scrip or certificates of indebtedness, in the name and on behalf of the commonwealth, for the sum of $2,000,000, payable at London in the currency of Great Britain, or at Boston in the currency of the United States (at the option of the directors of the Troy and Greenfield Railroad Company when they should apply for the issue of the scrip), redeemable in thirty years, with interest at the rate of 5 per cent. The scrip to be issued was to aid the company in constructing a tunnel and railroad under and through the Hoosac mountain. Certain conditions were imposed on the company before any scrip was to be issued. They were to satisfy the governor and council that they had obtained subscriptions to their corporate stock in the sum of $600,000, and that 20 per cent. of the amount had been actually paid in, and the scrip was to be issued in sums of $100,000 as the work progressed, the last $200,000 not to be issued until the railroad was opened for use through the Hoosac and a continuous railroad laid from Greenfield to the line of the state in Williamstown. Other conditions were also made regarding the paying of the subscriptions to the stock and the repayment of a portion of the amount derived from the sale of the scrip, for the purpose of creating a sinking fund. The railroad company executed a bond to secure the performance of the work and to save the state harmless from the payment of the principal and interest, and also executed a mortgage on the entire railroad, with its income and all its franchises and property. As a further security the company was required to make an assignment of all its interest in the Southern Vermont Railroad Company, which was executed.

The act also provided for the election of two directors by the legislature whenever $500,000 should have been advanced to the company. This act was modified in 1859,† but the amount was not changed. It provided a different mode of issuing the scrip, and gave the state the option of purchasing the scrip, and extended the time for the completion of the tunnel to December 31, 1865. Another change in the manner of issuing the scrip was made in 1860,‡ and the company was authorized and required to purchase the road, franchise, stock, bonds, and other property of the Southern Vermont Railroad Company, together with the income, benefits, and reversion of its lease to the Troy and Boston Railroad Company, and subject to its provisions, for the sum of $200,000; and to enable the company to make the purchase, and transfer the same to the commonwealth as security for the entire loan, a further issue of scrip in the amount of $200,000, payable in federal currency, and to be of the same description as that theretofore issued, was authorized, to be delivered upon the assignment to the state of the capital stock and lease of the Southern Vermont railroad. It was also provided that the railroad company should transmit the semi-annual interest to the state treasurer thirty days before maturity.

The railroad company abandoned the work in July, 1861, at which time the state had loaned its scrip to the amount of $725,388 88, and to October 1, 1861, had paid interest to the amount of $18,093 34 in addition to the $200,000 issued May 4, 1860, to the owners of the Southern Vermont railroad for the purchase of the road.§

In the following year ‖ the legislature passed an act authorizing the governor, with the advice of the council, to appoint three commissioners to investigate the subject of finishing the Troy and Greenfield railroad and of tunneling the Hoosac mountain, and report the facts to the governor and council. The company was authorized to surrender the mortgaged property to the state, and it was provided that the right of redemption should not be barred until ten years should have elapsed after the completion of the road and tunnel and the same be open for use. The act directed the commissioners to take charge of the road and tunnel and to lease the completed portion of the road; to audit certain claims, not exceeding $175,000; and, with the consent of the governor and council, to continue the work and expedite the completion of the tunnel; all expenditures to be within the two million dollars. In 1863¶ further powers were granted to the commissioners, and the unexpended balance of the $2,000,000 was appropriated for the prosecution of the work, and certain contracts made between the commissioners and certain railroad companies were approved.

In 1865** the sum of $800,000 was appropriated for the further prosecution and completion of the road and tunnel and the payment of interest, and like scrip was to be issued therefor.

In 1866†† the further sum of $900,000 was appropriated, the amount to be raised by the issue and sale of thirty-year 5 per cent. scrip, and $600,000 in 1867‡‡, to be raised in a like manner. In the same year the legislature authorized the issue of the scrip to be made so as to be payable in not less than five nor more than twenty years, and to bear 6 per cent. interest. The entire loan was placed at 5 per cent. In 1868§§ an act was passed authorizing the funding of the unfunded debt created in the construction of the Troy and Greenfield railroad and the Hoosac tunnel, and the issue of $3,000,000 of scrip was authorized, the amount to be expressed in the currency of Great Britain and payable in London in not less than twenty nor more than thirty years (to be determined by the governor and council), with 5 per cent. interest per annum, payable in gold, or, at the option of the governor and council, to be payable in Boston in lawful money of the United States at the expiration of twenty years from date, and redeemable at any time after five years from date, with 6 per cent. interest, payable semi-annually in lawful money of the United States. The act also repealed all former acts authorizing the issue of scrip, for the purpose of constructing said railroad and tunnel, beyond the amount already issued.

* Laws 1854.
† Laws 1859, chapter 117.
‡ Laws 1860, chapter 202.
§ Governor's address, 1862.
‖ Laws 1862, chapter 156.
¶ Laws 1863, chapter 214.
** Laws 1865, chapter 211.
†† Laws 1866, chapter 293.
‡‡ Laws 1867, chapter 253.
§§ Laws 1868, chapter 51.

A few months later* the further sum of $600,000 was appropriated, $250,000 to apply to the completion of the work, and $350,000 to pay interest on the loans. The governor and council were authorized to contract for the completion of the work, and to dispose of the interest of the commonwealth in the Troy and Greenfield railroad, the Hoosac tunnel, and the Southern Vermont railroad. The further sum of $5,000,000 was appropriated if a contract should be entered into for the completion of the work, for which amount scrip was to be issued, bearing interest not to exceed 6 per cent., and to be paid in not less than twenty nor more than thirty years, and to be expressed in such currency as the governor and council might direct.

Under this act a contract was made December 24, 1868, by the governor and council, with Messrs. Walter and Francis Shanly for the completion of the work in March, 1874, for $4,594,268 in current funds (governor's address to the general court in 1869). By the same authority it appears that at that date the total amount expended by the commonwealth, including this contract and the purchase of the Southern Vermont railroad, was $9,262,694.† By a subsequent act‡ the governor and council were authorized to hypothecate the $600,000 above mentioned, and the scrip was to be made redeemable in not less than twenty nor more than thirty years. In the year 1870§ $101,500 was appropriated for changing curves, rebuilding bridges destroyed during a freshet, and making highways.

The act authorizing the governor and council to dispose of the state's interest in the railroad and tunnel was repealed on April 5, 1872.‖ On the 12th day of December, 1872, the Hoosac tunnel, from the eastern portal to the central shaft, was opened.¶ In 1873** an appropriation of $200,000 was made, and scrip was authorized to be issued therefor, to be expended in laying tracks and purchasing necessary lands.

On the 27th of November, 1873, a passage was opened through the mountain,†† and in June following $1,500,000 in scrip was authorized to be issued to complete the construction of the railroad west of Bardwell's Ferry, to be issued in like manner, and to be payable as provided for the five million dollar loan; ‡‡ and the governor and council were directed to appoint a commission to take charge of the railroad upon completion of the tunnel.

Subsequently, and before the final completion of the work, the Messrs. Shanly surrendered their contract, the state deducting $36,547 for unfinished work and making an allowance for extra work.§§ In 1875‖‖ the governor and council were authorized to appoint a manager and make provision for laying track, arching the tunnel, and so on, and $1,300,000 was appropriated, for which like scrip was to be issued.¶¶

On the 31st day of December, 1875, there had been advanced in money and credit for the Troy and Greenfield railroad (including the tunnel) $11,920,334 67. The interest paid on loans to the same date amounted to $3,203,628 99, making a total of $15,123,963 66, leaving an unexpended balance of the legislative appropriations at that date of $1,414,162 82.***

In 1877 the governor, in his address to the general court (legislature), announced the completion of the tunnel, and in that year the further issue of scrip to the amount of $372,500 was authorized to pay certain claims and make repairs.††† These are all the appropriations made for the construction of the work. Whatever repairs and improvements are now made are paid out of the earnings. The road and tunnel are leased to several railroad corporations. During nine months of the year 1877 the net receipts from the railroad and tunnel were $63,966 47.‡‡‡

The following is a statement of the funded debt incurred for this enterprise on the 1st day of January, 1880, with the date of issue and maturity:

Date issued.	Amount in pounds sterling.*	Total amount in pounds sterling.	Amount in dollars.	Total amount in dollars.	Where payable.	Interest.	Will mature.
1858, October 1	22, 500						
1859, October 1	29, 300	114, 500	554, 180	....	London	5 per cent	In thirty years.
1860, October 1	62, 700						
1868, April 1	610, 000						
1869, July 1	413, 300						
1871, July 1	743, 500	2, 076, 300	10, 049, 292	10, 603, 472	do	do	In twenty years.
1875, January 1	309, 500						
1860, April 1	....	....	200, 000				
1861, April 1	....	....	216, 500				
1863, April 1	....	....	665, 000	1, 166, 500	Treasury, Boston	do	In thirty years.
1864, April 1	....	....	85, 000				
1873, July 1	....	....	400, 000				
1874, July 1	....	....	300, 000	2, 000, 000	do	do	In twenty years.
1875, July 1	....	....	1, 300, 000				
1877, September 1	....	....	....	370, 000	do	do	do.
				14, 139, 972			

*The pound sterling is computed at $4 84.

*Laws 1868, chapter 333. †By the table following it appears that prior to that date $4,673,080 in scrip had been issued, which, added to the contract price, would be $9,267,348.

‡Acts 1869, chapter 201.
§Laws 1870, chapter 252.
‖Laws 1872, chapter 175.
¶Governor's address, 1873.
**Laws 1873, chapter 346.
††Governor's address, 1874.
‡‡Laws 1874, chapter 402.
§§Governor's address, 1875.
‖‖Laws 1875, chapter 77.
¶¶Laws 1875, chapter 220.
***Governor's address, 1876.
†††Laws 1877, chapter 249.
‡‡‡Governor's address, 1878.

Thus, from the $2,000,000 credit of the state, first loaned to the Troy and Greenfield Railroad Company, which it was then thought would complete the work, the state has now a bonded debt of over $14,000,000, and is the owner of the tunnel and of the railroad.

The following table shows the date of issue and the amounts of the remaining funded debt, where payable, etc.:

Date issued.	Amount in pounds sterling.*	Total amount in pounds sterling.	Amount in dollars.	Total amount in dollars.	Where payable.	Interest.	Will mature.	For what purpose issued.
1868, July 1	60,000						Jan. 1, 1900	
1869, January 1	100,000						....do	
1869, July 1	160,000	743,600		3,599,024	London	5 per cent.	....do	Loaned to Boston, Hartford and Erie railroad.
1869, July 1	299,800						July 1, 1900	
1869, July 1	123,800						....do	
1861, May 1			70,000	220,000	Treasurer, Boston.	....do	May 1, 1880	Filling back bay lands.
1862, May 1			150,000					
1874, September 1			400,000	700,000	......do	....do	Sept. 1, 1894	Harbor improvement loan.
1876, September 1			300,000				Sept. 1, 1896	
1874, January 1			650,000					
1874, July 1			250,000					
1876, September 1			450,000	1,500,000	......do	....do	In 20 years	Danvers Lunatic Hospital.
1877, September 1			150,000					
1875, May 1			750,000	1,100,000	......do	....do	....do	Worcester Lunatic Hospital.
1876, September 1			350,000					
1875, January 1		267,000		1,292,280	London	....do	....do	Prisons loan.
1864, August 1		826,600	4,000,744		....do	....do	In 30 years	
1863, July 1			200,000	8,580,244	Treasury	....do	In 20 years	Bounty loan.
1864, May 1			4,379,500		....do	....do	In 30 years	
1863, July 1			388,000	888,000	......do	....do	July 1, 1883	Coast defense loan.
1864, January 1			500,000					
1869, July 1		206,600		999,944	London	....do	July 1, 1889	War loan.
1856			1,000	1,000	Treasury	....do	1862†	
Troy and Greenfield railroad				14,139,972				
Total				33,020,464				

* The pound sterling is computed at $4 84.

† Not presented for redemption.

There were issued:

Prior to 1860	$5,204,484
In 1860	503,468
1861	3,885,040
1862	150,000
1863	797,000
1864	10,121,244
1865	2,797,980
1867	370,000
1869	4,598,968
1874	1,300,000
1875	2,042,280
1876	1,100,000
1877	150,000
Total	33,020,464

There will mature:

In 1880	$221,000
1883	1,088,000
1888	3,061,300
1889	3,142,128
1890	503,468
1891	3,815,040
1893	209,000
1894	10,921,244
1895	4,840,260
1896	1,100,000
1897	520,000
1900	3,599,024
Total	33,020,464

January 1, 1880, the sinking fund of the state amounted to $12,235,248 29. To this may be added $640,000 as the market value of the securities in excess of cost, making $12,875,248 29. The distribution is to the following funds:

Troy and Greenfield railroad fund	$3,962,190 02
Boston, Hartford and Erie railroad fund	1,141,991 31
Back bay land fund	220,130 00
Commissioners of public lands	255,683 53
Prison and hospital fund	555,531 87
Bounty-loan fund	4,380,016 85
Coast defense fund	719,704 71
War loan fund	1,000,000 00
Total	12,235,248 29
Add market value in excess of cost	640,000 00
Total	12,875,248 29
Balance unprovided for, January 1, 1880	20,145,215 71
Total	33,020,464 00

Early in 1862 an act passed the legislature of Massachusetts authorizing the banks to suspend specie payment. On the 22d of March, of the same year, an act was passed providing for the payment of interest and principal of all scrip and bonds theretofore issued, or thereafter to be issued, as the same severally became due, in gold or silver coin, and directed the treasurer to procure such coin when necessary. This early measure was taken to secure the credit of the state, and the policy has been adhered to throughout.

MIDDLE STATES.

Under the title "Middle States", New York, New Jersey, Pennsylvania, Delaware, and Maryland are included. Of these five states, New Jersey and Delaware have no debt excepting that incurred for war purposes. The former had in its constitution of 1844 a provision which prohibited the state from aiding or in any way loaning its credit to public improvements. New York, Pennsylvania, and Maryland were among the first states to aid in the construction of canals and railroads and in loaning their credit to state banks. As early as 1839 these three states were indebted to the extent of $54,984,389. In 1842 Pennsylvania and Maryland were obliged to suspend interest, and New York was on the verge of bankruptcy. At the present time, when we take into consideration the sinking funds and the resources of these states, their debts are hardly more than nominal.

New York	$7,536,732
New Jersey	646,300
Maryland	7,627,668
Pennsylvania	12,814,831
Delaware	880,750
Total net indebtedness	29,506,281

The following table shows the movement of state debts in the Middle states* since 1839:

Middle States.	1839.	1841.		1853.		1860.		1870.		1880.	
		Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.
New York	*a* $18,262,406	*b* $17,561,567	*b* $4,235,700	*c* $24,323,838		*c* $27,064,584	*c* $6,505,654	*d* $32,409 144		$8,988,360	
New Jersey								*e* 2,996,200		1,896,300	
Pennsylvania	*f* 25,229,003	*f* 33,301,013		40,272,235		*g* 37,969,847		*e* 31,111,662		*h* 21,561,900	
Delaware										*i* 880,750	
Maryland	*a* 11,492,980	*b* 10,000,000	*b* 5,214,761	*g* 10,000,000	*g* $5,356,224	*j* 14,876,958		*e* 13,317,475		11,277,111	
Total	54,984,389	60,862,580	9,450,461	74,596,073	5,356,224	79,911,389	6,505,654	79,834,481		44,604,511	

a App. Cong. Globe, 26th Cong., 1st sess., p. 90.
b House Rep., No. 296, 27th Cong., 3d sess.
c Governor.
d The authority is the Ninth Census. The sum shown is the total indebtedness less the amount in the sinking fund; it is inclusive of $2,845,307 owed to trust funds.
e Ninth Census.
f State treasurer.
g State auditor or comptroller.
h Inclusive of $500,000 owed to the State Agricultural College fund.
i Inclusive of $165,750 owed to the school fund.
j Secretary of state.

NEW YORK.

The financial transactions of this state, now containing over 5,000,000 inhabitants, have been of great magnitude. The treasury accounts of New York are divided into six principal heads. First, the general fund, which represents the regular and direct finances of the government; second, the common school fund; third, the literature

* The debt of the District of Columbia appears in the table of municipal indebtedness.

fund; fourth, the canal fund; fifth, the bank fund, being the amount created by the contribution of the banks under the safety fund act of 1829; sixth, the United States deposit fund, being the amount of the three installments received in 1837 from the federal government under the act for distributing the surplus revenues. There are several other funds of minor importance of which the state is a trustee, and many of the complications in the finances of this state arise on account of transferring these securities from one fund to the other during important exigencies in the affairs of the treasury.

At the close of the revolutionary war New York found itself possessed of an immense extent of unimproved lands lying within its boundaries, which had been the "crown lands", owned by the mother country. There were also quit-rents, which had been reserved on extensive patents granted by the sovereign, which reverted to the state. Chiefly from this source and from the proceeds of the sale of the lands a general fund was made up, the annual revenues of which were intended to defray the expenses of the government and relieve the people from taxation. At this period it was actually a fund the proceeds of which discharged the state expenses.

From the lands above described the state appropriated liberal bounties to its soldiers, and with the proceeds of 500,000 acres constituted a school fund, which was, however, for a time diverted from that use and loaned to individuals and corporations. By failures resulting from these loans $161,000 was thrown upon the general fund, in accordance with an act passed in 1819 for that purpose. The school fund was in this year increased by the quit-rents transferred to it from the general fund, and in 1821 the new constitution transferred all the lands, amounting to 991,659 acres, from the general to the school fund. In 1827 a further transfer of $133,616 in stock was made, and in the following year the premium on a sale of state stock, amounting to $46,551 75, was added to the capital of the school fund, notwithstanding which appropriations a deficit of $81,853 in the amount required to make dividends was, up to 1830, supplied from the general fund.

The history of the school fund for the first forty years of its existence was, in brief, this: Its capital, after deducting losses from bad investments, was $2,031,059, and it had distributed to school districts in dividends extending over thirty years the sum of $2,780,560.

In the years 1786, 1792, and 1808 the state had contracted debts chargeable upon the general fund. In 1814, notwithstanding the operation of the school fund, the capital of the general fund amounted to $4,396,943 and the state debt to the sum of $1,503,681, leaving $2,893,259 as surplus, out of which the state paid the direct tax levied by the general government for war purposes. On the restoration of peace the state imposed a tax to replenish the general fund, which tax ceased in 1826.

In entering upon its system of internal improvements in 1817 a clear and well-defined policy was adopted. When the construction of the Erie canal was begun it was determined to constitute a fund which should, without possibility of failure, meet the interest on the loans which were required to construct it. To this end certain revenues were taken from the general fund and constituted a canal fund, under the charge of commissioners, whose duty it was to limit the loans to an amount the annual interest on which should fall within the sum of these revenues. Under their management the loan was disposed of at a premium of $663,623, realized on a total of $7,737,777, borrowed up to the date of the completion of the work, in 1826.

The constitution of 1821 set apart the tolls on the canal, together with the salt and the auction duties, as a sinking fund for the extinguishment of the canal debt. So well had the policy been observed of placing beyond contingency the payment of the canal debt that all of it which fell due in 1836 was paid, and a fund of $3,931,132 accumulated to meet the remainder, amounting to $3,762,256, due in 1845, for which the commissioners offered premiums of 9, 18, and even 24 per cent. without inducing the holders to surrender it. In 1836, the money to discharge the debt having been realized from the sinking fund, an amendment to the constitution restored to the general fund the salt and the auction duties which had been diverted from it, and also appropriated to it $200,000 annually from the canal revenues. The total yield of these duties to the canal fund from 1817 to 1836 had been $5,647,497, being $2,055,458 from salt and $3,592,039 from auction duties, which, with an amount of $73,500 derived from steamboat tax, had been expended upon the canal, and had reduced by that amount the debt which would otherwise have been contracted in its construction. These duties, aided by the canal revenues, finally discharged the debt.

In 1825 the construction of lateral canals was undertaken without specifically providing by taxation for the interest, reliance being placed solely upon the prospective revenues of the works to discharge the indebtedness incurred in their construction. In that year a bill was passed to borrow money for the construction of the Cayuga and Seneca canal, which loan was to constitute part of the canal debt, to be paid out of the canal fund.

Laws for the construction of other lateral canals followed, which works, proving to be profitless undertakings, threw an additional debt of nearly $10,000,000 on the canal fund without any provision being made to increase the means to meet it.

The enlargement of the Erie canal about the same time was advocated, and $721,441 from the surplus revenues of the canal fund was expended for that purpose prior to 1838, in which year a bill was passed authorizing a loan of $4,000,000 to carry out the work more speedily. The existing debt of the canal fund at that date was given at $10,801,839, and its increase to $21,000,000 was contemplated in adopting a policy of extensive construction, based upon prospective revenues to be derived from completed works. Under this policy the actual funded debt in 1841 amounted to $17,561,567, while the amount required to finish works in progress was $24,590,026, and at the same time works had been surveyed to complete which would require $26,648,111, making the debt, actual and prospective, at this date $68,799,704.

In accordance with the policy of loaning the state credit to companies, entered upon in 1827, stock to the amount of $5,228,700 was loaned to ten companies, chiefly railroads. Four of these subsequently failed, and the general fund became burdened with their indebtedness, amounting to $3,665,700, of which sum $3,000,000 became chargeable on the failure of the Erie railroad in 1842. This fund, already exhausted by the payment of $1,500,000 of old debt prior to 1825 and the transfer of its revenues to the school and canal funds, had also contracted debts which amounted, in 1842, to the sum of $1,948,000; so that when, in 1840, it was called upon to restore an amount borrowed from the bank safety fund it was found necessary to have recourse to a loan, and $348,000 in 5 per cent. stock was issued. The current revenues had been barely adequate to meet the annual expenses of the government and the interest on the stock issued to the defaulting railroads.

In this condition of affairs the solvency of the state was put in great jeopardy, and but one course was, by general consent, to be adopted. This was to stop all expenditures upon the public works, to issue stock in order to pay outstanding indebtedness to contractors and preserve the credit of the state, and to impose a tax to make good the deficiency for the support of the government and for interest on the state debt. This course was adopted by an act passed in 1842. At the date of its passage the canal debt amounted to $18,056,000, and, to pay arrearages to contractors, an additional sum of $3,175,000 was borrowed in a 7 per cent. bond. The act established a sinking fund, which was to extinguish the whole debt in about twenty-two years, requiring at that time to meet, in principal and interest, a sum of more than $40,000,000, or nearly $2,000,000 per annum over and above the state expenses. The stocks which had been issued by the state up to this year (1845) may be summed up as follows:

	Issued.	Redeemed.	Outstanding.
Erie and Champlain canal	$7,737,771	$7,737,771	....
Other canal issues (profitless)	14,472,257	2,949,531	$11,522,726
Preserving the state credit	5,422,136	346,006	5,076,130
General fund	909,500	....	909,500
Bankrupt companies	3,665,700	....	3,665,700
Solvent companies	1,563,000	500,000	1,063,000
Total	33,770,364	11,533,308	22,237,056

Such was the condition of the state debt in 1845. A constitutional convention was held at Albany, and a new constitution adopted October 9, 1846.

The first section of the seventh article of the constitution which was then formed established the canal-debt sinking fund to be constituted of the sum of $1,300,000, taken annually from the revenues of the canal until 1855, and $1,700,000 annually after that period to pay the interest and redeem the principal of that part of the state debt called the canal debt, until the same should be wholly paid.

The second provision of this article authorized what was called the general-fund-debt sinking fund, consisting of the sum of $350,000, to be annually appropriated and set apart from the revenues of the canals, to pay the interest and redeem the principal of that part of the state debt called the general fund debt, including the debt for loans of the state credit to railroad companies which had failed to pay the interest thereon, and also the contingent debt on state stocks loaned to incorporated companies which had hitherto paid the interest thereon, whenever and so far as any part thereof might become a charge on the treasury or the general fund, until the same should be wholly paid. In case, however, the amount taken first to be added to the canal debt sinking fund should absorb too large a part of the canal revenues to enable this payment to be made, then the sum so deferred should be paid, with quarterly interest, to the general-fund-debt sinking fund as soon as it could be done consistently with the just rights of the creditors holding the canal debt. It was further provided that when the canal indebtedness should have been liquidated the amount to be paid annually into this sinking fund should be increased to $1,500,000. It was further provided that the sum of $200,000 should be paid out of the surplus canal revenues into the general fund for the purpose of defraying the current expenses of the state government, and that whatever amount might remain over should be applied by the legislature to the completion of the Erie canal enlargement and the completion of the Black River and Genesee Valley canals. After 1854 the sum of $350,000 was authorized to be thus paid into the general fund. These provisions amounted, practically, at the time to an entire suspension of the public works for an indefinite period. An attempt was made (in 1851) to correct this difficulty, and, after a remarkable contest in the senate, a bill was passed appropriating $9,000,000 for the completion of the canals, under provisions which were subsequently declared by the court of appeals to be unconstitutional. The result was a controversy, to reconcile which the constitution was so amended in 1854 as to authorize the creation of a new debt for the enlargement and completion of the canals, and of a sinking fund, to be constituted of a sum to be set apart annually "sufficient to pay the interest as it falls due and extinguish the principal in eighteen years". It was further provided that "the rates of toll on persons and property transported on the canals should not be reduced below those of the year 1852, except by the canal-board, with the concurrence of the legislature". In case the sinking funds, or either of them, proved insufficient to enable the state to meet its obligations to its creditors, the legislature was required to levy equitable taxes, that it might so "increase the revenues of these funds as to make them, respectively, sufficient to preserve the public faith". The constitution also guards explicitly against the creation of further indebtedness, except in the matter of loans of less than $1,000,000 to meet casual deficits or failures in revenues, or for expenses not provided for, or debts which may be contracted to repel invasion, suppress insurrection, or defend the state in war. All propositions to create such indebtedness must be authorized by a law having a specific object, which law must impose and provide for the collection of a direct annual tax sufficient to pay the interest and liquidate the principal within the period of eighteen years. The bill must afterward be submitted to the people at a general election, or an election at which proposed amendments to the constitution shall have been submitted and receive a majority of votes in its favor.

Under this provision of the constitution the law creating the bounty state debt (chapter 325, laws of 1865) was enacted. It authorized the creation of a debt not exceeding $30,000,000, and levied a direct annual tax to pay the interest on the debt as it should fall due, and sufficient to pay the whole principal of the debt within the space of twelve years.

The debt of New York probably reached its maximum in 1865–'66, at which time the canal debt was about $19,500,000, the general-fund debt $6,000,000, and the bounty debt $27,644,000, making a total of $53,144,000. Since then it has gradually decreased. In 1870, according to the *Census Report*, it was $32,409,144. In 1880 the bonded debt of the state was $8,988,360. There is not in the history of state debts a more striking example of the beneficent effect of the aid of constitutional legislation in the liquidation of state debt. The general-fund state debt and the bounty debt are to-day all paid, and a large balance in the canal sinking fund leaves the amount of that debt unprovided for, September 30, 1879, only $7,536,732.

NEW JERSEY.

The constitution of 1844 of the state of New Jersey provides that the credit of the state shall not be, directly or indirectly, loaned in any case; that

> The legislature shall not in any manner create any debt or debts, liability or liabilities, of the state which shall, singly or in the aggregate, with any previous debts or liabilities, at any time exceed $100,000, except for purposes of war or to repel invasion, or to suppress insurrection, unless the same shall be authorized by a law for some single object or work to be distinctly specified therein, which law shall provide the ways and means, exclusive of loans, to pay the interest of each debt or liability as it falls due, and also to pay and discharge the principal of such debt or liability within thirty-five years from the time of the contracting thereof.

In view of this it is not surprising to find New Jersey without debt until 1860. It was not until May 10, 1861, that the legislature directed the governor and treasurer to borrow, for war purposes, on an issue of 6 per cent. bonds, exempt from taxation, none of which were to be made payable at a later date than January 1, 1885, a sum not exceeding $2,000,000. Under this act $1,798,900 in bonds were issued. By a supplementary act approved March 24, 1863, the same officials were authorized to borrow for like purposes, and on similar bonds, none of which were to be made payable later than January 1, 1896, an amount not exceeding $1,000,000. The issues under this act amounted to $1,002,900. By a further act approved April 14, 1864, the same officials were authorized to borrow, for like purposes, such sums of money as, with the money borrowed under preceding acts, should not exceed $4,000,000, and to issue bonds therefor at 6 per cent., none of which should have a longer time to run than to January 1, 1902. The bonds of this issue, however, were not exempted from taxation, and none of them were sold prior to the passage of an act approved April 4, 1866. This latter act recited in its preamble that $4,000,000 had been heretofore appropriated for paying the expenses incident to the suppression of the rebellion, but that not more than $3,000,000 had been borrowed, leaving authority to borrow $1,000,000 more, and since the state was indebted more than $600,000 for expenses incident to said suppression, this act provided that the governor and treasurer might borrow the sum of $1,000,000.

The act of 1861 provided that not more than $100,000 of the principal of the amount borrowed should be made payable in any one year. The same provision was found in the supplementary act of 1863, except that in the latter it is enacted that no part of the principal shall be paid before 1886, and the further supplement of 1864 declares that not more than $200,000 of the principal authorized by its provisions shall be made payable in any one year, and no part thereof before 1897. The payment of interest and principal as they become due is made the duty of the commissioners of the sinking fund, from the moneys of the funds furnished them by the treasurer, whose duty it is to pay over to them all moneys raised by law and received by him for the purpose of liquidating the principal and interest of this bonded debt.

The following statement of the bonded debt of the state (January 1, 1881) has been furnished by Hon. E. J. Anderson, comptroller:

Bonded debt January 1, 1881	$1,896,300
Issued for war purposes and bearing 6 per cent. interest:	
Issued in 1861	300,000
" 1863	1,002,900
" 1864	593,400
Total	1,896,300
Maturing in 1882	100,000
" 1883	100,000
" 1884	100,000
" 1886	100,000
" 1887	100,000
" 1888	100,000
" 1889	100,000
" 1890	100,000
" 1891	100,000
" 1892	62,600
" 1893	96,300
" 1894	100,000
" 1895	77,000
" 1896	67,000
" 1897	199,400
" 1898	200,000
" 1899	123,000
" 1902	71,000
Total	1,896,300

PENNSYLVANIA.

The necessity of internal improvements, by which the inland resources of Pennsylvania should be made available on her seaboard, became evident at an early date, and in the year 1789 the state commenced a series of works of various descriptions, which encountered difficulties and embarrassments that retarded some and produced the abandonment of others. The advantages of connecting the great lakes with the seaboard was perceived long before the extensive line connecting the Ohio river with Philadelphia was undertaken and finally entered upon. Between the years 1791 and 1828 there had been expended in Pennsylvania, for roads, bridges, and inland navigation, the sum of $22,000,000, and works were then in progress, to be completed by 1831, at an additional estimated expense of $12,000,000.

The expenditures for these objects at this time were upon the most liberal scale, and in the year 1829 a bill was passed authorizing an appropriation of over $3,500,000.

At this period the great work of the state was the canal and railroad connecting Pittsburgh with Philadelphia, the cost of which, prior to its completion in 1834, was $14,583,816. The lateral canals were also completed in the following year at a cost of $6,472,000. At this time the debt of the state amounted to $24,589,743, while a scheme of direct taxation to pay the interest on the state loans which had been introduced had the effect of making the people sensible of the inconvenience of a public debt.

At this juncture the charter of the United States Bank expired, and, Congress refusing to renew it, great efforts were made by that institution to procure a state charter. An offer to the state of nearly $10,000,000, most of which was to be expended on its works of internal improvement, aided the spirit of speculation then prevalent, and procured the passage of a bill in 1836 to charter the bank and to continue and extend the improvements of the state and to repeal the tax on real and personal property.

By the acceptance of the charter the Bank stipulated to pay the state of Pennsylvania a bonus of $4,500,000; to take the stock of the state to the amount of $6,000,000; and to loan the state or to subscribe to sundry roads in all a sum of $1,675,000—making a total amount of $12,175,000.

Under the impulse of this act a new series of improvements were begun, which involved the state in an expenditure of many millions of dollars on works which were afterward abandoned or passed into the hands of private companies. This expenditure constituted a portion of the public debt which afterward went in default. Soon after the United States Bank undertook these heavy payments the money market began to lower, and increasing stringency was followed by the universal suspension of 1837. The stock of the state held by the Bank then became its support in part and formed the basis of its credits abroad. When the Bank failed in 1839 the 5 per cent. stock of the state, which sold for $1 15 in 1833, would not sell at all, so greatly had the credit of the state declined under the policy of the Bank in using the state stocks which it held to relieve its embarrassments.

As the state had repealed her taxes and depended altogether upon borrowing to pay interest, the inability to borrow involved failure, and this became imminent in 1840, at which time the state endeavored to avoid it by recourse to a variety of expedients other than taxation, but was finally compelled to adopt measures to create revenue for the payment of interest and extinguishment of the public debt. This it did by the passage of an act, in 1840, which imposed taxes estimated to yield about $600,000. This sum, together with other resources of the state, was supposed sufficient to liquidate the interest account without further resort to loans. The act, however, failed to produce the amount anticipated, and a new plan was proposed and adopted by act of May 4, 1841, in accordance with which certain banks were authorized to subscribe to a loan to the state of a certain amount in proportion to their respective capitals, the amount of the loan to be placed in the treasury, for the use thereof, in notes of the said banks. By the terms of the law the loan was redeemable at any time within five years, and the notes were to be retired and the loan paid on or before the 4th of May, 1846. The banks were to receive these notes at par in payment of debts due them, and it was thought that by making the notes peremptorily redeemable at a definite time, and dependent upon the faith of the state as well as of the bank, a safe and reliable currency would be constituted and the state obtain a loan at 1 instead of 5 or 6 per cent. The amount of these notes so issued was originally $2,220,265. As these speedily became depreciated, and as they were the only medium in which the state received its revenue, the embarrassment of the treasury was complete. Without credit and with a depreciated currency bankruptcy was inevitable. The public works had been stopped, and it became necessary to provide for the payment of claims for amounts expended in their construction. To meet these obligations a law was passed to sell the bank stock owned by the state, which had cost the treasury $4,200,000, and in 1843 the sum of $1,395,400 was realized therefrom. The cancellation of the relief notes, above described, was directed by acts passed in 1843, under which $682,087 were to be destroyed, and a further cancellation to the amount of $200,000 per annum was ordered by an act passed in the following year.

