

SUPPLEMENT TO THE PHOENIX.

WEDNESDAY, OCTOBER 22, 1873.

MESSAGE.

Fellow-citizens of the Senate and House of Representatives: I have called together your honorable bodies by virtue of the power vested in me by the constitution of the State, which authorizes the Governor, "on extraordinary occasions," to convene the General Assembly.

I have been impelled to exercise this power by my sense of public duty. The occasion is an "extraordinary" one, and its responsibilities, which attach alike to the Legislative and Executive departments of the State government, will be met, I trust, with a strict regard to the interests of the people at large, from whom they derive their powers.

Certain bond creditors of the State, holding or representing bonds of several classes having, in the last resort, appealed to the Supreme Court to pass upon the validity of the State securities held by them, and to afford them the relief to which they deemed themselves entitled, the court has decided that the bonds in question are valid, and that the comptroller, in obedience to the constitution and laws, "levy a tax to pay the interest on the said several classes of bonds, such levy to be made before the 15th day of November proximo, the rate per centum of the tax to be thus levied to be adequate to liquidate the interest past due, and also that for the present year."

This mandamus covers five classes of bonds, amounting in the aggregate to \$3,549,092, five hundred and forty-five thousand of which have been exchanged for conversion bonds, and are now outstanding in that form.

This decision of the highest judicial tribunal of the State, thus invoked by a portion of the public creditors, would seem to admonish the State government that it should, without delay, provide for the liquidation of its whole bonded debt, upon some precise basis of adjustment,—honorable alike to the State and its creditors,—or prepare to witness proceedings, on the part of those who hold its securities, which must eventually stamp the State,—by the decrees of its own or Federal Courts,—as totally wanting in regard for private rights or public faith.

If the General Assembly could, by an instant exercise of its constitutional powers, destroy every bond that bears upon it the impress of the great seal of the State, they would thereby confer a very great present benefit upon the entire people, but it would

be, at the same time, an act of monstrous injustice.

There is a tribunal before which States are judged, as well as individuals. It is the tribunal of public opinion.

The verdict of impartial and inexorable history is made up from the expressed judgment of fair minded men, delivered on current events.

Let not that verdict be, that the government of South Carolina—based upon a broad recognition of the rights of man—contracted a large public debt to provide for its maintenance in the hour of its weakness and remorselessly repudiates that debt in the day of its assumed power.

While I do not, for an instant, assume that any honorable Legislature would avowedly repudiate any obligation of the State, yet it must be patent to the world that to refuse, or to fail to provide, the means for liquidating the public debt, is, in effect, to repudiate it.

Further delay to act in the premises, by meeting the just demands of our public creditors, to the extent of our ability, without imposing a grievous burden on the people, is to fix upon South Carolina the stigma of repudiation, which must indelibly mark her as the shame and opprobrium of American States.

I would, however, deem myself unfaithful if I did not, for an instant, assume that any honorable Legislature would avowedly repudiate any obligation of the State, yet it must be patent to the world that to refuse, or to fail to provide, the means for liquidating the public debt, is, in effect, to repudiate it.

The existing bonded debt represents, in great part, an exemption of the people from high taxation during the period of four years, commencing in 1868.

Its liquidation confers upon us vast responsibilities and solemn duties.

These responsibilities and duties we cannot delegate to others, but we must act according to our best understanding, confiding in the integrity of our motives, and in the just judgment of the people, whose rights and obligations are alike represented by the Government of the State.

A further and important consideration that has induced me to convene your honorable bodies in extraordinary session is that the act, which I have seen by your journals, was passed and ratified at your last annual session, withdrawing from the honorable the com-

ptroller-general all authority to order any tax levy, has never reached this department, and hence, has not become a law, as was intended by the General Assembly.

The decision, therefore, of the Supreme Court, requiring the comptroller-general to order the necessary levy to pay the interest on the adjusted bonds, on or before the 15th of November proximo, would leave your honorable bodies had not been convened, have been imperative upon the said officer, and he would thus have exercised a power under the operation of a statute which the law-making department of the State government had clearly shown their purpose to repeal.

I therefore thought it proper that you, as the representatives of the people in your legislative capacity, should be afforded the opportunity in season, after further reflection, of affirming your previous action in the premises, collecting, as you do, the direct expression of the popular will.

