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SUPREME COURT OF PENNSYLVANIA.

Sundry and Erie R. R. Company vs. Cooper.

ARGUMENT OF J. S. BLACK FOR DEFENDANT.

My friends your Honors:

I am of course with the defendant in this case. It would, however, be improper to conceal from the court that I appear mainly in the hope of saving the rights of the State, for which purpose my colleague and myself have been retained by the canal commissioners. But the interests of Mr. Cooper seem to be identical with those of the Commonwealth. The disadvantages we labor under of having such a question determined in a collateral proceeding before we are fully ready to present the whole case on the part of the State, must be very obnoxious to the court.

I came into view as much as this has been held before a judicial tribunal, and it was not often that a Roman Senate decided one of equal magnitude. Assuming that we are brought in the view which we and our clients including the mass of the people take of the subject-matter, it is a stupendous charge, an attempt by foul means to take from the Commonwealth more or ten millions of her property for her use, one-third of its value. Neither can it be denied that the character—the life—the life of the State is deeply involved. If it shall be found that there is no power in the State-legislative, executive, or judicial, which can or will save the public property from plunder, we must expect to hear the name of Pennsylvania coupled heretofore with nothing except infamy. It is enough to tinge the blushes, and almost to tinge the face of those engaged in this case should be addressed and unpardonable. But that it is not all the future prosperity of our State depends on it. The act for the sale of the canals will form such an era in the history of Pennsylvania as the Yazoo fraud was in that of Georgia; and if we are to be well governed hereafter, we must treat it in the same way. That contract was indignantly repudiated in the presence of the people, and its authors, siders and abettors driven out into uttermost shame. To this great act of justice Georgia owes it that she is now the most thriving State in the Union. If Pennsylvania will follow that noble example, her fortunes will be worthy of her history. If not, she must look for evil days as well as evil tongues, "with darkness and with dangers compassed round." Let this thing be successful, and who will predict that some private corporation will not get the income from the tonnage tax? What confidence can we feel that the bonds of this plant will not be handed over as a gracious gift to the obligees?

I say this merely to show the nature of the case as we allege it to be. I assume that we are right, because we believe so in good faith and sincerity. But our convictions, though much to us, are nothing to you as an element in the formation of your judgment. We must prove what we allege, by such facts and reasons as will leave no serious doubt in the mind of an impartial judge; otherwise the decree must, and we know it will, be against us, and this magnificent speculation at the expense of the State, will be pronounced no sin against public or private morality.

I admit the right of the State to sell her public works just as any other owner may sell his property. But I assert that the transaction between the majority of the General Assembly of the one part, and the Sundry and Erie Railroad Company of the other part, under which the canals were handed over to the party of the second part, is void, unconstitutional, and of none effect, for these reasons:

1. That transaction was not a sale of the property in question, but a gift.
2. Even if it were a sale, the legislature is not the proper department of the government to make it.
3. The transaction is so tainted with in-pure, fraud and corruption, that no man could take title under it, or claim advantage from it, whether at first or second hand, without being charged with notice of it; and a title fraudulently obtained is no title at all.
4. It comes in direct conflict with that provision in the first amendment of the constitution adopted last year, and which devotes the income from the public works, and the proceeds of their sale, to the sinking fund.

5. It is in conflict equally direct, not merely with the words, but with the whole spirit of those other provisions in the same amendment which forbid the Commonwealth to lend her credit to, or become a stockholder or joint owner in, or assume the debt of, any corporation.
6. I have conceded the power of the State to sell the public works, provided it be done by the proper department of the government.—That power is derived from the general principle that all owners may sell. But this general principle limits the power in the hands of an officer or agent to a sale, and does not authorize a gift, either in whole or in part.

The same proposition is sustained by another argument. These canals were solemnly pledged to the holders of the public debt at the time when that debt was created. The State never

did hold them in her own absolute right. The functionaries of the Commonwealth were trustees appointed by the people for the benefit of their creditors. Those functionaries might sell the canals and substitute the price for the property itself; but where did they get the authority to give them away?