In the meantime the revenues of the state were completely disordered, and the governor had recourse to the provision in the charter of the banks under which they were bound to loan to the state a sum not exceeding 5 per cent. of their capital. By these and other means the treasury had accumulated $859,000 to meet the interest due in February, 1842, which sum was placed on deposit in the Bank of Pennsylvania, the legal depository of the funds of the state and the agent for the payment of its interest. The credit of this institution having become impaired, the governor and state treasurer endeavored to induce it to pay the interest in advance. This was, however, not done; and, becoming convinced that the funds of the state were being paid out on other demands, the governor procured an injunction and recovered $500,000 of the amount deposited with the bank. The delay and loss thus occasioned deferred the interest due in February, while that due in August could not be paid at all.

A law was passed, however, authorizing the issue of 6 per cent. scrip to the interest-creditors, instead of money, and this was continued until resumption, which took place under the restored finances of the state in 1845. In that year a carefully defined scheme of taxation was adopted, and the expenditures of the state having been reduced, the application of a large amount to the reduction of the debt became practicable. The following table has been compiled from the most reliable original sources. As a general thing, the figures have been taken from the treasurer's reports, but when those documents for the respective years could not be obtained, or were not in the Congressional Library, the governor's reports, and, in two or three instances, the American Encyclopedia, have been referred to. It presents the total of the funded debt of Pennsylvania for each year, beginning in 1835, down to 1880:

Pennsylvania state debt.

1835	$24, 589, 743	1858	$39, 354, 285
1836	24, 265, 303	1859	38, 638, 961
1837	24, 329, 004	1860	37, 969, 847
1838	25, 327, 003	1861	40, 580, 666
1839	25, 229, 003	1862	40, 448, 213
1840	29, 914, 003	1863	39, 496, 596
1841	33, 301, 013	1864	39, 374, 431
1842*	37, 319, 395	1865	35, 522, 052
1843	40, 491, 708	1866	35, 622, 052
1844	39, 290, 461	1867	34, 766, 431
1845	40, 803, 866	1868	33, 286, 946
1846	40, 896, 393	1869	32, 814, 540
1847	40, 789, 577	1870	31, 111, 662
1848	40, 628, 949	1871	28, 980, 071
1849	40, 474, 736	1872	27, 303, 494
1850	40, 775, 485	1873	25, 798, 821
1851	40, 116, 258	1874	24, 568, 635
1852	41, 474, 595	1875	23, 233, 137
1853	40, 272, 235	1876	22, 978, 950
1854	41, 698, 595	1877	22, 943, 814
1855	40, 196, 194	1878	21, 586, 200
1856	40, 117, 835	1879	22, 190, 669
1857	39, 734, 592	1880	21, 561, 990

*Relief notes, interest certificates, and debts to domestic creditors included on and after this date.

The total of the debt, as here given, includes, of course, the relief notes, the interest certificates, and the domestic creditors' certificates. From this table it will be seen that in December, 1835, two months before the incorporation of the Bank of the United States, the state debt of Pennsylvania was $24,589,743. At the close of 1849 it stood, exclusive of the amount received as a deposit from the general government, $40,474,736, making an increase in the state debt during fourteen years of $15,884,993, notwithstanding the receipt in the meantime of $2,867,514 of surplus revenue from the United States and of $3,446,780 as premiums for bank charters. The debt seems to have reached its maximum in 1854. From that period to 1859 it was reduced $3,059,634. The state at this time held assets valued at $12,494,832, leaving the net indebtedness at this time (1859) $26,144,129. The debt was increased again by the military loan of May, 1861.

According to a report issued in 1866 by the Hon. J. F. Hartranft, then auditor-general, the indebtedness of the state was $35,622,052 16, described as follows:

Funded debt, 6 per cent. loans		$400,630 00
Funded debt, 5 per cent. loans		32,073,192 59
Funded debt, 4½ per cent. loans		213,200 00
		32,687,022 59
Unfunded debt, relief notes in circulation	$96,625 00	
Unfunded debt, interest certificates outstanding	13,086 52	
Unfunded debt, interest certificates unclaimed	4,448 38	
Unfunded debt, domestic creditors' certificates	119 67	
		114,279 57
Military loan, per act of May 15, 1861		2,820,750 00
Aggregate debt, December 1, 1866		35,622,052 16

The following statement shows the details of the funded debt:

SIX PER CENT. LOANS.

Stock loan, per act of April 2, 1832; due June 1, 1841	$630 00
Inclined-plane loan, per act of April 10, 1849; due April 10, 1879	400,000 00

FIVE PER CENT. LOANS.

Stock loan, per act of—	
March 24, 1828; due December 1, 1853	$1,339,671 99
December 18, 1828; due January 1, 1854	3,730 00
April 22, 1829; due December 1, 1854	1,580,078 86
December 7, 1829; bank charter loan	50,000 00
March 13, 1830; due March 4, 1858	3,348,877 01
March 21, 1831; due July 1, 1856	1,979,159 95
March 28, 1831; due March 28, 1861	300 00
March 30, 1832; due July 1, 1860	1,806,160 99
April 5, 1832; due July 1, 1860	249,978 76
February 16, 1833; due July 1, 1858	2,100,044 96
March 27, 1833; due July 1, 1858	379,975 12
April 5, 1834; due July 1, 1862	1,661,707 53
April 13, 1835; due July 1, 1865	797,964 08
January 26, 1839; due July 1, 1859	967,892 55
February 9, 1839; due July 1, 1867	1,032,979 22
March 16, 1839; due July 1, 1864	82,612 22
March 27, 1839; due July 1, 1868	456,020 53
June 7, 1839; due August 1, 1859	41,456 69
June 27, 1839; due June 27, 1864	913,246 26
July 19, 1839; due July 1, 1868	1,634,824 79
January 23, 1840; due January 1, 1865	636,436 48
April 3, 1840; due August 1, 1864	572,591 30
June 11, 1840; due July 1, 1870	1,659,228 29
May 5, 1841; bank charter loans	267,209 26
April 29, 1844; due March 1, 1849	129 02
April 16, 1845; due August 1, 1855	3,498,716 73
January 22, 1847; bank charter loans	19,200 00
Coupon loan, per act of—	
April 2, 1852; due July 1, 1882	538,000 00
May 4, 1852; due August 11, 1877	4,095,000 00
April 19, 1853; due August 11, 1878	360,000 00

FOUR AND A HALF PER CENT. LOANS.

Stock loan, per act of March 1, 1833; due April 10, 1863	$101,200 00
Coupon loan, per act of April 2, 1852; due July 1, 1882	112,000 00

At this time the only memento of the disastrous effects succeeding the great financial revulsion of 1837 remaining in Pennsylvania was the unfunded debt of $114,279 57. The relief notes, which, it will be remembered, were issued under authority of the act passed May 4, 1841, had virtually disappeared from the state finances, there being at the date of this report (1866) less than $41,000 unredeemed. These notes bear no interest, and were made due May 4, 1864. A few of the "interest certificates" had not been claimed, and on this account in 1866 some $17,535 were due. These were the certificates originally issued to the holders of the public loans for interest due in 1842, 1843, and 1844. Under acts passed April 29, 1844, and April 14, 1845, the certificates were afterward funded. There were no less than $4,502,824 of these certificates issued between August 1, 1842, and August 1, 1844. Of this amount there was funded $4,353,525, paid into the treasury $6,968, redeemed at the treasury $129,243, leaving but a few thousand dollars outstanding and unclaimed. Of the scrip certificates which were issued to domestic creditors, to the amount of $1,514,332, all have been redeemed.

The military loan of $3,000,000, issued under act of May 15, 1861, is a 6 per cent. loan. A special sinking fund of half a mill on the dollar on the taxable valuation was provided for its redemption.

It was estimated by Governor Hartranft that the total cost of the canals and railways constructed by the commonwealth of Pennsylvania was $35,099,083. Of this amount about $18,615,663 belonged to the cost of the main line of the public improvements from Philadelphia to Pittsburgh, which line was sold to the Pennsylvania railroad under the act of May 16, 1857, for the sum of $7,500,000, for which amount bonds of the said company have been deposited with the state treasurer. These pay 5 per cent., and are redeemable in annual installments. The original cost of the works sold to the Sunbury and Erie Railroad Company was about $10,985,569, which works were disposed of under act of April 21, 1858, for the sum of $3,500,000 5 per cent. bonds, which amount has been deposited in the sinking fund. These amounts constitute the capital of the sinking fund for the redemption of the funded debt of the commonwealth, and all payments, principal and interest, on account of the same form a part of the annual income thereof. Besides this, the sinking fund received certain taxes, licenses, and fees, which yield a considerable annual income. The liquidation of the debt has continued. During the year ending December 31, 1872, the state debt of Pennsylvania was reduced $2,500,000, leaving it, less assets on hand, only $16,521,039. During the next year the debt was reduced $1,504,672, and the total debt in 1873, as will be seen by the table, was $25,798,821. From this must be deducted the bonds of the Pennsylvania Railroad Company and those of the Alleghany Valley railroad in the sinking fund, amounting to $9,200,000, and the cash in the treasury, November 30, 1873, $1,825,151, leaving the balance of indebtedness unprovided for only $14,773,670. November 30, 1875, there remained in the sinking fund $934,028, and the governor of the state announced that there could be no further reduction of the public debt until August, 1877, as all state loans reimbursable prior to that date had been paid. In the meantime the sinking fund, in addition to the above amount, continued to accumulate. On the 1st of May, 1877, bids were opened by the sinking fund commissioners for a new loan of $8,000,000. These bonds netted the state a premium of $261,922. The loan was reimbursable in fifteen years, and payable absolutely in twenty-five years, at 5 per cent. interest. With this loan matured 6 per cent. bonds were to be redeemed. Of the 5 and 6 per cent. bonds falling due August, 1877, $8,324,900 were recalled.

The funded debt of the state, December 1, 1877, was $22,943,814. Deducting from this the assets set aside for the payment of the debt, amounting to $9,591,427, left the indebtedness unprovided for $13,352,387. The debt stood December 1, 1878, $21,586,200, showing a reduction of the debt $1,357,614 for that year.

In June, 1879, the commissioners of the sinking fund issued bonds to the amount of $2,000,000, the proceeds to be applied to the payment of part of the matured debt bearing 6 per cent. interest, these new bonds bearing interest at the rate of 5 per cent. Later in this same year (1879) the interest ceased on the 6 per cent. bonds, second series, and also on the inclined-plane loan, and the principal was redeemed. On the 30th of November, 1880, the bonded debt stood, according to the state auditor's report, as follows:

Bonded debt, November 30, 1880		$21,561,990
Issued for refunding old debt		20,427,462
Issued for canal		511,592
Issued for funding floating debt		24,776
Issued for war purposes		2,000
Issued for agricultural college	$500,000	
Issued for relief loan	96,160	
		596,160
Total		21,561,990
Bearing 4 per cent. interest		2,000,000
Bearing 4½ per cent. interest		87,000
Bearing 5 per cent. interest		9,265,687
Bearing 6 per cent. interest		10,108,521
Bearing unspecified interest		100,782
Total		21,561,990

ISSUE.		MATURITY.	
Previous to 1860	$642,968	Overdue	$153,736
Previous to 1861	2,000	1882	898,600
Previous to 1867	10,412,400	1892	9,995,800
Previous to 1877	8,000,000	After 1900	10,500,000
Previous to 1879	2,000,000	Unspecified	13,854
Previous to 1871	149		
Previous to 1872	500,000		
Unspecified	4,473		
Total	21,561,990	Total	21,561,990

DELAWARE.

In January, 1880, the state of Delaware had a funded debt of less than $1,000,000, and at that date had safe investments and cash in the treasury to an amount in excess of her debt.

Prior to the civil war the state had no bonded debt, and the first bonds, amounting to $1,100,000, were issued January 1, 1865. This is known as the war loan, and of this amount $588,000 has been redeemed, leaving outstanding $512,000, which will become due January 1, 1885.

By an act of the general assembly, January, 1867, a further loan of $400,000 was negotiated, of which amount there had been redeemed in January, 1880, the sum of $170,000. The remainder of this loan, $230,000, will mature January 1, 1890.

On the 1st of January, 1874, a loan of $200,000 was made, of which $116,000 remained unpaid January 1, 1880.

These last two loans are called the internal improvement bonds, the bonds issued having been loaned to certain railroad companies within the state.

The state holds a first mortgage on the railroads, and the companies are promptly paying the interest. The outstanding funded debt on January 20, 1880, was $918,000, and the floating debt (for school purposes) $22,000, making a total of $940,000. At that date the assets of the state consisted of the following:

Mortgage on Junction and Breakwater railroad	$400,000 00
Mortgage on Breakwater and Frankford railroad	200,000 00
Stock in Farmers' and Delaware Bank	73,050 00
Investments for use of free schools	448,099 00
Cash on hand	79,158 75
Total assets	1,200,307 75
Floating and funded debt *	940,000 00
Balance in favor of state	260,307 75

MARYLAND.

The two most reliable authorities on the history of the debt of Maryland are Judge Curtis, whose contribution to the subject has been frequently mentioned, and T. P. Kettell. The former gives an excellent summary of the financial condition of the state of Maryland soon after it had failed to meet the interest on its state debt in 1842, and Mr. Kettell does the same from the origin of the debt to 1849. Mr. Curtis' account was carefully revised by John H. B. Latrobe, esq., of Baltimore. From these two accounts it would seem that the whole of this debt, which in 1842 amounted to about $15,000,000 was, with the exception of $215,947, contracted for the purpose of internal improvements, partly by subscription to stock in canal and railroad companies on account of the state, and partly in the form of grants by loans to such companies, they being bound to pay interest on bonds, and ultimately to repay the principal, the works of the companies being mortgaged for the security of the respective debts. In making these large advances and entering into these engagements the legislature of the state relied upon the income of the works to meet the interest on the debt. In this expectation they were disappointed. At the time Mr. Curtis wrote, the Baltimore and Ohio railroad loan had made an adequate return for the expenditure. The sum of $1,022,000 invested in the stocks of this railroad had earned an income of 7 per cent. per annum. The sum of $2,232,000 invested in the bonds and stock of the Baltimore and Susquehanna railroad had made at that time some small return, and there was a prospect that the income from this source would slightly increase. On $1,000,000 loaned to the Susquehanna and Tide-Water canal no return had then been received, but it was confidently

* The entire state debt was refunded July 1, 1881, at which date there were issued $715,000 4 per cent. war bonds and $165,750 for school purposes, bearing 6 per cent. interest, and they will mature as follows:

In 1886	$300,000
In 1891	250,000
After 1900	330,750
	880,750

anticipated that this canal would shortly be able to pay the interest on the loan, amounting to $60,000 per annum. The largest investments had been made in the stocks and bonds of the Chesapeake and Ohio canal. This canal was unfinished, and required a further sum of $1,500,000 or $2,000,000 for its completion. No income was to be expected from it until the means could be found to raise that sum and extend the canal to the coal mines near Cumberland. Some smaller advances had also been made to other companies which were not expected to make any return. The annual income, therefore, which could be reasonably anticipated from the public works was limited to about $150,000. The residue of the interest, amounting to about $450,000, had to be met by taxation. A direct tax sufficient for this object was voted by the legislature, but in consequence of the severe embarrassments of the previous three years, and of the want of a proper system for the collection of direct taxes, a large proportion of the taxes for the years 1841, 1842, and 1843 was suffered to fall in arrear, and in consequence the means of the treasury were inadequate to the payment of the interest on the debt.

The embarrassments into which the state was drawn by this system of improvements resulted in such a deficit in revenue that when the foreign markets were no longer open to the sale of stock the payments of the interest on the debt became impossible, and, as no system of taxation had previously existed in Maryland, the same difficulties in levying and collecting a tax which had been experienced in Pennsylvania were encountered in that state. The revenue of the state would meet only its current expenditure, and it became necessary to raise the whole interest, nearly $600,000 per annum, by taxation.

The legislature passed a law March 23, 1841, which, with its supplement, enacted in the December following, imposed a tax for the first year of 20 cents, and for the next three years of 25 cents on the $100 of assessed value of real and personal property. These were estimated to yield $456,000 per annum. In aid of this tax other laws were passed, expected to realize $200,000; and taxes imposed upon incomes, silver plate, watches, and the like, which, with the interest expected from the Baltimore and Susquehanna Railroad and the Susquehanna and Tide-Water Canal companies, would, it was confidently hoped, add to the resources of the year $145,000. All these estimates proved fallacious, mostly from causes incident upon the commencement of a system of taxation. Thus, ship-owners contested the constitutionality of a tax on tonnage, and three years were required to confirm the right to tax. The banks also contended that they were exempt by their charters from taxes, and legal decisions against them required time. When it is recollected that prior to the act of March, 1841, the largest amount of direct taxation ever levied upon the people of Maryland in any one year was $60,818, and that even that imposition was continued but for a few years, it can be no matter of surprise that apprehension of the ability of the state to raise in this way upward of $600,000 should have been entertained. It was also the case that, under the impression that no serious attempt to pay the state interest would be made, the several companies that had received aid from the state held back in their payments. When the direct tax was levied, the property of the state was estimated at $300,000,000, but the assessed value was ascertained to be only $190,723,788, subsequently reduced to $177,139,645 by the action of the specially constituted appeal tax courts. This seemed to leave no alternative for those who intended to pay the interest on the public debt by taxation but to increase the rate of the levy from 20 to 30 cents on the $100. This, however, was not done, the legislature choosing to rely upon other sources of revenue. The anxiety to avoid an increase of taxation resulted in attempts to sell the state's interest in the public works, and in March, 1843, a law was passed to sell the following at the sums annexed: Chesapeake and Ohio canal, $5,000,000; Baltimore and Ohio railroad and Washington branch railroad, $4,200,000; Susquehanna railroad, $1,500,000; Tide-Water canal, $1,000,000—all to be payable in 5 per cent. state bonds. This act remained a dead-letter upon the statute-books, no offer being made which the state treasurer felt justified in accepting.

In the midst of this unfortunate condition of affairs business began to improve; and, as the country emerged from the disastrous condition caused by the great collapse of the credit system, it was evident that the sense of the people tended more toward the payment of the debt. The actual receipts from taxation gradually approximated the estimates, and the reduction in state expenditures enabled a larger amount to be appropriated to the interest. When the state could no longer pay the interest coupons as they fell due they had been received for taxes, by which means a considerable amount came annually into the treasury, diminishing by so much the accumulation of arrearage interest. This steady increase of receipts and taxation continued, until for the year ending December 1, 1846, the treasurer paid on account of interest no less than $732,289 99,* being $76,868 more than the accruing interest for the year.

It now became evident that the finances of Maryland had reached a position which would permit of resumption. At the session of 1847 a law was passed directing the state treasurer to resume payment of the current interest on the public debt on the 1st of January, 1848. This law was carried into effect, and resumption took place.

The debt of the state of Maryland, originating as has been briefly described, amounted in 1849 to the gross sum of $16,140,077 42, including small loans contracted for the university, the penitentiary, and the Baltimore tobacco warehouses. From this should be deducted the $3,200,000 not issued by the Baltimore and Ohio railroad. There was also $1,050,000 of stock in the Baltimore and Washington branch, the interest on which was more than met by the dividends and capitation tax on passengers. The interest on the $1,000,000 issued to the Susquehanna

* Paid in cash, $259,874 80; by coupons and certificates of interest, $472,415 19; total, $732,289 99.

canal was paid by that company. These items at that time made $5,348,000 fairly provided for, leaving $10,792,038, on which interest had to be paid by the state, of which, however, the state itself owned $1,780,000 as the sinking fund. The following are the details of the debt at that date:

Debt of the state of Maryland, January 1, 1849, *distinguishing the several loans of this state, the act of the general assembly authorizing them, the rate per cent. of each, the period when redeemable, and their respective amounts.*

When created.		Rate.	Time payable.	When redeemable.	Where.	Amount of loan.
Sess.	Chap.					
		CHESAPEAKE AND OHIO CANAL.				
1827	105	5 per cent	Quarterly	1843	Loan office	$262,500 00
1830	46	do	do	1843	do	234,500 00
1833	239	do	do	1843	do	125,000 00
1834	241	6 per cent	do	1871	do	2,000,000 00
1835	395	do	do	1885	do	35,000 00
1838	386	5 per cent. ster	Semi-annually	1890	London	3,162,666 66
1838	396	do	do	1890	do	1,375,000 00
		Total				7,194,666 66
		BALTIMORE AND OHIO RAILROAD.				
1827	104	5 per cent	Quarterly	1843	Loan office	256,189 00
1830	46	do	do	1843	do	115,811 00
1833	105	do	do	1843	do	125,000 00
1838	386	5 per cent. ster	Yet in hands of company			3,200,000 00
		Total				3,697,000 00
		BALTIMORE AND WASHINGTON BRANCH.				
1833	33	5 per cent	Semi-annually	1850	Loan office	500,000 00
		BALTIMORE AND SUSQUEHANNA RAILROAD.				
1830	110	4½ per cent	Quarterly	1846	Loan office	100,000 00
1834	241	6 per cent	do	1871	do	1,000,000 00
1837	302	3 per cent	do	1890	do	500,000 00
1838	395	5 per cent	do	1890	do	88,710 97
1839	20	6 per cent	do	1890	do	543,334 32
		Total				2,232,045 29
		SUSQUEHANNA AND TIDE-WATER CANAL.				
1838	416	ster. 5s	Semi-annually	1890	London	1,000,000 00
		ANNAPOLIS AND ELK RIDGE RAILROAD.				
1838	386	ster. 5s	Semi-annually	1890	London	60,000 00
1839	12	con. 5s	Quarterly	1890	Loan office	159,724 45
		Total				219,724 45
		EASTERN SHORE RAILROAD.				
1838	386	ster. 5s	Semi-annually	1890	London	60,000 00
1839	323	con. 5s	do	1890	Loan office	81,405 77
1841	6	6s	do	At pleasure	do	11,300 37
		Total				152,706 14
		INTEREST ARREARS FUNDED.				
1846	238	5 per cent	Annually	At pleasure	Loan office	854,003 43
		MARYLAND UNIVERSITY—MEDICAL DEPARTMENT.				
1821	88	5 per cent	Quarterly	1851	Loan office	30,000 00

Debt of the state of Maryland, January 1, 1849—Continued.

PENITENTIARY.

When created. Sess.	When created. Chap.	Rate.	Time payable.	When redeemable.	Where.	Amount of loan.
1821	150	5 per cent	Quarterly	1851	Loan office	$27, 947 30
1826	229	do	do	1843	do	30, 000, 00
1834	308	do	do	1855	do	20, 000 00
1836	300	6 per cent	Semi-annually	1857	do	20, 000 00
		Total				97, 947 30

TOBACCO WAREHOUSE LOAN.

Sess.	Chap.	Rate.	Time payable.	When redeemable.	Where.	Amount of loan.
1835	350	6 per cent	Semi-annually	Contingent	Loan office	30, 000 00
1843	310	do	do	At pleasure	do	30, 000 00
1845	97	do	do	do	do	25, 000 00
1845	97	do	do	do	do	20, 000 00
1845	97	do	do	do	do	23, 000 00
1846	348	do	do	do	do	20, 000 00
1845	97	do	do			13, 984 15
		Total				161, 984 15
		Grand total				16, 140, 077 42

On the 30th of September, 1866, the funded debt of Maryland amounted in gross to $13,549,796 53, but deducting amounts canceled and the amount on which the Baltimore and Ohio railroad was liable to pay current interest, the actual debt appeared to be only $7,514,413 43. At this date the state held property to the estimated value of $25,049,739 85, of which amount $6,932,097 18 was productive property.

The fluctuation of the net debt of Maryland since this period has mainly been due to the productiveness or unproductiveness of its assets. The funded debt of the state, September 30, 1880, according to the report of Hon. Thomas J. Keating, comptroller, is as follows:

Bonded debt	*$11, 277, 111
Funding floating debt	500, 000
Public buildings	690, 000
Railroads	5, 720, 996
Refunding old debt	1, 039, 364
War purposes	3, 326, 751
Total	11, 277, 111

Of the bonded debt, $6,445,510 draws 6 per cent. interest; $4,562,601 5 per cent. interest; and $269,000 3 per cent. interest. The date of issue and maturity of this debt is as follows:

ISSUE.		MATURITY.	
Previous to 1860	$8, 519, 392	1880	$24, 000
1870	628, 355	1883	3, 326, 752
1872	1, 369, 364	1885	628, 355
1874	125, 000	1887	1, 369, 364
1876	135, 000	1889	4, 360, 556
1878	500, 000	1890	933, 084
		1891	135, 000
		1893	500, 000
Total	11, 277, 111	Total	11, 277, 111

The defense loan, which was negotiated for the payment of bounties, will fall due in January, 1884. By its terms it can be provided for and taken up at any time after the year 1883. The governor recommended, in his message of 1880, that provision be made to retire this loan by the issue of one for a smaller amount bearing 5 per cent. interest, payable in fifteen years, and the legislature of 1880 passed an act to create a loan of $3,000,000 to provide for the exchange or the redemption and payment of this debt—the interest on the new loan not to exceed $4\frac{1}{2}$ per centum, and the loan to be redeemable in fourteen years from the date of its issue.

* As an offset to this debt, the state holds stocks and bonds upon which, according to the comptroller's report of 1880, interest is promptly paid, amounting to $3,649,443, leaving as the net debt upon which interest has to be provided $7,627,668.

In addition to these paying securities the state has unproductive assets in the shape of stocks, bonds, etc., amounting in the aggregate to $25,726,051, which, if converted into cash, would be more than sufficient to liquidate the remaining net indebtedness.

DISTRICT OF COLUMBIA.

The District of Columbia became the permanent seat of the government of the United States under the provisions of an act of Congress approved July 16, 1790, and the three commissioners authorized to be appointed by the President were directed "to provide suitable buildings for the accommodation of Congress and of the President, and for the public officers of the government", prior to the first Monday in December, 1800; but no appropriation was made for carrying on the work. Their only resources were derived from the sale of lots and grants of money, Virginia having contributed $120,000 and Maryland $72,000.

In 1796 Maryland made a loan of $100,000 to the commissioners of the District for the purpose of aiding in the completion of the public buildings, and in the following year another loan for a like amount. In 1799 a further sum of $50,000 was loaned by Maryland for the same purpose. The credit of the District at the time these loans were made was very low, and the state authorities obliged the commissioners to give their personal obligations for their reimbursement, notwithstanding the fact that their payment was guaranteed by the general government. Even under these circumstances the best terms that could be made were to receive these amounts in United States stocks and afterward dispose of them for cash. As a result the sum of $169,873 41 was realized from the first two loans, and but $40,488 96 for the latter loan of $50,000. Of this amount the sum of $25,000 93 was repaid by the United States in 1802, with $3,250 as interest.

By an act approved April 18, 1798, a loan of $100,000 was made by Congress for the purpose of completing the public works already commenced.

By the act of May 1, 1802, Congress authorized the payment of the money borrowed from Maryland in 1796 and 1797 in five annual installments of $40,000 each, and interest thereon, amounting in the aggregate, principal and interest, to $262,223 91.

From 1809 to 1835 no further loans from the general government appear to have been made, although appropriations were made from time to time for specific purposes in aid of public improvements.

On the 20th of May, 1836, Congress passed an act authorizing the Secretary of the Treasury to assume on behalf of the United States the debt of $1,500,000 incurred by the three corporate cities—Washington, Georgetown, and Alexandria—in their subscription for stock for this amount in the Chesapeake and Ohio Canal Company, provided the stock was transferred to the United States. The assumption of this debt, and the payment of the interest until finally liquidated in 1856, cost the general government $2,765,107 97.

An act of Congress approved June 28, 1834, authorized the payment of $70,000, in quarterly installments, for one year, to be applied, under the direction of the corporate authorities of the city of Washington, in extinguishing a like amount of the interest annually accruing on their public debt, and this sum was paid.

No further assistance in the way of loans appears to have been rendered by the general government prior to its organization as a territory, in 1871, although large appropriations were made for public improvements.

On the 26th of May, 1845, an official report was made to the board of common-council of Washington, from which we gather the following data relative to the origin and history of the municipal funded debt:

Very soon after the site for the city was selected debts were incurred in the opening of streets and other improvements. In 1812 these debts amounted to $17,000; and by an act approved May 10, 1816, this sum was apportioned among the then existing wards. Beside this amount for ward improvements, other sums had been borrowed upon the credit of the corporation at various times for general purposes. These amounts had become so considerable in 1818 that it was determined to fund the whole debt of the city, and on the 11th of July of that year several ordinances were passed funding the city debt to the amount of $60,000, redeemable on and after January 1, 1830, and establishing a sinking fund, consisting of one-fourth of the taxes of each year, for the payment of interest and redemption of the principal. This debt was also made chargeable upon and distributed among the wards and the general fund in their several proportions, as follows: the sum of $33,994 was apportioned to the wards, then four in number, and $26,006 to the general fund. In 1820 the city was divided into six wards; and by an ordinance of April 21, 1821, at which time the ward debts amounted to $46,456 80, the apportionment was changed, and the sinking fund so modified that, instead of one-fourth, one-sixth of the taxes was set aside for the payment of interest and redemption of the principal. From 1821 to 1837 the wards had reduced the debts so apportioned to $32,117 54, but had in the meantime contracted many other debts, which were funded under an act approved July 9, 1832, and stock issued to the amount of $48,000, redeemable at pleasure after twelve years from January 1, 1832. From 1832 to 1837 the wards had incurred other debts, and on the 15th of April, 1837, an act was passed for funding these ward debts and consolidating them with those already funded under prior acts, the amount then found due amounting to $108,513 11. The same act repealed all previous acts so far as they related to a sinking fund, but made provision for payment by the several wards of an annual sum, to be applied, first, to the payment of the interest, and next, to the redemption of the principal. In 1845 this principal amounted to $93,185 09. Referring to the debt due from the general fund, the report says: On the 11th of December, 1824, an act was passed for the issue of stock to the amount of $12,000 for the payment of debts due certain city banks. On the 1st of August, 1826, stock to the amount of $3,000 was ordered to be issued, to raise funds to be used in the extension of the Centre Market-house, and on the 20th of July, 1827, a further issue of stock, amounting to $4,000, to be used in the improvement of the Anacostia river. The corporation, under authority granted to it by one of the charters of the city, undertook to raise money by lotteries, and thereby became so involved as to render it necessary to raise considerable sums of money by the issue of stock, which accordingly was issued under several different ordinances.

The total amount of this lottery 5 per cent. stock, issued under these several acts, amounted to about $197,181 84, all of which, with the vast sum paid as interest thereon, and the enormous judicial expenses attending the controversy (there had been a long litigation about the payment of the prizes in the lotteries), has been a total loss to this city; the aggregate of which, up to the present time, cannot be less than $375,000.

Under the provisions of an act approved January 3, 1831, stock amounting to $50,000 was issued for the purchase of the Washington canal, and there was also issued, under this act and subsequent acts, for the purpose of enlarging and completing the canal, $137,050. Stock was also issued at various times, under several different acts, in order to raise the necessary funds to pay the interest due from the city on the Holland loan, negotiated for the purpose of paying the city's subscription of $1,000,000 of the capital stock of the Chesapeake and Ohio canal, afterward assumed by the United States. The amount of stock outstanding on this account in May, 1845, was $242,430. It appears from the report of the committee that at that date, May 26, 1845, the debt of the city of Washington amounted to $740,243.

By an act approved May 28, 1847, the sum of $58,000 was set apart, pledged, and appropriated from the general fund for each year, to constitute a sinking fund for the payment of the interest and redemption of the principal of the funded debt, and the mayor of the city, the chairman of the committee on finance in the board of aldermen, and the chairman of the committee of ways and means in the board of common council, for the time being, were constituted commissioners of the sinking fund, and this act continued in force until the repeal of the city charter by an act of Congress approved February 21, 1871.

In the message of the mayor to the common council, dated October 30, 1854, the amount of the debt is stated at $793,250, and the same in his message of March 3, 1856. Mayor Wallach, in his messages of June 26, 1865, and July 16, 1866, states the amount of the debt to be $793,000. It will thus be seen that the funded debt of the city changed but very little from 1845 to 1866*.

Under an act of Congress "to provide a government for the District of Columbia", approved February 21, 1871 (16 Statutes, 419), the city charters of Washington and Georgetown were repealed on and after June 1, 1871, and a territorial form of government provided, with a governor, legislative assembly, and delegate in Congress. The act also provided for a board of public works, under whose authority vast improvements were made in the streets and avenues of the two cities. These improvements necessitated a corresponding expenditure of large sums of money, which could only be provided for by increased taxation and the issue of bonds. An act of Congress approved June 20, 1874, abolished this territorial form of government, and substituted therefor the present system. The various loan transactions during this period are embraced in the following synopsis of the acts of Congress and the District legislative assembly, so far as they relate to bonds outstanding at the date of closing this report:

Permanent-improvement six per cent. bonds.—By acts of the legislative assembly, approved July 10, 1871, and December 16, 1871, in order to enable the board of public works to proceed with certain improvements, the governor was authorized to issue, or cause to be issued, registered or coupon bonds to an amount not exceeding $4,000,000, in denominations of $50, $100, $500, and $1,000, payable within twenty years from date of issue, and to bear interest, payable semi-annually, at the rate of 6 per cent. in gold or 7 per cent. in currency.

Section 7 of the act of July 10 provides for the payment of the interest and gradual redemption of the bonds by authorizing a sum sufficient for the purpose to be annually levied and collected upon the assessed value of property, respectively, in the cities of Washington and Georgetown and the county of Washington, in proportion to the improvements which shall have been made therein.

The bonds issued were coupon bonds, bearing date December 20, 1871, payable in twenty years. The interest is payable on the first days of January and July in each year.

Section 8 makes it a misdemeanor for any officer, fiduciary agent, or employé of the District government to appropriate or apply, or in any manner consent, aid, or assist in appropriating and applying, any portion of any money provided for the redemption of the bonds aforesaid, or for the payment of the interest thereon, or to direct or use any money belonging to the improvement fund for any other purposes than those for which the fund was created.

