

To this is to be added the assessment of 1846, which according to the best estimates, will yield a net revenue, after deducting allowances for expenses of collection and associations of \$1,180,000 00 Making an aggregate of 2,054,544 50 If from this aggregate we deduct the estimated collections from these sources, during the year 1846, 1,300,000 00

The difference, \$754,544 50 will be the estimated amount of taxes, which, on the 1st December, 1846, will remain outstanding—being \$120,000 00 less than was outstanding on the 1st day of December, 1845. When the reductions, thus to take place, in the outstanding taxes within the current year, \$120,000 00 we add the difference between the balance in the Treasury, on the 1st day of December, 1845, and the estimated balance in the Treasury on the 1st of Dec. 1846, 6296,296 09

we arrive at an aggregate reduction of these two items, within the fiscal year, ending 30th Nov. 1845 of \$416,296 09

From this view of the subject it is apparent that the assessment for the year 1846, on real and personal estates, and the revenues of the year proper, derivable from all other sources, taken taken together, will be insufficient to meet the demands upon the Treasury, during the same period, by the sum of \$416,296 09; and that in supplying the deficiency the balance in the Treasury, on the 1st of December, 1846, will have been reduced to \$89,590 00, and the arrears of outstanding taxes to the sum of \$754,544 50. It is plain, therefore, that our present financial system is inadequate to supply the means of meeting all the demands on the Treasury, except when aided from the balance which had accumulated before the payment of interest was resumed, and by collections from the arrears of taxes of former years—both of which will soon be exhausted.

I am constrained to add, that all these calculations and estimates, pre-suppose that the demands on the Treasury will not be permitted to transcend their ordinary limits, and that no appropriations will be made by the legislature to new objects. These are not anticipated, because in the present state of the finances, every new appropriation may well be regarded, not as a grant of money unincumbered in the Treasury, but rather as an abstraction of funds, specifically appropriated already, and rightfully belonging to the public creditors.

The deficit in our means, under existing laws, presents for the deliberation of the General Assembly, a topic of paramount importance. It may be remembered that, in the month of January last, I expressed the opinion, in an Executive message, that our finances had not then reached a condition to enable us, permanently, and at once, to resume payment of the full interest on our public debt. I regret that subsequent examinations and reflection, have not permitted me to believe that I was then in error. But the Legislative action on the question has changed the entire aspect of our duties, and rendered it useless to revert to former views of policy. The payment of interest on the funded debt of the Commonwealth was, in fact resumed on the 1st of February, 1845. By that act, the State asserted her present ability to meet her engagements; and it must be our care that the pledge, thus renewed, be not again violated. The credit, fidelity and honor of Pennsylvania, all demand, that, henceforward, the interest on her public debt shall be punctually and fully paid.

Heretofore, we might have pleaded the unexpected failure of the Depository Bank of the State, a few days before the interest was payable, and when the moneys appropriated to its discharge were accumulated in her vaults,—the sudden destruction in value of nearly the entire currency in general use—the prostration of individual credit, and the deep and universal pecuniary embarrassment of the people. But now, all are prospering—the currency is restored to a good degree of soundness—our revenue system, though still imperfect, has greatly increased in effectiveness and certainty—enterprise is renewed, and the people, happy in their institutions, and confident in themselves, look to the appropriate action of the legislature to make provision to satisfy the public wants.

The present period is, in truth, the crisis of our affairs. Prompt and effective measures now, to make a moderate addition to our revenue, will restore to Pennsylvania, for all future time, that proud position from which she has temporarily been made to stoop, by a course of policy that never met the approval of her people. But the addition must be made at once.—Unless the estimates that have been presented, shall prove essentially erroneous, the balance in the Treasury, on the first of December, 1846, will not exceed one hundred thousand dollars. It is, therefore, obvious, that, if the receipts at the Treasury, during the months of December, 1846, and January, 1847, do not greatly exceed the receipts of the corresponding months of any preceding year, when the amount of outstanding taxes was greater than it will be then, a deficit must occur in the means of the Treasury, to pay the interest, which will become due on the 1st of February, 1847. The necessity of the adoption of immediate and efficient measures, to guard against a result which would be so fatal to the renewed faith and honor of the State, cannot be too strongly enforced upon the attention of the Legislature.