But there is another consideration which settles all controversy on this point. The amended constitution provides that the net income of the public works, or the proceeds of their sale, shall be placed in the sinking fund. What does this mean, if it does not express the deliberate resolution of the people that their officers and agents shall execute the trust created when the debt was contracted? It is a solemn command of the fundamental law that the public works shall be kept, and their income sacredly applied to a specified purpose, unless they shall be sold; and when they are sold, the proceeds of their sale shall be applied in the same way. It excludes, and by the clearest implication, forbids every other disposition of them. If they are not sold, they must be kept; and if not kept, they must be sold.

The source, then, from which the officers, agents, or representatives of the State derive their power to dispose of the public works, limits that power to a sale, the honor and faith of the State is pledged to hold them in trust or sell them for the use of her creditors; and the constitution expressly commands that pledge to be redeemed. In the face of all this, who will stand up to assert that any man or body of men acting on behalf of the State can constitutionally transfer the title of these canals to a private corporation by means of any act which is not a sale, in the fair and proper sense of that word? If I am right in believing this to be undeniable, it remains only that I show this act of last April not to be a sale.

What is a sale? It is not the exchange of property for other property—that is barter.—The constitution would be palpably violated if any body representing the State would undertake to exchange her public works for western lands, for bank stock, or for other canals. Nor does the word "sell" signify a gift. The members of the legislature, assuming that they have power to sell, have no more power to give away the State's property than they have power to steal it. Indeed, the constitutional authority to divide it among their friends must rest upon the same basis with the right of appointment of commissioners as trustees of an agent. To sell is to make a contract for the delivery of a thing in consideration of an equivalent in money paid or to be paid by the purchaser. Of course I do not mean to say that every agreement to sell for less than a full price is void.—Where the seller is acting for himself, and is not imposed on by the purchaser, what the parties think an equivalent is conclusively taken to be so. There is, besides, a derivative use of the word which expresses the transfer of a very valuable thing for a very small consideration. For instance, we say of a public officer that he sells himself if he takes a bribe. Egan sold his birthright for a mess of pottage, and Mark Antony sold the empire of the world for the smiles of a harlot. But it is surely not in this sense that the amended constitution, and the people who voted on it, understood the word sale. They meant a contract for a full price, or a price as near to the value as could be got by a diligent effort in any market which might be accessible. This is the popular signification of the word. It is so used by all writers and speakers. This is defined to be its ordinary sense by lexicographers. This, too, is its legal meaning. No court in the world would hold that a power of attorney to sell and apply the proceeds to the use of the principal or his creditors is executed by a gift. The duty to sell implies universally the duty of seeking a market, notifying purchasers, and getting the full equivalent price, as near as may be.—When property is ordered to be sold, it means that the whole of it shall be converted into money. It is as plain a violation of such an order, and an act of as gross dishonesty to give it away for half price, as it would be to give it for no price at all. Our honorable and learned opponents will not contend that the legislature could bestow the public works on a corporation for a mere nominal consideration, and call it a sale, merely because something, however small, has been received. That being conceded, there is no ground on which they can stand between that and an adequate price, or a price at least deemed adequate by the actors in the business. Where both parties know the price to be inadequate, it is not a sale, but a gift.

The price agreed to be given for these canals was grossly, shockingly inadequate, and all the parties knew it very well. This is incontrovertibly proved by the records of the auditor general's office. Look at them. Look also at the report of the Senate's committee. Both are appended to our answer, and form part of the record before you.

By these records it is proved, as conclusively as any fact can be proved in a court of justice, that the canals in question have yielded during the last ten years an average income, free and clear of all expenses, sufficient to pay the interest on \$7,554,157 20 of her five per cent debt. Add to this the lowest estimate anybody has ever made for increased value of the North Branch recently finished—\$1,500,000—and the aggregate value is \$9,054,157 20. This includes the calamitous year of 1857, when all business was depressed; nor does it make any allowance for future increase of their value. Looking at the past growth of their value, and considering all other circumstances, no man can reasonably doubt that in fourteen years they would be worth to the State at least TWENTY MILLIONS OF DOLLARS. As much of the public debt as their net income would pay the interest upon, so much are they worth to the tax-payers of the State—so much also are they worth to any man who owns them, if he is content with the same rate of interest.