This act was ratified and confirmed by an act of Congress approved May 8, 1872. The amount outstanding, June 30, 1880, was $3,995,000.

Water-stock bonds.—By act of the legislative assembly approved July 20, 1871, the governor was authorized, in order to provide means to defray the expense of laying a new thirty-six-inch water-main, to issue, or cause to be issued, registered or coupon bonds, designated on their face as "water-stock", to an amount not exceeding $450,000; said bonds to bear interest not exceeding 7 per cent. per annum, payable on the first days of January and July

*Webb's Digest of the Laws of the Corporation, pp. 165-168.

in each and every year in current money of the United States. There is set apart, pledged, and appropriated, out of the water-fund, such sum as may be necessary to pay the interest on said bonds until redeemed, and not less than $15,000 is to be set apart annually for their gradual redemption, which money is to be applied every year to their purchase, in open market or by advertisement.

The bonds issued were coupon bonds, in denominations of $1,000, and bear date October 1, 1871, and are payable in thirty years from date of issue.

Section 2 solemnly pledged the faith of the government of the District of Columbia for the punctual payment of the interest and gradual redemption of the principal. The amount outstanding, June 30, 1880, was $397,000.

Market-stock bonds.—By acts of the legislative assembly approved August 23, 1871, and June 19, 1872, the governor was directed, in order to provide means to purchase sites and erect market-houses in the northern and western sections of the city, to issue, or cause to be issued, registered or coupon bonds, designated on their face "market stock", to an amount not exceeding $300,000, payable twenty years from date of issue, and bearing interest at a rate not exceeding 7 per cent. per annum. There is set apart, pledged, and appropriated, out of the funds arising from the markets in the city of Washington, such sum as may be necessary to pay the interest on said bonds until redeemed, and not less than $15,000 is to be annually set apart for their gradual redemption, the commissioners of the sinking fund to make the purchase in open market or otherwise, as they may think best.

One hundred thousand dollars of the amount issued were registered, the balance were coupon bonds, in denominations of $50, $100, $500, and $1,000, and bear date July 26, 1872, with interest at the rate of 7 per cent. per annum. The amount outstanding, June 30, 1880, was $150,000.

Twenty-year funding bonds.—By an act of Congress approved May 8, 1872, the commissioners of the sinking fund were authorized to fund the liabilities of the city of Washington, consisting of floating debts and trust funds, found to be due June 1, 1871, not exceeding $1,150,000, and to issue registered or coupon bonds, in denominations of $50 or any multiple of that sum, not to exceed the amount of said liabilities, bearing interest not to exceed 6 per cent. per annum, payable semi-annually in gold, and having a period to run of not more than thirty nor less than fifteen years; said bonds to be sold at a rate of discount not to exceed 3 per cent. on their par value. Section 2 authorized the legislature of the District to cause to be levied and collected annually, from all taxable property of the city of Washington within its limits, a tax sufficient to pay the interest on and create a sinking fund for the redemption of said bonds at maturity.

The bonds are coupon bonds, in denominations of $50, $500, and $1,000, bear date July 1, 1872, and payable to J. & W. Seligman & Co., or bearer, July 1, 1892. The interest is payable semi-annually, on the first days of January and July in each year. The amount outstanding, June 30, 1880, was $1,150,000.

Thirty-year funding bonds.—An act of the legislative assembly, approved June 20, 1872, authorized the commissioners of the sinking fund to settle, after examination and approval by them and the auditor and comptroller of the District, such contracts and obligations of the city of Washington, including the 7 3-10 certificates of indebtedness, as were not included in the report of the auditing commission or provided for by the act of Congress approved May 8, 1872, and to issue registered or coupon bonds, in the name of the city of Washington, in denominations of $50 or any multiple of that sum, not to exceed the amount of said liabilities, bearing interest not to exceed 6 per cent. per annum, payable semi-annually in gold, and having a period to run of not more than thirty nor less than twenty years. Section 2 provided that a tax should be levied annually on all of the taxable property of the city of Washington sufficient to pay the interest on said bonds and to create a sinking fund for their redemption at maturity. The collector was directed to turn over all funds collected for the purposes named to the sinking-fund commissioners, out of which they should pay the interest on said bonds, and invest the balance as a sinking fund. There were prepared for issue $1,650,000 of these bonds, but only $662,300 were actually issued. The balance, after being used at various times as collateral for temporary loans, was destroyed. The bonds issued were coupon bonds, in denominations of $100, $500, and $1,000, dated November 1, 1872, and are payable in thirty years from date. Interest is payable on the first days of May and November in each year. The amount outstanding, June 30, 1880, was $660,000.

First issue of seven per cent. permanent-improvement bonds.—By an act of the legislative assembly approved June 23, 1873, the governor was authorized to issue bonds, not to exceed in amount $260,000, of the character described in the act of July 10, 1871, authorizing the issue of $4,000,000 permanent-improvement bonds, said bonds to supply the deficiency occasioned by the sale of the $4,000,000 of permanent-improvement bonds at a discount.

The bonds issued were coupon bonds, bearing date July 1, 1873, in denominations of $1,000, payable to J. & W. Seligman & Co., or bearer, July 1, 1891, with 7 per cent., currency, interest, payable on the first days of January and July in each year. The amount outstanding June 30, 1880, was $224,000.

Second issue of seven per cent. permanent-improvement bonds.—By an act of the legislative assembly approved June 25, 1873, in order to enable the governor to pay certain appropriations specified, he was authorized to issue bonds of the District of Columbia, not to exceed in amount $530,000, bearing interest at the rate of 7 per cent. per annum.

The bonds issued were coupon bonds, dated July 1, 1873, in denominations of $100 and $1,000, and are payable to J. & W. Seligman & Co., or bearer. The interest is payable on the first days of January and July in each year. The amount outstanding, June 30, 1880, was $446,000.

Water-stock bonds.—By an act of the legislative assembly approved June 26, 1873, to provide means to pay a deficiency in the appropriation for laying the thirty-six-inch and other principal water-mains, as required by the act of July 20, 1871, the governor was authorized to cause a further issue of water-bonds, to an amount not exceeding $35,000, under the same conditions and restrictions as provided for in the act of July 20, 1871.

The bonds issued were coupon bonds, in denominations of $1,000, having thirty years to run from July 1, 1873, with interest at 7 per cent. per annum, payable on the first days of January and July in each year. Amount outstanding, June 30, 1880, $26,000.

Three-sixty-five bonds.—By an act of Congress approved June 20, 1874, as amended by an act approved February 20, 1875, the commissioners of the sinking fund of the District of Columbia were authorized to issue bonds of the District of Columbia, in denominations of $50 and $500, bearing date August 1, 1874, and payable fifty years after date, bearing interest at the rate of 3.65 per cent. per annum; said bonds to be exempt from taxation by federal, state, or municipal authority. The faith of the United States was pledged to provide for the payment of the interest and to create a sinking fund sufficient for the payment of the principal of said bonds at maturity, by proper proportional appropriations, and by causing to be levied upon the property within said District such taxes as would do so.

By act of March 3, 1875, the registered bonds were authorized to be issued in denominations of $1,000 and $5,000.

By act of June 16, 1880, the United States treasurer, as *ex officio* sinking fund commissioner of the District of Columbia, was directed to issue bonds of this loan in payments of judgments of the Court of Claims and of outstanding certificates of the late board of audit of the District of Columbia, provided that the gross amount of the bonds issued and to be issued should not exceed $15,000,000. The amount outstanding, June 30, 1880, was $13,504,900.

Twenty-year funding bonds.—By act of Congress approved June 10, 1879, the commissioners of the District of Columbia were authorized to prepare, execute, and deposit with the Secretary of the Treasury bonds of the District of Columbia, bearing interest not exceeding 5 per cent. per annum and payable twenty years after date, to the amount of not more than $1,200,000, the proceeds to be used only for the redemption of the funded indebtedness of the District of Columbia, or of the late corporations of Washington and Georgetown, which became due January 1 and March 1, 1879, or those payable at pleasure; said bonds to be in such form as the Secretary of the Treasury should approve, to be sold by him to the highest bidder.

The bonds issued were coupon and registered bonds, in denominations of $100 and $1,000 for coupons and $1,000 for registered. They bear date July 1, 1879, with interest payable semi-annually, on the first days of January and July in each year. The amount outstanding, June 30, 1880, was $1,092,300.

By an act of the legislative assembly of August 19, 1871, the sinking-fund commission was revived, and the principal duties of the commissioners prescribed as follows:

They shall have entire charge and control of the management of the funded and bonded debt now due by the cities of Washington and Georgetown, the county of Washington, or which may hereafter be created by the District of Columbia.

They shall disburse upon their warrants all moneys collected and received by them on account of interest, or of the sinking fund, bonds, stocks, certificates of indebtedness, or loans due by said cities and county, or which may hereafter become due by the District of Columbia. When an amount equal to ten thousand dollars shall have accumulated in their hands on account of the sinking fund, the said commissioners shall advertise and receive proposals for the purchase of the bonds, stocks, and certificates of indebtedness of the said cities, county, and District, and shall purchase them upon terms most advantageous to the public interest, and thereupon cancel the same, inscribing the amounts of said canceled bonds upon the books of the commissioners. It shall be their duty to collect regularly all interest accruing upon the amount so inscribed, and to apply the same toward the purchase and cancellation, as aforesaid, of the principal of the bonds authorized to be issued.

The act of Congress of June 20, 1874, expressly continued the sinking-fund commissioners, and left undisturbed the above powers.

The act of June 11, 1878, providing a permanent form of government for the District, abolished the offices of sinking-fund commissioners, and provided that "all duties and powers possessed by said commissioners should be transferred to, and exercised by, the treasurer of the United States, who shall perform the same in accordance with existing laws". Under this authority the United States treasurer has entire charge and control of the management of the funded and bonded debt of the District, and the disbursement of all moneys connected with the payment of the interest and redemption of the principal of the debt.

In his first annual report to Congress, dated November 30, 1878, United States Treasurer Gilfillan, as commissioner of the sinking fund, thus refers to the funded debt of the District on the preceding 30th of June:

The funded debt of the District of Columbia, including the late corporations of Washington and Georgetown, is represented by bonds of sixteen different loans, bearing interest at various rates, from 3.65 to 8 per cent., and redeemable, five at the pleasure of the District and eleven at various dates from 1879 to 1924, as follows: At the pleasure of the District, $993,800; in 1879, $281,500; in 1881, $20,000; in 1884 or before, $20,000; in 1891, $4,665,000; in 1892, $1,300,000; in 1901, $397,000; in 1902, $660,000; in 1903, $26,000; and in 1924, $13,743,250. The above does not, of course, include any of the floating indebtedness, nor the outstanding 8 per cent. certificates of indebtedness.

Very little of the funded debt matures before 1891, by which time, with proper management of the finances of the District, and with adequate provision for the sinking fund, a large portion of the debt will be paid and the credit of the District be upon such a footing that any part of the debt maturing at that time, which it is desirable to continue, can be placed at a very advantageous rate. The average rate of interest now borne by the debt is more than 6¼ per cent. per annum, not including the three-sixty-fives.

Since June 11, 1878, when the offices of the sinking-fund commissioners were abolished and their powers and duties transferred to the United States treasurer, the bonded debt of the District has been reduced, by operation of the sinking fund, $418,326 67, and the annual interest charge has been reduced $30,154 11, while the credit of the District has so appreciated that the 6 per cent. bonds, which in 1878 could be bought at 5 per cent. below par, are now at 10½ per cent. premium, and the 3.65 per cent. bonds, which could be bought in 1879 at 82¾, are now at from 2 to 4 per cent. premium.

Alexandria was retroceded to the state of Virginia by an act of Congress approved July 9, 1846, the closing section of the act providing that Congress would in no event assume and pay the debt, or any part thereof, then due by the corporation of that city. No reliable data is at hand as to the amount due at that period.

The city authorities of Georgetown have never made any attempt at adopting an extensive system of public improvements, and the loan transactions of this city have been quite limited, the bonded indebtedness on the 30th of June, 1880, amounting to but $21,300, of which sum $1,300 had already ceased to bear interest. The amount still bearing interest was issued under an ordinance of the corporation of Georgetown approved May 12, 1871, and is in certificates acknowledging the indebtedness of the corporation for a specified amount to the party named therein, payable on the 1st day of July, 1881, bearing interest at 8 per cent. per annum, payable quarter-yearly, on the 1st days of January, April, July, and October, in currency.

The following is a statement of the funded debt of the District of Columbia and late corporations of Washington and Georgetown, June 30, 1880:

Description of bonds.	Authorizing act.	Date of maturity.	Interest.			Amount outstanding.
			Rate per cent.	Coin or currency.	When payable.	
DISTRICT OF COLUMBIA.						
Permanent improvement	Assembly, July 10 and Dec. 16, 1871	July 1, 1891	6	Coin	Jan. and July	$3, 995, 000 00
Permanent improvement	" June 23 and 25, 1873	July 1, 1891	7	Currency	Jan. and July	670 000 00
Market stock	" Aug. 23, '71, and June 19, '72	July 26, 1892	7	...do	Jan. and July	150, 000 00
Water stock	" July 20, 1871	October 1, 1901	7	...do	Jan. and July	397, 000 00
Water stock	" June 26, 1873	July 1, 1903	7	...do	Jan. and July	26, 000 00
Fifty-year funding	Congress, June 20, '74, Feb. 20 and March 3, '75.	August 1, 1924	$3\frac{65}{100}$	...do	Feb. and Aug	13, 504, 900 00
Twenty-year funding	Congress, June 10, 1879	July 1, 1899	5	...do	Jan. and July	1, 092, 300 00
WASHINGTON.						
Twenty-year funding	Congress, May 8, 1872	July 1, 1892	6	Coin	Jan. and July	1, 150, 000 00
Thirty-year funding	Assembly, June 20, 1872	November 1, 1902	6	...do	May and Nov	660, 000 00
Three-year (Emery)	Congress, July 7, 1870	July 30, 1873	$7\frac{3}{10}$	Currency		100 00
General stock	City, Aug. 10, 1828	At pleasure	5	...do	Jan., April, July, and October.	23, 023 33
GEORGETOWN.						
General stock	City, May 12, 1871	July 1, 1881	8	...do	Jan., April, July, and October.	20, 000 00
Total						21, 688, 323 33

Stocks and bonds outstanding on which interest has ceased, there being funds for the payment of the principal and interest deposited in the United States Treasury.

Corporation of Washington ten-year bonds	$150 00
" " " five per cent. general stock	2, 010 00
" " " six per cent. " "	7, 580 17
" " " six per cent. canal stock	200 00
Corporation of Georgetown six per cent. general stock	1, 300 00
	11, 240 17

The amount outstanding October 1, 1881, was $21,896,450.

SOUTHERN STATES.

The following table exhibits the amounts of debt of the southern states at various periods from 1839 to 1880:

Southern states.	1839.	1841.		1853.		1860.		1870.		1880.	
		Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.	Funded.	Other.
Virginia	a $6,662,089	b $4,037,200	....	c $12,089,382	....	d $33,248,141	....	e $30,298,225	e $8,002,614	$20,245,226	....
West Virginia	....	....	....	....	....	....	....	....	....	....	....
North Carolina	....	....	....	f 2,224,000	....	g 9,120,505	....	e 29,900,045	....	5,006,616	$700,000
South Carolina	a 5,753,770	b 3,691,234	....	g 1,925,893	....	g 4,046,540	....	e 7,665,909	....	6,639,171	....
Georgia	....	b 1,309,750	....	h 2,802,472	....	i 2,670,750	....	e 6,544,500	....	9,951,500	....
Florida	....	b 100,000	b $3,900,000	....	....	i 383,000	....	j 1,012,372	e 276,325	j 1,280,500	91,304
Alabama	a 10,800,000	b 15,400,000	....	4,497,666	....	f 3,445,000	....	e 5,382,800	k 3,095,218	9,008,000	63,765
Mississippi	a 2,000,000	b 2,000,000	b 5,000,000	l 2,271,000	l $5,000,000	f 753,413	f $5,000,000	e 100,000	m 1,096,230	379,485	....
Louisiana	a 23,735,000	b 23,985,000	....	n 9,589,207	....	d 4,031,000	d 530,108	o 22,560,233	o 2,461,501	o 22,430,800	1,006,840
Texas	....	....	....	e 5,341,528	....	....	....	....	p 508,641	p 5,566,928	....
Arkansas	a 3,000,000	b 2,676,000	....	f 2,488,839	1,614,217	i 3,092,622	....	q 3,050,000	e 409,557	q 2,813,500	2,232,905
Tennessee	a 7,148,166	b 3,398,000	....	d 3,653,856	....	d 20,898,606	....	r 31,892,144	r 6,647,658	20,991,700	6,448,731
Kentucky	a 7,369,000	b 3,085,500	....	s 5,571,297	....	s 5,479,244	....	s 3,076,480	s 816,000	s 1,858,008	....
Total	66,468,025	59,682,684	8,900,000	52,455,140	6,614,217	87,177,821	5,530,108	150,482,708	24,003,744	115,271,434	10,543,545

a App. Cong. Globe, 26th Cong., 1st sess., p. 90. For Louisiana, see also foot-note "*o*". *b* House Rep. No. 296, 27th Cong., 3d sess. For Louisiana, see also foot-note "*o*". *c* Secretary of state. *d* State auditor or comptroller. *e* The authority for 1870 is the Ninth Census. The amount shown for Virginia in 1880 is exclusive of the amount which that state claims should be paid by West Virginia. *f* Governor. *g* State treasurer. *h* Secretary of executive department. *i* Financial Chronicle, vol. 1, p. 643. *j* The authority for 1870 is the Ninth Census. The debt shown for that year is inclusive of bonds held by the educational and internal improvement funds to the amount of $307,045, and for 1880 it is inclusive of bonds held by the educational and sinking funds to the amount of $603,600. *k* The authority is the Ninth Census. The floating debt shown is inclusive of the sum owed to the educational and surplus revenue funds, amounting to $2,795,210. *l* American Almanack, Sen. Doc. No. 42, 33d Cong., 1st sess. *m* The authority is the Ninth Census. The floating debt shown is inclusive of the sum owed to the educational fund, amounting to $1,138,494. It is possible that indebtedness of this character enters into the exhibits for earlier periods. *n* Cashier Canal and Banking Company, Sen. Doc. No. 42, 33d Cong., 1st sess. See also foot-note "*o*". *o* In the exhibit for 1860 the debts due on account of "property banks", municipalities, and trust funds are not included; in the exhibits for 1839, 1841, 1853, and 1870 they are included; in that for 1880, as reported, only the trust-fund debt appears to be included. By reference to pp. 597–599 the amounts of these species of debt, at different periods, may be seen. The authority for 1870 is the Ninth Census. The amount shown for 1880 is the old debt of 1874. There had been funded of this in new consolidated bonds, January 1, 1880, $18,034,800. *p* The authority for 1870 is the Ninth Census. The amount shown for that year is an estimate by the state comptroller. It does not include liabilities for railroad aid, the amount due the United States on account of the "direct tax", nor the amount (reported then as of uncertain validity) due the common-school fund. The amount shown for 1880 is inclusive of $537,008 owed to the school funds. *q* The authority for 1870 is the Ninth Census. The amount shown for that date does not include bonds amounting to $2,150,000 issued in aid of railroads, nor bonds amounting to $2,391,072 issued in aid of banks. The amount shown for 1880 does not include the railroad aid debt, but does include a portion of the bank debt. *r* The authority for 1870 is the Ninth Census. The amount shown for that year is not inclusive of railroad aid bonds, indorsed by the state, amounting to $2,172,000, but is inclusive of other railroad aid bonds. *s* The authority for 1853 is the state auditor; for 1860, the secretary of state; for 1870, the Ninth Census. The amounts shown for 1853, 1860, 1870, and 1880 are inclusive of sums owed to the educational fund. The amount of bonds held by this fund in 1853 and 1860 is not exactly known, but in 1870 it was $1,652,087, and in 1880, $1,677,614. This is an irreducible debt on which the state pays interest semi-annually.

VIRGINIA.

Like many of her sister states Virginia emerged from the Revolutionary war incumbered with a heavy debt for unredeemed paper money. By means of the system of funding established about 1790, the state slowly became relieved of her embarrassment. The steady increase of Virginia's population, from 691,737 in 1790, to 1,015,260 in 1840, and the constantly growing commercial interests of the state demanded the establishment of comprehensive permanent public improvements. In their development the obligations of the state grew as the years went on until, in 1845, her public debt had reached the sum of $7,384,794. On the 1st day of January, 1852, the debt had grown to $11,971,838, and from that time up to, and including a part of, the year 1861, this sum was gradually increased by the annual creation of debt authorized under act of the general assembly passed March 25, 1851.

This act, providing for the issuance of coupon bonds, authorized the board of public works to borrow from time to time, on the credit of the state of Virginia, such sums of money as might be needed to redeem the engagements of the state under laws then in force, and, for the money so borrowed, to issue certificates with coupons attached. On the 26th of March, 1853, an act was passed by the general assembly, establishing a sinking fund to provide for the payment of interest and the redemption of the public debt.

It was enacted that "there shall be appropriated annually from the public treasury, commencing with the year 1853, out of the accruing revenues of the commonwealth, the sum of $838,028 66, this amount being 7 per cent. on $11,971,838, the debt of the state January 1, 1852". It was also enacted that whenever, after January 1, 1852, a debt shall be contracted by the commonwealth, there shall be set apart in like manner annually, for thirty-four years, a sum exceeding by 1 per cent. the aggregate amount of annual interest agreed to be paid thereon at the time of its contracting, which sum shall be a part of the sinking fund. The following statement shows the amounts of debt incurred in each of the years from 1852 to 1861, inclusive, under authority of the act of the general assembly passed March 25, 1851, and referred to above:

In 1852, $2,979,087; 1853, $4,605,917; 1854, $4,112,184; 1855, $1,504,403; 1856, $2,653,570; 1857, $630,260; 1858, $1,866,800; 1859, $1,454,600; 1860, $3,621,825; 1861, $1,110,070; total, $24,538,716.

Of the debt as it stood on the 1st day of January, 1852 ($11,971,838), there was redeemed, up to 1861, the sum of $1,700,730, which, with the amount converted into the sinking fund, left the debt of the state, October 1, 1861, as follows:

Debt of the state, January 1, 1852		$11,971,838 00
Amounts issued from 1852 to 1861, inclusive		24,538,716 00
Total		36,510,554 00
Amount redeemed from 1852 to 1861		1,700,730 00
Amount in sinking fund		1,729,315 00
Amount of debt, less sinking fund, October 1, 1861		33,080,509 00

This debt was composed of the following classes of bonds:

Registered six per cents:		
Amount of six per cent. registered debt outstanding July 1, 1861		$19,988,074 00
Amount of loans obtained since		117,100 00
Guaranteed bonds of James River and Kanawha Company, changed since		150 00
Coupon bonds payable in New York, converted since		1,008,000 00
Coupon bonds payable in Richmond, converted since		17,000 00
Whole amount of six per cent registered debt, October 1, 1861		21,130,324 00
Amount of coupon bonds payable in New York on October 1, 1861	$11,497,500 00	
Amount supposed to have been lost at sea, in steamer Arctic	145,000 00	
Amount of coupons payable in Richmond October 1, 1861	64,000 00	
		11,706,500 00
Amount of registered and coupon bonds bearing six per cent. interest		32,836,824 00
Five per cents:		
Amount of five per cent. sterling coupon bonds (£365,000) held in England, valued at	$1,865,000 00	
Registered five per cent. bonds	108,000 00	
		1,973,000 00
Public debt October 1, 1861		34,809,824 00
Less the debt owned by the sinking fund		1,729,315 00
Total debt held by others than the commonwealth		33,080,509 00

This debt was incurred principally for works of public improvement, including railroads, canals, turnpikes, bridges, and so on. In the following table will be shown the amounts expended for the various purposes above named:

Alexandria, Loudoun and Hampshire railroad	$50,862 00
Blue Ridge railroad	1,744,723 00
Chesapeake and Ohio railroad	2,484,134 00
Norfolk and Petersburg railroad	1,341,341 00
Orange and Alexandria railroad	1,151,207 00
Richmond and Danville railroad	1,847,585 00
Richmond and Petersburg railroad	385,600 00
Richmond and York River railroad	490,999 00
South Side railroad	1,883,500 00
Virginia and Kentucky railroad	103,348 00
Virginia and Tennessee railroad	3,755,000 00
Marietta and Cincinnati railroad	202,611 00
James river and Kanawha canal	10,400,000 00
Other navigation companies	1,192,616 00
Plank-roads, turnpikes, and bridges	4,710,983 00
Chesapeake and Ohio canal	900,000 00
Selden, Withers & Co	436,000 00
Total	33,080,509 00

Thus it will be seen that the public debt of Virginia, October 1, 1861, according to the biennial report of the auditor for the years 1860 and 1861, amounted to $33,080,509.

During the period of the civil war the principal of the debt, of course, remained unchanged, while the interest thereon was constantly accumulating. On the 11th of June, 1861, a convention was held by the people of the western part of the state to take action looking to the formation of a new state, to be composed of the counties represented by delegates in the said convention and to be known as the state of West Virginia. The result of this action was that in 1863 a constitution was adopted, and a new state immediately organized. The organization of the new state was the basis of the claim made by Virginia that West Virginia should become liable for a portion of the public indebtedness of Virginia as it stood on the 1st of January, 1861, in proportion as the population and area represented by the new state was a part of that possessed by the former state of Virginia. The adjustment of the debt of the state was first considered by the general assembly of 1866 and 1867, which convened under the Alexandria constitution. February 28, 1867, a joint resolution was passed by the assembly authorizing the appointment of three commissioners "to treat for the restoration of Virginia to its ancient jurisdiction and boundaries and to treat upon the subject of the proper adjustment of the debt".

The general assembly which convened in 1866, several months after the close of the war, found it impossible, in the impoverished condition of the state, to provide for the payment of the interest then matured on the public debt, and therefore passed an act, on the 2d of March, 1866, entitled "An act to provide for funding the interest of the public debt".

This act provides that the holders of registered bonds of the state issued prior to April 17, 1861, might invest the interest due on such bonds in registered bonds, bearing the same rate of interest as the principal of the bond bears, and payable at such time as the holder might elect, not less than ten nor more than thirty-four years from date; the bonds to bear date January 1, 1866; to be issued in sums of $100 or multiples thereof; the interest on such bonds not to be payable, however, until July 1, 1867.

It further provides that the holders of coupon bonds issued prior to said April 17, 1861, might invest the interest due, either in coupons or registered bonds bearing the same rate of interest as the principal of the bond bears. These bonds are to be dated and payable as the bonds first above-mentioned, and, if coupon bonds, to be issued in sums of $500 or multiples thereof, and, if registered, in sums of $100 or multiples thereof. The first interest on these bonds also was to be paid July 1, 1867.

For fractional parts of $100, in either of the cases above-mentioned, certificates of indebtedness were to be issued, payable in one, two, three, and four years, with the same interest as is provided for in the issue of bonds.

The act further provides for the funding of the interest due on any bonds issued prior to said April 17, 1861, as well as of such as were issued since the creation of the state of West Virginia not funded under the above provisions (sections 1 and 2 of the act) after January 1, 1867, in the same manner as above stated.

Under this act a large proportion of this matured interest was funded.

The public debt on the 1st day of January, 1867, amounted to $43,383,679. At this time there was in the sinking and literary funds the amount of $2,377,681, leaving the interest-bearing debt at $41,005,998. An act was passed by the general assembly, March 21, 1867, that provided for the payment, on July 1, 1867, and January 1, 1868, of 2 per cent. of interest upon the principal of the public debt of the state, "that being the interest which this state feels obliged to pay until there is a settlement of accounts between this state and West Virginia." Not long after the passage of this act, Virginia passed under military control, by virtue of congressional enactments, and from that time until the state was reorganized under a new constitution and restored to her representation in Congress, by act of January 25, 1870, the affairs of the state were administered by military authority. The interest on the principal of the public debt, the payment of which was provided for by the act of March 21, 1867, above referred to, was paid at the dates indicated in said act. Other laws of the general assembly, passed during the session of 1877, made provision for the further payment of interest, but various circumstances beyond the control of the officials of the state, incident to the occupation of the state and the administration of her affairs by military authority, prevented such payment. There was paid, however, 2 per cent. interest on the sterling bonds, due January 1, 1869, and 1 per cent. interest on the dollar bonds, due in August, 1869. These two payments, together with those of July, 1867, and January, 1868, comprise all the interest paid between the close of the war and January 1, 1870, at which date the public debt stood as follows:

Old funded debt	$32,779,263
New funded debt	7,884,974
Interest due and unpaid	4,996,111
James River and Kanawha bonds	212,430
Total	45,872,778

The new constitution, under which Virginia was reorganized in January, 1870, contained the following proviso: "The general assembly shall provide by law for adjusting with the state of West Virginia the proportion of the public debt of Virginia proper to be borne by the states of Virginia and West Virginia, and shall provide that such sum as shall be received from West Virginia shall be applied to the payment of the public debt of the state."

FUNDING ACT, 1871.

On March 30, 1871, an act was passed entitled "An act to provide for the funding and payment of the public debt".*

The preamble to the act recites that in the formation of the state of West Virginia there were included within its

*Laws 1870-'71, p. 378.

boundaries about one-third of the territory and of the population of the state of Virginia; that in the ordinance authorizing the organization of the former state it was provided that said state should take upon itself a just proportion of the public debt of Virginia prior to the 1st day of January, 1861, which provision had not yet been fulfilled, although repeated and earnest efforts had been made in that behalf by the state of Virginia; that the people of the latter state were anxious for the prompt liquidation of her portion of said debt, which was estimated at two-thirds of the same; that it had been suggested that the state of West Virginia might prefer to pay that state's portion of the debt to the holders thereof, and not to the state of Virginia, and that this act was passed for the purpose of enabling her to do so, and that the credit of the state of Virginia might be promptly restored.

Section 1 of this act provides that after the passage thereof no bond, certificate, or other evidence of indebtedness should be issued for any portion of the debt of the state, nor should any interest be paid upon any portion of said debt except as provided by the act.

The act then provides that the owners of any of the bonds, stocks, or interest certificates theretofore issued by the state which are recognized by the constitution and laws as legal, except the 5 per cent. dollar bonds and the sterling bonds, but including the stock of the old James River Company, and the bonds of the James River and Kanawha Company, guaranteed by the state, might fund two-thirds of the amount thereof and two-thirds of the interest due or to become due thereon to the 1st day of July, 1871, in 6 per cent. coupon or registered bonds of the denominations of one hundred [dollars] and multiples thereof, dated that day, to become due and payable in thirty-four years after date, but redeemable at the pleasure of the state after ten years, the interest to be payable semi-annually, on the 1st days of January and July; the coupon and registered bonds to be interconvertible, the coupons to be receivable at and after maturity for all taxes, debts, dues, and demands due to the state, which was to be expressed on their face; and that the bonds should bear on their face a declaration to the effect that the redemption thereof is secured by a sinking fund provided by the law under which they were issued. The 5 per cent. dollar bonds might be funded in a similar manner, but they were to bear only 5 per cent. interest. For all sums less than $100 certificates were to be issued, bearing the same date, rate of interest, and payable at the same time as the bonds mentioned, such certificates, in sums of $100 or any multiple thereof, to be exchangeable for bonds, and that upon the surrender of the old and issue of the new bonds for two-thirds of the amount due a certificate should be issued to the holder for the other one-third, bearing the same date as the new bond, reciting the amount of the bond which is not funded, and that payment of said amount, with interest thereon at the rate prescribed in the surrendered bond, will be provided for in accordance with such settlement as should thereafter be made between the states of Virginia and West Virginia. It was further provided that until such final settlement there should be paid on what are known as the sterling bonds two-thirds of the interest accruing on the principal of said bonds after July 1, 1871, and that for the interest accrued to said date certificates dated on that day should be issued, drawing the same rate of interest as the bonds, two-thirds of which should be paid as provided to be paid on the bonds, the remaining one-third of the unpaid interest both on bonds and certificates to be payable in money, and the principal of said certificates in new sterling bonds of the same character as the old, in accordance with such final settlement as might be made with West Virginia.

The act provides for the manner of executing and issuing the bonds and certificates, and for registry thereof. For the purpose of creating a sinking fund it was enacted that the sum realized from the claims of the state against Selden, Withers & Co., and the Chesapeake and Ohio Canal Company, and from the sale or disposition of the stocks and bonds and debts owned by the state against any and all railway and other improvement companies, and all sums realized from claims of the state against the United States, and from any sales of real estate then owned by the state, should be paid into the state treasury to the credit of such sinking fund, and that in the year 1880, and annually thereafter until all the bonds issued under this act are paid, there should be levied and collected a tax of two cents on the $100 of assessed valuation of all property in the state, personal, real, and mixed, and paid into the treasury for the like purpose, and the treasurer, auditor of public accounts, and second auditor were appointed commissioners of the sinking fund, to have the control and management thereof, and annually, or oftener, to apply such money in the treasury as might be to the credit of the sinking fund to the purchase and redemption of bonds issued by authority of this act.

The provision that the coupons should be receivable for taxes was, as above stated, made a part of the contract, but in the following year an act was passed declaring that in the collection of taxes or other demands of the state by the officers charged therewith it should not be lawful for them to receive in payment anything else than gold or silver coin, United States treasury-notes, or notes of the national banks of the United States, and repealed all laws in conflict therewith.* This act repeals so much of the funding act as is in conflict with it, but of course does not affect the taxpaying quality of coupons already issued.

The passage of the funding bill of 1871 aroused considerable hostility among a portion of the people of the state, while it was acceptable to the creditors. Up to the 1st day of December, 1871, there had been funded $21,610,691 under this act, which recognized the debt to be funded at $47,090,867, which amount had been reduced during the year 1870 by the sale of the stocks held by the state in the Richmond and Danville and the Richmond

* Laws 1871-'72, p. 141.

and Petersburg railroads, from which the sum of $1,610,324 was realized and applied to the redemption of the debt. Thus the actual amount to be funded was $45,480,543 (one-third of which amount the state claimed should be paid by West Virginia), as follows:

Old debt	$31,143,224
Interest thereon	6,221,806
Debt created under act of March 2, 1866	6,576,914
Interest thereon	2,703,284
James River and Kanawha Company debt, and interest thereon	445,639
	47,090,867
Less amount realized from sale of Richmond and Danville and Richmond and Petersburg railroad stock.	1,610,324
Total	45,480,543

The amount funded under this act up to December, 1871 ($21,610,691), was known as the "consol" debt. A portion of the remaining amount was thereafter funded and called the "peeler" debt, while that part left unfunded was known as the "unfunded" debt.