Intimately connected with the subject of our finances, is that of the Banking system of the State. The evils that have resulted from the manner in which it has been administered, and some of those more essentially connected with its organization and tendencies, have been felt by all.—Yet, it may well be doubted, whether the whole of the mischief which it has instigated, have been traced back to their fruitful and pernicious cause. Not only has it stimulated individuals to ruin, but States have been led by its seductive and

corrupting influences, into a course of wild extravagance, and consequent bankruptcy. Public debts have been contracted, even the interest of which could scarcely be met, by the most onerous taxation; while, in other cases, the faith of the government, which ought always to be held sacred, has been violated in time of profound peace.

The history of Pennsylvania, since the beginning of the year 1836, is a painful illustration of this truth. In December, 1835, when Governor Wolf retired from office, two months before the incorporation of the Bank of the United States, the State debt of Pennsylvania was \$24,589,743 32. It is now, exclusive of the amount received as a deposit from the general government, \$40,986,593 22, making an increase of the State debt, in two years, of \$16,396,844 90, notwithstanding the receipt, in the meantime, of \$2,807,514 78 of surplus revenue from the United States, and of \$3,446,780 21 as premiums for Bank Charters.

In contemplating this startling fact, we naturally look round for the meritorious objects of State policy, for which this vast aggregate of twenty-two and three quarter millions of dollars, has been expended.

We find none of any magnitude. The main line of Canal and Railway, between Philadelphia and Pittsburg, had been completed, and was in successful operation. The Delaware Division, the Susquehanna and North Branch divisions, to the mouth of the Lackawanna, the West Branch division to Queens' Run, the Beaver division to New Castle, the Franklin line, and the French Creek Feeder, were all substantially finished when Governor Wolf left the Executive Chair; and the sum of \$344,619 09, was all that remained to be paid for completing them.

The State had reached a point in her improvement system, at which she could have suspended operations without loss. The scheme of direct taxation, to pay the interest, on the State loans, which had been introduced under Governor Wolf's administration, was admitting the people of the inconvenience of a public debt. Every thing indicated that the further progress of our State improvements was to be deferred, till time had tested the productiveness of the finished works, and the increasing development of our resources had invited and justified their further extension.

It was, at this time, that the act of 18th February, 1836, was passed, entitled, "an act to repeal the State tax on real and personal property, and to continue and extend the improvements of the State by Railroads and Canals, and to charter a State Bank, to be called the United States Bank." The first section of this act recinded the system of taxes, which had been devised for the protection of the public credit—while, by other sections, more than two millions of dollars to be received during the Bank, were appropriated at once to the prosecution of Company works, and the commencement of new ones, under the direct charge of the State. To enable the Commonwealth to consummate this wild extension of improvements, six millions of dollars were promised as a permanent loan to the State, at an interest of four per cent, and other loans at the same rate were to be made, when required, to the amount of one million of dollars annually. Under the impulse of this act, and the influences which effected its passage, a new series of improvements were begun at once, all of which, after the expenditure of many millions, now forming part of the public debt, and the cause of increased taxation, have been abandoned by the State, and have passed, most of them, into the hands of companies, which have paid no consideration for them.

It even seems that the State has not only limited its gratuities to the works thus commenced. The Beaver division, and the Wyoming line, on the North Branch, embracing forty-three miles of Canal in actual use, and the French Creek Feeder, costing together \$1,222,927 81, and all of them finished in 1835, have been given away to companies, and leave the State with a less extended system of improvements now, than it had when the Bank of the United States was chartered.

The progress of these works was marked by the declining credit of the State, until, after the most desperate resorts, the sale of another suspension to the banks in 1840, and a loan in 1841, by the State to herself, by the device of issuing relief notes—the proclaimed bankruptcy of the Commonwealth forcibly arrested them.

But the evil did not stop here. When the works were abandoned, the State was largely indebted to the contractors, whose claims were regarded as of primary obligation. To satisfy them, a law was passed, requiring the sale of the Bank stocks, and other stocks which were owned by the State. These stocks, which had cost the Treasury nearly \$4,200,000, were at a most unpropitious moment, sacrificed for a fraction more than \$1,405,000.

