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GOVERNOR'S MESSAGE.

To the Honorable the Senators and Members of the House of Representatives of the General Assembly.

GENTLEMEN:—By the suffrages of your fellow citizens, you have been charged with the duty of representing them, and the interests of the Commonwealth, in the legislative branch of the government. The responsibilities you have assumed, and the duties to be performed should ever be regarded as paramount to every selfish or partisan consideration. The prosperity of the State, and the general welfare of the people, should receive your earnest attention, and be the aim and end of your legislative action. To promote these objects, I will cheerfully, in every legal and constitutional manner, during the continuance of my official term, co-operate with you.

The past year, with the exception of recent financial embarrassment, has been one of general prosperity. No foreign wars—no fraternal strife has disturbed the peaceful quiet of our homes. Unwonted health, with its blessings, has been vouchsafed to us. Seed time and harvest have not failed—the earth hath yielded her increase, and richly rewarded the labor of the husbandman. The arts and sciences have been advanced, and the great interests of education, morality and religion liberally encouraged and sustained. Our nation in its unity—our free institutions in their integrity, with our rights and privileges civil and religious, have been preserved. Recognizing in these blessings the goodness of Almighty God, we should render to Him the homage of grateful hearts, and the devotion of our sincere praise; and whilst humbly acknowledging His mercies to us as a people, let us still further express our gratitude to Him, by acts of individual charity and kindness to the poor and helpless in our midst. Sorrow now fills the hearts, and a lethargy darkens the homes of many of our citizens. Our liberality should be generous—our benefactions—unselfish; and thus, while the wants of the poor and suffering are relieved, the generous giver will find a rich reward in the pleasure that results from commended good.

The finances of the Commonwealth are in a very satisfactory condition. During the past year, every demand upon the Treasury has been promptly paid from the revenues derived from the ordinary sources. The operations of this department will be presented to you, in detail, in the report of the State Treasurer.

For the fiscal year ending November 30, 1857, the receipts at the Treasury, including balance in the Treasury on the first day of December, 1856, of \$1,244,735 42, were \$5,255,333 26. The aggregate expenditures for the same period, were \$4,407,276 79. Balance in the Treasury, December 1, 1857, \$528,106 47. Excluding the balance in the Treasury on the first day of December, 1856, the receipts from all sources were \$4,600,587 84. The ordinary expenditures for the same period were \$3,992,470 29, exhibiting an excess of receipts over expenditures of \$608,117 55. This extraordinary payment for the year were \$1,414,906 50, as follows, to wit: To the completion of the Portage railroad, \$49,061 92; to the North Branch extension \$138,798 83; to relay the south track of the Columbia railroad, \$91,405 46; to enlarge the Delaware division, \$46,263 00; for motive power in 1856, \$81,904 24; for repairs in 1855 and 1856; \$49,594 78; for the redemption of loans, \$820,037 03; damages on public works, \$46,552 65; all claims on the main line adjusted under the several acts of Assembly, \$46,548 57; and for the new State Arsenal and Farmers' High School, \$45,000 00.

The interest on the funded debt due in February and August last, was then promptly paid, and that falling due in February next, will be paid out of available means now in the Treasury. By virtue of the provisions of the act of the 13th of October, 1857, entitled "An Act providing for the resumption of specie payments by the banks, and for the relief of debtors," the State Treasurer will be enabled to pay the interest due in February, in specie or its equivalent. The credit of the Commonwealth has been fully and honorably sustained. The promptness with which every legitimate demand upon the Treasury has been met, has inspired public confidence in our securities; and although recent and existing financial revulsion may embarrass the operations of the Treasury, and reduce, to some extent, the revenue, yet the ability of the State to meet her engagements and maintain her credit, under an honest and economical administration of her finances, is undoubted. The honor and credit of the State must, and can be preserved intact.

The Commissioners of the Sinking Fund report the sum of \$414,920 29 as now in the Treasury to the credit of that fund. This amount will be applied to the redemption of relief notes yet in circulation, and to the payment of the funded debt of the Commonwealth.

The commissioners of this fund, on the 7th day of September last, reported to me the sum of one million forty-two thousand eight hundred and fifty-seven dollars and sixty-four cents, (\$1,042,857 64) of the debt of the Commonwealth, was held by them, as follows, viz:

Loans of 19th of April, 1853, over due, temporary,	\$400,000 00
Loans of 9th of May, 1854, do,	164,000 00
Certificates of stock, loans of April 11, 1848, 6 per cent.,	66,501 00
Do, loans of various dates at 5 per cent.,	9,316 64
Relief notes cancelled and destroyed,	373,040 00
Do, in Treasury, set aside for cancellation,	30,000 00
Total,	1,042,857 64

As required by law, I directed the certificate

of cancellation, and on the 19th of September, 1857, issued my proclamation declaring the payment extinguished and final discharge of one million forty-two thousand eight hundred and fifty-seven dollars and sixty-four cents (1,042,857 64) of the public debt.