The public debt of the state, as exhibited by the auditor's report, September 30, 1872, amounted at that date to $45,718,112, and remained substantially unchanged without calling forth special legislation until the year 1878, on the 1st day of October of which year the debt was placed, by the report of the auditor of the state, at $29,367,959, exclusive of the one-third "recognized by Virginia as the proportion of the debt to be settled by West Virginia, and for which, in funding, certificates have been or will be issued".

On the 22d day of February of this year (1878) the general assembly passed a bill (commonly known as the Barbour bill) which, while providing more especially for the levying and apportionment of taxes, recited that the people of the state were unable to bear heavier financial burdens than those already existing, and declaring the inadequacy of the income of the state to pay, in addition to the general expenses of the government and for the support of schools, the interest on the public debt and the principal claimed under the funding bill of 1871. This bill was vetoed by the governor February 27, 1878.

On the 14th day of March following an act was passed to provide for the consolidation of the public debt and the payment of a uniform rate of interest thereon. The act authorizes the issue of three per cent. interest-bearing bonds to mature in thirty-two years, in lieu of certain other outstanding bonds. No action was taken under this act, however, and it was repealed by the act of March 28, 1879. This act (legalizing what was known as the McCulloch bill) entitled "An act to provide a plan of settlement of the public debt", recited in its preamble that it was believed by the general assembly that the rate of interest heretofore agreed to be paid by the state on the public debt was greater than could be borne without destroying the industrial interests of the state, and that the foreign bondholders and the funding association of the United States had, in view of this fact, expressed their willingness jointly to endeavor to obtain the consent of the creditors to an abatement in the rate of interest. It was therefore enacted "that, to provide for funding the debt of the state, the governor of the state is hereby authorized to create bonds of the state, registered and coupon, dated the first day of January, eighteen hundred and seventy-nine—the principal payable forty years thereafter", bearing interest at the rate of three per cent. for ten years, four per cent. for twenty years, and five per cent. for ten years. Section 3 of this act states:

> The outstanding indebtedness of the state shall be funded in the new bonds, to be issued under this act, as follows: Bonds shall be presented for exchange with all coupons attached maturing after date of presentation, and shall be exchanged at the face value of said bonds, dollar for dollar, for the new bonds, with all coupons attached maturing after the date of presentation.

In section 4 it is provided that all due and unpaid interest may be funded under the provisions of this act at the rate of fifty cents on the dollar, and shall be funded at that rate under the third section of this act and taken under the provisions of said section in lieu of bonds of class II, *i. e.*, all bonds funded under the act of March 30, 1871, as amended by act of March 7, 1872, and two-thirds, with two-thirds of unpaid accrued interest up to the 1st day of July, 1871, on all unfunded bonds, including the sterling bonds.

The first section of this act provided that the coupons attached to the new bonds should be tax-receivable, and that the principal and interest should be forever exempt from taxation within the state.

The terms of this act were to become a contract, if on or before the 1st day of May, 1879, the council of foreign bondholders and the funding association aforesaid should file with the governor their assent to and acceptance of the terms of this act, and the governor was authorized in this case forthwith to provide for the preparation of the bonds provided for by the act.

> The said corporations may present for funding * * * at least eight millions of dollars of the outstanding obligations of the state prior to the first day of January, eighteen hundred and eighty, and during each period of six months from and after the thirty-first day of December, eighteen hundred and seventy-nine, they may present an additional amount of at least five million dollars, until the whole debt is funded. * * * But if the said corporations shall fail to file with the governor their assent and agreement as aforesaid, by the first day of May, eighteen hundred and seventy-nine, or shall fail to present for funding the outstanding bonds in the proportion and amounts and during the periods hereinbefore specified, then the governor may, in his discretion, make a like contract with responsible parties for the funding of the debt of the state under this act.

With reference to the West Virginia indebtedness this act specifies that—

The owners of all classes of bonds mentioned in this act, who shall exchange their securities for the bonds created under this act, and who shall not have yet received certificates representing the remaining one-third of their principal and interest due and payable by the state of West Virginia, shall receive certificates of a like character to those issued under the act of March thirty, eighteen hundred and seventy-one, when they make such exchange; and the state of Virginia will negotiate, or aid the creditors holding all of such certificates issued under this act or previous acts in negotiating, with the state of West Virginia for an amicable settlement of the claims of such creditors against the state of West Virginia. The acceptance of the said certificates for West Virginia's one-third, issued under this act, shall be taken and held as a full and absolute release of the state of Virginia from all liability on account of the said certificates.

In the twelfth section of the act there is a further provision that if there should be no money in treasury to pay the interest on these bonds at the semi-annual periods at which it would fall due, then it should be borrowed and certificates issued therefor in sums of one dollar and its multiples, receivable for all taxes and to be hypothecated or sold at not less than seventy-five cents on the dollar.

Under this act there was issued, to October 1, 1879, in registered and coupon bonds and certificates, the sum of $8,049,450, of which amount $105,135 was purchased by the commissioners of the sinking fund. At this date the amount of the public debt, exclusive of the proportion which West Virginia was expected to pay, was $29,667,305, as will be seen by the subjoined table:

Debt under act of March 30, 1871, known as "consol" debt, Class I	$14,604,948
Debt under act of March 30, 1871, as amended by act of March 7, 1872, known as "peeler" debt, Class II, and the unfunded debt of same class	7,118,042
Amount funded under act of March 28, 1879, less amount purchased by sinking fund	7,944,315
Total	29,667,305
Amount recognized by Virginia as West Virginia's proportion for which certificates have been or will be issued *	15,239,371

On the 1st day of March, 1880, the general assembly passed an act "to re-establish the public credit". This act (known as the Riddleberger bill), before its passage, was amended by striking out its thirteenth section and inserting in place thereof the following:

The treasurer of the commonwealth is authorized and directed to pay the interest on the bonds issued under this act, as the same shall become due and payable, out of any money in the treasury not otherwise appropriated.

The twelfth section of the bill was also stricken out, and the following inserted in lieu thereof:

Executors, administrators, and others acting as fiduciaries may exchange any state bonds held by them for bonds issued under this act when so authorized by the court having jurisdiction in the premises; and the same when so made shall be considered a lawful investment.

The fourteenth section was slightly amended, and the eighteenth section stricken out.

Below will be found the bill as originally presented for the consideration of the general assembly:

A BILL to re-establish the public credit.

Whereas the people of Virginia have renounced the basis and principles of the proposed settlement of the public debt which are comprehended in the act of assembly approved March 28, 1879; and

Whereas it is confidently believed that the people of this state will never acquiesce in any settlement which shall obligate them and their posterity to pay any part of the interest upon the public debt which accrued during the war and the period of reconstruction; and

Whereas the principal of the debt recognized by the act approved March 30, 1871, computed to the 1st of July following, and taken as the debt of the state before the creation of West Virginia at $45,718,112 23, embraced $15,025,604 of capitalized interest which had accrued during the period of war and reconstruction; and

Whereas every consideration of equity and the circumstances of war, the immense loss of property by the people of Virginia, aggregating five hundred millions of dollars, and the shrinkage in assessed values from $723,000,000 to $336,000,000, reducing the revenues from over four millions to two and a half millions, further justify the elimination of such capitalized interest from any computation of the debt; and

Whereas the amount of such capitalized interest constitutes, as near as may be, one-third of said indebtedness so computed to July 1, 1871; and

Whereas legislation assigning two-thirds of said indebtedness to Virginia and one-third to West Virginia has been generally acquiesced in, and the principal of the indebtedness thus wrongfully apportioned to Virginia under the computation of the act approved March 30, 1871, is, as of January 1, 1880, $31,102,571, whereof $22,909,447 is evidenced by bonds or other obligations issued under acts of March 30, 1871, and March 28, 1879, and hereinafter denominated as Class A, and the remainder by bonds and other evidence of debt, designated as Class II by the act approved March 28, 1879, aggregating, as of January 1, 1880, the sum of $8,193,124; and

Whereas the holders of said obligations of Class A (except as to $2,500,000 of Class II, funded under the said act of March 28, 1879) have for nine years, including July 1, 1880, received interest, nominally at 6 per cent., upon a principal one-third too large, by the wrongful capitalization of interest, as aforesaid, which, reckoned at 4½ per cent., amounts to over $3,000,000, and ought not in equity to have been paid, therefore the principal of said indebtedness, as it now stands, amounting to $22,909,447, ought to be reduced by the amount of interest so wrongfully capitalized and the interest upon interest thus wrongfully paid to the holders of such bonds; and therefore the principal of this class of the state indebtedness should in equity be reduced to $12,142,006, or at the rate of $53 for every $100 of the face of such indebtedness as is now outstanding; and

Whereas the principal of that part of the debt known as Class II in the act of March 18, 1879, amounting, as of January 1, 1880, to $8,193,124, is one-third too large by the wrongful capitalization as aforesaid, the same should be reduced to $5,462,083, or at the rate of $66 66⅔ for every $100 of the face of such indebtedness as is now outstanding; and

Whereas interest for nine years to 1st July, 1880, has been allowed upon the principal of the debt embraced in Class II aforesaid, which principal is too large by one-third of the amount thereof because of the capitalization of interest aforesaid, and there is now past due and unpaid of such interest $3,435,145, therefore it is equitable that the same should be reduced by the sum of $1,474,762 (that being interest upon the one-third of principal so wrongfully capitalized) or funded in the bonds authorized to be issued under this act at the rate of $60 for every $100 of such past due and unpaid interest aforesaid; and

Whereas the equitable adjustment of the public debt of the state, as determined by the application of the facts and principles aforesaid, fixes the aggregate thereof at $19,665,176; and

Whereas there are now outstanding $783,241 50 of past-due tax-receivable coupons and balances due to the schools, asylums, and on other accounts, amounting to some $1,800,000, for the payment of which it is of paramount importance that provision be made in the apportionment of the current net revenues of the state; and

Whereas the net revenues of the state cannot be safely relied on for more than $2,165,000 after the reassessment required to be made in 1880, owing to the reduction in taxable values estimated to be consequent thereupon and certain necessary reforms in the system of assessment of property and licenses; and

Whereas the existing rate of taxation is recognized to be the highest that can be endured under the circumstances of the long distress and heavy burdens of this people, and the search for new subjects of taxation has been exhausted; and

Whereas the necessary expenses of conducting the government, after adopting and applying every practicable measure of reform and economy, cannot safely be estimated below the sum of $900,000, and the proportion of such estimated revenue due to the public schools will be $431,700, the balance remaining for the liquidation of the public debts aforesaid, and for the payment of interest upon the bonds created by this act, cannot exceed $833,300; and

Whereas the means of prompt and regular payment should be apparent, and the people's approbation of this settlement should be expressed at the polls, in order to give assurance of the good faith and performance thereof: Therefore,

1. *Be it enacted by the general assembly of Virginia,* That the board of commissioners of the sinking fund of the state be, and they are hereby, empowered and directed to create bonds, registered and coupon, to such an extent as may be necessary to comply with the provisions of this act.

2. Said bonds shall be dated July 1, 1880, and be payable at the office of the treasurer of the state on the 1st day of July, 1920: *Provided,* That the state may at any time, and from time to time after July 1, 1890, redeem any part of the same principal and interest at par. In case of such redemption before maturity the bonds to be paid shall be determined by lot by said board of commissioners, and notice of the bonds so selected to be paid shall be given in a newspaper published at Richmond, New York, and London, England, when interest from and after ninety days from the date of such publication in London shall cease upon the bonds so designated to be paid.

3. The form of the bond shall be as follows, to wit:

The commonwealth of Virginia acknowledges herself indebted to —— (in the case of a coupon bond to bearer, and in the case of a registered bond inserting the name of the person or corporation) in the sum of $———, which she promises to pay in lawful money of the United States, at the office of the treasurer of the state, Richmond, Virginia, on the 1st day of January, 1920, with the option of payment at par, principal and interest, before maturity, at any time after July 1, 1890; and interest at the office of the treasurer of the state in such lawful money on the 1st days of January and July, at the rate of three per centum per annum, until paid (according to the tenor of the annexed coupons, in the case of coupon bonds).

In testimony whereof, witness the signature of the treasurer and the countersignature of the second auditor, hereunto affixed, according to law.

4. The form of coupon for coupon bonds shall be as follows, to wit:

No. —— (of bond).

The commonwealth of Virginia will pay to bearer ——— dollars, in lawful money of the United States, at the office of the treasurer, Richmond, Virginia, on the 1st day of January and July alternately, the first coupon to be payable January 1, 1880.

$———.

—— ——,
Treasurer.

Each coupon to be impressed on the back with its number, in the order of maturity, from 1 forward.

5. The said board of commissioners are authorized to issue such bonds, in denominations of one hundred, five hundred, and one thousand dollars, as may be necessary to carry out the provisions of this act, each denomination to be of different tint: *Provided,* That registered bonds may be issued of any denomination multiple of one hundred, and all registered bonds to be of the same tint; and they are authorized to issue such bonds, registered or coupon, in exchange for the outstanding obligations of the state hereinbefore enumerated, including the bonds held by the literary fund, as follows, that is to say:

(*a*) For the principal of all bonds or other evidence of debt embraced in Class A, at the rate of 53 per cent.; that is to say, $53 of the bonds authorized under this act (principal and accrued interest from the preceding period of maturity to the date of exchange at par) are to be given for every $100, face (principal and accrued interest from the preceding semi-annual period of maturity to the date of exchange of such indebtedness), and for any interest which may be past due and unpaid upon such indebtedness funded bonds, issued under this act, may be given, dollar for dollar.

(*b*) For the principal of all bonds or other evidences of debt embraced in Class II, at the rate of 66⅔ per cent.; that is to say, $66 66⅔ of the bonds authorized by this act (principal and accrued interest from the preceding period of maturity to the date of exchange at par) are to be given for every $100, face, of the principal of such indebtedness.

(*c*) For two-thirds of the interest past due and unpaid upon the unfunded debt, including the sterling bonds since July 1, 1871, and for all other past due and unpaid interest upon other bonds and evidences of debt embraced in Class II, to the date of exchange, at the rate of 60.1 per cent.; that is to say, for every $100 of such interest, so computed, $60 of the bonds issued under this act (principal and accrued interest from the preceding period of maturity to the date of exchange at par) are to be given.

6. For the one-third of the unfunded debt, including the sterling bonds, computed as of the 1st of July, 1871, the said board of sinking fund commissioners shall issue a certificate as follows:

No. ——.

The commonwealth of Virginia has this day discharged her accepted share of the (registered or coupon, as the case may be) bonds for ——— dollars, held by ———, dated the —— day of ———, and numbered ——, leaving a balance of ——— dollars, with interest from the 1st day of July, 1871, to be accounted for by the state of West Virginia, without recourse upon this commonwealth.

Done at the capital of the state of Virginia this —— day of ———, 18——.

—— ——,
Second Auditor.

—— ——,
Treasurer.

7. The said board of commissioners are empowered to issue for any fractional part of one hundred dollars of the indebtedness funded under this act the following certificate:

Register No. ——.] FRACTIONAL CERTIFICATE. [Transaction No. ——.

This certificate entitles the holder hereof to the sum of $——, fundable at its face in the bonds of the commonwealth of Virginia, authorized by an act approved the —— day of ——, 1880, when presented, with certificates of like tenor, or in conjunction with other evidences of debt fundable under said act, in amounts of $100 and multiples thereof.

Done at the capital of Virginia this —— day of ——, 188—.

—— ——,
Treasurer.

—— ——,
Second Auditor.

The certificates so issued shall be registered by the second auditor in a register kept for that specific purpose, giving the date and number of the transaction to which it relates, the amount of the same, and the name of the person or corporation to whom it was issued; and as such certificates are refunded the same shall be canceled and preserved, as herein provided in respect to other obligations refunded.

8. All the bonds and certificates of debt and evidences of past due and unpaid interest taken in under the provisions of this act shall be canceled by the treasurer in the presence of the board of commissioners of the sinking fund as the same are acquired by the treasurer, and the same shall be carefully preserved until such time as the general assembly may otherwise direct. A schedule of the bonds, certificates, and other evidences of debt so canceled from time to time shall be certified by said board and filed with the treasurer for preservation.

9. All the coupons and registered bonds and fractional certificates issued under this act shall be separately registered by the second auditor in books kept for the specific purpose, in each case giving the date, number, and amount of the obligations issued, and the name of the person or corporation to whom issued, and the date, number, and amount and description of the bond, bonds, or indebtedness surrendered.

10. The plates from which the bonds and fractional certificates authorized by this act are printed shall be the property of the commonwealth, and shall remain in the keeping of the said board of commissioners of the sinking fund.

11. In the year 1890, and annually thereafter until all the bonds issued under and by authority of this act are paid, there shall be separately levied and collected, as other taxes are collected, a tax of two cents on the $100 of the assessed value of all property in the state subject to taxation for other purposes, which shall be paid into the treasury to the credit of the sinking fund; and the commissioners of the said sinking fund shall annually, or oftener, apply the same to the redemption or purchase (at a rate not above par) of the bonds issued under this act, and the bonds so redeemed shall be canceled by the said board, and the same registered by the second auditor, in a book to be kept for the purpose, giving the number, the date of issue, the character, the amount, and the owner at the time of purchase of the bonds so redeemed and canceled.

12. Executors, administrators, and others acting as fiduciaries, may invest in the bonds issued under this act when so authorized by the county, corporation, or circuit court, to which such executor, administrator, or other fiduciary is accountable for the trust-subject, and the same, when so made, shall be considered a lawful investment.

13. That the semi-annual interest, as it may become due and payable upon the bonds issued under this act, may be promptly and regularly met, one-third of the net revenue collected from the levy on all property (personal, real, and income), and one-half of the net revenue collected from licenses, shall be separately collected and paid into the treasury to the credit of the public debt, and the same applied to the payment of the interest thereon: *Provided,* That the legislature may, at the end of every succeeding two years from the 1st of January, 1882, pass to the credit of the sinking fund such balance as may then stand to the credit of that account over and above any interest which may then remain due and unpaid upon the bonds issued under this act, such balance, so transferred, to be employed by the said commissioners of the sinking fund in the redemption of the said bonds, as provided in the eleventh section of this act.

14. The several tax collectors of this commonwealth shall receive in discharge of the taxes, license taxes, and other dues, gold, silver, United States treasury notes, national bank currency, and the temporary-loan certificates, as hereinafter provided, and nothing else: *Provided,* That in all cases in which an officer charged by law with the collection of revenue due the state shall take any step for the collection of the same, claimed to be due from any citizen or tax-payer, such person against whom such step is taken, if he concedes the same to be unjust or illegal, or against any statute, or to be unconstitutional, may pay the same under protest, and upon such payment the officer collecting the same shall pay such revenue into the state treasury, giving notice at the time of such payment to the treasurer that the same was paid under protest. The person so paying such revenue may, at any time within thirty days after making such payment, and not longer thereafter, sue the said officer so collecting such revenue in the county or corporation court in which said revenue was assessed, and if it be determined that the same was wrongfully collected, for any reason going to the merits of the same, then the court trying the case may certify of record that the same was wrongfully paid and ought to be refunded; and thereupon the auditor of public accounts shall issue his proper warrant for the same, which shall be paid in preference to other claims on the treasury. There shall be no other remedy in any case of the collection of revenue or the attempt to collect revenue illegally, or the attempt to collect revenue in funds only receivable by said officers under this law, the same being other and different funds than the tax-payer may tender or claim the right to pay, than such as are herein provided, and no writ for the prevention of any revenue claim, or to hinder or delay the collection of the same, shall in any wise issue, either injunction, supersedeas, mandamus, prohibition, or any other writ or process whatever; but in all cases where for any reason any person shall claim that the revenue so collected of him was wrongfully or illegally collected the remedy for such person shall be as above provided, and in no other manner. In all such cases, if the courts shall certify of record that the officer defendant acted in good faith and diligently defended the action, the necessary cost incurred by him shall be taxed to and paid by the state as in criminal cases. The commonwealth's attorney of the county or corporation in which suit is brought shall appear and represent the defense. In every case where judgment is rendered for the defendant a fee of ten dollars shall be taxed in favor of said attorney and against the plaintiff, and whenever the court shall refuse to certify the good faith and diligence of the officer defending the case a like fee of ten dollars shall be taxed against the said officer. Any officer charged with the collection of revenue, who shall receive payment thereof in anything other than that hereinbefore provided, shall be deemed guilty of a misdemeanor and fined not less than $100 nor more than $500, in the discretion of the court, but nothing herein contained shall be construed to subject any officer of the state to any suit other than as hereinbefore provided for any refusal on his part to accept in payment of revenue due the state any kind or description of funds, security, or paper not authorized by this act.

15. The auditor of the state shall prepare and furnish to the clerks of the county and corporation courts of the commonwealth, on or before the 15th day of July, 1881, a book known as "Temporary-Loan Book", which shall consist of printed forms of certificates and stubs, as follows:

STUB.	CERTIFICATE.
No. ——. [Name of lender.] [Date of issue.] [Amount of certificate.] [Amount of cash received.]	No. —, County (or city) of ——, —— day of ——, 188—. The commonwealth of Virginia owes —— ——, of —— county (or city), Virginia, in consideration of money loaned her to meet a casual deficit in the revenue and to redeem previous liabilities of the state, under act of —— day of ——, 1880, —— dollars, payable on demand, without interest, at the office of the treasurer of Virginia on presentation of this certificate by said —— —— in person, at the rate of one for two, or receivable at par by all collectors of taxes for any and all taxes on real or personal property assessed against the above-named lender, for which he is not delinquent if presented within six months from this date, and not otherwise. Not transferable. —— ——, *Auditor.*

Said stubs and checks shall be signed by the auditor in person or by stencil and numbered serially, beginning with No. 1 for each county (or city), and the number of such for each county (or city) shall be at least equal to the number of land owners and property holders therein. On or before the 1st day of July the several clerks of the county or corporation courts of this commonwealth shall execute and forward to the auditor of the state a bond in the penalty of $10,000, with security approved by the judge of the county or corporation court of which they are respectively clerks, conditioned faithfully to perform the duties imposed upon such clerk by the provisions of this act, and to account for and pay over to the treasurers of their respective counties on the first of every month, beginning August 1, 1881, all moneys received under this act.

Accompanying said temporary-loan books the auditor shall furnish to said clerks printed advertisements, at least five for every election precinct in their respective counties or cities, as follows:

To all good citizens of the county (or city) of ——, state of Virginia:

The commonwealth of Virginia, in order to meet a casual deficit in the revenue, and in order to redeem existing liabilities of the state, desires to borrow from her citizens a sum sufficient to meet said casual deficit and redeem said liabilities, and solicits from the citizens of this county (or city) subscriptions to a temporary loan. Every citizen of this county (or city) is invited to subscribe to said loan. Subscriptions to any amount not exceeding in any instance the amount of taxes annually assessed against the land and personal property of the subscriber for which he is not delinquent are solicited from the citizens of this county (or city). Any person subscribing to said loan will apply to the clerk of the county (or corporation) court of this county (or city), and upon the payment, in cash, of his subscription to said clerk will receive a certificate of indebtedness, dated upon the day of such subscription, acknowledging the liability of the state to him for an amount twice as large as his subscription, payable on presentation of said certificate by him in person at the treasury at the rate of one for two, or receivable at par by all collectors of taxes for any or all taxes on real or personal property assessed against him for which he is not delinquent if presented within six months from its date, and not otherwise. Not transferable.

—— ——, *Auditor.*

Upon receipt of said advertisements said clerks shall immediately post the same at the court-house door of their respective courts, and in at least three public places in each voting precinct of their respective counties (or cities). A similar advertisement shall be inserted by the auditor in some paper published in each of the cities having a corporation court, and in every county in which a paper is published, beginning July 1, 1881, at least once a week for eight weeks, and inviting subscriptions to said loan.

And any person or corporation so desiring may apply directly to the treasurer of the state to subscribe to said loan, and upon the payment, in cash, of his or their subscription shall receive from the auditor a certificate such as hereinbefore described, provided the same shall not exceed the amount of taxes on real and personal property assessed against him on and after the 1st of February, 1881. The clerk receiving such book shall receipt for the same and state in said receipt the number of certificates therein. Upon application of any subscriber and payment in cash of his subscription, the clerk of the court to whom such payment is made shall fill up the first blank certificate upon his book with the date of payment, the name and residence of the subscriber, and an amount double the subscription.

On the stub he shall enter the same and the actual amount of cash received. If in making out any certificate he damages the same so that it becomes useless, he shall leave it untorn from the book, obliterating the signature and indorsing the stub, and take the next serial number. If any certificates be lost or stolen from said book, he shall forthwith notify the treasurer of his county (or corporation) of the missing numbers and warn him not to receive the same, and shall likewise notify the auditor of the facts concerning said loss or theft, and on the stub of the lost or stolen certificates shall indorse the facts. Upon affidavit of the facts satisfactory to him, any clerk may issue a duplicate for a certificate which has been lost or destroyed to the person entitled thereto, and across the face and on the stub of such he shall indorse duplicate of number. The treasurer of the county (or city) shall, on the 1st day of August, 1881, and upon the 1st of each succeeding month, so long as the temporary loan-books remain in the hands of the clerk, call upon him for his books. The treasurer shall, upon blanks to be furnished him by the auditor, make up a tabulated statement as follows:

Clerk of the county (or city) of ——, in account with the commonwealth of Virginia for subscriptions to temporary loan of 188— for the month of ——.

Number of certificate.	Name of subscriber.	Date of issue.	Amount of certificate.	Amount of cash received.	Redeemed.	Not redeemed.

For the amount of cash received by said clerk he shall write his receipt at the foot of said tabular statement, and shall forward a duplicate of such statement and receipt to the auditor. The clerk shall immediately pay over the sum so received by him to the treasurer upon his tendering said receipt. If he fails so to do, it shall be the duty of the treasurer to move against him and his securities forthwith upon his bond in the court having cognizance of such motions, and to notify the auditor of his default. It shall be the duty of the clerks of the courts to whom said temporary-loan books are transmitted by the auditor, on the 1st of July next following their receipt, to return the same to the auditor, together with the receipts of the treasurer, for verification. The amount of subscriptions to said loan received in any county (or city) shall in no case exceed the aggregate of revenue from taxes on land and personal property due the commonwealth for the current fiscal year by more than 10 per cent., and preference shall be given to the land and property owners of each county and city in receiving subscriptions to said loan. Any clerk who shall falsely and fraudulently issue any temporary-loan certificate authorized by this act, without receiving the cash therefor at the time it issues, shall be deemed guilty of a felony, and, upon conviction thereof, shall be confined in the penitentiary not less than one nor more than five years. The county and city treasurers of this state shall receive at par, in payment of taxes on land and personal property assessed in their counties or cities which are not delinquent, the certificates aforesaid, issued by the clerk of their county or corporation, when the same are presented by the person to whom they were issued, or his agent, in payment of his taxes on real or personal property. Said treasurer shall arrange all such certificates redeemed by him according to their serial numbers, and return the same, with his accounts, to the treasurer of the state. The treasurer of the state shall receive at par, in payment of any taxes assessed on or after February 1, 1881, due to the commonwealth, which are payable to him directly by law, whether such taxes be delinquent or not, temporary-loan certificates issued by the auditor, as hereinabove provided: *Provided, however*, That the aggregate of temporary-loan certificates issued directly from the office of the auditor for subscriptions to the treasurer of the state under this act shall not exceed $1,000,000. Any treasurer who shall fail to move in the proper court against any clerk who is delinquent for ten days in paying over on the first of the month the amount of temporary loan subscribed for the previous month shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be fined not less than $100 nor more than $500, and he and his securities upon his official bond shall be liable for the amount due by said clerk; and the county and city treasurers of this state and their securities shall forthwith appear before the court which took their bonds and so alter the same as to make them embrace their liability under this act, and they shall forward to the auditor a certificate of the clerk that said bonds have been so altered. The clerk receiving said subscriptions shall be entitled to a commission of —— per cent. on all subscriptions received by him under this act, and may deduct the same from such receipts in accounting with the treasurer.

16. All necessary expenses incurred in the execution of this act shall be paid out of moneys in the treasury not otherwise appropriated, on the warrants of the auditor of public accounts, drawn upon the treasurer, on the order of the board of sinking-fund commissioners.

17. It shall be the duty of the officers conducting the election at the several places for holding elections in the state, as provided by law, on the Tuesday after the first Monday in November next, to prepare a separate ballot-box, in which shall be deposited the ballots of the qualified voters of the state who shall desire to vote upon this act. Ballots shall be, respectively, as follows: "For the act;" "Against the act." The ballots so cast shall be deemed and taken as a vote for or against this act. All persons entitled to vote for members of the general assembly shall have the right to vote "for" or "against" the act.

The manner of receiving and canvassing the ballots cast at such election on the question of the adoption or rejection of this act, and making returns and abstracts of the results thereof, shall conform in all respects to the regulations prescribed by the general election laws of this state, except that the certificates of the judges in this respect shall be as follows:

We hereby certify that at the election held on the —— day of November, 1880, —— votes were cast "for the act" and —— were cast "against the act".

Signed by the judges:

—— ——.
—— ——.
—— ——.

And provided further, That the commissioners of election shall make on a separate sheet an abstract of said votes for and against the act, which abstract shall be duly signed by said commissioners and certified to the secretary of the commonwealth.

And if from such returns and abstract of votes it shall appear that a majority of those voting at said election have voted in favor of said act, then it shall be the duty of the secretary of the commonwealth to certify the same to the governor, who shall immediately make proclamation thereof, by publication in one or more newspapers published in the city of Richmond having the largest circulation in the country, and from and after the date of such proclamation all the foregoing provisions of this act shall be in full force and virtue.

18. All acts and parts of acts in conflict or inconsistent with this act are hereby repealed.

19. This act shall be in force from its passage.

This act, as amended and passed, was vetoed by the governor March 5, 1880.

WEST VIRGINIA.

The state of West Virginia has no recognized state indebtedness. The constitution of the state forbids the creation of any liability in the nature of a public debt, excepting so much thereof as is contained in the provision regarding the assumption of "an equitable portion of the public debt of the commonwealth of Virginia prior to January 1, 1861, after such portion shall have been ascertained by the legislature of West Virginia". Such portion has as yet not been agreed upon by West Virginia and Virginia.

The first convention held for the purpose of forming a new state, and which assembled at Wheeling on the 11th day of June, 1861, in their ordinance passed August 20, 1861, embodied the following provision (see section 9) as to how the legislature of the proposed new state was to proceed in ascertaining West Virginia's equitable proportion of the debt of the commonwealth:

The new state shall take upon itself a just proportion of the public debt of the commonwealth of Virginia prior to the first day of January, eighteen hundred sixty-one, to be ascertained by charging to it all state expenditures within the limits thereof, and the just proportion of the ordinary expenses of the state government since any part of said debt was contracted, and deducting therefrom the moneys paid into the treasury of the commonwealth from the counties included within the said new state during the same period.

The constitution for the new state of West Virginia (and schedule thereto annexed), proposed by the convention which assembled at Wheeling November 26, 1861, and which had been consented to by the restored and recognized (by the United States) government of Virginia, contains the following provision in regard to the debt of the commonwealth:

An equitable portion of the public debt of the commonwealth of Virginia prior to the first day of January, eighteen hundred and sixty-one, shall be assumed by this state, and the legislature shall ascertain the same as soon as may be practicable and provide for the liquidation thereof by a sinking fund sufficient to pay the accruing interest, and redeem the principal within thirty-four years.

The adjustment of the debt question was first considered by the general assembly of Virginia in the year 1866–'67, it being the first legislature elected after the war. This assembly, acting under the so-called "Alexandria constitution", which instrument provides that—

The general assembly shall provide by law for adjusting with the state of West Virginia the proportion of the public debt of Virginia proper to be borne by the states of Virginia and West Virginia, respectively, and may authorize, in conjunction with the state of West Virginia, the sale of all lands and property of every description, including all stocks and other interest owned and held by the state of Virginia in banks, works of internal improvements, and other companies at the time of the formation of the state of West Virginia, and no ordinance passed by the convention which assembled at Wheeling on the eleventh of June, eighteen hundred sixty-one, adjusting the public debt between Virginia and West Virginia, shall be binding upon this state (see section 27 of article 4),

authorized by joint resolution of February 28, 1867, the appointment of three commissioners, with the power to treat, first, for the "restoration of Virginia to its ancient jurisdiction and boundaries", and, second, upon the subject of the proper adjustment of the debt.

The legislature of West Virginia, at its session February 28, 1867, passed a joint resolution declining to treat for her reunion with Virginia, but authorizing the appointment of commissioners, to treat with the commissioners appointed by Virginia for the adjustment of the public debt, as soon as the suit of Virginia (instituted March, 1866) against West Virginia, pending in the Supreme Court of the United States, to recover jurisdiction over the counties of Berkeley and Jefferson should be finally determined, as no proper adjustment of the debt could be made until it should have been determined which state held jurisdiction over said counties.

In January, 1870, the state government of Virginia was reorganized under its new constitution, and was recognized and restored to representation in Congress by act of January 25, 1870. This constitution contains the following in regard to the debt:

The general assembly shall provide by law for adjusting with the state of West Virginia the proportion of the public debt of Virginia proper to be borne by the states of Virginia and West Virginia, and shall provide that such sum as shall be received from West Virginia shall be applied to the payment of the public debt of the state (see section 19, article 10).