For your information, and for that of the people of the State, I have made a thorough and exhaustive examination of the various classes of our public debt, and have prepared tabular statements exhibiting the true status thereof. In this work I have been ably seconded by the unremitting labors of Mr. Walter R. Jones, clerk of the Financial Board, to whom I take this public method of returning my thanks for his valuable assistance.

It is due also to the honorable the treasurer of the State, and to his efficient book keeper, Mr. T. J. Minton, that I should say that I have been afforded every facility in making this investigation, and that I have obtained reliable aid from them in acquiring the information desired.

Every piece of stock, or bond, cancelled and filed in the treasury, which has been redeemed, or for which conversion bonds have been exchanged, has been separately and carefully examined; its number and denomination noted and compared with the Treasurer's registry of bonds and stocks converted. By eliminating from the bonds and stocks outstanding August 1, 1868, and from those printed since that period by Messrs. Murphy's Sons, of Philadelphia, and the American Bank Note Company, of New York, such as have been converted and cancelled, or cancelled unused, I have obtained a complete registry of the bonds and stocks outstanding at the present time. The following statement will exhibit the present condition of the bonded debt:

The Fire Loan stock, amounting to \$303,343.89, and Fire Loan bonds, amounting to \$481,944.31, are outstanding balances of an original issue of \$2,000,000 of bonds issued as a loan to rebuild the burnt district of the city of Charleston under an act of July 1, 1838. The bonds are held in Europe and matured in 1868. The stock matured in 1870 and is owned by citizens of the United States.

In my opinion these bonds and stocks, amounting in the aggregate to \$785,288.20, which are now past due and payable, and also the Fire Loan bonds, making a total of \$524,124, are now an actual, but a contingent, liability of the State.

The act authorizing the issue of the "Fire Loan bonds" provides that "it shall be the duty of the President and Directors of the Bank of the State of South Carolina to make proper provision for the punctual payment of the interest of such loan, under the provisions of this act, and also for the redemption of the principal thereof," and further, "that when the profits of the said Bank of the State of South Carolina shall have paid the interest on certain stocks and redeemed said stocks (all of which, save the three per cent, which have been redeemed long since), for which they have heretofore been pledged and set apart, the said profits shall also be considered as a fund for the redemption of the interest of the said loan and the final redemption of the principal thereof."

The history of this loan is as follows: The \$2,000,000 of bonds were issued to the Bank of the State. The bank through its agent, General McNeill, secured the services of Messrs. Harrington, of London, to negotiate the loan, and to accept in depositing of about \$1,000,000, the remainder was returned to the bank, converted into registered stock and sold in the State. The proceeds of the sale of those bonds and stocks were deposited in the bank as a part of its working capital. Persons desiring to rebuild the burnt district of Charleston obtained a loan for that purpose from the bank, giving a mortgage upon the property as security for the loan. The bank received the money from the sale of the bonds and stocks; it received the interest upon the loans made to the builders; it received the principal of the loans at their maturity. In justice, therefore, to the tax payers of the State the assets of the bank, which have repeatedly been solemnly pledged and set apart for the redemption of these bonds and stocks, ought to be immediately so applied.

In the report of the officers of this institution to the Legislature of 1841 it is emphatically asserted "that the whole of the means of the bank stand as security for this loan."

The president of the bank in his report to the Legislature of date July 1868, referring to this subject, very justly observed "that it might with propriety be regarded as a debt of the bank rather than a debt of the State. The bonds and stocks were sold and the funds placed under control of the bank, which was charged with the distribution of the funds, and also the duty of providing for the payment of the interest and principal of the obligations as they became due."

The Legislature, under act of December 21st, 1865, again pledged and appropriated the assets of the bank—first to the payment of the fire loan bonds in Europe; second to the fire loan stocks in America; and third to the bills of the bank.

The Legislature, under act of September 15th, 1868, disregarded this contract with the holders of this loan, and directed the sale of the assets, under the direction of the Governor, the proceeds to be subject to the order of the Legislature; and also authorized the funding of the bills issued prior to December 20, 1869. The sale of the assets was engaged by the court, and the claims of these several classes of creditors are still the subject of litigation.

The whole history of this loan, as read in the annual reports, both of the officers of the bank and the comptroller-general, conclusively proves that the interest on the loan as it accrued, and the principal as it matured, were made a preferred claim upon the entire funds of the bank.

It will be seen from the preceding statement that the bonded debt aggregated \$15,851,627.35, or \$300 more than the amount reported outstanding on the 31st of October, 1872. This difference is accounted for by the issue on the 18th of November, 1872, of \$300 funding stock under the Acts of September and December, 1866.