In addition to the amount reported to be in the Treasury to the credit of the sinking fund, and applicable to the payment of the public debt, the commissioners of the fund now hold the sum of seven and one-half millions of dollars, (\$7,500,000) bonds of the Pennsylvania railroad company, pledged by law to the payment of the funded debt of the Commonwealth.

By the fourth section of the eleventh article of the Constitution, as amended and ratified by a majority of the qualified voters of the State, at the general election held on the second Tuesday of October, 1857, it is made the duty of the Legislature at its first session after the adoption of this amendment, to create a sinking fund, which shall be sufficient to pay the accruing interest on the present public debt, and any additional debt thereafter constitutionally contracted, and annually to reduce the principal thereof by a sum not less than two hundred and fifty thousand dollars, (\$250,000) which "sinking fund" shall consist of the net annual income of the public works from time to time, owned by the State, or the proceeds of the sale of the same, or any part thereof, and of the income or proceeds of sale of stocks owned by the State, together with other funds or resources that may be designated by law. The said sinking fund may be increased from time to time by assigning to it any part of the taxes or other revenues of the State, not required for the ordinary and current expenses of Government, and, unless in case of war, invasion, or insurrection, no part of said sinking fund shall be used or applied otherwise than in extinguishment of the public debt, until the amount of such debt is reduced below the sum of five millions of dollars, (\$5,000,000).

This being the first session of the Legislature since the adoption of this amendment, the duty therein enjoined devolves upon you, and should be promptly and faithfully discharged. The funded and unfunded debt of the State, including temporary loans, on the first day of December, 1856, as per reports of Auditor General and State Treasurer, was as follows, viz:

FUNDED DEBT.	
6 per cent. loan,	\$511,781 00
5 do	38,866,994 50
4 1/2 do	388,200 00
4 do	100,000 00
Total funded debt,	\$39,866,975 50
UNFUNDED DEBT.	
Relief notes in circulation,	\$220,556 00
Interest certificates outstanding,	24,691 37
Do unclaimed,	4,448 38
Domestic creditors,	1,164 00
Wholesale temporary loan, April 19, 1855,	400,000 00
Do do May 9, 1854,	184,000 00
Total unfunded debt,	834,859 75
Total funded and unfunded debt, at the close of the last fiscal year, December 1, 1857, was as follows, viz:	
FUNDED DEBT.	
6 per cent. loan,	\$445,180 00
5 do,	38,773,212 52
4 1/2 do,	388,200 00
4 do,	100,000 00
Total funded debt,	\$39,706,592 52
UNFUNDED DEBT.	
Relief notes in circulation,	\$146,421 00
Interest certificates outstanding,	23,478 82
Do unclaimed,	4,448 38
Domestic creditors,	802 50
Total unfunded debt,	175,149 70
Total debt, Dec. 1, 1857,	\$39,881,738 22
Total debt, Dec. 1, 1856,	\$40,701,835 25
Do do 1, 1857,	\$39,881,738 22

Decrease during late fiscal year, 820,097 55. These statements exhibit the gratifying fact, that during the past fiscal year, the public debt has been reduced eight hundred and twenty thousand ninety-seven dollars and fifty-five cents, (\$820,097 55). The aggregate expenditures for the same period were one million three hundred and twelve thousand seven hundred and five dollars and sixty-seven cents, (\$1,312,705 67); the expenditures exceeding the revenues four thousand one hundred and seven dollars and five cents, (\$4,107 05).

The receipts at the Treasury from the several divisions were as follows, viz: Main line, to August 1, 1857, \$706,550 33 Susquehanna and North and West Branch Divisions, 287,718 95 Delaware division, 224,329 34

The receipts from the Delaware division are less than those of the previous year. The completion of rival railroads and other causes, have lessened the receipts from this important division of our public works; and it is feared will continue to decrease them. Its management has been satisfactory, and compared with other divisions of the public improvements, economical. The net revenue, at the Treasury, was \$174,001 87, a decrease of \$90,093 53, as compared with the receipts of the preceding year. In addition to the ordinary expenditures, the sum of \$46,263 was paid for the enlargement and improvement of this division.