On the 18th of February, 1870, the legislature of Virginia passed a joint resolution authorizing the appointment of commissioners to treat with West Virginia, and under this resolution commissioners were appointed, who visited the legislature of West Virginia, then in session; that body passed a joint resolution authorizing the appointment of a joint committee of both houses to confer with the commissioners of Virginia, which joint committee was so appointed. This resolution was superseded in a few days by a joint resolution, passed on the last day of the session, authorizing the appointment of commissioners to treat with the authorities of Virginia direct; but as no provisions had been made to defray the expenses of such commissioners, action was postponed till the next session of the legislature. In 1871 the new legislature passed a resolution (February 15) to reappoint such commissioners, which was acted upon by the governor; but as the general assembly of Virginia, on the 11th of February, 1871, had adopted a resolution tendering to the state of West Virginia an arbitration of all matters touching the apportionment of the debt, thereby changing the manner of negotiations then authorized, which tender having been declined by West Virginia, the legislature, by resolution adopted February 24, 1871, requested the state of Virginia to permit negotiations to proceed through the commissioners already authorized by the two states.

On the 30th of March, 1871, the legislature of Virginia passed the funding bill, by which it agreed to fund two-thirds of the debt by issuing new bonds therefor, and to issue certificates for the other third, payable in accordance with such settlement as should thereafter be had between the two states.

The certificates so issued for that part of the debt which West Virginia is expected to pay are dated Richmond, Virginia, July 1, 1871, and are generally called "West Virginia deferred certificates", "West Virginia bonds," or "West Virginia sixes", and are worded as follows:

TREASURER'S OFFICE, *Richmond, Virginia, July* 1, 1871.

This is to certify that there is due unto ——— heirs, executors, administrators, or assigns ——— dollars, being one-third of bond surrendered under the provisions of an act approved March 30, 1871, entitled "An act to provide for the funding and payment of the public debt" (viz, bond No. ——, with interest amounting to —— dollars). Payment of said one-third, with interest thereon at the rate of six per cent. per annum, will be provided for in accordance with such settlement as shall hereafter be had between the states of Virginia and West Virginia in regard to the public debt of the state of Virginia existing at the time of its dismemberment, and the state of Virginia holds said bonds so far as unfunded in trust for the holder hereof or his assigns.

In testimony whereof, this certificate has been signed by the treasurer and countersigned by the second auditor, as provided by law.

——— ———,
Treasurer Commonwealth of Virginia.

——— ———, *Second Auditor.*

West Virginia has never issued any such papers as "West Virginia certificates" and "West Virginia bonds". The claims of the holders of these certificates and bonds issued by Virginia, although having been repeatedly presented to the state authorities of West Virginia, have not been recognized; and no proposals for a settlement on the part of these holders to the state authorities have found any legislative discussion (see letter of Governor Jackson, dated May 16, 1881, in reply to George K. Kearston, esq., London, England, regarding such claims).

The funding bill of Virginia recognizes an amount of from $45,000,000 to $46,000,000 as the debt of Virginia before the creation of West Virginia (which amount is computed up to the 1st of July, 1871), and apportions one-third of that amount to West Virginia as her proportion of the public debt, on the ground that West Virginia contained one-third of the territory and population formerly belonging to Virginia.

The debt commissioners of West Virginia, acting under joint resolutions of the legislature (February 15 and 24, 1871), after failing in their effort to treat with the authorities of Virginia, in their report to the governor, dated August 9, 1871, state the amount of debt due Virginia to be $953,360 23, which amount they compute as follows:

Dr.	For amounts expended and invested in her territory up to January 1, 1861		$3,343,929 29
Cr.	By one-fourth of the estimated value of public buildings and other assets	$968,750 00	
	By three-thirteenths of the United States surplus fund	446,032 92	
	By three-sevenths of the literary fund	647,079 92	
	By the amount collected in West Virginia after January 1, 1861	328,706 22	
			2,390,569 06
	Balance due Virginia		953,360 23

The commissioners say that:

All, or nearly all, of the whole funded debt of Virginia existing on the 1st day of January, 1861, amounting to $31,779,067 32 (after all deductions), was incurred for and actually expended in works of public improvement, such as canals, railroads, turnpikes, plank-roads, and bridges; that thereof the sum of $28,994,738 03 was expended for improvements in the present state of Virginia, and only $2,784,329 29 for public improvements in the present state of West Virginia. This sum, increased by $559,600 (the stock of Virginia in West Virginia banks and the value of the Lewisburg law library), will give the total expenditures for all purposes made in West Virginia, viz, $3,343,929 29.

Further, that the present state of Virginia contains 41,352 square miles, and West Virginia 20,000, or less than one-third of the area of the commonwealth.

Further, that the counties composing what is now Virginia contained, according to the census of 1860, a population of 1,220,829, and those composing West Virginia 374,985, or less than one-third the entire population of the state.

Further, that $328,706 22 were collected from counties in West Virginia after January 1, 1861.

In their report they claim to have charged West Virginia with all that they found expended within her limits, viz, the amount of the funded debt created for improvements within her territory, the amount invested in her banks, and the amount expended on asylum and library.

They also credit West Virginia with a share of the estimated value of the public property and assets of Virginia other than the property represented in the bonded indebtedness, claiming that Virginia has that property and owes the debt which it represents.

They estimate the value of public buildings, institutions, and other assets of the two states paid for out of the general revenue at $3,875,000, and credit West Virginia with one-fourth thereof, on basis of population.

The surplus revenue of the United States deposited with the state of Virginia under act of Congress, June 23, 1836, was $2,937,237 34, of which they claim Virginia had received $1,932,809 33. This act assigned to each state its share of deposits on the basis of its representation in Congress. Virginia, in 1860, having thirteen representatives, three of whom were from West Virginia, they therefore claim that three-thirteenths of the surplus fund belonged to West Virginia.

The literary fund of the two states prior to 1861 amounted to $1,509,853 16, and, as this was apportioned throughout the state on the basis of the white population, they follow this rule and assign to West Virginia three-sevenths thereof, that being the fraction for the white population of West Virginia in 1860.

The debt commissioners also state that subsequent inquiries may change the general result of their labors, and give it as their opinion that the principle upon which the debt should be adjusted is the first and most important point to settle.

The legislature of West Virginia did not give its assent to the conclusions of the debt commissioners. Their report having been referred to the finance committee of the senate, that committee, in their report of December 22, 1873, state that they do not concur with the conclusions drawn by the debt commissioners, believing that the controlling question had not been discussed by these commissioners, by reason of embarrassments surrounding their action.

The finance committee express their opinion that, if the conditions precedent to the admission of West Virginia as a state are to be accepted as the basis of adjustment and final settlement, Virginia's claim for expenditures could very properly be offset by West Virginia's contributions; that upon this basis this subject would be one of easy solution, containing no other items than that of creditor and debtor, with balances to be struck upon agreed principles.

Virginia's legislative history establishing the fact that the first act of assembly to create a debt or issue a bond was passed in 1821, and the executive records showing that the first bond had been issued in 1822, the finance committee date West Virginia's liability from these years, and proceed as follows:

1st. How much of the bonded debt of Virginia existing January, 1861, had been expended within the limits of West Virginia?

2d. How much had been contributed by the counties forming the same during that period?

The report of the debt commissioners shows that all state expenditures within the limits of West Virginia prior to January, 1861, amounted to $3,343,929 29, and the finance committee accept this amount as importing an obligation upon the people of West Virginia to return every dollar which had been so contributed to the development of the territory of their state.

They omit to calculate interest, for the reason that there would be as much interest upon West Virginia's contributions as upon receipts from Virginia.

Against the above amount of expenditures they set the moneys paid into the treasury of Virginia from the counties included in the state of West Virginia during the same period, which, by a somewhat peculiar mode of computation, they make to be $3,892,000; in excess of West Virginia's proportion of the ordinary expenses of the government during that period. This sum set against this amount ($3,343,929 29) admitted to have been expended within the state of West Virginia, would leave Virginia in debt to the new state in the amount of $548,070 71.

The finance committee conclude that West Virginia is not indebted, and declare in their report: "West Virginia owes no debt, has no bonds for sale, and asks no credit."

On the 28th of March, 1879, the legislature of Virginia passed the act already cited entitled "An act to provide a plan of settlement of the public debt", etc., which contains the following provision regarding the amount claimed from West Virginia:

The owners of all classes of bonds mentioned in this act, who shall exchange their securities for the bonds created under this act, and who shall not have yet received certificates representing the remaining one-third of their principal and interest due and payable by the state of West Virginia, shall receive certificates of a like character as those issued under the act of March thirty, eighteen hundred and seventy-one, when they make such exchange; and the state of Virginia will negotiate or aid the creditors holding all of such certificates issued under this act or previous acts in negotiating with the state of West Virginia for an amicable settlement of the claims of such creditors against the state of West Virginia. The acceptance of the said certificates for West Virginia's one-third, issued under this act, shall be taken and held as a full and absolute release of the state of Virginia from all liability on account of the said certificates.

This act of March 28, 1879, as an amendment to the funding bill, explains why the authorities of West Virginia have been repeatedly approached by the holders of such certificates and bonds, demanding a settlement between themselves and West Virginia direct, as before stated.

The above statement, prepared by Mr. A. E. Shuman, of West Virginia, who obtained the facts from the state authorities at Wheeling and from documents of Virginia filed in the Congressional Library at the capitol at Washington, embodies all negotiations regarding the public debt had between these two states. The acts, bills, and resolutions by Virginia are herein referred to for the purpose of exhibiting this debt question in a more comprehensive manner. It is as yet an open question, subject to future settlement between these states. By reviewing the last actions had by either state—the funding bill of Virginia of March 30, 1871, and act of March 28, 1879, and West Virginia's senate finance committee report of December 23, 1873—it is shown that Virginia claims an amount of over $15,000,000 from West Virginia, while that state disclaims any and all such obligations.

Summary of bills, acts, and resolutions of Virginia and West Virginia legislatures, herein referred to.

VIRGINIA.	WEST VIRGINIA.
Alexandria constitution, section 27, article 4.	Ordinance Wheeling convention, August 20, 1861.
Joint resolution general assembly, February 28, 1866.	Constitution of West Virginia, adopted 1863.
New constitution (recognized by act of Congress, January 25, 1870), section 19, article 10.	Joint resolution legislature, February 28, 1867.
Joint resolution of legislature, February 18, 1870.	Joint resolution legislature, February, 1870.
Joint resolution of legislature, February 11, 1871.	Joint resolution legislature, February 15, 1871.
Funding bill, March 30, 1871.	Joint resolution legislature, February 24, 1871.
Act March 28, 1879.	Report debt commissioners, August 9, 1871.
	Report senate finance committee, December 23, 1873.

NORTH CAROLINA.

This state was comparatively free from debt until the year 1849. It had, previous to that time, indorsed or assumed bonds amounting to a few hundred thousand dollars, issued by one or two of its early railroads.

The general assembly, at its sessions of 1848–'49 and 1850–'51, authorized the issue of $490,000 of bonds of the registered class (without coupons), which were the first state bonds proper.

At the same session, 1848–'49, the first coupon bonds were authorized, which were for the construction of the North Carolina railroad from Goldsborough to Charlotte. The first of these bonds bear date January 1, 1853.

The following statement gives the bonded debt in detail, as contracted from time to time, and the authority for the issue:

For what purpose.	Authority.	Date.	Time to run.	Amount.
			Years.	
To pay debt of state	Acts of 1848-'49-'50-'51	1849-'52	10	$370,000
Fayetteville and Weston plank-road	Act of 1849	1849-'52	20	120,000
Gaston and Weston railroad and Neuse and Tar rivers	Act of 1849	July 1, 1854; January 1, 1855; July 1, 1855	10	152,000
North Carolina railroad	Act of 1849	July 1, 1853, to January 1, 1855	30	2,000,000
Do	Act of 1855	April 1, 1855	30	1,000,000
Fayetteville and Centre plank-road	Acts of 1854 and 1855	April 1, 1855; July 1, 1858	20	50,000
Fayetteville and Warsaw plank-road	Acts of 1854 and 1855	July 1, 1855; July 1, 1857	20	20,000
Tar river	Acts of 1854 and 1855	January 1, 1856	30	15,000
Insane asylum	Acts of 1854-'55-'56-'57	January 1, 1858	10	115,000
Do	Acts of 1858-'59	July 1, 1859	30	10,000
Atlantic and North Carolina railroad	Acts of 1854-'55-'56-'57	January 1, 1856, to October 1, 1857	30	1,466,500
Albemarle and Chesapeake canal	Acts of 1856-'57	April 1, 1857; April 1, 1859	30	350,000
Western railroad from Fayetteville	Acts of 1858-'59-'60-'61	Sundry dates	30	600,000
Western North Carolina railroad	Acts of 1854-'55	do	30	4,000,000
Wilmington, Charlotte and Rutherford railroad	Acts of 1858-'59 and 1860-'61	do	30	2,000,000
Certain purposes	Acts of 1858-'59	do	30	1,193,000
Do	Acts of 1858-'59	do	10	167,000
Cape Fear and Deep river, North Carolina	Acts of 1854-1858	do	10 and 30	400,000
Funding debt	Act of March 10, 1866	January 1, 1866	34	2,417,400
Do	Act of August 20, 1868	October 1, 1868	30	1,721,400
Total				18,167,300

Under acts of the general assembly, by which various classes of bonds were retired, this debt was largely reduced. The general assembly of 1879 passed "an act to compromise, commute, and settle the state debt". The act provided that the bonds therein provided for should be taken in exchange for the principal of outstanding bonds; some at 40 per cent., which were old or ante-war bonds; some at 25 per cent., which were bonds issued for certain railroads since the war; and some at 15 per cent., which were the bonds issued under what are known as the funding acts of March 10, 1866, and August 20, 1868.

The bonds issued for the North Carolina railroad are specially provided for. Of the amount stated in the foregoing table there had been retired, at the date when the act of 1879 was passed, $2,484,255. This act authorized the exchange of bonds to the amount of $12,727,045, classified as follows:

$5,577,400, at 40 per cent., in new bonds	$2,230,960
3,261,045, at 25 per cent., in new bonds	815,261
3,888,600, at 15 per cent., in new bonds	583,290
12,727,045 bonds to be exchanged for	3,629,511

Under the operations of the "compromise act," the bonds exchanged down to the 17th of June, 1880, amount to $6,461,445, for which new four per cent. bonds to the amount of $1,901,496 25 were issued. In another transaction, where stock was exchanged for old bonds of the state, an additional amount of $100,000 of the bonded debt was retired.

The bonds outstanding on the 17th of June, 1880, exchangeable under the "compromise act", are as follows:

Fayetteville and Western plank-road	$4,800
Gaston and Weldon railroad and Neuse and Tar rivers	22,000
Fayetteville and Center plank-road	20,000
Fayetteville and Warsaw plank-road	6,000
Improvement of Tar river	8,000
Insane asylum	47,000
Atlantic and North Carolina railroad	634,000
Albemarle and Chesapeake canal	146,000
Western railroad from Fayetteville	198,000
Western North Carolina railroad	1,680,500
Wilmington, Charlotte and Rutherford railroad	666,000
For certain purposes	418,300
Cape Fear and Deep River Navigation Company	81,500
Funding act of March 10, 1866	1,441,000
Funding act of August 20, 1868	792,500
Total	6,165,600

The following are issues outstanding not provided for in the "compromise act" of 1879. Those marked (*) are of the special tax issues. These bonds ($12,805,000) are not recognized by the legislature as a part of the lawful debt of the state:

For what purpose issued.	Authority.	Date.	Time to run.	Amount.
			Years.	
Chatham railroad	Ordinance 1862	Jan. 1, 1863	20	$215,000
Do	Ordinance 1868	Apr. 1, 1868	30	1,030,000
Williamston and Tarboro' railroad	do	Oct. 1, 1869	30	150,000
*Do	Act 1868-'69	do	30	300,000
*Western railroad	do	Apr. 1, 1869	30	1,320,000
*Western North Carolina railroad	Act 1868	Oct. 1, 1868	30	4,000,000
*Do	Act 1868-'69	Apr. 1, 1869	30	2,640,000
*Wilmington, Charlotte and Rutherford railroad	do	do	30	3,000,000
*Atlantic, Tennessee and Ohio railroad	do	do	30	100,000
Penitentiary	Act 1868	Oct. 1, 1868	30	44,000
Total				12,805,000

The bonds authorized under the act of 1879 bear 4 per cent. interest for thirty years, and are exempt from taxation. Their coupons are receivable in payment of all state taxes. They are of the denominations of $1,000, $500, $100, and $50.

The original issue of bonds for the construction of the North Carolina railroad was $3,000,000. The state has retired $205,000, leaving outstanding $2,795,000. The stock of the state in this company is pledged for the redemption of the principal of these bonds, and the dividends accruing thereon are applied to the payment of the interest. The general assembly of 1879 provided for the appointment by the governor of a commission to compromise and settle this part of the state debt by issuing new bonds in redemption of the old. The exchange has not been effected, and the old bonds yet constitute a part of the state debt.

Recognized public debt of North Carolina, December 31, 1880	$5,006,616
Issued for railroads	2,795,000
Consolidated debt	2,211,616
Total	5,006,616
Six per cent	2,795,000
Four per cent	2,211,616
Total	5,006,616

ISSUE.		MATURITY.	
Previous to 1860	$2,795,000	1883	$977,000
1880	2,211,616	1884	573,000
		1885	1,245,000
		After 1900	2,211,616
Total	5,006,616	Total	5,006,616

SOUTH CAROLINA.

The history of the debt of South Carolina, from the organization of the state up to 1861, reveals nothing of any special interest when compared with its subsequent history.

The state aided private enterprises liberally, guaranteed the bonds of railroads to a large amount, and established the Bank of the State in 1812, the state being the only stockholder.* The bank was incorporated by the name and style of "The President and Directors of the Bank of the State of South Carolina", and it emitted bills for the redemption of which the faith and credit of the state were pledged.

Until the beginning of the civil war the credit of the state was good, and the bonded debt, as reported by the comptroller-general in November, 1860, was $4,046,540 16. These bonds were issued for various purposes, viz, the Charleston fire loan; to aid the Blue Ridge railroad; and for the new state-house.

The assets of the state were ample, however, to meet all liabilities. On December 22, 1860, the issue of 4,000 certificates of $100 each, to bear six per cent. interest, was authorized; 1,000 certificates to mature on June 1, 1862, 1863, 1864, 1865, respectively, and the proceeds to be devoted to the military defense of the state. The act provided that the certificates should be receivable for taxes.

* In 1827 an act was passed to admit and incorporate private stockholders in the Bank of the State of South Carolina, but it was repealed by act of December, 1828.

On January 22, 1861,* an act was passed authorizing the loan of $400,000 for the purpose of continuing the construction of the state-house, to evidence which stocks or bonds were to be issued to bear six per cent. interest, payable semi-annually; $200,000 to be redeemable on July 1, 1882, and the remainder on July 1, 1886.

On December 21, 1861, an act authorizing a loan to pay the Confederate war tax was passed; it provided that the treasurer of the lower division and the president of the Bank of the State should borrow a sum equal to the net amount of the tax to be raised, and the faith and funds of the state were pledged for the repayment of the money and the interest. On the same day a loan of $1,800,000 for the military defense of the state was authorized, the stock to be issued therefor to bear seven per cent. interest, payable semi-annually; $100,000 of the principal to mature on July 1, 1867, and a like amount on the same day of each succeeding year until the whole amount was redeemed.

The following statement shows the condition of the public debt on September 30, 1865, as taken from the comptroller's report:

CREDITORS:

Bank of the State for current funds	$1,178,789 60
Three per cent. state stock	38,836 60
Six per cent. stock and five per cent. bonds, fire loan	802,603 86
Six per cent. bonds, Blue Ridge railroad	1,310,000 00
Six per cent. bonds and stock, new state-house	2,275,000 00
Six per cent. bonds, military defense act, 1860	239,200 00
Seven per cent. bonds and stock, military defense acts of January and December, 1861	2,002,640 00
New state-house, Columbia	13,916 60
Blair tuition fund	8,258 08
Balance due to free schools and public officers	144,392 23
Total	8,013,636 97

The report shows assets amounting to the nominal sum of $8,306,772 63, among which there is a cash item of $3,508 08 belonging to the Blair tuition fund. By an act passed on December 20, 1837, the state had guaranteed the bonds of the Louisville, Cincinnati and Charleston Railroad Company in the sum of $2,000,000 on certain conditions (which act was amended December 19, 1838). To aid the South Carolina railroad, which succeeded the former, an act was passed on December 21, 1865, which was amended on September 19, 1866, authorizing the treasurer to indorse the bonds of the latter company to the extent of the canceled guaranteed bonds of the former. The act provides that the conditions attaching to the first guarantee should remain, viz, a mortgage upon the estate, property, and funds of the company.

An act to provide for the funding of the following debt of the state was passed on September 21, 1866,† which was supplemented by an act of December 20, 1866,‡ viz: $3,705 46 issued under the act of June, 1838, which was then past due, to bear interest from January 1, 1867; the past due interest on $314,453 89 of stock issued under the same act; $310,000 bonds past due issued under act of the legislature passed in December, 1859, and the interest thereon; the interest on $1,000,000 bonds issued under act passed in 1854; the interest on $250,000 issued under act of December, 1853; the interest on $250,000, issued under the act of 1855; likewise the interest on $1,775,000 of six per cent. stock issued for building the new state-house, under acts of 1856, 1857, 1858, 1859, 1861, and 1863, and the interest on the three per cent. stock of the state. For this purpose bonds in the denominations of $100, $500, and $1,000, or (at the option of the holders) certificates of stock were to be issued, one half to be payable January 1, 1887, and the other in 1897, and to bear interest from July 1, 1867, at the rate of six per cent. per annum, payable semi-annually.§

Under the reconstruction acts of Congress a new constitution was adopted, by a convention which completed its labors on March 17, 1868; it was ratified on April 14, 15, and 16, 1868, and contains the following provisions:

ARTICLE IX. SEC. 7. For the purpose of defraying extraordinary expenditures, the state may contract public debts; but such debts shall be authorized by law for some single object to be distinctly specified therein; and no such law shall take effect until it shall have been passed by the vote of two-thirds of the members of each branch of the general assembly, to be recorded by yeas and nays on the journals of each house respectively; and every such law shall levy a tax annually sufficient to pay the annual interest of such debt.

SEC. 10. No scrip, certificate, or other evidence of state indebtedness shall be issued, except for the redemption of stock, bonds, or other evidences of indebtedness previously issued, or for such debts as are expressly authorized in this constitution.

On December 21, 1865, and September, 1866, acts were passed authorizing the issue of bills receivable to the amount of $500,000, and to redeem these, as well as for the payment of bonds or other obligations of the state (except those created for the military defense of the state during the civil war), the faith and credit of the state were pledged by an ordinance adopted by the constitutional convention on January 29, 1868.

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* Erroneously stated as 1860 in the certificate to the act. † Acts 1866, special session, p. 366. ‡ Acts 1866, p. 390.

§ From the report of the comptroller-general, it appears that the outstanding bonds and stocks on October 1, 1867, were as follows:

Total principal of bonds and stocks (including the issues for the military defense of the state)	$7,101,558 33
Balance debt not yet funded under acts of September and December, 1866	547,496 90
Interest due October 1, 1867	729,200 41
Total	8,378.255 64

On August 8, 1868, at the first session of the legislature subsequent to the reconstruction of the state, the governor was authorized to borrow $125,000 to meet the current expenses, and to pledge, as collateral, such bills receivable, or other securities of the state owned by the state, as might be necessary to effect the loan.

Two acts were passed on August 26, 1868: one authorizing the loan of $500,000 to redeem, within twelve months, the outstanding bills receivable of the state; the other authorizing a loan of $1,000,000, or so much thereof as might be necessary (within twelve months), to pay interest on the public debt, the bonds to be issued for said loan to bear six per cent. interest, payable semi-annually, and to be redeemable in twenty years.

These acts provide for the levy of a tax, in addition to all other taxes, to pay the interest on the loan.

On September 15, 1868, an act was passed to close the operations of the Bank of the State of South Carolina. It provides for the funding of the bills of the bank issued prior to December 20, 1860, and accumulated interest, into bonds to be issued, dated January 1, 1869, payable in twenty years, with six per cent. interest payable semi-annually. The act repeals so much of the law as provided that the bills of the corporation should be receivable for taxes. The faith and credit of the state to redeem the bonds and pay interest were again solemnly pledged. On the same day an act authorizing additional aid to the Blue Ridge Railroad Company was passed. This company, which was to connect with the Georgia and East Tennessee railroad, had been granted aid in 1854 to the amount of $1,000,000, upon certain conditions, which, as appears by the act of 1868, were not complied with. This act authorized the guarantee by the state of $1,000,000 of the bonds of the company, and the further guarantee of $3,000,000, from time to time, as the company made contracts for the completion of the road. The act provides that as soon as any bonds of the road were indorsed by the comptroller, then the estate, property, and funds of the road in South Carolina, North Carolina, Georgia, and Tennessee should stand pledged to the state for the prompt payment of the bonds and interest. This condition was subsequently repealed, and the state had no security.

An act entitled "An act to authorize a loan for the relief of the treasury" was passed on February 17, 1869. It provides that $1,000,000 might be borrowed upon coupon bonds (within twelve months from the date of the act), to bear seven per cent. interest from January 1, 1869, principal redeemable at any time, at the option of the state, within twenty years from date of the bonds.

As will appear hereafter, the bonds issued under this act were declared void. At the same session the comptroller was directed to indorse the bonds of the Greenville and Columbia railroad to the amount of $50,000. An act to provide for the "conversion of state securities" was passed March 23, 1869. It authorized the treasurer, on application of any person holding stock of the state, to take the same, and issue, in lieu thereof, coupon bonds in sums of $100, $500, and $1,000, bearing six per cent. interest, interest to be paid semi-annually, and principal within twenty years. The act also provides for the conversion of bonds into stock in sums of $100, $500, and $1,000, the new issue of stocks to bear the same interest as the bonds for which they were exchangeable. This act is known as the "conversion act", and will be referred to by that name hereinafter. By an act passed March 26, 1869, the time fixed for borrowing $500,000 to redeem bills receivable by act of August 26, 1868, was extended to twenty-four months, and the financial agent of the state in New York was authorized to pledge the bonds of the state which he then had or which might thereafter come into his possession. On December 18, 1869, an act was passed which provided for the payment, in gold or silver coin, of all interest due on bonds and stocks of the state, except those issued during the period from December 1, 1860, to April 19, 1865, with the further provision that the interest on the new state-house bonds should also be paid in coin. The treasurer was authorized to make the necessary exchanges, through the financial agency at New York, to effect the purpose of the act.

The following is a statement of the public debt at the close of the fiscal year ending October 31, 1870, as appears from the comptroller's report:

Class of securities.	Issued under acts of—	When redeemable.	Principal.	Rate of interest.
State of South Carolina stock	1794	At pleasure.	$38,836 60	3
Fire loan stock	1838	1870	303,843 89	6
State capitol stock	1856	1877	180,690 80	6
Do	1857	1888	127,441 37	6
Do	1858	1883–'85	304,870 00	6
Do	1859	1887–'89	215,476 24	6
Do	1861	1882–'86	130,315 00	6
Do	1863	1890	1,740 00	6
Conversion stock	1868	1888	64,000 00	6
Fire loan bonds*	1838	....	484,444 51	5
Blue Ridge railroad bonds	1854	1875–'76–'77–'78–'79	970,000 00	6
State capitol bonds	1853–'55	1871–'81	490,000 00	6
Do	1866	1885	11,600 00	6
Funded debt	1866	1887–'97	1,131,700 57	6
Bonds of 1868–'69	1868–'69	1888–'89	3,193,950 00	6
			7,665,908 98	

*These bonds are held in Europe. The assets of the Bank of the State are liable and fully sufficient to meet the payment.

Another funding act was passed on March 7, 1871. It is known as the "Sterling funded debt".* It provides for the issue of bonds amounting to $1,200,000, to bear six per cent. interest. This loan was never placed on the market, and it is therefore unimportant to give the details of the act, although it was frequently claimed that these bonds had been disposed of, and that the funds arising therefrom had been misappropriated. There being no money in the treasury to pay the members of the legislature, an act was passed authorizing the speaker of the house and the president of the senate to issue certificates of pay.† A large amount were issued, but the exact amount could not be ascertained from the records.

Charges of monstrous fraud in the issue of the bonds of the state of South Carolina having been freely circulated throughout the state and published widely over the country, the governor, in his annual message, deemed it necessary to say, in a preface to the debt statement: "It shows the present debt of the state in its entirety, suppressing nothing."

Following is the statement of the bonded debt on October 31, 1871, as taken from that document:

Statement of total amount of bonds and stocks printed by the American Bank Note Company, and accounted for.

500 bonds, redemption bills receivable, at $1,000	$500,000
2,000 bonds, payment interest public debt, at $1,000	2,000,000
1,000 bonds, relief of the treasury, at $1,000	1,000,000
700 bonds, land commission, at $1,000	700,000
800 bonds, redemption bills Bank of State, at $1,000	800,000
1,500 bonds, redemption bills Bank of State, at $500	750,000
800 bonds, redemption bills Bank of State, at $50	40,000
3,500 bonds, conversion state securities, at $1,000	3,500,000
4,000 bonds, conversion state securities, at $1,000	4,000,000
1,200 bonds, conversion state securities, at $500	600,000
1,000 bonds, conversion state securities, at $100	100,000
Sterling loan	6,000,000
Certificates conversion stock	2,550,000
Total	22,540,000

Accounted for as follows:

On hand in state treasury:	
Bonds for the conversion of state securities, not signed	$473,500
Bonds for the relief of treasury (7 per cent.)	101,000
Bonds for the payment of interest public debt	50,000
Bonds for the redemption of bills of Bank of the State	331,000
Stock for the conversion of state securities	2,117,300
	3,072,800
Deposited for safe-keeping with American Bank Note Company, sterling loan	6,000,000
	9,072,800

The following bonds were canceled and destroyed:

500 bonds for the payment of interest on public debt, burned in state-house	$500,000
500 bonds for the conversion of state securities, erroneously printed, returned and canceled by American Bank Note Company	500,000
Conversion bonds issued in effecting conversion at state treasury	1,260,500
Conversion bond No. 520, canceled and destroyed at state treasury	1,000
Bonds for the redemption of the bills of the Bank of the State, issued at state treasury	1,259,000
Conversion stock issued, canceled, and transferred at state treasury	432,700
	13,026,000
Leaving balance	9,514,000

Statement of debt.

Old debt	‡$6,665,908 98
Less old bonds paid July 1, 1871	212,000 00
	6,453,908 98
New bonds	9,514,000 00
Less in hands of financial agent to the credit of sinking fund commission	200,000 00
	9,314,000 00

* Repealed by act of March 13, 1872.

† See report of the joint investigating committee, 1877-'78.

‡ It will be noticed that this amount is $1,000,000 less than is shown by the report of the comptroller for the preceding year, the reason for which does not clearly appear.

New bonds in hands of financial agent, now in use as collateral security for loans	$3,773,000 00
Amount of new bonds sold	5,541,000 00
Old debt as above	6,453,908 98
Total	11,994,908 98

The legislature was not satisfied with these statements, and appointed a committee to investigate the financial condition of the state, who submitted an elaborate report covering several hundred pages, and from that report it appears that the state was virtually bankrupt and unable to meet its large debt, for the existence of which no adequate reason could be given to the people.

In their report to the legislature at the session of 1871–'72, the financial investigating committee, after setting forth the testimony of the financial agent, governor, and others, say:

* * * Here the examination of the financial agent, and the books of his office, virtually ended. Not content, however, with the information obtained with the question: "How many bonds have been issued or put upon the market?" still unanswered, the committee, about the last of October, obtained a tabular statement from the books of the American Bank Note Company.

From this statement, which will be appended, it will be seen that there has been printed by this company since September 19, 1868, and delivered into the hands of the governor, state treasurer, and comptroller-general bonds amounting to $17,490,000, and registered stock amounting to $2,550,000, making an aggregate of $20,040,000. Beside this the company have printed, and in their possession, ready for signature, and subject to the order of the proper authorities, the balance of the sterling loan bonds, viz, $2,500,000, which makes the entire total of bonds and stocks, ordered, printed, and delivered, on account of the state of South Carolina, $22,540,000.

Of this amount there has been sent by the American Bank Note Company to the governor, $2,350,000; to the treasurer, $17,490,000; to the comptroller-general, $200,000, and there remains in the hands of the Bank Note Company, subject to order, $2,500,000.

What was the object of printing these bonds, has been asked, if it was not the intention to use them? If there is no informality in the transaction, why let the credit of the state be hazarded by withholding the actual amount of these bonds now upon the market? Why need such a sum be in the hands of the state authorities? What object have they in possessing more than the laws authorizing the respective loans have called for? Is there any statute authorizing an indefinite printing of bonds, "*to be in the possession of the state authorities*," to be used at will? Can the acts of the legislature to pay the indebtedness of the state, or for the conversion of its securities, be construed into such a wholesale prerogative?

Is there a necessity to provide more bonds then there are needs for them? Plainly must we declare we cannot believe other than the fearful truth that stares us in the face, that the bonds and stocks printed by the American Bank Note Company represent the liabilities of the state, for which the faith and credit of the state, however unlawfully presented, have been pledged for the payment. That, instead of the debt of the state of South Carolina being, as the comptroller-general, in his report for the fiscal year ending October 31, 1871, says, $7,665,708 98; or, as Mr. Trenholm, of the taxpayer's convention, gives it, viz, $9,869,108; or, as the governor, in his statement to the congressional committee makes it, viz, $9,528,964 10; or, as the present committee for the investigation of erroneous accounts have, in the previous pages, shown, viz, $9,865,908 98; it is, allowing all the deductions to be made that in October last, while in New York, were claimed should not be less than $14,040,000, without the addition of the present contingent liabilities of the state, viz, $6,787,608 20, which would represent a debt of $20,827,608 20.

The committee made a very extended report, exceedingly severe upon the officials through whom the state had been brought into such a condition.