It will also be seen that I have divided the debt into two distinct periods, viz: "Ante-Reconstruction Funded Debt," or the amount of bonds and stocks outstanding when the reconstruction government assumed control, and "Post-Reconstruction Funded Debt," or the amount of bonds and stocks which bear the signatures of the officers of the reconstructed government. This latter debt has been subdivided as follows: The first subdivision shows the floating debt contracted by the ante-reconstructed government, which the officers of the reconstructed government found outstanding when they came into power, and which they converted into a funded debt by the issue of bonds and stocks; the second subdivision represents the funded debt actually created by the reconstructed government, for which only they are entirely responsible.

HISTORY OF THE BONDED DEBT.

The stock known as the three per cent, of 1794, was issued for the purpose of funding certain debts incurred by the State to aid in carrying on the revolutionary war. At the close of the war the United States government assumed the debts of the States, incurred in carrying on the war. The interest upon this debt was paid by the national government to the State, and the State disbursed the amount so received to her creditors. When the Bank of the State was chartered in 1812 the moneys received from the United States were turned over to the bank and formed a portion of its first business capital.

The State the entire principal of this debt, which amount was also turned over to the bank, and it was made the duty of the bank to pay the interest annually accruing upon these three per cent, and to redeem the principal upon presentation. It is, therefore, assumed that this debt is a prior lien upon the assets of the bank. This stock is held almost exclusively by citizens of this State, having been in the possession of similar families from generation to generation from 1794 to the present time.

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The whole history of this loan, as read in the annual reports, both of the officers of the bank and the comptroller-general, conclusively proves that the interest on the loan as it accrued, and the principal as it matured, were made a preferred claim upon the entire funds of the bank.

showed that on the 1st of January, 1870, after the redemption of the last instalment of the fire loan, there would be a balance of funds in the bank to the amount of \$2,418,927.35.

I am aware that the available assets of the bank, according to the reports of the Legislative committee of 1868, appointed to investigate this matter, if sold, would probably be insufficient to cancel this entire indebtedness, viz: \$24,124; but these facts have been adduced to show that they should be so applied as far as they will go, and the deficiency, if any, could afterwards be provided for by the Legislature.

I repeat, therefore, that the fire loan bonds and stocks and the three per cent, stock are not actual, but contingent debts of the State. The actual debt is thus reduced to \$15,927,527.35.

The aggregate amount of bonds and stocks originally issued under the several acts authorizing the issue of bonds and stocks for the construction of the new State House was \$2,285,600. Of this sum \$1,034,811.69 have been cancelled, and conversion bonds issued in lieu thereof, and \$212,000 have been redeemed, and \$1,251,788.41 are now outstanding in their original form, as will more fully appear by reference to the statement of the bonded debt.

The faith and funds of the State are solemnly pledged for the payment of the interest and principal of this debt. Of the amount outstanding \$38,000 of bonds of 1853 are past due, and no provision has been made for their redemption.

The bonds originally issued under the act of 1854, as a subscription to the Blue Ridge Railroad amounted to \$1,000,000. Of this sum \$34,000 have been converted and cancelled, and conversion bonds issued in lieu, and \$966,000 are now outstanding in their original form. Unlike the bonds and stocks previously mentioned, no provision has been made by pledge of the faith or credit of the State, or otherwise, for the payment of the principal or interest of these bonds.

The bonds and stocks originally issued under the acts of September and December, 1866, for funding the interest and principal of certain bonds and stocks past due, aggregate \$1,166,287.35, as follows:

Bonds maturing in 1887..... \$29,000 00
Bonds maturing in 1897..... 511,000 00
Stock maturing in 1897..... 146,287 35
Total..... \$786,287 35

The total amount converted was \$156,673.41, as follows:

Bonds maturing in 1857..... \$48,600 00
Bonds maturing in 1867..... 45,000 00
Stock maturing in 1857..... 62,873 41
Total..... \$156,473 41

The total balance outstanding is \$1,009,613.94, 613.94, as follows:

Bonds maturing in 1857..... \$48,600 00
Bonds maturing in 1867..... 45,000 00
Stock maturing in 1857..... 70,413 94
Total..... \$1,009,613 94

These two acts authorized the funding of the interest due upon the outstanding bonds and stocks to the 1st July 1867, amounting to \$969,094.44, and also the funding of the principal of the bonds of 1859, to aid the Blue Ridge Railroad, due in 1865, amounting to \$310,000; also balance of certain stock, amounting to \$3,705.46, making a total amount fundable of \$1,282,800.90; total funded, \$1,166,287.35; balance not yet funded, \$116,513.55; several amounts paid in by the State, and also the amount of \$50, \$534.17; less fractional amounts relinquished by stockholders, \$298.09; balance fundable \$116,751.63.

