

Tavern licenses,	40,027 77
Retailers' licenses,	68,202 07
Tax on loan companies,	2,240 00
Echeats,	3,020 24
Bank charters-	100,000 10
Hawkers and pedlars licenses,	3,035 15
Miscellaneous,	18,617 35
	\$1,621,119 84

Abstract of the ordinary expenditures of the State in 1839.

Expenses of Government,	\$4,12,751 63
Repairs—canals & railways,	376,336 79
Militia expenses,	25,981 17
Guaranty of interest,	24,562 22
Pensions and gratuities,	53,588 74
Common schools, colleges, &c.	385,253 14
House of Refuge,	5,000 00
Penitentiaries; eastern & western,	30,826 54
Interest on loans,	1,296,010 24
Pay of collectors, lock keepers, &c.	70,000 60
Miscellaneous,	28,552 40
	\$2,708,863 47

PUBLIC PROPERTY.

Bank stock,	\$2,108,700 00
Turnpike and bridge stock,	2,821,215 88
Canal and navigation stock,	602,579 91
Rail road stock,	327,368 93
Public works, canals, & railways, &c.	26,399,220 56
Money due on land estimated,	1,000,000 00
	\$33,259,085 28

The public improvements are estimated at their original cost, and the bank and rail road stock owned by the state, at its par value. It will be obvious that this estimate has relation to the ultimate value, of all (except the bank stock) and not the present available value which this public property may bear.

On a recapitulation of the foregoing statements, it appears from them that the public debt amounts to the sum of	\$34,141,663 80
The public property to	33,259,085 28
Balance,	\$882,578 52

The ordinary expenditures of the commonwealth for all purposes for the last year, are

The ordinary revenue from all sources for the same year, amounts to	1,621,119 84
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Leaving a gross balance against the state of

\$1,087,843 63

The affairs of the commonwealth have been for several years gradually verging on towards deeper and deeper embarrassments until we have at length reached this unexpected deficiency of funds in the treasury, to meet the demands upon it. The people have been told, again and again, that our fiscal condition was flourishing and prosperous, while in fact, our prosperity was all based on paper calculations and loans, which loans, we are just now beginning to perceive bear interest, and are some day to be paid. We are now compelled to forego all temporary expedients, and to look the true state of things in the face. We must resort to taxes, the sale of the public improvements, or to further loans. The public improvements cannot be sold but at a most ruinous sacrifice; and as to loans, it is doubtful whether we can procure them, at all, unless at an unwarranted rate of interest. Notwithstanding all these difficulties, this sum due by the state must be paid. To obtain the means we have at the best a choice of evils; and we ought to select that which will impose on the people of the commonwealth least inconvenience and detriment. I shall recur to this subject again, in a subsequent part of this message.

In this state of things the recent conduct of the banks in this commonwealth, has added, in no slight degree, to our embarrassments. On the 10th day of October last, the banks of the city of Philadelphia suspended, wholly, or in a great measure, the payment of their notes, and other liabilities in specie. Most of the banks in the interior speedily followed their example, as did also the banks in nearly all the other states of the Union. But the banks of the state of New York, and a few others favored by peculiar circumstances, or influenced by other causes, have been able to withstand the current of demand, and have continued to pay specie until the present time. This suspension was an event unlooked for by the public, and productive of the most unhappy results. It has paralyzed business, —shaken both state and individual credit, —crippled all our monetary operations, and struck a death blow at the means of subsistence possessed by that portion of our fellow-citizens, whose labor and industry form their only capital. From all classes of the community, save those alone who are interested in the banks, was heard a loud and deep condemnation of this measure. Innumerable remedies have been suggested,—some looking to the regulation of these institutions,—others to their punishment and extirpation. I was besought to convene the legislature at an earlier day than that fixed by the constitution, and very numerous conflicting suggestions have been offered, as to the measures of relief that should be recommended. On a subject so vitally interesting to the people at large, as that of the currency, I was persuaded that hasty legislation was neither prudent nor desirable; and I accordingly declined to convene you before the day designated in its constitution. Time for reflection

time for further experience, and time to ascertain the general wants and wishes of the people has thus been afforded, and I confidently trust, that nothing will be lost by the delay.