It is said the sterling loan bonds should be deducted, as they had been returned by the treasurer to the American Bank Note Company, viz	$3,500,000
Also, bonds for the conversion of state securities, printed by mistake of the Bank Note Company, with green backs instead of blue (the uniform color), to the amount of $500,000	500,000
Also, the first issue of the bonds for the payment of the interest on the public debt, which, having those words printed on their face, would, the financial agent thought, if issued, injure the credit of the state; therefore, by his recommendation, an equal amount, with the words "Authorized by act approved August 26, 1868", upon their face, were printed: this deduction claimed is	1,000,000
Also, the conversion bonds delivered the treasurer, October 4 and 11, 1871, which the governor refused to sign, viz	1,000,000
Also, the balance of sterling loan bonds waiting signature and orders for delivery, already printed and in the hands of the American Bank Note Company, viz	2,500,000
Total of deduction claimed	8,500,000
The deduction ($8,500,000) taken from the $22,540,000 already given, reduces the bonds and stocks for which the authors say the state is accountable, and the governor, while in New York, intimated might be correct, to	14,040,000

To the estimated amount of $20,827,608 20 set forth above, the committee submitted that the conversion bonds, etc., referred to in their report (page 262), and also the bonds in the hands of the financial agent, purchased from the proceeds of the sale of 180,000 acres of college-land scrip, say $200,000, should be added, making an aggregate of $22,190,000. "This," said the committee, "is the debt of the state as represented by all its actual bonds and stocks, *old and new*, printed, subject to issue, conversion, or hypothecation, by the present administration, to which must be added the railroad bonded debt, viz, $6,787,608 20, and we find ourselves facing the total of $28,977,608 20. This astounding sum, so far as is known, represents the present actual and contingent liabilities of the state, as the committee find them."

The indebtedness of the already overburdened state was largely increased by the creation of the land commission. This commission was a creature of the constitutional convention, and was designed to assist those who were desirous or were compelled to sell all or a portion of their lands, and at the same time furnish homes on easy payments to actual settlers, and thus promote immigration. By an ordinance of convention adopted March 7, 1868, it was made the duty of the general assembly to provide for the establishment of a "board of commissioners of public lands"; the comptroller-general was to be a member thereof, and the duties and powers of the board were to be defined by law.

The ordinance provided that the commissioners should have authority, under regulations to be prescribed by law, to purchase, at public sale or otherwise, improved and unimproved real estate within the state, which, in their judgment, was suitable for cultivation, such purchases not to exceed in the aggregate in any fiscal year the par value of the public stock of the state created and appropriated by the general assembly for that purpose during such period, and that the rate at which the purchase was to be made should not exceed seventy-five per cent. of the appraised value of the land. It provided for the sale of the lands, and the lands so purchased and the proceeds of sale thereof were pledged for the payment of the principal and interest of the bonds or stocks to be issued to the commission.

The general assembly was also directed to provide by law for the security of the funds in the hands of the commissioners, for the accountability of such officers, and to require bonds to be given therefor.

In pursuance of this ordinance an act was passed in March, 1869, and amended in 1870, creating the office of land commissioner, and providing that the governor, comptroller-general, state treasurer, secretary of state, and attorney-general should be an advisory board, and that such advisory board should appoint the commissioner, whose duty it was made to act under the instructions and advice of the board. It was made the duty of the commissioner to purchase, or cause to be purchased, any lands in any portion of the state, improved or unimproved, at such price as the said advisory board might determine, not to exceed, in the aggregate amount in any one fiscal year, the par value of the bonds of the state created by the general assembly for that purpose. The land so purchased was to be paid for out of funds to be raised by selling the stocks and bonds of the state, and the land was to be sold on specified conditions as to cultivation and payment.

The moneys derived from the sale of lands and the interest on deferred payments were to be deposited with the state treasurer, and the commissioner was to be required to give bond in the sum of $20,000.

By these two acts (1869 and 1870) $700,000 in bonds were authorized to be issued. The bonds were disposed of by the financial agent at New York at the best figures they would bring; land, which had been offered to the state, was from time to time purchased from third parties at a rate largely in excess of the market value, and the provision in the act of March, 1870, that no lands should be purchased unless the commissioner had knowledge that he would be able to dispose of them without delay, was totally disregarded.

The financial investigating committee, in their report in 1872, to which reference has heretofore been made, in speaking of the land commission, characterize it as a "*gigantic folly*, about which there has been more said and less known than any other branch of the state government", and as managed for private benefit.

It appears from this report, that an examination of the books in the treasurer's and comptroller's offices showed the total amount expended on account of the land commission for the fiscal year ending October 31, 1870, was less than $90,000; but from a subsequent examination of the books of the financial agent and other sources of information, it appears that the total expenditure for and on account of the land commission to the period mentioned, was $746,724 07, which was largely in excess of the appropriations made for that purpose.

Some of the bonds issued to the land commission were sold as low as sixty cents on the dollar. The committee conclude their report upon this branch of the investigation by denouncing the work of the commission.

The act creating the office of land commissioner was subsequently repealed, and the secretary of state was charged with the duties of that office.

Mention has been made of the loaning of the credit of the state to the Blue Ridge railroad in the sum of $4,000,000. These bonds were delivered to the company, and by an act subsequently passed, the financial agent of the state was authorized to advance money, from time to time, on these bonds, which he did.

It soon became apparent that the company would not be able to pay interest or principal, and that the state would become liable, and thereupon an act was passed directing the financial agent (with the consent of the company) to transfer the bonds guaranteed by the state in his hands, as collateral for the advances made to the state treasurer, for cancellation, and that thereupon the company should be discharged from all liability to the state on account of the advances made, and that whenever the said company should surrender the remainder of the $4,000,000 bonds, then the treasurer was to issue to them $1,800,000 in revenue scrip, or to give them a *pro rata* amount of this scrip for such of the bonds as might from time to time be surrendered. This scrip was receivable for all state taxes, except taxes for interest on the public debt. There is no official statement as to the amount of scrip issued in place of the surrendered bonds, and the validity of the transaction is yet undetermined.

Doubts having been entertained as to the validity of some of the bonds and obligations of the state, an act was passed on the 13th of March, 1872, known as the validating act. It declares as valid the bonds and obligations referred to, viz, the bills receivable issued under the act of August 26, 1868, and the bonds and stocks issued under the following acts, viz:

"An act to authorize a loan to pay interest on the public debt," August 26, 1868.

"An act to provide for the appointment of a land commissioner," March 29, 1869.

"An act to amend the last-named act," March 1, 1870.

"An act to authorize a loan for the relief of the treasury," February 17, 1869.

"An act to provide for the conversion of the state securities," March 23, 1869; and also declared the act passed March 26, 1869, to authorize the financial agent to pledge the state securities, as valid.

The act provides that all the bonds mentioned in the treasurer's report of October 31, 1871, set out above* are valid, but that none should be included in this act unless they are registered. (The supreme court has decided, however, that registry is not necessary to validity.)

The credit of the state was now entirely destroyed. It was with the greatest difficulty that the officers of the state insane asylum could purchase $4,000 worth of provisions on credit, although appropriations had been made, to be payable out of the revenues which were then about to become due.

In deciding a case, the supreme court of the state say that out of sheer desperation the people had adopted the following amendment to the constitution, which was ratified in 1873:

ARTICLE XIV. To the end that the public debt of South Carolina may not hereafter be increased without the due consideration and free consent of the people of the state, the general assembly is hereby forbidden to create any further debt or obligation, either by the loan of the credit of the state, by guaranty, endorsement or otherwise, except for the ordinary and current business of the state, without first submitting the question as to the creation of any such new debt, guaranty, endorsement, or loan of its credit, to the people of this state at a general state election, and unless two-thirds of the qualified voters of this state, voting on the question, shall be in favor of a further debt, guaranty, endorsement, or loan of its credit, none such shall be created or made.

Official statement of the public debt of the state of South Carolina, at the close of the fiscal year ending October 31, 1873.†

Class.	Under what act.	For what purpose.	When redeemable.	Principal.	Total.	Rate.
Stock	1794	Revolutionary war claims	At pleasure	$38,836 00		3
Do	June 1, 1838	Charleston fire loan	1870	303,343 89		6
Do	December 20, 1856	Construction state capitol	1877	189,385 80		6
Do	December 21, 1857	do do	1888	121,051 87		6
Do	December 21, 1858	do do	1883–'85	302,710 00		6
Do	December 22, 1859	do do	1887–'89	215,176 24		6
Do	January 22, 1861	do do	1882–'86	123,305 00		6
Do	February 6, 1863	do do	1890	1,560 00		6
Do	September and December, 1866	Funding past due interest and principal	1887	79,413 94		6
Do	March 23, 1869	Conversion state securities	1888	64,000 00		6
					$1,438,782 84	
Bonds	June 1, 1838	Charleston fire loan	1868	481,944 51		5
Do	December, 1853	Construction state capitol	1871	38,000 00		6
Do	December, 1855	do do	1881	249,000 00		6
Do	December, 1854	Aid to Blue Ridge railroad	1875	200,000 00		6
Do	December, 1854	do do	1876	190,000 00		6
Do	December, 1854	do do	1877	200,000 00		6
Do	December, 1854	do do	1878	200,000 00		6
Do	December, 1854	do do	1879	170,000 00		6
Do	December, 1866	Construction state capitol	1885	11,600 00		6
Do	September and December, 1866	Funding past due interest and principal	1887–'97	930,200 00		6
Do	August 26, 1868	Redemption bills receivable	1888	484,000 00		6
Do	August 26, 1868	Payment interest public debt	1888	1,197,000 00		6
Do	September 15, 1868	Funding bills Bank of the State	1888	1,189,000 00		6
Do	February 17, 1869	Relief of treasury	1888	856,000 00		7
Do	March 23, 1869	Conversion state securities	1888	7,542,500 00		6
Do	March 27, 1869	Land commission	1888	124,000 00		6
Do	March 1, 1870	do	1889	343,000 00		6
					14,412,844 51	
					15,851,627 35	

It appears from the same report that the appropriations for the year 1872–'73 were $2,418,872, while the receipts from all sources was $1,719,728.

On December 22, 1873, an act was passed‡ authorizing and requiring the state treasurer to receive from the holders willing to surrender the same, all the certificates of stock issued under act of 1794 and redeemable at

* The report is identical with the one set out in the governor's message.

† Senate journal, 1873–'74, p. 103, message of Governor Moses.

‡ Act to reduce the volume of the public debt and to provide for the payment of the same.

pleasure, amounting to $38,836 60; the certificates of stock issued under act of June 1, 1838, redeemable in 1870, amounting to $303,343 89; the certificates of stock issued under act December 20, 1856, redeemable in 1877, amounting to $189,385 80; the certificates of stock issued under act of December 21, 1857, and redeemable in 1888, amounting to $121,051 37; the certificates of stock issued under act of December 21, 1858, $156,720 of which redeemable in 1883, and $145,990 in 1885; the certificates of stock issued under act of December 22, 1859, $75,746 24 of which redeemable in 1887, and $139,430 in 1889; the certificates of stock issued under act of January 22, 1861, $57,890 of which redeemable in 1882, and $65,415 in 1886; the certificates of stock issued under act of February, 1863, redeemable in 1890, amounting to $1,560; the certificates of stock issued under act of September and December, 1866, redeemable in 1887, amounting to $79,413 94; the certificates of stock issued under act of March 23, 1869, redeemable in 1888, amounting to $64,000; the bonds of the state issued under act of June 1, 1838, redeemable in 1868, amounting to $481,944 51; the bonds of the state issued under act of December, 1853, redeemable in 1871, amounting to $38,000; the bonds of the state issued under act of December, 1855, redeemable in 1881, amounting to $249,000; the bonds of the state issued under act of December, 1854, $200,000 of which redeemable in 1875, $196,000 in 1876, $200,000 in 1877, $200,000 in 1878, and $170,000 in 1879; the bonds of the state issued under act of December, 1866, redeemable in 1885, amounting to $11,600; the bonds issued under the acts of September and December, 1866, $465,400 of which redeemable in 1887, and $464,800 in 1897; the bonds of the state issued under the act of August 26, 1868, redeemable in 1888, amounting to $1,197,000; the bonds issued under the act of August 26, 1868, redeemable in 1888, amounting to $484,000; the bonds issued under the act of September 15, 1868, redeemable in 1888, amounting to $1,189,600; the bonds issued under act of February 17, 1869, redeemable in 1888, amounting to $856,000; the bonds issued under act of March 27, 1869, redeemable in 1888, amounting to $124,000; the bonds issued under act of March 1, 1870, redeemable in 1889, amounting to $343,000; the bonds issued under act of March 23, 1869, redeemable in 1888, for the purpose of exchange of any of the certificates of stock or bonds above enumerated, said fact being ascertainable from the treasurer's registry of bonds and stocks converted, amounting to $1,577,500; and that he should thereupon, in exchange for and in lieu of said bonds and stocks so surrendered, issue to said holders other coupon bonds or certificates of stock as they may desire, equal in amount to fifty per centum of the face value of the bonds or certificates of stock so surrendered.

The act also declared certain of the bonds known as the conversion bonds, amounting to $5,965,000, and which were put upon the market without any authority of law, to be absolutely null and void.

The bonds and certificates of stock to be issued under this act were to be known as, and to bear upon their face the words "Consolidation bonds, certificates of stock". They were also to bear upon their face the declaration that the payment of the interest and the redemption of the principal is secured by the levy of an annual tax of two mills on the dollar upon the entire taxable property of the state, which declaration was to be considered a contract entered into between the state and every holder of said bonds and stocks.

The act declares further, however, that no tax shall ever be levied to pay the interest or principal on any of the class of bonds or certificates of stock above-mentioned, as long as such bonds or certificates should remain outstanding in their present form.

These bonds and stocks were, by the terms of the act, to bear interest at the rate of six per cent. per annum, payable semi-annually, the principal to be payable within twenty years from the date of the passage of the act, and to be dated January 1, 1874. The stocks and bonds were to be interconvertible upon application to the state treasurer.

This act is known as the consolidation act, and will be mentioned as such hereinafter.

Soon after the consolidation act was in force it was reported by a legislative committee * that coupons which had been clipped from bonds before the sale thereof, and which should have been canceled, were transferred to third parties, and funded under the act of 1873.

From the comptroller's report, dated November 23, 1875,† and submitted to the legislature at the session of 1875–'76, it appears that there had been funded under the act of 1873, during the year 1874–'75, bonds and stocks amounting to $5,233,343 60; the total amount funded up to October 31, 1875, being $7,220,512 65. The comptroller, in commenting upon the report of the committee, hereinbefore referred to, says:

> The result of the investigation by a committee of the general assembly at its last session, having shown that a very large amount of coupons maturing between July, 1867, and October 1, 1871, had been funded, although the records of the treasury prove that they had been previously paid, and that probably many more of such coupons were illegally outstanding, I have deemed it my official duty to decline to countersign any consolidation bonds or stock to be used in funding any coupons maturing prior to October 1, 1871, unless such coupons were attached to the bonds on which they were originally issued; and none such have been funded since I have been placed in charge of this office, although frequently presented.

* Reports and resolutions, 1874–'75.

† T. C. Dunn, comptroller-general.

The following statements are taken from the official report of the state treasurer* for the fiscal year ending October 31, 1877:

Class.	Under what act.	For what purpose.	When redeemable.	Principal fundable under act 1873.	Principal funded under act December, 1873.	Rate.
Stock	Act 1794	Revolutionary war claims	At pleasure	$17,411 08		3
Do	June 1, 1838	Rebuilding city of Charleston	1870	150,671 37		6
Do	December 20, 1856	Construction state capitol	1877	52,618 80		6
Do	December 21, 1857	do do	1888	18,103 57		6
Do	December 21, 1858	do do	1883-'85	143,460 00		6
Do	December 22, 1859	do do	1887-'89	57,884 67		6
Do	January 22, 1861	do do	1882-'86	16,405 60		6
Do	February 6, 1863	do do	1890	10 60		6
Do	September and December, 1866	Funding	1887	32,833 04		6
Do	March 23, 1869	Conversion state securities	1888	20,000 00		6
Do	December 23, 1873	Reduction of the volume of the public debt	1893		$241,290 44	6
Bonds	June 1, 1838	Rebuilding city of Charleston	1868	481,944 51		5
Do	December, 1854	Aid Blue Ridge railroad	1875-'76-'77-'78-'79	460,000 00		6
Do	1853-'55	Construction state capitol	1871-'81	191,000 00		6
Do	September and December, 1866	Funding	1887-'97	205,600 00		6
Do	September 15, 1868	Funding bills, Bank of State	1888	215,350 00		6
Do	August 26, 1868	Redemption of bills receivable	1888	70,000 00		6
Do	August 26, 1868	Payment interest on public debt	1888	140,000 00		6
Do	February 17, 1869	Relief of the treasury	1888	7,000 00		7
Do	March 23, 1869	Conversion state securities	1888	411,200 00		6
Do	March 27, 1869	Land commission	1888	10,000 00		6
Do	March 1, 1870	Land commission	1890	3,000 00		6
Do	December 23, 1873	Reduction of the volume of the public debt	1893		4,155,000 00	6
				2,704,551 54	4,396,290 44	

Contingent liabilities of the state of South Carolina, arising from the indorsement of railroad bonds, October 31, 1877.†

South Carolina railroad bonds, payable 1868, secured by first mortgage	$2,093,312 40
Charleston and Savannah railroad bonds, payable in 1877, secured by first mortgage	505,000 00
Savannah and Charleston railroad bonds, under act of 1869, payable in 1889, secured by first mortgage	245,750 00
Laurens railroad bonds, payable in 1879, secured by first mortgage	75,000 00
Spartanburg and Union railroad bonds, payable in 1878-'79, secured by first mortgage	350,000 00
Greenville and Columbia railroad bonds and certificates of indebtedness, payable in 1881, 1882, 1883, and 1888, under acts of 1861, 1866, and 1869	1,436,545 80
Total	4,705,608 20

Assets of the state of South Carolina, October 31, 1877.†

Shares, Cheraw and Salisbury Railroad Company	$120,000
Shares, Spartanburg and Union Railroad Company	250,000
Shares, Pendleton Railroad Company	42,500
Shares, Columbia and Augusta Railroad Company	42,200
Shares, Cheraw and Coalfields Railroad Company	200,000
Shares, Laurens Railroad Company	50,000
Shares, Charleston and Savannah Railroad Company	270,000
Shares, Keowee and Tuckaseegee Turnpike Company	6,000
Total	$980,700

By joint resolution adopted June 8, 1877, a commission was appointed to investigate the indebtedness of the state, and also to ascertain "whether there is in the state treasurer's office, on file, as vouchers, canceled bonds, coupons, and certificates of stocks of the issues described" in the act of 1873, which were issued in accordance with law, and to report whether any stocks, bonds, or coupons had been unlawfully or otherwise improperly issued under said act, together with the evidence upon which the illegality or nonconformity to law rests.

Under this authority the commission (who were in session from August 1, 1877, until February 7, 1878) made their report, setting forth that $5,184,062 of vouchers ‡ had been issued according to law and authorized to be consolidated under the act of 1873, and that there were in the treasury vouchers amounting to $3,608,707,§ which were *not* issued in accordance with law and authorized to be funded by the act of 1873.

* Reports and resolutions, 1877-'78, pp. 63, 64.

† From comptroller-general's report, November 26, 1877.

‡ Representing $2,592,031 of consols.

§ Representing $1,804,358 50 of consols.

The commission also reported the evidence taken, as well as their conclusions of the law relating to these bonds and stocks.

As a further example of the manner in which the financial affairs of the state had been conducted, we cite substantially from the "report of the commission to investigate the indebtedness of the state", made to the general assembly on February 7, 1878 (see house journal of 1877-'78, p. 341).

The act to authorize a state loan for the payment of interest on the public debt, approved August 26, 1868, empowered the governor of the state to borrow, on the credit of the state, on coupon bonds, within twelve months from the passage of the act, a sum not exceeding $1,000,000, or as much thereof as he might deem necessary for the purpose contemplated by the act.

The testimony of the governor who signed these bonds and of the state treasurer, supported by the evidence developed in the examination of the vouchers for conversion and consolidation bonds, and by other evidence, leave no room for doubt that $2,000,000 bonds were issued, or $1,000,000 in excess of the amount authorized by the act.

The "first issue" of $1,000,000 was printed in September, 1868, the bonds of this issue being designated and indorsed as "*loans to pay interest on the public debt*"; the bonds of the "second issue" of $1,000,000, printed in August and November, 1869, were designated and indorsed as "*issued under act approved August* 26, 1868".

The report says:

The commission are of the opinion that the whole of the second issue was fraudulently issued and placed upon the market without authority of law, and were null and void *ab initio*. Nor can there be any pretense that the second issue was in any wise necessary for the purposes of the act.

As a result of this investigation, the legislature created a court, known as "the court of claims", by a joint resolution passed March 22, 1878.

This court was established with jurisdiction to hear and determine any case or cases, to test the validity of any of the consolidated bonds, coupons, and certificates of stock, or any of the various classes of them mentioned in the report of the bond commission as resting on vouchers not issued in accordance with law.

A number of cases were brought before this court, involving constitutional questions, as well as questions of fact, and upon the latter the proof was convincing as to the illegal funding of certain coupons. The cases were determined in that court, and upon appeal to the supreme court (12 S. C. reports, pages 202, 313) the cases were consolidated and there determined, and the following decision was rendered by the said court:*

1. That all the bonds issued under an act entitled "an act to reduce the volume of the public debt and provide for the payment of the same", are valid obligations of the state of South Carolina, except as follows: 1. Such as were issued in exchange for bonds issued under the act entitled "an act to authorize a loan for the relief of the treasury"† or for the coupons of said bonds. 2. Such as were issued in exchange for the *second issue* of bonds under an act entitled "an act to authorize a state loan to pay interest on the public debt",‡ or the coupons of such bonds. 3. Such as were issued in exchange for those conversion bonds which were issued in exchange for either of the two classes of bonds last mentioned, viz, bonds for the relief of the treasury, and the second issue of bonds to pay interest on the public debt, or in exchange for the coupons of *such* conversion bonds.

The supreme court decided that the class of bonds issued under the act for the relief of the treasury (February 17, 1869) were not valid obligations of the state, because the act is in conflict with section 7 of article IX of the constitution.§

The court say:

This act (act February 17, 1869) we regard as liable to two constitutional objections:

1. It purports to create a debt which was not "for the purpose of defraying extraordinary expenditures"; and,
2. The debt therein sought to be created is not "for some *single* object", and such object is not "distinctly specified therein".

* * * * * * * * *

Money borrowed for the relief of the treasury might and would be applied to as many different objects as there were demands upon the treasury. We think, therefore, that this act clearly violates both the clauses of the constitution above referred to, and * * * every bond, together with its coupons, issued under the authority of this act is absolutely void, even in the hands of a *bona fide* holder, because issued without any authority whatever, and hence every consolidation bond resting upon such bonds or coupons, is, to the extent that it does rest upon such bonds or coupons, not a valid debt of the state of South Carolina.

In determining the question as to the validity of the second issue of bonds under the act of August 26, 1868,‖ the supreme court say:

In the case of the second issue of bonds for the payment of the interest upon the public debt * * * there does not seem to have been the shadow of authority of any kind, and which, therefore, are absolutely void, no matter in whose hands they may be; for, if the act be construed as giving authority for a second issue, there is no conceivable reason why a third or fourth or an indefinite number of issues could not have been made upon the same construction; and certainly a construction leading to such a result cannot be a correct one.

The court further decide that—

If any consolidation bond rests wholly upon any of the three objectionable classes of bonds or coupons * * * mentioned, then it is wholly void; but if it rests only in part upon such objectionable bonds or coupons, then it is only void to the extent which it does rest upon such objectionable bonds or coupons, and for the balance it is a valid obligation of the state.

* Opinion delivered September 29, 1879.
† Act of February 17, 1869.
‡ Act of August 26, 1868.
§ See page 313, *ante*.
‖ See extract from report of bond commission, *ante*, p. 316.

In these cases the court adjudged the validity of all consolidated bonds which rest upon the following obligations that had been in question: For funding bills of the bank of the state; for payment of interest on the public debt (first issue); for redemption of bills receivable, conversion bonds (act March 23, 1869), except such conversion bonds as were issued for the relief of the treasury, and for the second issue of bonds to pay interest on the public debt; land commission bonds, 1869, and land commission bonds, 1870.

The acts creating this indebtedness were all assailed by the state, but the result has been as above stated.

At the next session of the legislature an act was passed creating the office of special commissioner, whose duty it was to ascertain and establish the validity, or the percentage and amount of invalidity, of each and every consolidated bond and stock certificate, and of the interest thereon, under the decision of the supreme court above referred to. This act was approved December 23, 1879,* and in pursuance thereof the commissioner, on November 26, 1880, made a report from which the following extracts are taken:

All the consolidated bonds and certificates of stock issued by the state up to February 12, 1880, have been examined and reported to the state treasurer.

The total number of $1,000 bonds issued were	4,394
The total number of $500 bonds issued were	1,477
The total number of certificates issued were	2,082
Total number of pieces	7,953

Of these there had been exchanged sixty-seven bonds of $1,000 each; twenty-nine bonds of $500 each, and a vast number of certificates of stock. Eighteen bonds of $1,000 each, and thirty-six bonds of $500 each, were purchased by the sinking-fund commission, so that we have—

Amount of $1,000 bonds issued to February 12, 1880		$4,394,000 00
Less sixty-seven bonds exchanged	$67,000 00	
Less eighteen bonds purchased	18,000 00	
		85,000 00
Leaving total outstanding February 12, 1880		4,309,000 00
Amount of $500 bonds issued to February 12, 1880		738,500 00
Less exchanged	$14,500 00	
Less purchased	18,000 00	
		32,500 00
Total, $500 bonds outstanding February 12, 1880		706,000 00
Total bonds		5,015,000 00
Total stock		590,811 04
Total bonds and stock		5,605,811 04
Invalidity in $1,000 bonds issued		1,052,613 60
Invalidity in $500 bonds issued		77,008 75
Invalidity in stock outstanding February 12, 1880		8,916 05
Total invalidity		1,138,538 40
Deduct invalidity in bonds exchanged	$11,766 41	
Deduct invalidity in bonds purchased	9 00	
And we have		11,775 41
Total invalidity in bonds and stocks outstanding February 12, 1880		1,126,762 99

This amount represents the invalidity in the principal, and does not include the invalidity which attaches to the coupons or interest past due or fundable.

Deduct this amount from the total amount of bonds and stock (face value) outstanding February 12, 1880, and we have the total valid consolidated debt February 12, 1880, in accordance with the decision of the supreme court, face value of bonds and stock, $4,479,048 05.

This principal only includes the consolidated debt, under the act of December, 1873, and has no reference to other valid outstanding bonds which had not been converted into consols under said act.

The special commissioner also reports the examination of valid bills of the Bank of the State amounting to $710,136 45.

* "Act to provide for the settlement of the consolidated debt of the state in accordance with the decision of the supreme court of South Carolina," and act amending same, approved February 19, 1880.

This examination of these bills, with a view to the funding of same, was done under the act of December 24, 1879.

The *final adjustment* of the consolidated debt is now in progress, under the authority of the act of December 23, 1879 (amended February 19, 1880), entitled "An act to provide for the settlement of the consolidated debt of the state in accordance with the decision of the supreme court of South Carolina", which act also appointed the "special commissioner" to ascertain and establish the validity on the percentage and amount of invalidity of the consol bonds and stock in conformity with the principles laid down by the supreme court.

This act as amended provides that every holder of any consol bond or certificate of stock, or of the unpaid interest thereon to July 1, 1878, reported by the special commissioner as wholly valid, or as partially invalid, shall have the right to surrender the same for cancellation, and to receive from the state treasurer a new consol bond or certificate of stock bearing interest at six per cent. for the exact amount of the valid portion of such bond, or certificate, or coupon, or interest; that the same privilege of exchanging or refunding shall be extended to embrace *detached coupons* and interest *orders* due on or before July 1, 1878; that the interest due and unpaid to July 1, 1878, on the valid portion of the consols reported by the commissioner partially invalid, and on the consols so reported wholly valid, shall be "*funded*" in new consols bearing interest from July 1, 1878; and that the new consols issued in exchange for those surrendered as above, and *all* consolidated bonds and certificates of this state, that may at any time hereafter be issued (viz, after February 19, 1880) shall be distinguished by their *color* from the consols formerly issued,* but shall be in other respects (except as above provided) of the same class and character, mature at the same date (1893), bear the same rate of interest, and have the same rights and privileges as do the bonds and stocks authorized to be issued under the original consolidation act of December 22, 1873.

The report of the comptroller-general for the fiscal year ending October 31, 1881, shows the present condition of the consolidated debt under the operation of this act.

SETTLEMENT OF THE FLOATING OR UNFUNDED DEBT.

An act "to provide for the settlement of the unfunded debt of the state incurred before the first of November, 1876", approved March 22, 1878, and amended December 24, 1878, established a "court of claims", to be held by a commissioner, for the purpose of ascertaining all legal and just claims which had not been funded in bonds or stocks, and which were in existence on November 1, 1876. This court had jurisdiction to adjudicate upon all claims of this character (other than for bonds, or stocks, or coupons, or interest thereon), and including the bills of the Bank of the State, and so much of the funded debt as is known as the "Little Bonanza", the warrants drawn by the comptroller in pursuance of act December 24, 1875, providing for the settlement and payment of "certain claims against the state", and the liability of the state by guarantee of the Spartanburg and Union railroad bonds, the balance due thereon by judgment of the court after applying the proceeds of the sale of said road.†

The act required that all claims provided for therein should be duly sued or brought for adjudication before the said court prior to April 1, 1879.

This act also authorized the issue of bonds and stock certificates, to be known as "*deficiency*" bonds and certificates, in the settlement of a portion of such claims as were adjudicated by this court; the other portion of claims so adjudicated was authorized to be *paid* out of appropriations made or to be made for that purpose.

"*Deficiency*" coupon bonds (in denominations of $1,000, $500, and $100), and deficiency stock, are redeemable in ten years, and bear 6 per cent. interest, payable semi-annually and accruing as follows, viz: From July 1, 1878, in cases brought before the commissioner court of claims prior to November 1, 1878, and from July 1, 1879, in cases brought before said commissioner from November 1, 1878, to April 1, 1879.

The amount of "deficiency" bonds and stock outstanding on October 1, 1881, after deducting amount retired by purchase of commissioners of the sinking fund, was, $562,577 50.

The time fixed by previous acts for funding in consols the *unquestionable debt* of the state having expired, the act of December 24, 1880, removes the limitation as to the time of funding, and authorizes the continued issue of consols (brown‡) with interest at 6 per cent., payable semi-annually, in exchange for the following bonds and stocks, including unpaid interest on same to January 1, 1880, at fifty percentum of the principal and said interest, as fixed by the consolidation act of December 22, 1873, the consols to carry interest from January 1, 1880, viz:

1st. Issues prior to January 1, 1866.

Stock: Revolutionary war claims, redeemable at pleasure of the state. Act 1794.
Bonds and stock: Rebuilding city of Charleston, redeemable 1868 and 1870. Act 1838.
Bonds: Aid Blue Ridge railroad, redeemable 1875, 1876, 1877, 1878, 1879. Act 1854.
Bonds: Construction new state capitol, redeemable 1871 and 1881. Acts 1853 and 1855.
Stock: Construction new state capitol, redeemable 1877. Act 1856.
redeemable 1888. Act 1857.

* The color of the new consols is *brown*, but they are engraved from the same plates as the *green* consols issued under prior acts.
†Amounting to $474,600.
‡ See act February 19, 1880.

Stock: redeemable 1883 and 1885. Act 1858.
redeemable 1887 and 1889. Act 1859.
redeemable 1882 and 1886. Act 1861.
redeemable 1890 and ——. Act 1863.
These are exchangeable at the state treasury on surrender thereat, with further reference.

2d. Issues since January 1, 1866.

Bonds and stocks: "Funding," redeemable in 1887 and 1897. Acts September and December, 1866.
Bonds: "Redemption bills receivable," redeemable 1888. Act August, 1868.
Bonds: Payment interest public debt, redeemable 1888. Act August, 1868 (first issue).
Bonds: "Funding bills Bank of State," redeemable 1888. Act September, 1868.
Bonds and stock: "Conversion state securities," redeemable 1888. Act March, 1869.
Bonds: "Land commission," redeemable 1888. Act March, 1869.
Bonds: "Land commission," redeemable 1889. Act March, 1870.

These bonds and stocks (issued since January 1, 1866), with the unpaid coupons and interest to January 1, 1880, are exchangeable upon surrender thereof at the state treasury, *after the* same have first been examined by the comptroller-general of the state, and in accordance with his official report setting forth the validity or the amount of invalidity of same, as established by the decision of the supreme court rendered September, 1879, in the consol cases already referred to. The coupons of bonds of these issues, however, which matured *prior* to July 1, 1872, and which have been *detached* from the bonds to which they belong, are not included in the privileges of this act (December 24, 1880*).

The following is an extract from the report of the comptroller-general for the fiscal year ending October 31, 1880:

Consol bonds and stocks (green and brown).

Funded to November 1, 1880		$6,368,556 82
Less retired by sinking fund commission	$31,000 00	
Less invalidity in green bonds exchanged for brown	350,949 89	
Invalidity in green bonds and stocks not yet exchanged	775,813 11	
		1,157,763 00
Total consols		5,210,793 82
Deficiency bonds and stocks		564,855 98
State scrip, Agricultural College		191,800 00
Total funded debt		5,967,449 80
Ante-bellum bonds and stocks	$276,860 44	
Post-bellum bonds and stocks	451,306 00	
The former amount is all valid, and in being funded is allowed interest to July, 1879. Estimating seven years as average period for which interest is allowed, it would increase the ante-bellum amount by $116,281 38, making $393,141 82 to be funded, and equal in consols to		196,570 91
Of the post-bellum securities unfunded $186,306 is wholly valid, and would give in consols.	$93,153 00	
The balance, $265,000, is only partially valid, being "interest on public debt" and "conversions". Estimating for these the same ratio of invalidity as has been found in the securities of these classes already funded, and it amounts to about 7½ per cent., say $19,875, leaving to be funded $245,125, equal to consols	122,562 50	
But these post-bellum bonds have interest allowed from 1872 to 1880, say an average of seven years, which interest is required also to be funded. This would give seven years' interest on $431,431, equal to $181,201, or consols	90,600 50	
		306,316 00
There is also fundable interest (past due to 1878) to be consolidated	181,097 61	
This also has more or less invalidity, which, estimated at same ratio as that already funded, amounts to	34,408 54	
Leaving to be consolidated		146,689 07
The whole amount of bills of the Bank of the State passed upon by special commissioner, and authorized to be funded, is, say	$730,000 00	
There has been funded	685,710 00	
Leaving	44,290 00	
Which, at 50 per cent., gives consols		22,145 00

*See report of the bond commission appointed by joint resolution of June 8, 1877.