However painful these recollections of pecuniary loss may be, there were attendant circumstances of graver and more momentous concern to the patriot. A new element of power found its way into our elections. The elective franchise was violated and abused—the declarations of the public will were disregarded and defied, and the very existence of our free institutions was menaced with revolution and destruction. I allude to the memorable crisis of 1838, when a direct attempt was made, by the leaders of a minority, to usurp the government, and to substitute their dictation for the voice of the majority of the people.

These scenes had their origin, beyond doubt, in a spirit of reckless confidence in

the power and corrupting influence of money to control the State.

Apart from the selfish considerations, the influence of a vitiated paper system upon the general and ordinary interests of life, is baneful and pernicious. Hitherto, there has virtually been nothing in the organization of banks to limit the extent and define the character of their action, but the discretion of the directors. A few individuals, constituting the efficient portion of the Boards of management, are, in fact, the depositories of this discretion; and as a general rule, subject no doubt to many honorable exceptions, it is exercised with primary, if not exclusive, reference to the supposed interests of the bank.

While business of the country prospers, and the spirit of speculative enterprise is stimulated by success, they extend their accommodations liberally, & fill the channels of circulation with a redundant and depraved currency. An unnatural rise of prices is the consequence. Importations increase in defiance of any discriminating tariff—extravagance invades all the departments of society—indefinite credit invites to a thriftless extension of indebtedness, till, at last, the laws of trade, unchanging as those of nature, produce reaction, and the whole artificial machinery is crushed. The people of the country are indebted to the cities; the cities are indebted abroad, where the promises of the banks are not accepted as money; and the banks are called upon to redeem their notes in coin. This they can only do by drawing in their means, refusing new accommodations, and pressing their debtors for payment. The circulation of the country is suddenly contracted, property is sacrificed, in many instances, without relieving the debtor; and his energies are paralyzed by hopeless insolvency.

Such, within the recent memory of all of us, has been the action of a vitiated banking system on the faith of the State, the stability of her institutions, and the free energies of her people. It has taught us a grievous lesson of suffering; but it will not have been altogether unproductive of good, if it has impressed on us the solemn and imperative duty of guarding against a recurrence of similar evils.

The abuses of the banking system are found in many forms; but they are essentially the same in their origin and result; excessive issues of paper, and its consequent depreciation. To give the power of manufacturing money, yet effectually to limit its exercise, by legislation, is practically impossible. It is obvious, that no enactment can absolutely prevent the unlawful issue of paper by a bank, which has the lawful right to issue any. Returns of bank officers, however exactly prescribed, or honestly made, give no security for the periods that elapse between them; and inspections of the affairs of banks by commissioners, which have been resorted to in other States, are apt to induce a dangerous reliance on the vigilance of such officers.

It may be, that the principle of individual liability for corporate engagements, which has recently been inserted in some of our charters, may, when properly extended and made more directly operative, secure not only the creditor from loss, but the currency from dangerous fluctuations. The experiment should be fairly made in the case of every bank that may ask a renewal of its charter. That its progress may be the better tested, I respectfully recommend that the banks be required to make monthly returns of their condition, to the Auditor General; and that these be so arranged, as to present a more complete and exact view of their transactions, than is furnished under the existing law. This will facilitate the future inquiries of the Legislature; and the periodical publication of the returns, will secure to such of the banks, as are legitimately administered, the reward of their faithfulness, in the increased confidence of the public. I need scarcely add that the claims of the banks to general confidence should be thoroughly investigated, and fully ascertained, before their charters are extended.

These recommendations have special reference to applications from existing banks. In my judgment the capital now invested in these institutions is amply adequate to the business wants of the community. The times do not indicate the present necessity of any additional stimulus to the spirit of enterprise, and I cannot allow myself to hazard, by any act of mine, a possible renewal of the excesses, which we have witnessed so recently.

Pennsylvania combines in an eminent degree the three great elements of individual and national wealth, agriculture, commerce, and manufactures; and the pursuits and industry of her people, are profitably divided among them. Her hills and mountains are almost everywhere filled with inexhaustible supplies of iron ore, and mineral coal; and her valleys abound with water power for propelling machinery, in the midst of the finest agricultural regions.—She has constructed, at great cost, a line of improvements by canals and railways, connecting the waters of the Atlantic with those of the great West; which not only affords our own citizens a cheap and convenient mode of transporting their produce to market, but also benefits the internal trade and commerce of the other States of the Union.