After looking at the value of these works, turn your eyes upon the pretended bargain of last April. "Oh, what a sorry sight is there!" All the prospective value of this great patrimony has been sold—two-thirds of its present value partitioned over to a private corporation to be sure—half a million given to another insolvent railroad, which has already brought ruin on the country it promised to enrich; and of the pitiful balance, the principal must remain from four to twenty years in the hands, and be used for the benefit, of the grantees. And this is called a sale!

Give your attention for another moment to the figures: The net annual income of those canals has been, in round numbers \$150,000 The interest on bonds for three and a half millions is 175,000 Net annual gain to the purchasers 275,000 X 14 In 14 years, amounting to \$3,850,000 They can pocket two hundred and seventy-five thousand dollars per annum. They can let the works be sold when the purchase money becomes due, and retire with nearly four millions of the people's money in their pockets.—Or, they can keep them and pay the annual instalments with the annual income, by adding fifty thousand dollars out of their previous gains. And all this is based upon the average value of the works for the last ten years, without supposing that their income will continue to increase, as it certainly will.

Do not let it be said that this was a mere error.—Such an error could not be sanctioned by any amount of ignorance. But this was not a mistake. It would in such your common sense to tell you that those purchasers did not look carefully into the value of the works they meant to buy. A corporation like this, not worth as many cents as the canals they purchased are worth millions of dollars, would be sure to compare the income and the price together. In good conscience, they could not take them at an undervalue of six millions, because they knew that to be no sale. The legislature knew it also—were bound to know it. The fact stated them in the face. It was on their records, and it was called to their special attention by the appropriate committee. The majority were well informed by their fellow-members, and by the vote of the voice of the people, to give peace.

It will perhaps be answered that the canals have been badly or dishonestly managed, and that is a reason for putting them off at any price. I aver that this is not true in point of fact.—The public works of this State have, as a general rule, been managed with skill and integrity. No corporation ever did or ever will do it as well. Let the records of the State be searched—the history of these improvements be examined—and see if there is any foundation for this wholesale slander. It is not denied that a contractor may sometimes have cheated, or a collector made default. These things are inseparable from every species of financial business. But public opinion holds them to a strict account. The law is severe, and it is sternly administered by the canal commissioners, by the accounting department, and by the courts. At any rate, a few sporadic cases of filching by hundreds would be but a paltry excuse for the large-handed robbery which sweeps away millions at once.

The simple fact of the enormous disparity between the known value of the thing sold and the price to be paid, is sufficient to prove that it was not purchased by the donees, but corruptly taken. If such a disparity existed in the case of a sale made by the agent or trustee of a private party or by a person in debt, you would pronounce it void at once. Surely a trust imposed by the constitution upon a public officer is as sacred as any other. And you have as much power to enforce obedience to the constitution as you have to keep private agents within the limits of their delegated authority. I think you are as clearly bound to declare this not to be a sale, as you would be if the price were fixed at five dollars.

There are several other facts which show this not to be a sale. 1. All competition with the Sundry and Erie Railroad Company was excluded, by declaring that the canals should go to them, and to them only. 2. Even in case of a resale, persons living in a certain locality are given the benefit of it, and all others excluded. 3. There is a provision, that in case of a resale, the surplus over three and a half millions shall be divided between the State and the company. 4. The company is required to pay half a million to another company, which is insolvent, in the shape of a subscription to its worthless stock. It is not possible that either of these features would have been in the act, if the parties had conscientiously believed the price for the canals.