The North Branch extension of the Pennsylvania canal, although so far completed in the fall of 1856, that boats freighted with coal and other products, were successfully passed through its entire length from Pittston to the Junction canal, yet in consequence of a large portion of the "Horse Race dam" having been carried away by the freshet of last spring business on the canal was suspended the greater part of the past year. It was repaired during the summer, and in the fall business was resumed along its entire length. Soon after the same dam was again extensively injured by a sudden and heavy freshet, and the greater part of the canal rendered useless for business. An appropriation will be required to re-construct the dam.

This canal, although useful and valuable, appears to be doomed to failure and disaster. These are the fruits of former mismanagement and fraud in its construction. Every effort has been made to repair the errors of its early management, and to complete and render useful this division of our public works. Under proper management it can be successfully accomplished.

In pursuance of the act of the 16th day of May, 1857, providing for the sale of the main line of the public works, after giving the notice required by law, I caused the said main line to be exposed to public sale, at the Merchants' Exchange, in the city of Philadelphia, on the 25th day of June last, and sold the same to the Pennsylvania railroad company, for the sum of seven millions five hundred thousand dollars, the highest price bid for the same, and the minimum price fixed in the act.

After a full compliance by the purchasers with the conditions of the act authorizing the sale, and the delivery of their bonds in number and for the amounts equal to and falling due at the time provided for the payment of the respective instalments, the Secretary of the Commonwealth, on the 31st day of July, A. D. 1857, as directed by the act, transferred, under the great seal of the State, to the Pennsylvania railroad company, their successors or assigns, the whole main line of the public works, together with all the right, title and interest, claim and demands of the Commonwealth of Pennsylvania, to all property, real, personal and mixed, belonging to or used in connection with the same by the Commonwealth; and the purchasers having given notice of their readiness to take possession of the said works, possession of the same was accordingly delivered to the Company on the first day of August last; of which notice was given to all Superintendents and Agents of the Commonwealth, by proclamation bearing date the 31st day of July, 1857, as required by the law authorizing the sale.

The bonds of the Pennsylvania Railroad Company, in the sum of seven and one-half millions of dollars, were received by the State Treasurer and are held by him for the proceeds of the sale being required by the 12th section of the act to be paid to the Sinking Fund and applied to the payment of the State debt.

I cannot forbear congratulating the people of the Commonwealth on the consummation of this sale. Public sentiment as expressed through the ballot box, and in other forms equally significant, demanded it—public policy and the interests of the Commonwealth required it. It is done. The many approve; few complain, those most who have gained an unenviable reputation by a reckless disregard of the public interests, as exhibited in the extravagant, useless and fruitless expenditures of the public money for selfish or partisan purposes.

The sale of the Main Line has directed public attention to the importance and necessity of disposing of the remaining divisions of the public improvements. The means and policy that required and justified the sale of the one, apply with equal force to the sale of the other. The propriety of separating the State from the care and control of the public works, is not only evident to all who have given the subject a candid and impartial consideration, but the necessity is clearly established, by the history of their construction and management. They have failed to be a source of revenue to the Commonwealth, and if retained by the State, will require an expenditure in their repair and management, largely exceeding any revenue that under the most favorable circumstances, can be derived from them. In any phase of the question, this separation is desirable, but in connection with the payment of the public debt and the reduction of State taxation, it becomes an object of more than ordinary interest. A sale, at the earliest practicable period, of the whole of our public works, for a fair consideration, upon terms just and liberal to the purchasers, and at the same time amply protective of the rights and interests of the people, should be authorized, by the Legislature. Such sale, with the application of the proceeds to the payment of the public debt, would secure its still more rapid extinguishment. The subject is recommended to your unnoticed consideration.

The law incorporating the Pennsylvania Railroad Company imposed a tax of three mills per ton, per mile, on all tonnage passing over that road, as an equivalent for any decrease in the revenues of the Commonwealth, that might arise from the anticipated competition of the road, with the business of the Main Line of the public improvements. This tax is not imposed upon the Company, but upon the tonnage, and is paid by the owners of the freight transported over the road; the company acting as agents in its collection and payment to the State. It is virtually a tax upon the trade and commerce of the Commonwealth, and upon the commerce of other States whose productions seek an Eastern market over this road; and thus by increasing the rate of charges and the cost of transportation the produce of the West is forced upon the competing railroads of other States and to other markets than our own. The necessity that required this tax, as regards the Commonwealth and her improvements, has ceased. Its continuance can only be justified as a revenue measure. It should be the policy of the State to invite the transmission of the products of other States through her territory to her own markets, and, therefore, the propriety of relieving the trade and business of the Commonwealth and country from this tax upon it, is respectfully submitted for your consideration.