The bonds originally issued under the act of August 26, 1865, to redeem the obligations known as the bills receivable of the State, amount to \$500,000. These bills were issued under an act of December, 1865. The amount receivable under the act of 1865, was \$200,000. Of this sum \$248,702 were redeemed by ex-Treasurer Parker, and \$82 have been redeemed by the present treasurer, as cash on account of taxes; there is, therefore, a balance outstanding of \$1,216.

It appears, by the reports of the financial agent, that these bonds were sold for 90 cents on the dollar, realizing \$350,000. The total amount of bills redeemed by the previous administration was, as before stated, \$298,702; there ought, therefore, to have been a balance of cash to the credit of this account on the 30th of November, 1872, of \$51,298.

In comparing the aggregate receipts and expenditures of the last administration, this amount is accounted for in the expenditure for public purposes, and I find it impossible to ascertain the object of the expenditure to which it was actually applied.

Under the act of August 26, 1868, to authorize a loan to pay interest upon the public debt, the American Bank Note Company printed \$2,000,000 in two issues. The first issue amounted to \$1,000,000. On account of some alleged omission, they were not considered as saleable as were other bonds of the State. It was, therefore, determined to prepare a second issue, which was authorized to retire and cancel the first issue. Of said issue \$500,000 were retired and destroyed by burning, as appears by the certificate of five of the officers of the executive department; \$500,000 were cancelled and are on file in the treasury; \$450,000 were never retired, and therefore exist as a debt of the State. The entire amount of the second issue was also negotiated. The total debt created under this act of August 26, 1868, is \$1,450,000. Of this amount \$255,000 have been cancelled, and conversion bonds issued in lieu, and \$1,195,000 are outstanding in their original form.

In order to ascertain what proportion of this debt is chargeable to the ante-reconstruction administration, the following inquiries should be made:

1st. The whole period in months from the date the interest was last funded to the date to which the interest was payable under this act, from the proceeds of the sale of these bonds.

2nd. What proportion of this period belonged to the ante-reconstruction period, and what proportion to the post-reconstruction period.

The language of the act is rather ambiguous, but taken in connection with the recommendation of Governor Scott, in his first message, which recommendation it was the evident intention of the Legislature to adopt, it appears that the proceeds from the sale of these bonds were to be applied to the payment of interest on the public debt, accruing from the 1st July, 1867, to 1st July, 1869, a period of twenty-four months. The interest accruing from July, 1867, to August, 1868, a

period of thirteen months, is chargeable to the ante-reconstruction period, and the interest accruing from August, 1868, to July, 1869, a period of eleven months, is chargeable to the post-reconstruction period; or, in other words, 13-24 of the entire debt of \$1,450,000, amounting to \$785,416.66, is chargeable to the former period, and 11-24, amounting to \$664,583.33, is chargeable to the latter period.

It may be proper to state, in connection with this subject, that the Legislature, at its session of 1868-69, appropriated \$500,000 for the payment of the interest due for this same period, to meet this indebtedness. In comparing the amount of moneys received from taxes, with the moneys expended on account of appropriations for this same period, it appears that the expenditures, exclusive of the payments for interest, exceeded the receipts. The interest was paid from the remaining source of revenue, viz: the proceeds from the sale of these bonds.

Under the act of September 15, 1868, for funding the bills of the Bank of the State, the American Bank Note Company printed \$1,500,000. Of this sum \$1,259,000 were issued, and others were cancelled unused. Of the amount issued \$63,400 were converted and \$1,195,600 are outstanding in their original form. The bonds prepared under the act of February 17, 1869, for the relief of the treasury, amounting to \$1,000,000, of which \$101,000 were never issued, and are cancelled and filed in the treasury; \$433,000 of the remainder have been exchanged for conversion bonds and \$866,000 are now outstanding in their original form.

The stock originally issued under the act of March 23, 1869, for the conversion of State securities, amounting to \$775,700, of which \$711,700 have been converted into conversion bonds, \$6,000 represent stock transferred and \$58,000 are outstanding in the original form.