II. The next point is, that the legislature has no constitutional power to make a sale of the public works. I have said that the State, as the proprietor of the works, may sell them. But the authority to make the sale has not been specifically given to any particular branch of the government. It must therefore, be exercised by that branch to which it belongs according to the general distribution of powers. Legislative, executive, and judicial powers are kept by the constitution separate and distinct. It is the law-making power only that is given to the General Assembly. It cannot do an executive act more than it can pronounce a judicial sentence.—This is an elementary principle of constitutional law, and I suppose will not be denied. The only possible difficulty about its application in any case arises from the obscurity of the line which sometimes divides executive from legis-

lative functions. But I think it is so plain here that nobody can miss it. Undoubtedly the General Assembly may express the will of the State that the public works shall be sold, and make all needful rules and regulations concerning the sale; for this is law-making. Perhaps that branch of the government may also designate the executive or ministerial agent by whom its laws upon the subject shall be carried into effect. But it cannot actually make the sale, because that is manifestly and necessarily executive. The act of making a fair, open, and honest sale, is in its nature such that no legislative body can possibly perform it. It is out of the question for competing purchasers to bargain, negotiate, and agree publicly with one hundred and thirty-three men divided into two bodies, and sitting in different chambers. Another mode was adopted in this case; and that was, to hear private proposals clandestinely whispered into the ears of the members by the speculators who met them in the corners, or dogged them on the board walk. But if the character of the State is to be saved from utter ruin, or her property protected from plunder, it must be done by confining the legislature to its appropriate duties. The legislative halls are not auction-rooms, and the members are not elected to chaffer with the keen customers who come to Harrisburg to deal with the State.

The necessity of having such a duty performed by an executive officer is perfectly obvious. It has been the duty of one capable person, he will inform himself on the subject; while in a body of a hundred, seventy-five will be ignorant about it. One person will act with promptness and alacrity; the slow motion of an unwieldy legislature would be fatal to the State's interests. Above all, it concentrates the responsibility, and thus insures fairness in form and substance. No governor, even if he were corrupt, would dare to make such a sale as this. His fears, if not his conscience, would prevent him. When a question arises whether a given function of government is legislative or executive, I know of no better rule to determine it by than the following: If it can be conveniently, justly, and properly, exercised by one and not by the other, then it belongs exclusively to the former. Tried by this test, the act of dealing with purchasers of public property, and getting the best price for it, is executive, and not legislative. Every man's common sense tells him this. Grant any construction of the constitution which actually and conscientiously authorizes this, and the poorest attorney is made to get round it, declaring that it shall be the duty of the governor to sell and deliver, &c., and then goes on with a series of provisions which leaves the executive not a particle of power. The act has more than one of these running little evasions. For instance, it gives the appointment of three engineers to the governor, and provides that one of them shall be the chief engineer of the company. It declares that the entire proceeds of the sale shall go into the sinking fund, although a large portion of the proceeds are distributed to private corporations. I am aware that this is called *ministerial* by the late chief justice of this court in *Mott vs. Penna's R. R. Co.* I think it would be truer to call it executive. But that makes no difference now. It is enough for me that it is not legislative.—The General Assembly can no more exercise the duties of a sheriff than it can exercise those of a judge or governor.

III. The low—the totally inadequate price, which the legislature agreed to stamp for this property, is of itself sufficient to stamp it as fraudulent on its face. Those members of the majority who did not know any better were imposed on, and those who did were—let me speak it plainly—they were dishonest. At all events, the purchaser knew that the Commonwealth was grossly cheated. But even if this were not so, the exclusion of competition—confining the proposal to one company alone—would be sufficient to make the whole transaction detestable. It does not rise to the dignity of a "stern auction." I need not elaborate this because the opinion of the Court in *Mott vs. Penna's Railroad Company* is full to the point, and it establishes the undeniably true doctrine that the same principles which protect other owners in the enjoyment of their property are applied by the constitution to the protection of the State in her proprietary rights. After you have said, as you did in the case cited, that an act of assent authorizing a sale of public property, with or without a fair chance to all bidders is void, there can be little room for controversy here, for this case is infinitely worse than that. That all persons claiming under this act are bound to know its character, is a proposition too plain to be discussed.