In consequence of the suspension of specie payments by the banks of this, and the other States of the Union, and financial embarrassment

and general prostration of business, I deemed it my duty to call, as authorized by the Constitution, an extra session of the Legislature, to meet at Harrisburg on the sixth day of October last. Although the relief provided by this extraordinary session of the General Assembly, was not as ample as the exigency of the case required, yet it was productive of many beneficial results, and served to allay the intense excitement and alarm that pervaded the entire community. By the act providing for the resumption of specie payments by the banks, all banking institutions accepting the provisions of that law, were required to pay into the Treasury one-fourth of one per cent. on their capital stock. The amount realized by the payment of this bonus has not only defrayed all the expenses of that session, but will leave a balance in the Treasury of not less than thirty-five thousand dollars—a result certainly not injurious to the finances of the Commonwealth.

My views expressed in former communications on the subject of banks and banking capital, in their relations to the currency and the general interest of trade, remain unchanged. However diverse our opinions may be on this subject, it must be admitted by all, that the banking and credit systems are so intimately interwoven with the business and commerce of the country, that their sudden separation, or a rash innovation, would produce consequences of fearful magnitude. That the present system of banking is perfect, is not pretended; that it could be essentially modified and improved, will not be denied. The present derangement of the currency may and will suggest the necessity of reform, not only in the system itself, but in the management of our banking institutions.

Unlimited credits by corporations or individuals have and will ever be an unmitigated evil. They contribute to bank expensiveness, rash speculations, extravagant living and excessive overtrading; always sure to be followed by ruinous reversions. What the remedy should be, I do not deem it my province, under existing circumstances, to suggest; but to be permanent and effectual, it must accord with the natural and necessary laws of trade. The currency of a country forms no exception to these laws, and should be left to their operation and control, so far as may be consistent with the public good. It is, therefore, that a system of free banking, based on undoubted public securities, and coin in such proportion to circulation and deposits as may be deemed sufficient to secure their convenience and restrictions, is deemed preferable to the present system. Its introduction would correct many existing abuses not only in the system itself, but in the present mode of banking. These questions, however, with the remedies necessary to prevent a recurrence of the evils under which we now suffer, together with the nature and extent of the relief, if any, that may yet be required by the banks of the Commonwealth, to enable them to resume the payment of their liabilities in specie, are all referred to the wisdom of the Legislature. They are practical and important business questions, and as such should receive your intelligent consideration.

The present condition of our Commonwealth and country deserves at least passing remark. A severe financial revulsion has occurred; inducing a suspension of specie payments by the banks, not only of this Commonwealth, but of all the States of the Union, deranging the currency and affecting disastrously all the great interests of commerce and the industrial pursuits of the citizen. Labor is without employment, and thousands of strong, active men are now asking for work or bread. The causes assigned for these evils are almost as various as the interest or prejudices of those who undertake their explanation. To whatever cause or causes they may be referred, it is neither just, nor proper, to charge all our present financial and commercial distress to the banks and their management. However, much they have contributed, other causes have operated still more directly and powerfully to produce these results; and among them first in importance and influence is the present system of low duties, in connection with the warehousing system, adopted as the policy of the General Government in 1846. The abandonment of the protective policy, as embodied in the tariff act of 1842, was resisted by Pennsylvania with a unanimity almost unparalleled in her history. Her representatives in both branches of the National Congress strenuously opposed the repeal of the act. The evils under which we are now suffering were predicted, as a consequence of such repeal. But other counsels prevailed, the act was repealed, and the industry of the country exposed to a ruinous competition with the cheap labor of foreign nations. The disastrous effects of the repeal were postponed by the operation of causes well understood by every intelligent citizen. Famine abroad created an unprecedented demand for our breadstuffs, and the gold of California, although it may have added to the excitement of our progress, and contributed its full share in producing existing financial and commercial embarrassment, in millions, supplied the means of paying the overwhelming balances against us on our foreign importations. Under the present system of low duties, the excess of imports over exports has been beyond the most extravagant wants of the country. They have been enormous and ruinous—destructive of domestic industry, and involving the home manufacturer and home labor, in one common ruin. We have imported more than we could pay for, and much more than we needed. Pennsylvania manufactures are justly regarded as important elements of her material wealth; and from her abundance, if properly fostered and protected by a wise national policy, could supply the markets of the world; and yet, since the passage of the act of 1846, we have imported of iron and steel and her manufactures, more than two hundred millions of dollars in value; paid for in gold or our bonds and stocks, now held by foreign capitalists—the interest on which but adds to the burdens imposed upon us by our foreign indebtedness. The same is true of many other

important branches of home industry. Manifold in value of cotton and woolen goods have, during the same period, been imported that should have been made in our own workshops—should have been worn on American, and not on British, French or German looms.

