

Democratic Banner.

BY MOORE & HEMPHILL.

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GOVERNOR'S MESSAGE.

To the Senate and House of Representatives of the Commonwealth of Pennsylvania.

GENTLEMEN:—No ordinary reasons for thankfulness to the Great God, crowd themselves upon the Representatives of the people, at this annual meeting. Abundance during the past year, has been the reward of honest industry, in every pursuit of the citizens. Animated with health and encouraged by success, they have steadily progressed in the accomplishment of their destiny, and while enterprise has been highly favored in the development of our great resources, the elevating purposes and life of our social organization, religion, morality, education, refinement & civilization have been cherished and advanced.

Although peace and tranquility have reigned within the borders of this State, we are identified with, and deeply interested in the war with Mexico, in which the nation is engaged—a war which the prudent, forbearance, and desire of the people to retain friendly relations, could not avert; and which was eventually forced upon us, by the duty that rests upon every well regulated Government, to protect the rights of its citizens, and maintain the honor of the nation.

Our religion, our interests, and our institutions, are essentially peaceful. The people hold in their hands the sovereignty of the nation, and exact from their rulers obedience to their will. By their controlling influence, they sanction and preserve the cardinal policy of maintaining amicable relations, with all other nations. By them the rights of American citizens, in all parts of the world, and the honor of the nation are held sacred. Violations of these national rights and national honor, appeal to the justice, and invoke the power of the whole people for their vindication. The war of 1812, with England, & the existing war with Mexico, are illustrations of this distinguishing feature in the character of the American people. Patient of injury while wrongs are sufferable, and reasonable hopes of a return to amicable relations, upon equitable principles, can be entertained, yet no nation may, with impunity, violate the obligations of treaties, or break faith with the U. States.

In defence of these just rights, the power of this people is resistless. Every citizen holds himself responsible, and the army springs into existence, not by conscriptions, or contracts for enlistments, but by the voluntary impulse of independent freemen, animated by patriotism and urged onward to deeds of heroic valor, by the approbation of the whole nation. This invincible spirit, guided by the science & skill of the officers, has led our armies in Mexico, from one victory to another, and from one great triumph to a greater, and will lead them still onward, until a permanent and honorable peace is secured. While the honest pride of every American is gratified, by the great achievements of our soldiers, his confidence in our free institutions, and in the means to defend and preserve them, is strengthened.

In the support and prosecution of the war in which we are engaged, Pennsylvania has given token of her ancient and uniform fidelity to liberty and the honor of the nation. Her volunteers were among the first to tender their services, and in every encounter with the enemy, have magnified the military fame of the Commonwealth, by deeds of romantic chivalry and noble daring. In these great achievements, many of our heroes have fallen in a foreign land. The means of the winds of Heaven, in passing through the long grass on their grave, are reached by the sighs of their friends in the fatherland, and the sad requiem is a just tribute to their sufferings and their valor.

The finances and credit of the State—the amount & condition of the public debt, and the means of reducing it, are among the objects which claim the first attention of the Representatives of the people.

The amount of the public debt, on the 1st Dec, 1846, was \$40,789,577 00

On the 1st Dec. 1847, it was, according to the Report of the Auditor General, as follows, viz:

Funded Debt.	
6 per cent stocks,	\$1,762,335 00
5 " " "	37,207,990 57
43 " " "	200,000 00
Relief issues in circulation,	931,664 00
Interest certificates outstanding,	353,956 43
Unclaimed,	4,448 58
Interest on outstanding and unclaimed certificates, at 4 1/2 per cent, to 1st Aug., 1845, time of funding,	22,459 80
Domestic credits,	98,095 47
	40,628,940 51

Being \$160,627 49 less than it was on the 1st Dec., 1846.

This payment, or reduction of the debt, within the last financial year, was effected by the cancellation, at the Treasury,

of one hundred and fifty thousand dollars of the relief issues, and by the receipt of State stocks in payment of old debts, which is allowed in certain cases by law.

There would have been two hundred thousand dollars of the relief issues cancelled, within the year, in accordance with the requirements of the law, but the payment of the interest which fell due on first of February, last, left the Treasury so much exhausted, that the amount which should have been cancelled on the 31st of March, was not then on hand. It will be recollected that it became necessary to anticipate a portion of the means of the year, by a loan of \$200,000 00, to meet the interest which fell due on the 1st Feb. The balance in the Treasury, on the 1st December, 1846, was,

\$384,678 70

The receipts into the Treasury, during the financial year ending the 30th Nov., 1847, from all sources, including the loan of \$200,000 above referred to, was, \$3,977,025 80

Making an aggregate of 4,361,704 50

The payments made out of the Treasury, during the same period, including the repayment of the loan of \$200,000, were,

3,680,813 74
680,890 85
548,881 00
542,658 64
6,192 36
296,212 15

and we have the sum of 302,404 51 as the aggregate increase of the balance in the Treasury, and of outstanding taxes on the 1st Dec., 1847, over the same items on the 1st Dec. 1846.