IV. This act violates that provision of the constitution which requires the income of the public works, and the proceeds of their sale, to be placed in the sinking fund. The word "income," as used in the constitution, means, of course, the whole income, and the proceeds of a sale means the whole proceeds of a fair sale. This is but an application of the principle upon which it has often been decided, and never denied, that "judicial power" and legislative power, in the constitution, means all powers properly so called.

The terms of this bargain are such, that the Railroad Company may take possession of the canals and keep them, or partition them out to others, and neither that company nor its grantees are bound to pay the State more than \$175,000 per annum. This will leave at least \$300,000 per annum, and, in all human probability, a much larger portion of the income, to enrich private adventurers. For fourteen years this enormous loss to the sinking fund must be made up by the labor of the tax-payers or else the public creditors must suffer to that extent.

2. The *principal* of what is called the purchase money is to be paid by instalments, commencing in 1872. Each instalment is about equal to the present average income—a little less than the average of ten years past, and considerably more than the average of seven years. You can not believe this to be the whole proceeds of a fair sale. The difference is lost to the sinking fund, in direct violation of a constitutional mandate.

3. A part of the proceeds—a portion of the price actually agreed for, amounting to half a million of dollars—is to be given to the Allegheny Valley Railroad Company. If the Supreme Court needs an argument, to convince it that this is unconstitutional, then I suppose our cause is lost. If this half million is to be called no part of the proceeds, merely because the form is resorted to of a subscription to the worthless stock of an insolvent corporation, then our people are leaning on a broken reed when they rely on a written constitution to protect them.

4. The act contemplates a resale by the Sundry and Erie Company to other corporations. The sale is to be made by that company for the joint use of itself and the Commonwealth. This was the ultimate object of the act, and, to all intents and purposes, the real sale. The proceeds of this sale ought to have gone into the sinking fund. The act says, that "the entire proceeds of the sale of said canals shall be placed in the sinking fund," &c. Now these words either include the surplus over three millions and a half, or else they do not. If they do not, the sinking fund has lost the whole of that surplus; if they do, then the act gives to a corporation one-fourth of what is admitted on its face to be proceeds of the sale. It is, of course, impossible for me to say, which horn of this dilemma our opponents will prefer; but if they are not guided by one of them, the constitution must be perjured through and through.

V. There are four things which the State of Pennsylvania cannot do under her present constitution. 1. She cannot assume the debt of any corporation. 2. She cannot lend her credit to any corporation. 3. She cannot become a stockholder in any corporation. 4. She cannot become a joint owner with any corporation. But, by the act under consideration, the State is substantially made to do all these things. The manifest object of the first mentioned prohibition was to prevent the State government from squandering the public money and means on the debt of treacherous and insolvent corporations. The State certainly assumes the debt of corporations—that is, takes upon herself the responsibility of paying it, and that with a strict injunction to assume nobody's debts but mine, he surely disobeys me when he gives my money to John Smith, to be used by him for the payment of his debts. Any construction of the word *assume* which stops short of this will defeat the purpose of the constitution, and expose us to the very evils intended to be checked. Here the State's money goes into the hands of two corporations, with the privilege of using it to pay their debts.

2. It is idle to deny that this is an attempt to loan the State's credit to the Sundry and Erie Company. Let me suppose a case which might occur, though it doubtless never did.

An insolvent corporation, backed by a horde of hungry retainers, comes to the legislature and says: "Our army lacks pay; give us where-with to content them. Open the strong boxes of the State and let us have the money therein deposited, so that we may satisfy our friend, and carry on our operations."

The answer is given: "The State has no money left; visitors like you have been here too often. The strong boxes are empty."

"But," rejoins the corporation, "the State has credits—that is, she has money coming to her and payable in future. Give us the bonds which are the evidence of these credits. We will sell them in the market, and the proceeds thereof we will use for our purposes."