One of the great evils of a suspension of specie payments by the banks, is the vast amount of small notes issued without authority of law, by individuals and corporations, that is immediately forced into circulation, to supply the place of the specie, for purposes of small change. This debasement of the currency aggravated the consequences of the suspension in 1837. It ended in great losses to the public, and in multiplied frauds. Satisfied that the same evils would again be experienced, I immediately caused the attorney general to adopt proper measures to bring to justice all offenders against the law prohibiting the issue and circulation of notes below the denomination of five dollars; and I am happy to state to you that this measure was entirely adequate to the suppression of the issue of any notes of that description in the commonwealth. Ample arrangements had been made, as I am informed, to throw into circulation a large amount of this impurious currency, but they were instantly arrested by the prompt and energetic action of the attorney general and public opinion, with an unexampled unanimity, sanctioned the measure, and crowned it with success. It is true, in the counties of the commonwealth bordering on states that allow the issue of small notes, if it has been impracticable to restrain altogether their circulation, still very few of them have found their way into the central part of the state. I shall call your attention to this subject again in another part of this message.

The active currency of Pennsylvania, and of the whole Union is composed mainly of bank notes. These notes are made payable on demand in specie; and while they continue to be so paid, no great danger of loss to the community can arise. The history of all bank operations shows, that while their notes are redeemable, and actually paid in specie when presented at the counter, an over-issue to any considerable extent, cannot easily take place. It is only when notes are issued to such an amount, or when other obligations are incurred by the banks so great as to prevent them from meeting these demands with specie, that they may be considered in an unsound state and the public in danger of suffering loss from the circulation of their notes. It is manifest, therefore, that the suspension of specie payments by the banks, is the precise act above all others, that renders them unsafe and dangerous to the public—and the other which in future, ought to be most strictly guarded against by law. It is true it does not always follow that banks are unsound and unable to pay all demands against them, because they do not pay specie for their notes; yet unless explained to have been caused by some other means than the unsoundness of the institutions, it must operate much to the prejudice of their credit and standing.

In Pennsylvania there are fifty-two banks, with an aggregate capital with something more than sixty millions of dollars; but such has been the disregard of law by some of them, that they have not made any return, and the returns made by several of them are so very imperfect, that it is impossible to arrive at any thing like accuracy as to the amount of their circulation; specie or debts due to them. But from the best date within my reach, the amount of their notes in circulation may be computed at not less than thirty-three millions of dollars and the amount due and owing to them, principally by corporations and citizens of this commonwealth, is perhaps about seventy millions of dollars. This amount is due to these banks from individuals residing in all sections of the state, and engaged in all kinds of business. Stocks in our railroads, canals, turnpikes, &c., are held by some of these banks, and in the shape of subscriptions, bonuses, or dividends, they contribute largely to the general fund in the state treasury, and to the support of the common school system. Their charters expire at various periods between the present time and 1870, and the stock in them is owned by a great number of persons of all ages, classes, conditions, and pecuniary means. The capitalists of the country as well as those of moderate means, widows, orphans, and guardians, all own stock in our several banking institutions. From this cursory glance at the subject, it is evident that the business, interests, and banking institutions of the country are intimately connected together, and mutually exert a powerful influence on each other.

A more general and comprehensive view of this subject will show, that the banking system has been greatly extended throughout the whole union within the last twenty years, certainly to a greater degree, than the vastly increased business of all kinds would have seemed to warrant. The following tabular statement of the number of banks in the United States, with their capitals, loans, discounts, circulation and specie, at three different periods, will illustrate with great force, the progress of the system. It is manifest that the number of banks, with a corresponding increase of capital and circulation, has been fearfully augmented within a few years. Pennsylvania has contributed her full share, since 1835, to this increase.