RECAPITULATION.

Total consols	$5,210,793 82
Total deficiencies	564,855 98
State scrip, Agricultural College	191,800 00
To be funded for ante-bellum principal and interest, say	196,570 91
To be funded for post-bellum principal and interest, say	306,316 00
To be funded for fundable interest, say	146,689 07
To be funded for bills, Bank of State, say	22,145 00
Total bonded debt of state, say	6,639,170 78

GEORGIA.

In the early history of Georgia, so far as relates to the public debt, nothing occurred worthy of detail. Internal improvements received early attention. The University of Georgia was established in 1785; the Central Bank of Georgia, a state institution, was chartered and established in 1828. The public debt of the state amounted to $725,000 in 1837, and to liquidate this the Central Bank was authorized to borrow the money, payable within twelve months out of the capital stock of the bank.

The issue of $1,000,000 of 8 per cent. interest-bearing bonds was authorized by an act passed December 23, 1840, in denominations of $5 and upward, to mature in five years, for the payment of which the faith and credit of the state and the assets of the bank were pledged. These bonds were to be used exclusively for the purpose of redeeming the outstanding bills of the Central Bank.

An act was passed December 29, 1847, authorizing new bonds to be issued to redeem the bonds above mentioned, the new bonds to be in the denomination of not less than $500, to be payable at such times as might be agreed on, but not more than $75,000 should fall due in one year, and that the bonds should bear 7 per cent. interest.

The state was a stockholder in the Bank of Augusta, the Planters' Bank of the State of Georgia, the Bank of the State of Georgia, and in the Bank of Darien. These shares of stock constituted, in part, the capital stock of the Central Bank, and some of them were sold in 1841. The remainder, yet held by the state, are deemed worthless.

In 1836 an act was passed providing for the construction of a railroad from some point on the Tennessee river, near Rossville, to some point on the southeastern bank of the Chattahoochee river, as a state work, to be known as the Western and Atlantic Railroad of the State of Georgia. The road was completed and is now the property of the state, and various bonds, stock, and scrip were issued upon it. The Atlantic and Gulf railroad was incorporated by an act approved February 27, 1856, in which the state invested $1,000,000. To provide for the payment of the stock the governor was authorized to issue bonds (if there were no unappropriated money in the treasury) as the subscription became due, to run twenty years, and to bear 6 per cent. interest per annum. Some of the bonds issued for that purpose are yet outstanding, as will appear by the official statement of the public debt.

On March 3, 1874, it was enacted that by reason of the disastrous consequences of the civil war to said company, and for the purpose of insuring the completion of the road connecting the "Atlantic with the Gulf of Mexico, through the state, as originally contemplated", three-fourths of the stock owned by the state should be assigned to said company on certain conditions and pledges. It is to be presumed that these conditions had not been complied with up to October 1, 1880, inasmuch as the state was the owner of the stock at that date.

On December 11, 1858, an act was passed directing the governor to issue new bonds, bearing the same rate of interest as those then in the hands of holders, to be arranged upon such schedule, and payable at such period, as that, by providing annually a sinking fund, the whole principal of the public debt should be paid when the last bonds became due; the sinking fund to be created out of the earnings of the Western and Atlantic railroad. The act further provided that on payment of any portion of the public debt the governor should execute bonds, in the sum of $1,000 each, equal to the amount so paid, payable to the treasurer of the educational fund, with interest at 6 per cent. per annum, so that as the public debt was decreased the educational fund should be increased. This provision was repealed, however, after the reconstruction of the state.

No debts were incurred during the period of the war which the state is authorized to pay.

The constitutional convention, which met in 1865, directed the issue of $500,000 in bonds to meet the wants of the treasury then pressing, there not being a dollar therein, but only $30,000 were placed on the market. These were subsequently converted into other bonds.

During the period of reconstruction, which terminated in 1868, several acts were passed authorizing the issue of bonds, among which was one authorizing the loan of $200,000 for the purchase of corn to relieve the suffering poor.

On the 12th day of March, 1866, an act was passed authorizing the issue of the following bonds:

First. To meet appropriations and to better equip the Western and Atlantic railroad, $1,500,000, with interest not exceeding 7 per cent. per annum, payable semi-annually, to run thirty years, or, at the option of the governor, to be redeemable after five and payable in twenty years. A sinking fund was created out of the income of the Western and Atlantic railroad sufficient to pay the interest and 3 per cent. annually of the principal.

Second. For the purpose of renewing bonds then due, $830,550, to be issued on like terms and upon like security as the above bonds.

Third. Six hundred thousand dollars, for the purpose of paying the land tax, assessed against the people of Georgia by the United States, amounting to $584,367 33, with not exceeding 7 per cent. interest, and to be payable at such time as the governor might see fit. The provision relating to the sinking fund does not apply to these bonds. These bonds ($600,000) were prepared but not issued, and the legislature, by an act passed December 13, 1866, directed the governor to issue them in exchange for, or in redemption of, such bonds as might become due in 1868, 1869, and 1870.

By an act approved December 3, 1866, the governor was instructed to indorse the bonds of the Macon and Brunswick railroad to the amount of $10,000 per mile.

The debt on November 1, 1866, was as follows:

Bonds issued prior to 1861, not yet due	$2,676,500
Bonds issued under the act of March 12, 1866, including loan for purchase of corn	3,030,000
Bonds issued to the Atlantic and Gulf Railroad Company in 1866, under act of 1856	134,500
Total	5,841,000

The superintendent of the Western and Atlantic railroad purchased of the United States government railroad property amounting to $472,944 66. To secure the payment of this sum the superintendent of the road and the state treasurer executed a penal bond to the United States, in the sum of $982,310 72, conditioned that the state of Georgia would pay for the property within two years from date of purchase, and interest at the rate of 7.30 per cent., payable quarterly. By an act approved December 18, 1866, the faith of the state was pledged for the payment of debt and interest. The amount was paid, but it was afterward claimed that more than its value had been paid for the rolling stock, and an effort was made to reopen the negotiation, which at last proved successful, and in 1877 the sum of $199,038 58 was allowed by the United States Court of Claims and paid to the state.

The following provision is contained in the constitution of 1868:

[Article III, section 6, paragraph 5.]

The general assembly shall pass no law making the state a stockholder in any corporate company; nor shall the credit of the state be granted or loaned to aid any company without a provision that the whole property of the company shall be bound for the security of the state, prior to any other debt or lien, except to laborers; nor to any company in which there is not already an equal amount invested by private persons; nor for any other object than a work of public improvement.

Under this provision of the constitution state aid to a large amount was granted to railroad companies. The several acts authorizing such grants will be mentioned hereinafter, but the total amount of the contingent liability originally assumed cannot be ascertained, because the published records contain only the amount guaranteed per mile, and the length of the respective roads is not given. As will appear hereinafter, a number of these indorsements were declared null, void, and unconstitutional.

The following aid was granted in 1868:

	Per mile.
To the Macon and Augusta railroad	$10,000
To the Georgia air-line	12,000
To the South Georgia and Florida and Georgia railroad	8,000

On October 10, 1868, the issue of bonds sufficient to pay the interest due and unpaid and to become due up to February 1, 1869, was authorized by an act which does not provide when the bonds to be issued should mature nor what interest they shall bear.

On the 18th day of March, 1869, an act was passed granting aid to the Brunswick and Albany railroad, originally the Brunswick and Florida railroad, recognizing a claim against the state in favor of said company, since a portion of the rails and material had been used on the Western and Atlantic railroad, the property of the state. The state was to indorse the bonds of the company to the amount of $15,000 per mile.

Aid was also granted to the following companies at the same session, to wit:

	Per mile.
Alabama and Chattanooga	$8,000
Cartersville and Van Wert	12,500
Dalton and Morgantown	12,000

The several acts provide for a first lien to the state, and that the bonds should not be sold at less than 90 cents.

An act was adopted, August 27, 1870, authorizing a loan of a sufficient amount to pay the expenses of the general assembly, to be paid out of the first funds coming into the treasurer's hands, amended October 5, 1870, by providing for interest, if the loan be effected by bonds, at a rate not exceeding 7 per cent., and the principal, when due; that an amount should be borrowed sufficient to pay the officers of the civil establishment and other expenses of the state, but restricting the authority to these purposes.*

Under the authority of these acts currency bonds amounting to $2,000,000 were issued. It is claimed that it was not intended to put these bonds on the market or in circulation, but that they were from time to time hypothecated

*This is the act authorizing the quarterly gold bonds, *post*.

for loans made and replaced by the gold quarterly bonds, which were then being engraved. The entire issue was afterward declared void, because the bonds were not all returned. The act of voidance makes no exception as to the status of the holder.

An act was passed on September 15, 1870, authorizing the governor to issue bonds to run twenty years, with seven per cent. annual interest, payable quarterly, interest and principal payable in gold, sufficient in amount to meet all outstanding bonds and coupons then due or to become due, until otherwise directed. Three million dollars in bonds were issued under this act.

During this year state aid was granted to the following railroads, in the respective sums mentioned, by indorsing the bonds of the companies:

	Per mile.
Albany and Columbus	$12,000
Albany, Mobile and New Orleans	12,000
Americus and Isabella	12,000
Americus and Florence	12,000
Americus and Hawkinsville	12,000
Atlanta and Blue Ridge	15,000
Athens and Clayton	15,000
Atlanta and Lookout $1,875 per mile for first 8 miles, and $3,000 for each further mile.	
Augusta and Hartwell	15,000
Camilla and Cuthbert	12,000
Chattahoochee	12,000
Columbus and Atlanta Air-Line	12,000
Dalton and Morganton	15,000
Georgia Seaboard and Northwestern	12,000
Grand Trunk	12,000
Great Southern	12,000
Griffin, Monticello and Madison	15,000
Lookout Mountain	15,000
Marietta, Canton and Ellijay	15,000
McDonough Western	12,000
Memphis Branch	15,000
Newnan and Americus	12,000
Northwestern	15,000
North and South	12,000
North Georgia and North Carolina	12,000
Ocmulgee River	15,000
Polk's State Quarry	15,000
St. Mary's and Western	15,000
Savannah, Griffin and North Alabama	12,000

The aid to the Macon and Brunswick railroad was increased to $13,000 per mile on the entire road, and on the South Georgia and Florida to $12,000 per mile on the unfinished portion.

An act was passed at the same session directing the governor to lease the Western and Atlantic railroad at $25,000 per month, which was accordingly leased to the Western and Atlantic Railroad Company.

It appears that an act was passed on October 17, 1870, granting aid to the Brunswick and Albany railroad, although the act itself does not appear among the published acts of that session. It is referred to in governor's message, reports of committees, subsequent acts, and in the constitutional amendments. From these sources it seems that the act authorized the issue of the bonds of the state to said company at the rate of $8,000 per mile, amounting, in the aggregate, to $1,880,000, in exchange for the entire issue of second-mortgage bonds of the company, amounting to $2,350,000. The bonds to be issued were to be of the denomination of $1,000, to be payable in twenty-five years, with seven per cent. interest payable semi-annually, interest and principal payable in gold. Bonds of $1,000 each, 1,800 in number, were issued to the company, but the entire issue was subsequently declared void.

On December 9, 1871, an act was passed over the governor's veto entitled "An act to protect the people of the state of Georgia against the illegal and fraudulent issue of bonds and securities, and for other purposes connected with the same". A preamble to the act recites that divers bonds purporting to be bonds of the state of Georgia, and divers bonds bearing the indorsement of the state, had been issued by the late governor of the state, and that divers bonds issued prior to his administration had been negotiated by him, and that it was believed that a large portion of such bonds had been illegally and fraudulently issued and negotiated, the extent and amount of which was unknown to the general assembly. The act provides for the appointment of a committee of investigation for the purpose of ascertaining all facts connected with the history of the bonds. It was enacted that all persons holding bonds of the state, or bearing indorsements thereof, should report the same for registration before April 1, 1872, and that failure so to report was to be deemed *prima facie* evidence that they were illegally or fraudulently issued. Until the further orders of the general assembly the treasurer of state was forbidden to pay any interest on bonds issued or negotiated since July 4, 1868.

This committee made an elaborate report pointing out the objections to the several issues of bonds claimed to be void and unconstitutional. At the same session, resolutions were adopted* appointing four different committees of investigation, to wit:

1st. A committee to investigate the official conduct of the late governor, including his management of the finances of the state.

2d. To investigate the management of the Western and Atlantic railroad.

3d. To investigate the fairness or unfairness of the contract made between the late governor and the lessees of the Western and Atlantic railroad, known as the Western and Atlantic Railroad Company.

4th. To investigate as to whether any claims had been wrongfully allowed by certain commissioners theretofore appointed to audit claims against the Western and Atlantic railroad.

These several committees made reports, and a resolution was adopted, that the lease of the railroad was deemed to be advantageous to the state. Acts were passed, declaring certain bonds unlawfully and unconstitutionally issued, and the action of the legislature was sustained by the people, in adopting certain constitutional amendments.

An act approved January 18, 1872, authorized the issue of bonds to the amount of $700,000 for the purpose of funding, exchanging, or redeeming the state bonds maturing in 1872, these bonds to bear not exceeding seven per cent. interest, and to run twenty years. By the same act a temporary loan of $300,000 was authorized for the purpose of paying the interest due upon bonds issued prior to June 1, 1868, the amount to be repaid out of the taxes of 1872.

By several acts adopted at the session in August, 1872,† the indorsement of the state's guaranty upon the bonds of the Bainbridge, Cuthbert, and Columbus Railroad Company, the Cartersville and Van Wert Railroad Company, the Cherokee Railroad Company, and the Brunswick and Albany Railroad Company, was declared null and void, and the payment thereof forbidden, and the issue of state gold bonds in aid of the Brunswick and Albany railroad, under the act of August 16, 1872, was declared null, void, and unconstitutional. Certain gold bonds held by a New York banking firm, 112 in number, were declared void, and of no binding force against the state; one of the bonds was afterward (February 22, 1877) declared legal, it appearing that a mistake had been made. A resolution was adopted at the same time declaring the validity and binding force of the state's indorsement of the bonds of the Macon and Brunswick Railroad Company.

A further loan was authorized February 19, 1873, providing for the issue of bonds to the amount of $1,200,000, to bear interest not exceeding eight per cent. per annum, payable semi-annually, $100,000 to be redeemed annually. The bonds were issued for the purpose of obtaining means to redeem the past-due bonds and interest. They were to be exchanged for such other bonds and coupons as might fall due during the then ensuing next three years, or to be sold from time to time to the number necessary to raise the required amount to meet the payment of falling-due bonds. To secure the prompt payment of these bonds the governor was instructed to increase the percentage of taxes, so as to produce the sum of $100,000 annually, to be applied to the extinguishment of this debt until all should be paid, and the faith of the state was pledged that this provision should not be repealed. The bonds issued under this act are, by the terms thereof, exempt from state, county, and municipal taxation; and it is also provided that upon the sale of these bonds all unnegotiated bonds and coupons issued under the act of January 18, 1872, shall be withdrawn from the market and canceled. Another act was passed on the same day appropriating one-half of the income of the Western and Atlantic railroad to the extinguishment of the public debt. It provides that as often as there should be $25,000 in the treasury belonging to the fund thereby created, bonds of the state should be purchased at the lowest market rate.

On the 17th day of February, 1873, it was enacted that if railroads should be sold on account of non-payment of interest accruing on bonds indorsed by the state, the governor might purchase such roads, rolling stock, and equipments for the state, and make disposition of the same, subject to the approval of the next general assembly.

The Macon and Brunswick Railroad Company failed to pay the interest on the bonds indorsed by the state which fell due on July 1, 1873, and on the 2d day of July the governer seized the road and its property. The amount of the outstanding bonds was $2,550,000, and the amount of net earnings was estimated at $60,000. There were also outstanding about $70,000 of what were known as pass-bills issued by the company, and it was deemed advisable to redeem these, and the net earnings during the years 1873 and 1874 were applied to this object.

Although the state had by resolution declared the validity of the indorsement of these bonds, yet the governor claimed in his message delivered in 1875, that a portion of the bonds indorsed were invalid. Under the act of 1866 there had been indorsed $1,950,000, and under the act of 1870, $600,000. A resolution was adopted at the then session of the legislature declaring the indorsement on the former valid, and on the latter unconstitutional and void, except as to a few bonds which were specially excepted. All of the earnings of the road up to January 1, 1875, had been used to pay the "change" bills, of which there were yet outstanding on that date, $16,750.‡

Better to protect the interest of the state where its indorsement has been obtained upon railroad bonds, it was enacted on March 5, 1875, that in an event of the sale of any of the railroads, by reason of the non-compliance with or non-performance of the conditions imposed by the several acts authorizing the guaranty by the state, the governor might bid for and buy such railroad under certain limitations.

*November 28, 1871. December 1, 1871. †Laws 1872, pages 5, 6, and 7. ‡Estimated.

On the following day a resolution was passed directing the governor to sell the Macon and Brunswick railroad. In accordance with which the road was sold in June of that year, the state becoming the purchaser for $1,000,000. The road was again sold by Governor Colquitt, under acts of September 3 and October 14, 1879, for $1,125,000.

The Cartersville and Van Wert or Cherokee railroad also failed to pay interest due in December, 1871, but before the same could be seized it had been sold on execution to pay laborers and employés.

The North and South railroad, upon whose bonds to the amount of $240,000 the indorsement of the state had been placed, also failed to meet the interest, and the state became liable for the principal and interest. The road was seized on April 23, 1874, and was operated by the state until September 5, 1877, when it was sold for the sum of $40,500, to be paid January 1, 1884, with seven per cent. interest semi-annually in advance.

The bonds of the Memphis branch railroad to the amount of $34,000 were indorsed in May, 1874. This company also failed to meet the payments, was seized, and the property of the company, except its franchise, road-bed, and a bridge across the Oostanaula river, was sold in August, 1877, for the sum of $9,000, payable January 1, 1881, with seven per cent. interest.

In consequence of these several losses and additional burdens, and in accordance with the governor's recommendation, the provisions in the charters of the several railroad companies heretofore incorporated, by which the indorsement of the state was authorized to be placed upon the bonds of such railroad companies, no matter upon what terms aid was to be granted, were repealed by an act approved February 25, 1874. This, however, did not affect vested rights, and the act provides for the adjudication of any claim of such right by the courts.

By a resolution adopted the Northeastern railroad was specially excepted from the operation of this act.

No further bonds were indorsed after this date, except—

1st. The bonds of the Memphis branch railroad in the sum of $34,000, to which the company was entitled, the road having been partially constructed before the passage of the act.

2d. The bonds of the Northeastern railroad were indorsed in 1878 to the amount of $260,000.

The public debt (actual) on January 1, 1874, was $8,343,000, and on January 1, 1875, $8,105,500. The interest on the debt was promptly paid as the same became due. The amount of the outstanding bonds of the railroads which had defaulted, and the validity of which was admitted by the state, is not included in the above amount.

On February 27, 1875, an act was passed to void the state's indorsement on the bonds of the Alabama and Chattanooga Railroad Company; the act recites that the bonds thus indorsed by the governor, under the authority of the act of March 20, 1869, are second-mortgage bonds, and upon their face expressly recognize the existence of a prior and first mortgage and lien upon the property, and were issued, therefore, in conflict with paragraph 5, section 6, of article III of the constitution.

An act passed on March 2, 1875, recited that divers bonds of the state, which matured prior to the 1st day of January, 1872, were then in circulation, and that it was believed that they had all been paid and that they had been illegally and fraudulently reissued and negotiated, in an amount unknown to the general assembly. It provided for the registration of such bonds by the treasurer, and that non-registry on or before August 1, 1875, should be deemed *prima facie* evidence of the payment and illegal issue of the same.

The following amendment and additional clause to section 6, article 3 of the constitution was adopted by the legislature of 1875* and 1877,† and was ratified by the people in May, 1877:

Neither the general assembly nor any other authority or officer of this state shall ever have power to pay or recognize as legal, or in any sense valid or binding upon the state, any direct bonds, gold bonds or currency bonds, or the state's alleged guaranty or indorsement of any railroad bonds, or any other bonds, guarantees, or indorsements heretofore declared to be illegal, fraudulent, or void by act or resolution of the legislature of the state, or that may be declared illegal, fraudulent, or void by act or resolution of the legislature originating this amendment,‡ viz, the state gold bonds issued under the act of October 17, 1870, in aid of the Brunswick and Albany Railroad Company; the currency bonds issued under the act of August 27, 1870; the quarterly gold bonds issued under the act of September 15, 1870, which are enumerated in the act of August 23, 1872; the indorsement of the state upon the bonds of the Brunswick and Albany Railroad Company, made under the act of March 18, 1869; the indorsement of the state upon the bonds of the Cartersville and Van Wert Railroad Company, and of the Cherokee Railroad Company; the indorsement of the state upon the bonds of the Bainbridge, Cuthbert and Columbus Railroad Company, and all other bonds, guarantees, or indorsements declared illegal, fraudulent, or void as herein provided.

It absolutely forbade all future recognition of these claims, by legislature, in courts, or by citizens.

Under the various acts (declaring the invalidity of the indorsements) and in pursuance of this amendment, the state admitted their liability only on the following:

Macon and Brunswick railroad	$1,950,000
North and South railroad	240,000
Memphis branch railroad	34,000
South and Georgia and Florida railroad	464,000

This latter company was paying the interest on its debt.

By an act approved February 17, 1854, the issue of $375,000 in six per cent. bonds, for the purpose of exchanging outstanding bonds of the Central Bank, was authorized. The old bonds were bearing seven per cent. interest, and the change to six per cent. raised questions with the holders, and the new bonds, though executed,

* Acts 1875, p. 27. † Acts 1877, p. 24. ‡ Legislature of 1875.

were not issued. They were taken from the treasury vault in 1864, by unauthorized persons, as it is stated in an act passed on February 23, 1876, by which act the issue of February 17, 1854, was declared null and void. For the purpose of paying the interest past due and becoming due upon the recognized bonds of the Macon and Brunswick railroad, and upon the bonds of the North and South railroad, both of which were indorsed by the state, an act approved February 25, 1876, authorized the issue of a sufficient amount of bonds to be dated July 1, 1876, to mature in 20 years, and to bear seven per cent. interest, payable semi-annually, and to be of the denomination of $1,000 each. Under this act bonds to the amount of $542,000 were issued and are yet outstanding.

On January 1, 1877, the debt (exclusive of admitted railroad-bond liabilities) was $8,447,500.

On the 19th day of February, 1877, an act was passed authorizing the issue of bonds to the amount of $2,298,397, for the purpose of retiring, by exchange or paying off the recognized bonds of the Macon and Brunswick railroad to the amount of $1,950,000; of the North and South railroad, indorsed by the state, to the amount of $240,000; also bonds of the Memphis branch railroad, indorsed by the state, to the amount of $34,000, with accrued interest on all of said issues to January 1, 1877, amounting to $74,397. The act provides that the bonds shall be sold at not less than par, and the proceeds to be applied to the retirement at par of the above-described bonds, or that the new bonds may be exchanged at par: the new bonds to be of the denomination of $1,000 each, to be dated January 1, 1877, maturing in twelve years, and to bear interest from said date at six per cent. per annum payable semi-annually.

By an act approved February 26, 1877, the treasurer was authorized and directed to pay ten cents on the dollar for all "change bills" issued by the Western and Atlantic railroad during the war, which might be presented. Of these bills, $200,000 had been issued by this company by virtue of an act passed in 1863.

A constitutional convention was held in 1877, and several provisions relating to the debt question were adopted. The constitution was ratified by the people on the 5th day of December, 1877.

These provisions are as follows:

ARTICLE VII, SECTION 3. No debt shall be contracted by or on behalf of the state, except to supply casual deficiencies of revenue, to repel invasion, suppress insurrection, and defend the state in time of war, or to pay the existing public debt; but the debt created to supply deficiencies in revenue shall not exceed in the aggregate two hundred thousand dollars.

SEC. 4. All laws authorizing the borrowing of money by or on behalf of the state shall specify the purpose for which the money is to be used, and the money so obtained shall be used for the purpose specified, and no other.

SEC. 5. The credit of the state shall not be pledged or loaned to any individual, company, corporation, or association, and the state shall not become a joint owner or stockholder in any company, association, or corporation.

SEC. 8. The state shall not assume the debt, nor any part thereof, of any county, municipal corporation, or political division of the state, unless such debt shall be contracted to enable the state to repel invasion, suppress insurrection, or defend itself in time of war.

SEC. 9. The general assembly shall have no authority to appropriate money, either directly or indirectly, to pay the whole or any part of the principal or interest of the bonds or other obligations which have been pronounced illegal, null, and void by the general assembly, and the constitutional amendments ratified by a vote of the people on the first day of May, eighteen hundred and seventy-seven, nor shall the general assembly have authority to pay any of the obligations created by the state under laws passed during the late war between the states, nor any of the bonds, notes, or obligations made and entered into during the existence of said war, the time for the payment of which was fixed after the ratification of a treaty of peace between the United States and the Confederate States; nor shall the general assembly pass any law, or the governor or other state official enter into any contract or agreement, whereby the state shall be made a party to any suit in any court of this state, or of the United States, instituted to test the validity of any such bonds or obligations.

* * * * * * * * *

SEC. 12. The bonded debt of the state shall never be increased, except to repel invasion, suppress insurrection, or defend the state in time of war.

Section 13 provides for the application of the money received from the sale of railroads and any other property owned by the state toward extinguishment of the bonded debt. The new constitution also provides for a biennial session of the legislature instead of an annual.

The recognized public debt on January 1, 1878, was $10,644,500, which was all for which the state admitted its liability, except the contingent liability on the bonds of the South Georgia and Florida railroad.

An issue of bonds to the amount of $500,000 was authorized by an act approved December 14, 1878, for the purpose of redeeming the instalments of bonds issued under the act of February 27, 1856, which fall due in 1879, 1880, and 1881; the new bonds were to run six years and bear interest at the rate of four per cent. per annum; to be issued in sums not less than $5 nor more than $100; and to be sold at not less than par value. Under this authority $400,000 were issued, but of these $293,000 have been redeemed, having been paid in as part purchase-money of the Macon and Brunswick railroad.

The recognized debt on October 1, 1879, was $10,344,500, which, during the subsequent year, was reduced to $9,951,500, as appears by the official report of the comptroller of October 1, 1880. The interest on the debt falling due in 1881 is $672,415.

The following is an analysis of the debt, showing the date of issue, amount, date of maturity, and rate of interest, as taken from that document:

Year of issue.	Original amount of issue.	Amount outstanding.	Authority for issue.	Purpose for which issued.	Date of maturity.	Rate, per cent., of interest.
1861	$100,000	$100,000	Act February 27, 1856	In aid of the Atlantic and Gulf railroad	Feb., 1881	6
1866	100,000	100,000	......do	......do	Feb., 1886	6
1866	34,500	34,500	......do	......do	Feb., 1886	6
1866	150,000	150,000	......do	......do	Aug., 1886	6
1866	15,500	15,500	......do	......do	Aug., 1886	6
1866	2,800,000	2,800,000	Act March 12, 1866	$1,500,000 for the purpose of meeting appropriations and equipment of the Western and Atlantic railroad; $600,000 to pay to the government of the United States the land tax about to be levied, and $1,300,000 to redeem outstanding bonds, and on March 13, loan of $200,000 for purchase and distribution of corn was authorized.	May, 1886	7
1866	800,000	800,000	......do		May, 1886	7
1870	2,098,000	2,097,000	Act September 15, 1870	To redeem outstanding bonds and for the general fund*	Oct., 1890	7
1872	207,000	207,000	Act January 18, 1872	$700,000 authorized to redeem or refund bonds due in 1872	July, 1892	7
1872	100,500	100,500	......do			
1873	100,000	100,000	Act February 19, 1873	For the payment of past-due interest, past-due bonds, and such bonds as matured in three (3) years after passage of the act.	April, 1881	8
1873	100,000	100,000	......do		April, 1882	8
1873	100,000	100,000	......do		April, 1883	8
1873	100,000	100,000	......do		April, 1884	8
1873	100,000	100,000	......do		April, 1885	8
1873	100,000	100,000	......do		April, 1886	8
1876	542,000	542,000	Act February 25, 1876	To pay interest due and to become due upon bonds of the Macon and Brunswick railroad and North and South railroad, indorsed by the state.	July, 1896	7
1877	2,298,000	2,298,000	Act February 19, 1877	To redeem $1,950,000 of the bonds of the Macon and Brunswick railroad indorsed by the state, $240,000 of the bonds of the North and South railroad indorsed by the state, $34,000 of the bonds of the Memphis branch railroad indorsed by the state, and $74,397 to pay interest to January 1, 1877.	May, 1889	6
1880	400,000	107,000	Act December 14, 1878	To pay outstanding bonds due in 1879-'80 and 1881 issued under the act of February 27, 1856.	Jan., 1886	4

* Gold quarterly bonds.

FLORIDA.

Florida was ceded by Spain to the United States in 1819, and an act establishing a territorial government therein was passed by Congress March 30, 1822.

Several banks were chartered in 1833, and the territory issued her bonds in aid of the enterprises in the sum of about $4,000,000.

The banks were under the control of the territory, and made flattering reports from time to time to the legislature. In the general crisis of 1837, however, they suspended specie payment, and it was soon thereafter ascertained that they were hopelessly insolvent. The funds of the banks were loaned to the stockholders, and the only security given to the banks was the land to purchase and pay for which the money was borrowed.

There was issued to the Union Bank alone $3,000,000.

In 1840 the judiciary committee of the council made an elaborate report on the liability of the territory to pay these bonds, and concluded with the following resolutions, which were adopted:

1. *Resolved*, That the power of the governor and legislative council of the territory of Florida delegated by Congress over all rightful subjects of legislation under that clause in the constitution which invests Congress with authority "to make all needful rules and regulations respecting the territory and other property belonging to the United States", does not extend to the creation of banks with exclusive privileges and franchises, nor to the issuing of bonds and guaranties in aid of such institutions, pledging the faith and credit of the people of Florida.

2. *Resolved*, That such pledge of the faith and credit of the people of Florida is null and void.

The other branch of the legislative council (senate) did not coincide in the views thus expressed, but in strong terms protested against them.

From this report it appears that at times the banks had already procured bonds "purporting to be guaranteed by the territory" to the amount of $3,900,000; that they claimed a further issue under the same authority amounting to $5,600,000 more.

The population of Florida was estimated at 50,000 souls, which would make the per capita debt about $200. The interest on this debt the committee claimed could not be raised by taxation, but only by an absolute surrender of the property of the citizens.

The bank and debt question was the subject of investigation by numerous committees of the council. The constitution adopted by the people of Florida prior to her admission as a state in 1845, provides that the faith and credit of the state shall not be pledged in aid of any corporation. At that date the total debt of Florida was $4,850,000, the revenue $98,000, the expenditures $100,000. Soon after 1845 the state officials began to agitate schemes of internal improvement. The governor in 1852 called attention to the fact that the constitution declared that a liberal system of internal improvements was essential to the development of the resources of the country and made it "the duty of the general assembly as soon as practicable to ascertain by law proper objects of improvement in relation to roads, canals, and navigable streams, and to provide for a suitable application of such funds as may be appropriated for such improvements". In commenting on this, the governor said to the legislature:

How little this provision of the constitution has been practically regarded, your recent journeys from your respective homes in every part of the state must have painfully reminded you. It is a melancholy reflection, that while the spirit of improvement is pervading every other state—opening new sources of wealth and comfort, and stimulating human industry in all its varied departments—Florida alone, like the slothful servant who buried his talents, seems well-nigh content with inaction and repose on this vital subject.

The subject of improvements being once thoroughly agitated, the legislature of Florida, January 10, 1855, passed an act to provide for and encourage a liberal system of internal improvements in that state, and issued bonds to the extent of $10,000 per mile to certain railroad companies, the interest whereon was duly guaranteed by the trustees of the internal-improvement fund created by the act. Such bonds became a first lien or mortgage on the roads, their equipments, and the franchises of the companies. The system of roads to be aided, under this provision, by a guarantee from the internal-improvement fund, to the extent of ten thousand dollars per mile for iron and equipment, embraced as the terminal points the bays of Pensacola and St. Andrew's in the western district, St. Mark's or Crooked river in the middle district, Fernandina and Jacksonville in the eastern district, and Tampa and Cedar Key in the southern district, making in the aggregate little less than 700 miles of road.

At this time, if we may judge from the message of the governor, the finances of the state were not in the most flourishing condition. The state had not depended on resources from taxation, but had relied too much upon loans to supply deficiencies. This may be seen by reference to the following table:

Years.	Revenue collected.	Warrants issued.
For the fiscal year ending October 31, 1846	$27,597 28	$56,009 57
For the fiscal year ending October 31, 1847	45,357 60	52,787 46
For the fiscal year ending October 31, 1848	56,832 72	54,913 81
For the fiscal year ending October 31, 1849	58,638 11	55,807 79
For the fiscal year ending October 31, 1850	46,070 84	38,550 33
For the fiscal year ending October 31, 1851	57,141 10	67,187 73
For the fiscal year ending October 31, 1852	55,619 03	55,234 49
For the fiscal year ending October 31, 1853	57,278 36	108,607 88
For the fiscal year ending October 31, 1854	62,801 51	53,417 13
For the fiscal year ending October 31, 1855	68,365 19	85,365 19
Total	535,711 34	627,890 38

This shows a deficiency of revenue for the ten years of $92,179 04, equal to an average deficiency of over $9,000 per annum. To supply this, loans were resorted to by special acts, under the law authorizing the comptroller to invest the school, seminary, and internal-improvement funds in the stocks of Florida and other states. The total debt of the state in 1855 was $181,872 92, the greater part of which had been contracted for the protection of the frontier inhabitants against Indian depredations. About $160,000 of this amount was bearing interest, which added annually to the debt nearly $10,000. The act granting $10,000 per mile to certain railroads was subsequently amended by the legislature, and the governor was authorized to loan the companies bonds of the state to an amount equal to $16,000 per mile in exchange for an equal amount of first-mortgage bonds of the company; and in order to secure the principal and interest on the mortgage bonds, it was declared:

That the state of Florida shall by this act have a statutory lien, which shall be valid to all intents and purposes as a first mortgage duly registered on the part of the road for which said bonds were delivered, and on all the property of the company, real and personal, appertaining to that part of the line which it may now have, or may hereafter acquire, together with all the rights, franchises, and powers thereto belonging; and in case of failure by the company to pay either principal or interest of its bonds, or any part thereof, for twelve months after the same shall become due, it shall be lawful for the governor to enter upon and take possession of said property and franchises, and sell the same at public auction.