This calculation shows, that the revenues assessed and accruing, within the financial year, ending on the 30th Nov., last, were not only adequate to meet the demands upon the Treasury, within the year, but exceeded them by the sum of \$302,404 51, as above stated, and if to this sum be added the amount of the debt paid within the year, to wit, \$160,627 49, we have the sum of \$463,032 00, as the excess of the revenues accruing within the year, over the payment of the interest on the public debt, the expenses of the government and the other ordinary demands upon the Treasury.

This presents a very encouraging view of the improving condition of the finances of the State. It is the first time, since the commencement of the internal improvement system, that the permanent revenues accruing within the year, unaided from any other source, have exceeded or been equal to the demands upon the Treasury. It is true, the interest upon the funded debt, and other claims upon the treasury, during the two preceding years, including the payment of a portion of the public debt, by the cancellation of relief notes, were punctually paid; but, in doing this, the balance which had accumulated in the Treasury, on the 1st Dec. 1844, by the previous suspension of the payment of the interest on the public debt, for two and one-half years, as well as the amount of taxes then outstanding, were diminished each year, until the last, as is particularly explained in my annual messages, in 1845 and '46, to which you are respectfully referred.

An estimate of the receipts and expenditures, of the current year, made with much care, and upon consultation with the other officers of the government, is hereto appended, by which it appears, that the estimated amount of receipts into the Treasury, from all sources, for the financial year, ending on the 30th November, 1848, is \$3,921,900 00

And that the estimated amount of expenditures, for the same period, including the cancellation of \$200,000 relief notes, is 3,576,300 00

Which exhibits an estimated excess of receipts, over expenditures, of \$345,510 00

To which add the estimate for the cancellation of relief notes, which are a part of the public debt, 200,000 00

And we have the sum of 545,510 00 as the estimated excess of receipts, of the current financial year, ending on the 30th November, next, over the payment of the interest on the public debt, and the current demands upon the Treasury.

These estimates, when taken in the aggregate, I consider, entirely safe and reliable. During the last few years, the actual results have been more favorable to the Treasury, than were anticipated by the estimates. Notwithstanding the extraordinary floods, which occurred during the past year, the consequent damage in

the public works, and the interruption of the trade upon them, for about two months, the tolls taken by the collector, within the year, according to the report of the Canal Commissioners, amounted to the sum of \$1,581,575 87, being \$286,081 11 more than was taken in the preceding year, and exceeded the estimate made for the last year, near one thousand dollars. Had no unusual interruption of business occurred, the amount taken would certainly have reached eighteen hundred thousand dollars.

The estimate of canal and railroad tolls, for the current year, is seventeen hundred thousand dollars, which, there is good reason to believe, is rather below than above the amount which will be received. The expenses of repairing the damages to the public works, by the floods of the past year, will principally fall upon the current year. They are, however, included in the estimate of the expenses of the year, and will not affect the results presented in the preceding calculations.

The amount of relief issues in circulation, on the 1st of December last, was nine hundred and thirty-one thousand six hundred and sixty-four dollars, of which fifty thousand were cancelled at the Treasury on the 31st of December, leaving eight hundred and eighty-one thousand six hundred and sixty-four dollars still outstanding. The means of the Treasury, it is believed, will be adequate to the cancellation of the whole amount now in circulation, within the present and succeeding year. Many of them are so defaced as to be almost illegible, and are unfit for circulation; besides they vitiate the currency, and furnish an excuse for the use of small notes from other States, in violation of law, and lessen the circulation of gold and silver among the people. Justice to the public creditors, who are compelled to receive them in payment of their interest, when they are below par, as well as to the people at large, imperatively demands that they should be taken out of circulation as soon as practicable. I, therefore, recommend the passage of a law, allowing such of the Banks as have issued these notes, to fund them at a rate of interest not exceeding six per cent, per annum payable semi-annually, and that all the surplus means in the Treasury, beyond the payment of the interest on the public debt, be applied, first, to the redemption or cancellation of those that may remain in circulation, as they come into the Treasury, and then to the payment of the amount funded by the banks.