The North and West Branch Canals, and the Delaware Division, in connection with various improvements owned by companies, besides opening markets to the productions of the farmer, by which not only our own citizens are supplied, but also those of the neighboring and Eastern States, to the great advantage of both.—Many parts of the State are also found most favorably adapted to the growing of wool, another great staple of national in-

dependence; and the successful application of mineral coal, to the smelting of iron, has given a new impetus, among us, to this most important of all the branches of manufactures.

It is not surprising, therefore, that our people feel a deep anxiety in regard to the adoption or the change of any policy, on the part of the federal government, which may be supposed to affect such great interests. The regulation of a tariff on imports, so as to favor the developments of our domestic resources, and give satisfaction to the various parts of the Union, has long been a vexed and exciting question. Its influences for good or evil, have no doubt been greatly exaggerated in different sections of the country. The true policy of the nation would seem to lie between the extremes of those, who claim high duties for the mere purpose of protecting particular interests, and those who would not discriminate at all, in laying revenue duties, for the purpose of favoring the productions and industry of our own country.

Any course of policy which would have the effect to check the intelligent and honest enterprise of our citizens, and to retard the development of our national resources, can never receive the sanction or acquiescence of the people of this confederacy. It is readily conceded, that no more moneys ought to be collected from imports, than are necessary to meet the constitutional requirements of the government, economically administered. But, on the other hand, it is maintained with entire confidence, that in laying duties for this purpose, such discriminations for protection, as well as revenue, ought to be made, as will favor our own productions and industry, particularly in reference to articles which are of primary national importance, and indispensable in time of war.

This policy was expressly avowed in the first revenue law for levying duties upon imports, passed after the adoption of the federal constitution, and has been recognized and adhered to by the federal government, and sanctioned by the people of the States, from that day to the present, unless, indeed, the compromise act of 1833, be considered an exception; and it will be adhered to, so long as we have due regard to our individual and national prosperity and independence.

A tariff of discriminating duties, based on the principles indicated, and so adjusted as to secure permanence in its provisions,—sustained in its protective effects by the operations of a constitutional treasury, in regulating the issues of our banks, and checking excessive importations of merchandise, will, it is believed, give more stability to the general interests and business of the country, than any other system of policy within the control of the federal government.

I refer to the reports of the Canal Commissioners, for a detail of the proceedings during the last year on the public improvements of the State. This document contains, among other things, a statement, exhibiting the amount of tonnage that passed over these works during the year, which, when compared with that of past years, will show their increasing value. It does not, however, exhibit near the whole amount of our internal trade, as a very large proportion of the products of agriculture and manufactures find their way to market through other channels of communication, and by far the greatest amount of our coal is transported upon company improvements.

By the statement referred to, it appears that 86,231 tons of iron, in its various forms, passed over the canals and railways of the State during the season. How much found its way to market upon our rivers and company works, I have no means of ascertaining with accuracy, but, most probably, an amount equal to that which was carried on the State improvements. From the best information I have been enabled to obtain, not less than two millions of tons of Anthracite coal were taken out of the mines and carried to market during the last year, the greater portion of which was sent to the Eastern and neighboring States, being an increase of twenty-five per cent, over the operations of the preceding year, and, it is believed, the trade in this article will increase in even a greater ratio the present year. Of the Bituminous coal, a very large amount was also mined and sent to market. It is estimated, that not less than thirteen millions bushels, were consumed at Pittsburg and its vicinity, and about six millions of bushels were transported from that point down the Ohio river.

I advert, with great satisfaction, to the growing confidence of the people in the success and management of our State improvements, which has been secured by the vigilance and economy of the Canal Commissioners. The importance of these works, as a contribution to the national defence, and their value to the citizens of other States, as well as our own, cannot be too highly appreciated. They are now yielding a considerable portion of the revenue to meet the claims upon the Treasury. The security of the public creditors, and the faith and honor of the State, are most intimately connected with their success and productiveness. They, therefore, demand the special care and vigilance of the Legislature, by which the income they are now yielding, may be secured and advanced by the increasing business of the country.