"Nay," answers the legislature, "the State has no such credits as you think; certainly none that we can put our fingers on."

"If she has no credits," replies the corporation, "she has canals, and we can turn them into credit. Let us have the canals, that we may sell them for bonds; we will exchange the bonds for millions of money; and will feed these lean friends of ours until their eyes stand out with fatness."

If the legislature closes in with this last proposal, the material facts (not the words) of the imaginary case will be precisely the same as those of the real case before you. The Sundry and Erie Company took the canals and sold them for bonds, on which it raised money to be used in carrying on its business. The only credit that the company now has is the credit of the State, which has thus been loaned to it in the teeth of the constitutional interdiction. I do not mean to say that no sale of the public works can be made to a corporation on credit. I would apply the principle stated to the case in issue, that the very object of granting the work was, that the grantee and not the Commonwealth might be the seller, and use the bonds of the actual case the seller, and use the bonds of the actual case the seller, and use the bonds of the actual case the seller.

State. But notwithstanding this prohibition, we will see what can be done. We will sell the public works, and we will insert in the contract a stipulation that the purchaser, as part of their price, shall pay you half a million of dollars and take that amount of your stock. This will come to the same thing precisely as if the State herself had subscribed, since it will take half a million out of her pocket and put it into yours. You may tell the judges that we did not subscribe, and perhaps they will forget the principle, that we do ourselves what we get another to do for us, especially when we pay him for doing it. But any quibble, if you can make it serve the turn, will be worth a good half million to you, and work a loss of the same amount to the people. Let the experiment be made.

And it was made. It remains for you to determine whether the constitution shall be vindicated, or whether this paltry evasion shall triumph over it.

4. If any one of these outrages upon the constitution be plainer than another, the plainest of all is perpetrated upon that provision which forbids the State to become a joint owner with (or a joint corporation). If this means anything, it means that the State shall not under any circumstances embark with a corporation in any business, or have any estate or interest in property which is at the same time owned in part by a corporation. But mark what has been done here. A grant is made to the Sundry and Erie Company of all the canals. But they are not sold out and out. The State reserves an interest. She and the Company are partners in the sale which the company is to make on joint account. The reserved interest of the State may be thus shown in figures:

Estimated value of canals	\$9,500,000
Bonds of Sundry & Erie Company	3,500,000
One-quarter of Sundry & Erie Co. for selling	1,500,000
Clear interest of the State	\$1,500,000

The State is joint owner by the terms of the contract to the extent of nearly half the value of the works, if our estimate of the value be right; and a joint owner to some extent, no matter what be the true value. I suppose I need not make an argument to prove that when a person agrees to give his property into the hands of another with power to sell, and a stipulation for dividing the proceeds, the original owner has still an estate in it. I cannot anticipate what answer may be given by this counsel, but I think I know what the court will say.

But, this point is made more would go into partnership with a "corporation" and hence the prohibition. The six millions of surplus which these canals ought to have produced are sunk to half a million by the private and clandestine sale which the company has made. It is very certain that the highest price has not been obtained for them; and the company, in its report to the governor, does not say that it even tried to get their value.

One more suggestion is all that I have time to make. Your minds will probably come to the conclusion that the real actual sale of the canals was not made to the S. & E. Co., but by that company to the several other corporations who now have them. The S. & E. Company was then the mere agent of the Commonwealth in making sale of her property. I must ask your attentive consideration of the question—what right did the legislature to delegate such a power to an irresponsible corporation, and pay such enormous bonds of public money and public credit?

J. S. BLACK.

HIS HOME RECORD.—WESTLEY FROST, the Democratic candidate for Canal Commissioner, received in Brownsville Borough, where he resides, a majority of one hundred and thirty-one votes. Brownsville usually gives a heavy opposition majority, but we believe the majority given in the place to any candidate of any party.—Genius of Liberty.

A good natured friend is often an enemy in disguise.

True worth, like the rose, will blush at its own sweetness.

Remember—Life is short.

as doing.

J. LASHLEY.