The resources of the Treasury will be sufficient to cancel all that may be received in payment of dues to the Commonwealth, and to pay the banks the amount funded within two years. By this process, should the banks agree to fund any considerable portion of them, they may all be taken out of circulation within the present year. It may be urged, that as these notes do not now bear interest, they ought not to be converted into a debt on which interest will be payable. This, however, is but a superficial view of the subject.—There is no longer any excuse for a continued violation of the public faith, by the payment of the public creditors, in a depreciated currency, and the small amount of interest which will have to be paid, if the banks agree to fund a portion of these notes, will be more than compensated by relieving the character of the State from the continuation of this act of injustice, and the people from the losses incident to a depreciated circulation. This currency had its origin in an evasion of the Constitution, and ought to be blotted out of remembrance.

It may now be safely assumed, that we have reached a period, in our financial history, when the permanent revenues of the Commonwealth exceed, annually, the interest on the public debt, and the ordinary demands upon the Treasury, by at least half a million of dollars. And this excess, it is confidently believed, may, by a judicious revision and amendment of the revenue laws—a prudent and economical course on the part of the legislative and Executive departments of the Government, and the faithful management of the public works, be augmented in a few years to one million of dollars, as a sinking fund, without increasing the burdens of those who now pay their taxes, on a full return and fair valuation of their taxable property.—This sum applied semi-annually, with its accruing interest, to the redemption of the five per cent State stocks, at par, would discharge upward of sixteen millions, four hundred thousand dollars of the debt in twelve years, and reduce it at the end of that time, to twenty-three millions. It is believed that all the relief issues will be redeemed and cancelled, by the year one thousand eight hundred and fifty; and if the operations of the sinking fund are then commenced, on the funded debt, the result thus anticipated, will be realized in the year one thousand eight hundred and sixty-two, at which time, there is good reason to believe, the net income from the public works will be more than sufficient to pay the interest on the balance of the public debt, and thereby relieve the people from all further direct taxation for this purpose.

Some may view this proposition as visionary, and delusive, but I regard it as entirely practicable, under a wise and prudent administration of the affairs of the State. The augmenting trade upon our public works, and the consequent increase of business in our commercial and manufacturing cities and towns, and the increase of population and taxable property, within our limits, cannot fail, under a proper enforcement of the revenue laws, to add to the means of the Treasury every year. If, however, this great object is to be effected, the public revenue must not be diverted to other purposes, and the most rigid economy, and the strictest accountability, of the public agents, must be required and enforced. It is among the first and highest duties of those entrusted with the administration of the government, to adopt the most efficient means, under existing circumstances, to increase public confidence and guard against the good faith of the State being ever again called in question—to reduce the public debt, and relieve the people from perpetual taxation to pay interest. I, therefore, feel impelled by a sense of duty, to renew the recommendation contained in the last annual message, which is in these words:—

"In connection with this subject, I respectfully recommend to the General Assembly, the propriety and policy of proposing to the people, an amendment to the Constitution of the State, under the form of the 10th article of that instrument, by which the income from the public improvements, after deducting the necessary expenses for repairs and superintendence—the revenue arising from the State tax on real and personal property, for a certain period, and such other items of income as may be deemed expedient to include, shall be set apart and sacredly pledged, for the payment of the interest upon the public debt, and the gradual liquidation of the principal. Such an amendment, judiciously arranged, would, I apprehend, meet with the decided approbation of the people of the Commonwealth. It would concentrate public sentiment on a fixed object—remove all doubt of the fullness of the public credit, and lay the foundation of the final extinguishment of the public debt. It would give an additional security and assurance to the people, and to the public creditors, that, in no event, could the public revenue be diverted from its legitimate object, and would furnish conclusive reasons, for the prompt and cheerful payment of the taxes."

The inequality of taxation arising from large quantities of property subject to tax under existing laws, escaping assessment, and the unequal valuation of that which is assessed, continues to be a subject of just complaint. I am well aware there are inherent difficulties connected with the subject, but still the experience of the operation of the system, and the defects which have become apparent, will point out some remedies for the grievances which exist, and which should be adopted. I, therefore, most respectfully invite the attention of the General Assembly, to a thorough examination of the subject. Whatever just amount of taxation one man escapes by an evasion, or imperfect execution, of the law, is an imposition and fraud upon his neighbor, who makes a full return of his property, and pays a tax upon a fair valuation.

There are no subjects more intimately connected with, or which have a more direct influence upon the interests of the country, than the currency and the banking system.

There is good reason to believe, that the prosperity of the people of the United States, particularly those connected with the agricultural interests, has been promoted, by the removal on the part of the British Government, of the high duties upon our exports of grain, and other agricultural productions, and the modification of our own tariff, by which the commercial exchanges of the two countries have been greatly augmented, without affecting injuriously, so far as I am informed, any of the great manufacturing interests, or other industrial pursuits of our people.