As an example of the practical working of the system, official documents exhibit the fact, that during the past four years the imports of foreign merchandise, exceeded our exports one hundred and eighty-four millions two thousand seven hundred and sixty-eight dollars; and as a consequence, the drain of the precious metals was correspondingly great. The amount of specie sent out of the country during that period, was two hundred and thirteen millions and three hundred and sixty-four thousand three hundred and eighty-four dollars—specie imported twenty-six millions nine hundred and twenty-seven thousand four hundred and twenty-seven dollars; leaving a balance against us on specie account of one hundred and eighty-six millions four hundred and thirty-six thousand nine hundred and sixty-seven dollars. This depredating process, aggravated by excessive importations, unsettled the currency and induced an inflated paper circulation, resulting in bank suspensions and financial embarrassment. But the evil does not end here. An inflated paper currency, by cheapening the price of money, increases in this country the cost of production, and thus, whilst the American Manufacturer is exposed, under a system of low duties, to a ruinous competition with the cheap labor of Europe, he is paid for his goods in a currency less valuable than that paid to his foreign competitor. As a necessary result the home fabric is driven from the market, and the home manufacturer ruined. The operation of the causes, stimulated by low duties, is sufficient to destroy the industrial energies of any people.

With these facts before us, it is no matter of surprise that our mills, factories and furnaces have been closed, and thousands of honest laborers thrown out of employment; that commerce has scarcely an existence, that bankruptcy and ruin are around us, and our general prosperity paralyzed. To avoid these disasters, to which we have been periodically exposed, reform not only in our system of banking, but in our revenue laws, becomes indispensable.

If the principle of the act of 1842 had been preserved—even if its rate of duties had been reduced, our specie by millions would not have gone to foreign countries to build up and sustain a foreign power, and the cry "no war" would be prosperous, and the cry "no war" would be heard; nor would a foreign debt of nearly five hundred millions of dollars exist to startle and alarm us. That system that practically prefers foreign to home labor—that keeps our workshops in Europe, instead of building and supporting them here—that takes our gold to pay the wages of the British laborer, whilst our own are without employment and without bread—that fills the country with foreign merchandise to the exclusion of the home fabric,—that lays the British rail upon the road through our iron districts and by our rolling mills, whilst they are silent and deserted, and that invites to speculation and extravagance, is at war with every true American interest and should be at once abandoned.

A period of low duties has always been marked by excessive importations—large exports of specie—overtrading—bank expansions and suspensions, and financial and commercial revolutions. Under the protective policy these peculiar and startling characteristics of free trade have all been wanting. The history of the country establishes these facts. A well regulated tariff, adjusted to protect the productive industry of the country, is not only the true policy of the Government, but is a better regulator of the currency and a more certain security against bank expansions, than any system of pains and penalties yet devised for the control of banking institutions, or the operations of capital. To this we should return. Pennsylvania is yet true to her ancient and long cherished convictions of its propriety and necessity. She may have been misled. Political and partisan pressure may have forced her from her true position. This was her misfortune, not her fault. She sees and feels the wrong, and with an emphasis, intensified by her injuries, will demand redress; protection for herself and the great industrial interest of her people.

The agricultural interests of the country should ever be fostered and sustained by the State. They are first in necessity and usefulness, and constitute the basis of State and National prosperity. Upon their progress and development depend the success of our mechanical, manufacturing and commercial interests.

Agriculture, in its varied and multiplied relations, is the unfailing source of national wealth, and to its promotion all should contribute. Individual enterprise and liberality, State and country associations, have done much to advance this important branch of protective industry; have collected and circulated much valuable information; and encouraged by their honorable exertions, the progress of scientific and practical agriculture. Science and art have nobly proffered their aid—the State should not withhold her encouragement and support.

I have heretofore recommended the establishment of an Agricultural Bureau, in connection with some one of the State Departments, to give efficiency to the collection and diffusion of useful knowledge on this subject. Impressed with the necessity and usefulness of such a Bureau, I again earnestly recommend it to your favorable consideration.

The Farmers' High School of Pennsylvania, an institution incorporated by the Legislature in 1855, is entitled to the especial attention of the friends of Agriculture. In the teachings of this institution, the scientific and the practical are united; and whilst the art of farming and all that pertains to the management, business and work of a farm, will be the

benefit of the State, and the other States of the Union, and financial embarrassment