Years.	No.	Capital.	Loans & Discounts.
1820.	308	\$137,110,611	\$189,252,422
1830.	330	145,192,263	200,451,214
1837.	634	200,772,091	525,115,702

Years.	No.	Circulation	Specie.
1820.	308	\$43,803,344	\$10,820,240
1830.	330	61,323,896	22,144,917
1837.	634	140,185,890	87,915,340

It is sometimes said that the whole banking system is but "an experiment," and that as such, it has failed to answer the expectations of its projectors; that it is time it was totally abrogated, and that Pennsylvania ought to take the lead in this great work of reform. It is certainly true, that the banking system of the United States is so far a mere experiment, as to be found in a state of constant change and fluctuation. No great elementary principles have yet been struck out to experience, to form a sound and stable basis to uphold and control it. Like the banking system of all other parts of the world, imperfection characterizes, nearly all its details, and abuses of the most flagrant sort, have been coeval with its first establishment.

In legislating on this subject, however, we cannot close our eyes to the peculiar condition of the country. We must take things as we find them. We are not considering what would be the proper course if we were now about to introduce, for the first time, a system of banking in Pennsylvania. The question was settled long ago, and by a constant rapid progression it has been entwining itself with every interest, and every measure of policy in this commonwealth. It has, for good or for evil, stamped its influence on every commercial manufacturing and agricultural interest among our citizens. Under the operation of this system, and on the faith of its continuance in some form, all our business has been undertaken, our contracts between individuals entered into, and their debts contracted, and our vast state debt fastened on the people. Abrogate the entire system, and we know not into what condition it will plunge us. Real estate and all commodities of commerce, agriculture and manufactures, now bearing the highest paper price, must fall greatly in value, and by that fall in price, thousands of the enterprising and industrious of our fellow-citizens will be irretrievably ruined. The ten years immediately following the last war with Great Britain, furnish us some instructive lessons on this subject though very inadequate to portray the consequences that would follow changes in our present situation. And what heightens the evils anticipated, is the reflection, that the poor, and those immoderate circumstances, would be obliged to endure the brunt of the hardships. The rich being the creditors, have little to fear from such change in our system of currency; it is the debtor part of the community on whom the chief burden is cast. In adopting coercive measures against the banks, it should not be forgotten, that the penal consequences do not fall on them alone. The vast number of individuals, from whom so many millions are due to those institutions, would feel most oppressively the blow. Nor would it be right or just to cast the great mass of innocent stockholders beyond the pale of legislative protection. The officers and directors, who are in fact chargeable with most, if not the entire blame, would readily screen themselves from it, elude the laws, take care of themselves, profit by the sufferings and losses of the innocent, and leave those to perish, who had little, if any, active agency in producing the present state of things. This is a matter worthy of your most serious and deliberate consideration.

On reference to the history of all commercial nations, it will be found that every considerable fluctuation in the currency, operates directly and with greatest severity, on the laboring part of the community. While currency is in a state of transition from a cheaper to a dearer medium, the prices of wages are first affected, without an immediate corresponding change in the price of the necessities of life. Those who carry on extensive business operations of all kinds, are soon compelled to curtail or stop, and numerous industrious operatives are thrown out of employment, or compelled to resort to other occupations that they do not understand, for the means of supporting their families. Besides, though Pennsylvania might abrogate her banking system altogether, yet we have no assurance that other states would follow her example. It would be difficult, if not impossible, to prohibit their bank notes from circulation among us, and we should suffer the worst evils of the banking system, without its benefits; for the banks of other states would be situated beyond the reach of our legislation and control. I know of no other mode of securing uniform and contemporaneous action, on this subject, among all the states of the Union, except through the agency of the general government; which, if not already possessed of the power necessary for that purpose, should be clothed with it, by an amendment of the constitution.