Other causes, in combination with those alluded to, have produced a large influx of specie into the United States, during the past year, which has gone into active circulation among the people, or found its way into the vaults of the banks. This increase of the precious metals, while it should dispense, in a great degree, with the use of paper currency, has a tendency to increase it, by enlarging the means of the banks to extend their issues. The effect of which, if encouraged, will be to promote speculation, and over action in every department of business, and thus make the present substantial prosperity of the people, the means of producing adversity and depression. The operations of the Constitutional Treasury have had, & no doubt will continue to have, a most salutary influence, in restraining the tendency to excessive banking, by keeping the public revenues out of the vaults of the banks, and compelling them to be prepared to redeem their notes, and furnish specie, to meet the wants of those who have customs, and other dues, to pay to the Government.

Although the restraining influence of this great measure, upon the banking system, is most beneficial, still it does not dispense with the necessity of caution and prudence, on the part of the States, in every thing pertaining to banking and paper circulation.

Moderate discriminating duties, with a sound currency, limited to the specie standard, may be regarded as the natural and healthy condition of a country, by which the just rewards of labor are secured, and all the great interests of the people advanced, while high duties and a redundant paper currency operate as unnatural stimulants and create apparent but delusive prosperity.

Nothing can contribute so much to the maintenance of our present prosperity, as a sound currency. Pennsylvania is rich in productions of almost every description required by the wants of mankind; & nothing is necessary to make her people the most independent in the world, but a proper regard for her true interests. To advance these, she must not be seduced from her devotion to sound principles, by the artificial contrivances of false economists, whose selfish theories are as delusive, as they are destructive of the public good.

The present is a most propitious period, when there is an abundance of gold & silver in the country, to make a determined effort to increase its circulation, and secure to the people the currency which the wisdom of the framers of the Constitution of the United States provided. Instead of creating new banks, or increasing the capital of old ones, our efforts should be directed to secure the solvency of those which already exist, and thereby render their circulation sound and reliable.

Impressed with the force of these considerations, I am convinced that the increase of the banking capital of the State, would be unwise and impolitic; and I respectfully recommend, that before any one of the existing banks is rechartered, a searching scrutiny be instituted into its affairs, its management, its credit, and its means; and if it be found that the notes have been suffered to depreciate, that the accommodations have been bestowed upon favorites, and large speculators and dealers in money, instead of being diffused among moderate and safe customers; that the issues have at one period encouraged speculations by their excess, and at another oppressed honest industry, by their contraction; in short, that the legitimate objects for which the privileges were granted, have not been by fair, faithful and judicious management accomplished, then the charter should be suffered to expire by its own limitation.—The discontinuance of such institutions will promote the public good, and will be hailed with approbation by all those who have, for private gain, wrested them from the purpose for which they were established.

This policy, so just towards the public, while it may, to a moderate extent, diminish the present amount of banking capital, will strengthen public confidence in the other banks, and add to the stability and soundness of the currency. And as it may, also, increase the profits of existing banks, beyond a just compensation to the shareholders for their investments, and as this excess of gain is derived from the special privileges conferred upon them by the Legislature, I recommend, that the tax imposed by the act of the 1st April, 1835, upon dividends exceeding six per cent, per annum, be increased. While the inducement to excessive banking will be reasonably checked, by the increase of this tax, the finances of the State may be, to some extent, improved, and the public welfare promoted.

The policy indicated, will lead to the rigid execution of the law prohibiting the circulation of foreign notes, under the denomination of five dollars, as soon as the balance of the relief issues is cancelled.—This will be a positive advance in the improvement of the currency, which should be then followed by a law prohibiting the circulation of all notes, below the denomination of ten dollars. The channels of circulation will then be filled with an abundance of gold and silver, the public secured against the chances of loss by broken banks, and depreciated currency; and the way will be opened to such further improvements, as the real interests and convenience of the people may demand.

The cautious enactments I have suggested, cannot fail to increase, rather than diminish the amount of a sound circulating medium, fully entitled to the public confidence. The effect will be to bring the specie of the country into active circulation, to furnish the people with a substantial currency, that cannot be impaired by bank failures, and to restrain the tendency of the banks to foster extravagance, in time of prosperity, and check the means of oppression in time of adversity.

A theory has been advanced and put in to practice, in some of the States, called FREE BANKING. It is based, in part, upon specie, and in part upon State stocks, hypothecated with the Government. In other words banks become the creditors of the Commonwealth, by purchasing her bonds; these are deposited with the government, and the government endorses, & returns to the bankers, notes prepared for circulation, to an equal amount. I can perceive no grounds for confidence in this system. It must explode, in a country where it is adopted to any considerable extent, whenever a revulsion occurs to test its stability, for it is a deviation from true principles. Sound and safe banking can only be based and conducted on money—gold and silver. Neither individuals or banks, can lead that which they have not, and if