Under this power state bonds to the amount of $4,000,000 were delivered to the companies in exchange for $3,000,000 of the companies' bonds and $1,000,000 of the bonds of the Florida Central Railroad Company, and were in whole or part disposed of.

But little material has been found for constructing the history of the state debt of Florida since the civil war. According to the report of the comptroller, submitted to the legislature in January, 1874, the bonded debt of the state was then as follows:

Debt and interest, to be exchanged for the bonds of 1873	$490,937 75
Bonds of 1871	350,000 00
Bonds of 1873 sold and delivered	265,000 00
Bonds of 1873 sold, but not delivered, and held to obtain funds to pay for twenty-one hypothecated bonds of 1868	15,000 00
Bonds of 1873 exchanged for eighteen bonds of 1868, with accumulated interest	20,000 00
Bonded debt due school fund	190,752 63
Bonded debt due seminary fund	71,292 45
	1,402,982 83
Deduct amount of bonds in sinking fund for payment of bonds of 1871	8,700 00
	1,394,282 83
Add interest due January 1, 1874, to school and seminary funds	9,960 01
Add interest due January 1, 1874, upon the bonds of 1871	29,575 00
Add interest due January 1, 1874, upon the bonds of 1873	12,660 00
Total bonded debt and interest due thereon to January 1, 1874	1,446,477 84
Less money in treasury applicable to payment of interest of 1871 and 1873 bonds	16,254 36
Total bonded debt and interest, less cash in treasury applicable in payment of interest	1,430,223 48

In this statement are not included the bonds, amounting to $4,000,000, issued to the Jacksonville, Pensacola, and Mobile Railroad Company, which, by a recent decision of the supreme court of Florida, have been decided illegal and void.

The bonded and floating debt of Florida, January 1, 1880, was $1,371,803 55, viz:

BONDED DEBT.

Seven per cent. bonds of 1871	$350,000 00
Six per cent. bonds of 1873	925,000 00
Eight per cent. convention bonds of 1868	1,500 00
Seven per cent. bonds of 1857	4,000 00
Total	1,280,500 00

FLOATING DEBT.

Comptroller's warrants and juror and witness certificates outstanding January 1, 1880	$86,823 55
Interest on bonded debt	4,480 00
Total	91,303 55

SINKING FUND.

Bonds of 1871	$50,100 00
Bonds of 1873	100,000 00
Total	150,100 00

The bonded indebtedness of Florida is held as follows:

Sinking fund	$150,100 00
State school fund	246,900 00
State seminary fund	85,000 00
Agricultural College fund	121,600 00
Private parties	676,900 00
Total	1,280,500 00

ALABAMA.

The territory of Mississippi was divided by act of Congress March 1, 1817, and on the 3d of March following the territory of Alabama was created. On March 2, 1819, Congress passed an act enabling the people of the territory to form a state government, and, in pursuance of that authority, a constitution was framed and adopted by a convention which met at Huntsville, Alabama, on July 5, 1819, and completed its labors on August 2, 1819.

The constitution thus adopted provided that one state bank might be established, with such number of branches as the legislature might deem proper, provided two-thirds of the members consented thereto, and not more than one branch bank should be established at the same session of the legislature. These banks were to be established subject to the following rules:

1. At least two-fifths of the capital stock should be reserved for the state.
2. A proportion of power in the direction of the bank should be likewise reserved, equal at least to the state's proportion of stock.
3. The state and the individual stockholders should be liable, respectively, for the debts of the bank, in proportion to the stock held.
4. That there should be reciprocal remedy for collecting debts for and against the bank.
5. That no bank should commence operations until half of the capital stock subscribed for be actually paid in gold or silver, which amount should in no case be less than $100,000.

Remedies were also provided in case of suspension of payment by the bank or branches.

Several banks had been chartered under the territorial government of Mississippi and Alabama as follows: at Huntsville, in 1816; at St. Stephens, in 1818; and at Mobile in 1819.

The constitution provided that these several banks might be created branches of the State Bank.

The State Bank was authorized to be established on December 21, 1820, and to be located at Cahawba, which became the seat of government in that year, with a capital stock of $2,000,000, divided into 20,000 shares of $100 each, one-half of which was reserved to the state, the remainder to be subscribed throughout the state. The act also reserved the right to the state to purchase all the remaining stock, at the market rate, after the lapse of ten years. It was provided that there should be thirteen directors, six of whom, together with the president, were to be elected by the general assembly.

On June 18, 1821, an amendment was passed authorizing the several incorporated banks to become branches of the State Bank. At about this time there was a great deal of financial distress, owing to the fact that the public lands had been sold at extravagant prices at the sales at St. Stephens and Huntsville, in 1818 and 1819. Prices ranged as high as $60 and $70 per acre for unimproved lands, most of which was sold for one-fourth cash, and the remainder in three annual installments. About $12,000,000 were due from these purchasers to the United States, which could not be paid. The legislature memorialized Congress, and that body granted relief by enacting that the purchaser might relinquish any portion of the land, and that the amount paid should be applied to the extinguishment of the debt on the unrelinquished portion. Temporary loans were made by the state from time to time from the several banks other than the State Bank above-mentioned, which, though authorized, had not been established. On December 20, 1823, another act was passed to establish the Bank of the State of Alabama, "for the benefit of the state," and the faith and credit of the state were pledged for its support, and to supply any deficiency in the funds specifically pledged. The capital stock of the bank was to consist in part of the moneys received from the sale or rent of land granted to the state by the United States for educational purposes, not to exceed $100,000, and for any money thus invested state stock or certificates, bearing 6 per cent. interest, payable semi-annually, were to be issued to the trustees of the University of Alabama, the interest to be forever applied to the use of the seminary.

The capital stock of the bank was to consist, also, of the 3 per cent. fund granted by Congress out of the net proceeds of lands sold in Alabama after September 1, 1819; of the proceeds of lands donated for a seat of government; of escheats in the state; and of all other public funds.

The governor and five commissioners were authorized to issue state stock to the amount of $100,000, to be redeemed after a term of years not exceeding 10, or, at the pleasure of the state, bearing 6 per cent. interest, payable semi-annually, the proceeds of the stock to constitute part of the capital stock of the bank. The bonds were issued, redeemable in 10 years. The bank was removed to Tuscaloosa in 1826. By an act passed January 13, 1827, the trustees of the state university were directed and required to invest the money belonging to the seminary fund then in the treasury in state stock in the same manner as "heretofore"—the money to be used as part of the capital stock of the bank. By an act of January 12, 1828, the further issue of $100,000 state stock was authorized, to be redeemable in 20 years, and to bear 6 per cent. interest, payable semi-annually. The construction of a new state-house was begun in 1827, and that of a canal in 1830, the funds necessary to be used therefor to be supplied from the proceeds of canal lands granted by Congress. Stock to the amount of $300,000, bearing 5 per cent. interest and to mature in 20 years, was authorized by an act passed January 21, 1832.

On the 16th day of November an act was passed establishing a branch of the State Bank in the Tennessee valley, and the governor and commissioners were authorized to issue state stock in the sum of $1,000,000, to mature in 30 years and to bear 5 per cent. interest, payable semi-annually. A similar branch was established at Mobile on the 4th of December following, and similar stock to the amount of $2,000,000 was authorized to be issued, the proceeds to constitute its capital stock.

On the 12th day of the same month the capital stock of the branch bank at Montgomery was authorized to be increased, and the issue of $500,000 in state stocks was authorized, upon the same terms as those issued for the aid of the Mobile and Tennessee valley branch. At this time the construction of railroads began, and this, together with the other public improvements, produced prosperity for the time being.

The stock authorized to be issued by the act of 1823 was redeemed in 1834 by the State Bank, out of its capital stock, by direction of the legislature.*

An act passed January 10, 1835, authorized the issue of $1,000,000 state stock, the proceeds of one-half of which was to constitute the capital stock of a branch bank to be established at Huntsville, and the other half for the purpose of increasing the capital stock of the branch at Decatur; it was to be redeemable in not less than 30 years, and to bear 5 per cent. interest, payable semi-annually.

On the same day another act was passed authorizing the subscription, by the governor, to the capital stock of the Bank of Mobile, in the sum of $740,000, for which state stock was issued, bearing 5 per cent. interest and maturing on January 4, 1859, in the sum of $600,000.†

The capital stock of the parent bank was increased $400,000; that of the branch at Huntsville, $500,000; that of Montgomery, $500,000; and that of Mobile, $1,000,000, by an act passed January 9, 1836. For these several sums state stocks, maturing in 30 years and bearing 5 per cent. interest (payable semi-annually), were issued. Direct taxation was abolished (except on a few articles and on certain occupations) by an act passed on the same day, and $100,000 of the earnings of the State Bank and its branches was appropriated to defray the expenses of government annually, to be paid by the respective banks in proportion to their capital.

Bank issues being thus plenty, times were necessarily "flush". Credit was easily obtained, and large investments continued to be made until the financial convulsion of 1837, when business became stagnant. Confidence in bank issues was almost entirely destroyed; a "run" was made on the banks, and in May of that year all of them suspended specie payment, and the people were greatly distressed in consequence.

An extra session of the legislature was called, and several acts were passed to afford relief. The surplus revenue fund received from the United States was deposited in the State Bank and its branches; the suspension of specie payments was legalized; the bills were made receivable for dues to the state; and purchasers of the public lands were granted an extension of time. Persons indebted to the State Bank or its branches were also granted extensions, the deferred payments to be made in three annual installments, with 8 per cent. interest. Other measures of relief were adopted, among which was an act authorizing the issue of $5,000,000 in bonds, to bear 6 per cent. interest, redeemable at the pleasure of the state at any time after two, four, and six years, in equal proportions. These bonds were to be deposited as follows: $1,000,000 each in the State Bank at Tuscaloosa, and in the branches at Huntsville, Decatur, Mobile, and Montgomery. The act required the sale of the bonds at not less than par for specie, or funds equal to specie, and that the money should be loaned at 7 per cent. interest.

The suspension of specie payments by the Bank of Mobile and by the Planters and Merchants' Bank of Mobile was also legalized, and all the banks were required to procure specie before January 1, 1839, equal to one-eighth of the amount of their capital stock, and deposit the same in their respective vaults, to be increased so as to have one-fifth on January 1, 1840, and one-fourth on January 1, 1841, and from time to time to keep such amounts on hand as nearly as possible.

At the regular session in December, 1837, the branch at Mobile was authorized to increase its circulation for the purpose of aiding cotton shippers, the increase to be withdrawn in August following. Sterling bonds to the amount of $2,500,000 were authorized to be issued by an act approved December 23, 1837. The bonds were to mature in 20 years, and bear 5 per cent. interest, payable semi-annually, and the proceeds in gold and silver were to be placed in the State Bank and branches in the following proportions: $500,000 in the parent bank, and a like sum in each of the branches at Mobile, Montgomery, Decatur, and Huntsville. The revenue fund was increased $40,000, to be paid by the banks in like proportion as the sum theretofore appropriated, by an act passed on the same day, and the banks were also required to pay the interest on the state debt. A number of railroad companies were incorporated, and work begun in 1838 and 1839. The act abolishing taxes remained in force until February 13, 1842, when an act was passed to provide state revenue. In the same year the branches of the State Bank at Mobile, Montgomery, Huntsville, and Decatur were placed in liquidation, which measure was supplemented in the following year by making a similar disposition of the parent bank. For 20 years the state had thus furnished the capital for her citizens, yet the measure met with little dissent. The state was liable for the redemption of the bills. Many losses had occurred, and the state was on the verge of financial ruin, and repudiation was favored by a considerable minority. The charter of the Planters and Merchants' Bank of Mobile was declared forfeited by an act of the assembly approved February 13, 1843, and that institution was also placed in liquidation. The interest on the state

*Acts 1833-'34, page 40. † See acts 1836, p. 23.

debt was promptly met, though with difficulty; taxation was increased, and the funds of the bank were used for the purpose. A portion of the debt, amounting to $1,013,000, was refunded under the provisions of an act passed December 26, 1843. The next permanent loan was made under an act approved January 16, 1850, which authorized the issue of bonds to extend those issued in 1843 and maturing in June, 1850. The new bonds were to mature in April and June, 1870, and bear 6 per cent. interest. Under this authority bonds to the amount of $700,000 were issued.

By an act passed February 9, 1852, an issue of bonds to extend those maturing in that year was authorized, the new bonds to mature in 20 years, and under this authority $190,000 were issued. From this time no debt was made, except that incurred during the civil war. As this does not now constitute a valid liability of the state, details are omitted.

The debt of the state before the war was $3,445,000, and by the state convention held in September, 1865, this was declared the only valid debt. Of this amount $2,109,000 was payable in New York, and $1,336,000 in London.

No interest was paid on the debt payable in New York during the war, the last redemption of coupons having been made in November, 1861; the London interest was paid regularly up to January, 1865. A proposition was made by the creditors in London, in 1865, to take bonds for the unpaid interest; the state authorities made a similar proposition to the New York creditors, and it was cheerfully accepted. The unpaid interest on the London bonds up to January 1, 1867, amounted to $160,740, and the unpaid interest on the New York bonds to November, 1866, was $527,250.

By an act passed December 15, 1865, the governor was authorized to issue bonds in the sum of $1,500,000, to mature in 20 years, to bear 8 per cent. per annum for such as may be dollar bonds and 6 per cent. for such as may be sterling bonds, for the purpose of meeting appropriations made and to be made by the general assembly.

On January 18, 1866, an act was passed authorizing the issue of bonds in lieu of those which matured in 1863 and 1865, to mature May 1, 1883. On February 23 of the same year the governor was authorized to issue and sell bonds in the sum of $500,000, the proceeds to be used for the relief and aid of indigent and needy people; they were to bear 6 per cent. interest, payable semi-annually, and to be redeemable at the pleasure of the state; but the governor was unable to dispose of them, and in consequence the state was unable to extend all the needed relief, and the suffering was great. The general government, however, furnished 3,789,788 rations during the eleven months ending September 1, 1866.

By an act passed February 6, 1869, bonds were authorized to be issued and substituted for those which became due in London in July, 1866; they bear 5 per cent. interest, payable semi-annually, and mature in 1886. Provision was also made for the payment of interest on the public debt. A temporary loan to the amount of $500,000 was authorized to be made by an act passed August 11, 1868. On the next day the governor was authorized to issue bonds to that amount and sell or hypothecate them. On February 19, 1867, an act was passed granting aid to all railroad companies which should thereafter construct and finish 20 miles of road, by indorsing the bonds of the company in the sum of $12,000 per mile for each section of 20 miles until the whole road was completed, the length of the road, however, to be not less than 30 miles. This act was amended on August 7, 1868, to the effect that, after the first 20 miles were completed, the indorsement should be at the rate of $12,000 per mile, and at a like rate for each 5 miles subsequently finished. On September 22, 1868, the amount was increased to $16,000 per mile.

By an act passed February 11, 1870, the governor was directed to issue to the Alabama and Chattanooga Railroad Company state bonds to the amount of $2,000,000, to bear 8 per cent. interest and payable in not less than 15 nor more than 30 years, in exchange for the first mortgage bonds of the company, to be properly secured upon the company's property.

The following shows the debt of Alabama in November, 1866, as appears from the governor's message at that date:*

Original bonded debt partly extended	$3,445,000 00
Amount of funded interest on the 5 and 6 per cent. bonds	687,990 00
Eight per cent. bonds sold for supplies and transportation	48,500 00
Eight per cent. bonds advanced to insane hospital	5,000 00
Total bonded debt	4,186,490 00
Amount of loan due Winslow, Lanier & Co., including interest and commission	363,572 22
Total	4,550,062 22

The revenues at this time were insufficient to pay the expenses of the state government, but the laws were so amended that it was believed the amount needed could be supplied. The expectation was not realized, however, the expenses for the year ending September 30, 1869, being $1,032,404 42, while the receipts were only $686,451 02, and it was again necessary to resort to a loan.

The bonded indebtedness on November 16, 1869, was $5,270,400, and the annual interest was $307,354.

* Senate Journal, 1866–'67, p. 10.

The amount of bonds indorsed by the state in aid of railroads under the act of February 19, 1867, and September 22, 1868, up to November 15, 1869, was as follows:

Alabama and Chattanooga railroad	$1,800,000
Montgomery and Eufaula railroad	480,000
Selma, Marion, and Memphis railroad	320,000
Total	2,600,000

The governor, in his message to the legislature in 1869, strongly recommended the repeal of the law authorizing such indorsement, and an act was passed limiting the right. These several statements of the debt are taken from the governor's messages; there seems to be quite a discrepancy, however, between the governor's figures and those furnished by the auditor. On November 21, 1871, the former stated the debt to be $5,442,300, while the latter stated it to be $8,761,917 37. The discrepancy arises from the fact that the auditor included the proceeds of the university land, which by the terms of the grant made by the general government were to constitute the permanent school fund, while the governor claimed that that fund constituted no part of the public debt, and that the state was only liable for the interest, inasmuch as by the terms of the grant the interest only was appropriated for educational purposes and the fund itself could not be paid to the beneficiary.

From the auditor's report, dated September 30, 1871, it appears that the contingent liability of the state, upon bonds indorsed for railroad companies, was $13,120,000, and that state bonds had been issued for railroad purposes aggregating $2,300,000, making a total of $15,420,000. This amount was increased during the next two years, and on September 30, 1873, the total amount indorsed was $19,006,000, of which, however, $3,632,000 had been taken up by the railroad company for which they were indorsed.

From the auditor's report of the same date it appears that—

The total bonded debt was	$6,543,800 00
Educational fund indebtedness	2,802,697 59
Outstanding state certificates	258,650 00
Outstanding auditor's warrants	353,688 48
Aggregate direct indebtedness	9,958,836 07

Loans were made from time to time for the purpose of extending maturing bonds. There was no obstacle to prevent the extension, inasmuch as the right to do so was reserved to the state by the terms of nearly all the bonds theretofore issued.

An act entitled "An act to maintain the credit of Alabama" was passed December 21, 1872.* The preamble to this act declares that "the vast natural wealth of Alabama puts beyond doubt the ability of the state to satisfy every outstanding liability contracted by the state", and that it was "the unalterable purpose of the state to satisfy every such liability at the earliest practicable period". The act authorized the governor to issue and dispose of bonds of the state for an aggregate sum not exceeding $2,000,000, to mature not more than 20 years from date, with interest not exceeding 8 per cent. per annum, payable semi-annually, and out of the proceeds to satisfy every liability of the state which had then matured, or would mature thereafter.

On the 25th day of February, 1873, another act was passed bearing a similar title. It authorized the issue of $1,500,000 of bonds bearing 8 per cent. interest, payable semi-annually, the principal to be paid in not less than 20 nor more than 30 years from date. The proceeds of these bonds were to be applied to the liquidation of the state's indebtedness. The act further provided that no bonds should be thereafter issued other than those thereby authorized, and those yet unsold of the issue authorized by the act of December 25, 1871, unless ordered by subsequent legislation. The indorsement by the state of the bonds of the railroad companies having gradually increased to the large sum above stated, the people became alarmed, and measures were taken to check this growing evil.

On the 21st of April, 1873, an act was approved providing for the substitution of state bonds to the amount of $4,000 per mile, instead of the state's indorsement of $16,000 per mile under the act of 1870. These bonds were to bear interest at the rate of 7 per cent. per annum, in gold coin, payable semi-annually, and to mature in 30 years. The act provided for the exchange of these bonds upon the surrender of the indorsed bonds and the issue to railroad companies for roads thereafter constructed. For the purpose of securing the state it was provided that for the first 5 years after the issue of such bonds the company to whom the same were issued should pay into the state treasury three-fourths of 1 per cent. of the gross receipts of the road, and that thereafter they should pay annually 5 per cent. of the gross earnings until the bonds issued under the act should be extinguished by such payments; the bonds were not to be sold at less than 90 cents of their par value. The companies had acquired vested rights under the act of 1870, and it was of course optional with them to accept or reject the proposition, but many availed themselves of it. During that year the state settled with many of the railroad companies who had become delinquent. The

*Acts 1872–'73, p. 43.

state credit suffered severely by reason of the non-payment, at maturity, of the interest on these indorsed bonds. Governor Lewis, in his message to the legislature of 1873-'74, says:

The embarrassment surrounding our pecuniary engagements, and the means of complying with them, though serious before, are of course enhanced by the crisis in money circles. We are still suffering the crisis, commencing over two years since, in our experiment of constructing important lines of railroads, mainly by state credit. The theory that a railroad, while in progress of construction, could pay the interest on the bonds issued to build it, has been shown to be false; and this failure of the railroads to pay interest on the bonds, indorsed by the state, devolves on the state a debt the means for paying which have not been provided for in her assessment of taxes. The state has been in default in the payment of interest on some of these indorsed bonds since January, 1870. The immediate effect, to the injury of the state, of this failure to pay the interest on these indorsed bonds was to impair the market value of all her securities, to render loans impracticable except at great sacrifice, and eventually to render her bonds unsalable at rates that could be entertained. It was hoped by this department that the prompt payment of the interest on the bonds of the state, negotiated for its own loans, would keep that line of securities on a footing of recognized value, and afford the means of paying the past-due coupons on the indorsed bonds until a better day would dawn on the railroads themselves, and thus tide over our difficulties. But Wall street refused to recognize a compliance by the state with her financial obligations as long as any coupon of an indorsed bond of the state was not provided for on maturity. The whole of the last issue of state bonds could have been sold for eighty-five cents on the dollar to parties interested in the indorsed bonds of the railroads, provided all past-due coupons were paid. But the state did not have a sufficiency of funds to discharge all these coupons and pay the interest on the direct bonds of the state. If the act of the legislature entitled "An act to maintain the credit of Alabama", approved February 25, 1873, had authorized the issue of two millions of bonds, there would have been a sufficiency of funds at the command of this department to have paid off all the interest past due and accruing on both the direct and indorsed bonds of the state during the financial year just closed. But the legislature having authorized the issue of an amount inadequate to meet all the interest debt of the state, no sale could be made of the bonds authorized to be issued. This department has been unable to sell for money any of the state bonds during the present administration, being forced to follow in the footsteps of its predecessor in raising money by the hypothecation of the securities of the state as it best could.

On December 19, 1873, an act was passed authorizing the issue of "obligations" of the state to the amount of $1,000,000 in denominations of $10, $20, $50, and $100, for the purpose of funding the domestic or floating debt, to bear 8 per cent. interest, payable semi-annually, redeemable in 10 years, and to be exempt from taxation.

An act approved December 17, 1874, provided for the appointment of commissioners to liquidate and adjust all claims against the state arising from bonds issued or indorsed in the name of the state. The commissioners were appointed, and they made an elaborate report to the governor, who communicated the same to the legislature on January 24, 1876. In the meanwhile a constitutional convention was held, and a new constitution was adopted and ratified (in 1875), which, among other provisions, declared that the state should not engage in works of internal improvement nor lend money or its credit in aid of them, nor be interested in any private or corporate enterprise, or lend money or credit to any individual, association, or corporation; it further provided that the legislature should have no power to authorize any county, city, or town, or any other subdivision of the state, to loan its credit or grant public money to any individual, association, or corporation, or to become a stockholder in any corporation, association, or company. The report of the commissioners above-mentioned contained a scheme or plan of settlement of the state debt; it was approved by the legislature, which, on February 23, 1876, passed the "funding act". The governor was authorized to issue bonds, to be designated as "Class A", not exceeding, in the aggregate, $7,000,000, to be dated July 1, 1876, to be payable 30 years after date in the city of New York, and to bear interest as follows: 2 per cent. per annum for the first 5 years; 3 per cent. per annum for the second 5 years; 4 per cent. per annum for the next succeeding 10 years, and thereafter 5 per cent. per annum until their maturity, all payable semi-annually. The bonds were to be renewable at the pleasure of the state, with interest at the rate of 5 per cent. per annum. Bonds of this class were to be issued in exchange for the bonds issued under the following acts: February 9, 1852; December 15, 1865; January 18, 1866; February 13, 1866; February 6, 1867; August 12, 1868; February 17, 1870; December 15, 1871; February 19, 1872, and February 25, 1873; but the exchange and substitution was to be made in such manner that the new bonds should be given only for the principal of the bonds issued under the several acts mentioned, without allowing any interest. By a subsequent act (February 7, 1877) the exchange of $11,000 in bonds issued in May, 1833, was authorized upon the same terms.

The bonds were to be used further in exchange for one hundred and thirty bonds of $1,000 each, issued under the act of March 8, 1871; for twenty-eight bonds of $1,000 each of the issue 1873; for one hundred and forty-three bonds of like denomination, used in payment for the Alabama and Chattanooga railroad, under a decree of court; for a balance due the New York Guarantee and Indemnity Company (about $67,000); Duncan, Sherman & Co. (about $33,000), and the balance due the assignee in bankruptcy of the Alabama and Chattanooga Railroad Company; to Henry Clews & Co., not to exceed $310,000, upon the surrender of hypothecated bonds to the amount $650,000.

The second class of bonds, designated as "Class B", amounting in the aggregate to $596,000, bear 5 per cent. interest, but in all other respects are like "Class A"; they were to be used in substitution of and exchange for the bonds issued under the act of April 21, 1873, which authorized the issue of bonds in the sum of $4,000 per mile in lieu of the $16,000 per mile theretofore authorized to be indorsed for railroad companies, at the rate of 50 cents on the dollar upon the principal of such bonds, and no allowance to be made for interest, but as a set-off to such interest unpaid taxes due by railroad companies prior to October 1, 1875, were to be discharged and satisfied.

One thousand bonds of $1,000 each, to be dated January 1, 1876, were also authorized to be issued and designated as "Class C", and bear interest for the first 5 years at the rate of 2 per cent. per annum, and thereafter 4 per cent. per annum, payable semi-annually, to be payable in 30 years, and, at the pleasure of the state, to be extended 30 years at 5 per cent. interest per annum, to be used only in retirement and exchange of the first-mortgage indorsed bonds of the Alabama and Chattanooga Railroad Company, dated 1869, and to be in full discharge of such bonds.

As a full discharge of the state's liability on account of the $2,000,000 in bonds issued under the act of February 11, 1870, in aid of the Alabama and Chattanooga Railroad Company, and of all interest due thereon, the state released to the bondholders all the lien and right of the state upon all the property of that company, the release to take effect and become operative only upon return of bonds and coupons, but the liability of the state by virtue of the bonds to cease upon the execution of the deed of conveyance for the property mentioned and certain other property mentioned in the act.

This funding scheme went into effect, and the compromise offered was accepted by nearly all the holders of the bonds during that and the subsequent year. In his report to the governor for the fiscal year ending September 30, 1877, the auditor estimated that when the entire debt was funded it would not exceed $9,668,423, and that debt could never be augmented beyond the sum of $100,000 (that being the limit fixed by the constitution of 1875) so long as the then existing organic and statutory laws remained in force, because the act of February 23, 1876, does not provide for the recognition of any other claims against the state. From the same document it appears that under the adjustment above-mentioned the state lost the sum of $1,542,500 by aiding the railroads. The annual interest on the state debt was about $265,000.

A further issue of bonds, to the amount of $1,000,000, was authorized by an act passed February 13, 1879, the proceeds to be applied to the redemption of the "obligations" of the state issued under the act of December 19, 1873,* to be payable in 20 years, or, at the pleasure of the state, after 10 years, with 6 per cent. interest, payable semi-annually, the coupons being receivable for taxes. Another act was passed on the same day authorizing the issue of "registered" bonds in exchange for the "coupon" bonds issued under the funding act of 1876.† The holders of the "obligations" above-mentioned did not hasten to surrender them, as they were considered a good investment, and during the years 1878 and 1879 but few were in circulation for that reason.

From the auditor's report for the fiscal year ending September 30, 1879, it appears that the adjusted and funded debt at that date was as follows:

Two per cent. bonds, "Class A" and "Class C"	$7,265,000
Five per cent. bonds, "Class B"	538,000
Eight per cent. "obligations"	1,000,000
Certificates not bearing interest	24,690
Total	8,827,690

This does not include the educational-fund indebtedness, which was assumed by the state and constitutes a part of the public debt, and which at that date amounted to $2,517,555 72, bearing an annual interest of $137,671 90. The total public debt, therefore, at that date was $11,345,245 72. The interest paid on the funded debt during the year 1878-'79 was $255,019.

From Governor Cobb's message to the legislature in November, 1880, it appears that the adjustment of the state debt under the act of February 23, 1876, was at that time progressing satisfactorily; that the entire interest-bearing bonded debt of the state at that time was $9,008,000,‡ with interest for the year 1880-'81 of $244,040, and for 1881-'82 of $319,130, owing to the increased rate on the bonds of classes "A" and "C." The governor also reported the sale of $960,000 in 6 per cent. bonds issued under the act of February 13, 1879, at a net premium of 1½ per cent., and the redemption with the proceeds of $960,000 of the 8 per cent. obligations.

MISSISSIPPI.

The ninth section of the seventh article of the original constitution of Mississippi provides that—

No laws shall ever be passed to raise a state loan for the payment of any debt unless agreed to by a majority of the members of each house and published three months previous to the next regular election in three newspapers of the state, and unless a majority of each branch of the legislature so elected, after such publication, shall agree to pass such law.

On the 5th of February, 1838, the legislature passed an act, passed by a former legislature and duly published, to incorporate the subscribers to the Mississippi Union Bank. To furnish funds for the bank so incorporated the act

* These were the $10, $20, $50, and $100 8 per cent. non-taxable obligations.

† Act February 23, 1876.

‡ Evidently exclusive of the educational-fund debt.

provided for a loan of $15,500,000, indorsed by the state. The governor was required to issue 7,500 bonds upon the following conditions:

1. Books of subscription for the sum of $15,500,000 were to be opened.
2. The owners of real estate situated in the state of Mississippi should be the only persons entitled to subscribe.
3. Subscribers to give due mortgage security.
4. Stockholders to pay, in cash, the sum of $10 at call each.
5. When 5,000 shares should be subscribed, the governor to appoint provisionally thirteen directors.
6. When $500,000 had been subscribed, said bank to go into operation.
7. The governor of the state, on organization, to execute to the said bank, from time to time, bonds in amount proportionate to the amount subscribed.

The foregoing, with their minor details, were conditions-precedent to the issuance of any state bonds as provided. The same legislature passed a supplementary act, the first section of which provides:

On opening of the books for stock in the Mississippi Union Bank the governor shall subscribe in behalf of the state for fifty thousand shares of the stock, the same to be paid for out of the state bonds to be executed to the said bank, the profits to be for the benefit of internal improvement and the promotion of education.

Regarding the transactions based on these laws, the select committee of 1842, in their report, declare that the passage of the supplementary act invalidated the original act.

The original act authorizing a loan for the benefit of the Mississippi Union Bank, as has been shown, required a number of precedent conditions to be complied with before the governor was allowed to issue a single bond. The main question to be decided, and which at the time occasioned great discussion and engendered not a little bitter feeling, was: Were these conditions complied with? The committee appointed to investigate the matter declared that not one was complied with, except the opening of the books and the election of the managers. And they furthermore said that not a dollar had been obtained by virtue of the law to which the people assented except in direct violation of that law; that the five-million loan was not obtained by the original charter, but "pursuant to the provisions of the supplemental charter", and as that, to all intents and purposes, was a distinct form of law from the original act of incorporation, obtaining a loan upon the credit of the state upon different principles and involving a different liability of the people, and without their consent or the action of a second legislature, as required by the constitution, those provisions of the supplemental act were palpably unconstitutional, and therefore null and void.

If [the committee said] in this conclusion we are correct, then all the acts carrying those unconstitutional provisions into effect are equally unconstitutional and without authority, from which the conclusion is irresistible that the state was not bound to pay the bonds sold to Mr. Nicholas Biddle.

The committee further observed that the supplemental act was passed in direct violation of a rule of parliamentary law, the obligations of which were imperative, that a law passed at any session of the legislature shall not be repealed at the same session; and yet, in the face of that rule, by the passage of the supplement, they repealed important detailed provisions.

In a letter to Messrs. Hope & Co., of Amsterdam, Holland, dated July 4, 1842, Governor A. G. McNutt claims that $1,084,781 30 was lost on the sale of these bonds by selling them on a credit and changing them from dollars, the currency of the United States, to pounds sterling of Great Britain; and he further claimed that they were to be sold at their par value.

The following resolution exhibits the conclusion at which the committee arrived:

Resolved, therefore, by the legislature of the state of Mississippi, That for the reasons set forth in the foregoing report this legislature denies that the state of Mississippi is under any legal or moral obligation to redeem the five millions of bonds sold by the commissioners of the Mississippi Union Bank to Nicholas Biddle on the 18th day of August, 1838.

The legislature invited the holders of these bonds to pursue the remedy afforded by the laws against the Mississippi Union Bank, and against all persons who, by connection with said institution, had rendered themselves liable for the debts of said bank.

In commenting on the position taken by the state of Mississippi in regard to the Union Bank bonds in 1844 Judge Curtis thinks that the strongest position in favor of the state was the selling of the bonds below par, when the act authorizing their issuance plainly stated that this could not be done. On the 18th of August, 1838, the commissioners sold all the bonds to Mr. Biddle for the sum of $5,000,000. The money was punctually paid to the bank, which went into operation, and before January, 1841, lost all its capital. If this matter had rested here, the state of Mississippi would not be legally bound to pay this debt. The commissioners certainly did not conform to their authority in making the sale. They were, in terms, prohibited from selling the bonds under their par value. The par value of a bond is the amount due upon it, and this includes interest as well as principal. They made such a sale as not to receive in cash an amount equal to the liability of the state on the bonds, and therefore they exceeded their authority. At that time the state had the legal right to insist on this want of authority, even against the subsequent purchasers of these bonds, because any one who takes a title through an agent is bound by law to look