In this connection, there are few objects of national concern in which Pennsylvania has a deeper interest, than in the appropriation for removing the obstructions to the navigation of the Ohio river, to the city of Pittsburg, which is a part of com-

mercial entry. The claims upon Congress, to expedite the completion of this work, long since commenced, as one of national interest, derive great force from the communication it would facilitate between the Western and Southwestern States, on the one hand, and those of the Atlantic on the other, by means of our public improvements.

The legislative enactments of the last few years, have introduced numerous improvements, in the system of levying and collecting the revenues of the State, and have guarded their expenditure with more care than formerly. I have every reason to believe, that these laws are strictly and honestly administered by the accountant and Treasury Departments, and that the influence and authority of their example, has had a salutary effect upon all the public agents. Much, however, remains to be done to perfect our system of taxation. Complaints are made that several of the taxes now levied are rendered unproductive, as well as oppressive, by imperfections in their assessments. Personal estates, that should bear a share of the public burdens, escape altogether, by the interposition of a trust, between the ostensible and the beneficial owners. The property of many corporations is exempted from taxation by special laws, while that of others of the same classes, and equally meritorious, remains bound. Securities for the payment of money, are by the words of the law, made taxable, which are, in fact, the mere evidence of passing transactions, and can, in no degree, be regarded as even temporary investments of the property of those in whose hands they are found. The simple exhibit, by the citizen of his personal estate, made without any other sanction, is substituted, generally for a less equivocal mode of ascertaining its amount and character. It should not be forgotten, that the tax which one citizen evades, or is legally relieved from, is distributed among the rest, and forms an addition to their burdens. Justice to the tax payers requires that this should not be suffered. The whole subject, however, is one peculiarly within your province, and I commend it to your prompt and serious consideration.

The report of the Adjutant General, exhibits the condition of the militia and volunteers, and of the arsenals and military property of the Commonwealth. It contains, also, judicious suggestions in regard to the care of the public property, and the improvement of the militia system.

As the nations of the world have not united in providing, by paramount law, for the peaceful adjustment of disputes between separate sovereignties, a military organization is essential to repel aggression and maintain the rights of the republic. In a nation of freemen, capable of self government, a well organized militia is adequate for these purposes, in all ordinary contingencies. Every man feels the conscious dignity of being a part of the national sovereignty, and the proud duty of defending his own rights, and the rights of all.

Various opinions are entertained as to the best organization of the militia, and I cannot hope that a discussion of them here will lead to any profitable result. Our volunteers, whose time and talents have been largely given to the acquisition of military knowledge, present a formidable force, which may compare advantageously, with that of any other State. Their conduct and discipline, have secured the public confidence, and they merit such well devised legislation, as will secure their continued efficiency and increasing numbers.

The incalculable benefits of our system of Common School instruction, are extending themselves throughout the whole Commonwealth, strengthening, improving, and elevating mind, and preparing the generation which is to succeed us, for usefulness and just apprehensions of duty. In country districts, where the population is scattered, and a large portion of the children find active employment for near half the year, the system cannot reach all the ends that are accomplished in cities and towns. But the signal and extensive advantages resulting from it, throughout the State, as shown in the comprehensive report of the Superintendent of Common Schools, give assurance, that Pennsylvania has laid the broad and deep foundation for the perpetuity of her institutions, by securing a sound, intellectual and moral education, for all her children.

I have lately, with the Superintendent of the Public Schools, visited the city of Philadelphia. There is much for the good man to admire, in the variety, comprehensiveness, and beautiful arrangement of her benevolent and charitable institutions, and to warm his gratitude towards the men who founded, and who now direct them. But, there is a moral grandeur presented to the patriot, in her public schools, that surpasses them all. By the former, which cannot be commended too strongly to the continued favor and fostering care of the Legislature, comfort and instruction are provided for a few, who are excepted from the mass by special misfortune. But the latter are a blessing to all; they provide for improving and elevating the whole body of the people, and for qualifying every child in its onward way to maturity, by sound moral and moral instruction, for filling up its measure of usefulness, and accomplishing, intelligently, the ends of its being. That community is happy, in which the system of general education is so widely diffused, and so well administered, as I have seen in the city and county of Philadelphia.

Allow me, gentlemen, before closing this communication, to tender to you assurances of my hearty co operation in your efforts to maintain the faith of the Commonwealth, and advance the welfare of our constituents.