There is an essential difference between the position of the citizens of our commonwealth, in a pecuniary point of view now, and that which characterized it in the years 1810, 1817, 1818, &c. It is true that then, as now, the country was flooded with foreign goods, which low duties and credit upon those duties, enabled foreigners to introduce, and thus create a large debt abroad. It is also true that then, as now the banking facilities, and bank issues were increased beyond what the necessities of the country for the healthful transaction of its business required. But then the spirit of speculation had infected the agricultural, as well as all other portions of the community. Now, however, our farmers are generally out of

debt, and in flourishing circumstances; and it is the mercantile and manufacturing classes that have been principally suffering by the undue expansion of the credit system. But there is now an evil existing, of which we then knew nothing, and which does more than counterbalance the partial exemption from suffering of our agricultural interest. The contraction of enormous foreign debts by the states for the purpose of internal improvements, and for the establishment of banks, &c., is of comparatively recent origin. This system of pledging the property and industry of posterity, for the payment of money obtained by the present generation, in each state, has chiefly grown up since the year 1820, and as the following statement, which I believe to be essentially correct, will show, has been surprisingly on the advance during the last four or five years. The amount of stock authorized to be created by eighteen states in each period of five years from 1820 to 1838, was as follows, viz:

From 1820 to 1825	\$12,700,728 00
" 1825 to 1830	13,679,689 00
" 1830 to 1835	40,002,760 00
" 1835 to 1838 say 3 1/2 years,	108,223,868 00
	\$174,605,994 00

This statement embraces all the stocks authorized to be issued up to, and including all but the last session of each state legislature. A correct statement of the stocks authorized to be issued, by all the states except our own, at the last session of their legislatures, I have been unable to procure.—Of the foregoing stocks, it appears from the best inquiry I can make, that the following amounts have been obtained for the several objects stated, viz:	
For banking,	\$52,640,000 00
For canals,	69,201,551 00
For rail roads,	42,871,084 00
For turnpikes and Meadams-ized roads,	6,618,958 00
For miscellaneous objects,	8,474,684 00
	\$179,806,277 00

If we add to the above enormous amount of state stocks, owned almost entirely abroad, the post notes and bonds issued by banks, cities, rail road, canal and trust companies, and other corporations, to holders residing in Europe, we shall probably have a grand total of at least two hundred and twenty millions of dollars, bearing an annual interest of about twelve millions of dollars. This latter sum must be paid to the European holders in specie or its equivalent, and may be justly regarded as one of the principal causes of our present monetary derangements. Little immediate relief can be expected from our exports. During the last few years, they have been found totally inadequate to cover the heavy importations into this country. From 1820 to 1830, the imports into the United States exceed the exports therefrom annually about the average sum of three and a half millions of dollars. Since the year 1830, our imports, including gold and silver coin, have exceeded our exports about twenty-four millions of dollars, per year. It is perfectly clear that this system of operations must speedily end in the effectual prostration of our credit, business and resources. —No nation, whatever may be its industry, vigor and natural advantages, can maintain its prosperity and independence against such oppressive drawbacks as this is. It is true the public debt of Great Britain is a manifold greater than this, comparing the population and resources of the two nations; but the debt of Great Britain is chiefly due to its own subjects; the interest paid is retained at home, and continues to form a part of the capital of the country. The interest we pay, on the contrary, is paid to foreigners. It is withdrawn from among us, never to return unless in the shape of new loans to augment the drains on our capital.

Much has been said and written on the subject of our "credit system," within a few years past. It is one of unqualified eulogy by some, and of as unqualified condemnation by others. By many, the banks have been regarded as the authors of that system, and of course of all mischiefs; and by others, as of course, the authors of all good. It is somewhat astonishing that this novel system of constructing canals and rail roads, and of building towns and cities, and establishing banks by the instrumentality of state credit, as if done by magic, has not been accredited as one of the most potent agents in producing many of the recent plagues and phenomena of the credit system. Had it not been for the support of credit, afforded to our bank speculators and merchants, by the sale of state stocks abroad, feeble and vain would have been the efforts of the banks to have created and sustained such an extent of paper circulation as we now find in the country—equally feeble and vain would have been the efforts of speculators to have procured such heavy amounts of foreign capital, to employ for purposes of wild speculation, and of our merchants to procure such unprecedented credits as have filled every storehouse in this country, with goods and wares not paid for, while lying upon interest unsold. Did the amount to be loaned to our banks by foreign capitalists, and to be trusted to our merchants by foreign manufacturers, depend on the mere credit of the banks, or the merchants themselves, it could rarely exceed one year's excess of importation or about twenty millions of dollars. But when the sovereign states volunteer as endorsers for the banks and corporations, and in effect, draw their bill of exchange,

by furnishing certificates of loans in favor of the merchants, this credit system becomes immeasurably extended until it has at length reached to the astounding sum of more than two hundred millions of dollars.

The banks have acted as the brokers, on a large scale, through whose agency the state loans have been negotiated with foreign capitalists. But let the legislatures of the several states creating loans to themselves the honor and responsibility of furnishing the chief aliment to sustain our cumbersome credit system. It is no doubt true, that the inordinate increase of banks of late years, has been partly produced by the immense accumulation of state credits, and has, in some degree, stimulated the action of the legislatures of the several states in authorizing the same, by affording agents to negotiate and customers to consume the avails of the stocks, when negotiated.

Until within the last year, we have been able, not only, to borrow money, without difficulty, on state stock in Europe, but to pay the interest arising on former loans, by new ones. We felt little of the inconvenience of this bloated system of credits, and seldom reflected that a day of reckoning would come, when we could thus pay our debts no longer. States, banks, corporations and individuals, all moved forward in harmonious unison, borrowing all they could, without reference to their future ability and means of repayment. The delusion is at last over. State stocks are now an unsalable drug in foreign markets, and we are called upon for the interest on our permanent loans, and have no means of paying it, unless we export specie, rely on the remote avail of our agricultural productions, or dispose of more state stock at a ruinous sacrifice, if indeed we can dispose of it at all.

The time for sober reflection has arrived, and the different states must now determine whether they will, or not, persist in a course of policy which has thus far been productive of such serious evils. Shall the states of this Union plunge deeper into debt and embarrassment, or shall they make economy and prudence their motto resolve to extricate themselves as soon as possible, and be free? This is the question, and I trust Pennsylvania is ready to take her stand with those who follow the dictates of prudence and economy.

A system of credit, acted on with caution, and sound judgement, is not only wise and judicious, but indispensable to an enlightened business community. The honesty, industry, and capacity of a poor man is his only capital, and unless it gives him credit where he is known, there is little practical difference between the condition of the honest and dishonest, the capable and the ignorant man. The station of men in society, on the opposite principle, would be fixed by their birth, and merit would be regarded as a bootless qualification. This is not the doctrine of nature, or of our Declaration of Independence, and American system of government.

The credit system will be seldom abused in the case of individuals; but not so in that of corporations and governments. When men judge in their individual relations, they weigh things well, when as members of corporations and governments, their caution corresponds with their share of the responsibility. Our present condition illustrates the truth of this position, and calls aloud on the representatives of the people to pause and reflect. Let no more state debts, not indispensably necessary to preserve the faith and honor of the states, be contracted; let no certificates of loans be issued, and no commercial commodities be imported for a few years. We will thus overcome our present difficulties, and re-establish our credit at home and abroad. This is the only course dictated by prudence and honesty.

I have thus at some length, brought to your view several considerations, essential to a just and full knowledge of the important subject of our finances. I have shown I trust, that the leading causes of our present derangements, lie at the very foundation of our system of legislation for the last twenty years. The original defects and infirmities of our banking system, have been aggravated by our system of public credits, and must continue to be so, as long as the same course is pursued. It must be evident from what has been already said, that our banking system however objectionable in its origin, is now fastened upon us, and connected with all our business operations, so that it would be productive of more mischief to cut it up by the roots, than to let it stand reformed and regulated in such manner as your experience and wisdom may enable you to devise.

I proceed to make such suggestions and recommendations on the subject, as appear to me to promise the most salutary influence and restrictions. Premising at the same time, that I do not flatter myself that the adoption of my recommendations would render the system perfect, or give universal satisfaction on this subject, upon which there are so many adverse opinions. It will be borne in mind I trust, that it is no difficult task to sit down in the closet and construct theories on the subject, beautiful and plausible in the abstract, without a full and comprehensive knowledge of their practical operation; or to cavil at whatever is suggested, and to condemn what it is neither understood or disproved. This is a feat that the weakest can, and the malicious will, perform. I have too much confidence in the present legislature, to suppose that their assents will shake the independence or warp the judgement, of the