The issue of the conversion stock is explained in this way: when application was made to the treasurer by a person holding a bond of the State to have the same exchanged for a conversion bond, the treasurer took up such bond and issued in lieu a piece of conversion stock of equal amount, which stock was then cancelled and exchanged for a conversion bond. This roundabout process was prescribed by the act for the conversion of State securities. Several persons prepared to hold the conversion stock, and, therefore, did not enter the treasury to have the same converted into conversion bonds, which accounts for the outstanding balance of \$64,000 before referred to. Of course this amount does not represent an increase of the public debt, but merely represents in another form some pre-existing obligation.

The entire amount of bonds issued under the act for the conversion of State securities was \$7,576,500. Of this sum \$1,611,500 were issued merely to change the form of some pre-existing indebtedness, in the form of bonds and stocks previously authorized, and hence do not represent an increase of the public debt.

The \$34,000 of conversion bonds converted and cancelled are the proceeds of the sale of a person holding \$1,000 of bonds of different classes (say funding interest, etc., \$200 of the denomination of \$100; funding bills Bank of the State, \$500 of the denomination of \$50, and conversion, \$200 of the denomination of \$100) would present them to the treasurer, and receive in exchange a piece of conversion stock of the denomination of \$1,000, and in exchange for said stock, a conversion bond of equal amount. The \$34,000 of conversion bonds found their way back into the treasury, and bonds of the same class, but larger denomination, found their way into the market without increasing the volume of debt.

I repeat, therefore, that there are now outstanding \$1,577,500 of conversion bonds issued under the act of 1868, which are not cancelled and are the subject of the public debt. A person holding \$1,000 of bonds of different classes (say funding interest, etc., \$200 of the denomination of \$100; funding bills Bank of the State, \$500 of the denomination of \$50, and conversion, \$200 of the denomination of \$100) would present them to the treasurer, and receive in exchange a piece of conversion stock of the denomination of \$1,000, and in exchange for said stock, a conversion bond of equal amount. The \$34,000 of conversion bonds found their way back into the treasury, and bonds of the same class, but larger denomination, found their way into the market without increasing the volume of debt.

It is patent to the unprejudiced mind that unless the proposed to adopt in this State that policy which has been the treatment of the public debt, since 1871, has unreservedly proved disastrous to the credit of the State.

The tax payer, relieved for the time being from the payment of an extra tax, regarding the bondholder as a parasite, living at the expense of forced contributions from his small and inefficient hands, "reaping where he has not sown," is thus disposed to let the debt and the holders thereof take care of themselves; hoping that some beneficent providence would ultimately relieve him of the burden; caring little whether relief came from repudiation or the assumption of the debt by the national government. But in the meantime the unpaid interest accumulates; the credit of the State is remote; threats of repudiation begin to assume tangible shape and citizens are found bold enough to grant utterance; the bonds of the State are no longer required for at the stock exchange; the credit of the State is lost almost beyond redemption.

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No one doubts that to levy at this time a tax large enough to cancel our floating indebtedness, or even to pay the accumulated and accruing interest upon the bonded debt would paralyze the business energies of the State, and would be equivalent to an actual confiscation of the property of every citizen.

To fund the whole of the floating debt at par would increase the public debt of the State. This is expressly forbidden by a recent amendment to the constitution, unless two-thirds of the qualified electors of the State, voting upon the question, should give their assent to such increase. Even assuming that their assent to such increase could be obtained, the present condition and resources of the State do not warrant the collection of an annual tax of about nine mills on the dollar, in addition to all other taxes, to pay interest upon the public debt.

The question then arises what is to be done under the circumstances? There are those who even object, strenuously, to the levy of any tax at all for the present to pay interest; but we must either pay or repudiate. If from January 1871 to October 1873 does not furnish the tax payer a sufficient breathing spell to prepare the way for the resumption of the interest payments, then three additional years with all their interest accumulations will not afford it. But I am satisfied that the class of grumblers comprises but a small minority of the tax payers of the State.

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act of March 1, 1870, for the same purpose, to \$500,000, making a total of \$700,000. Of the first issue \$70,000 have been cancelled, and conversion bonds issued in lieu, and of the second issue \$157,000 have changed their form in the same manner, leaving \$407,000 outstanding in their original form.

This concludes the history of the bonded indebtedness of the State.

It appears by the treasurer's books that the State is charged with the sum of \$1,797,352.94, on account of \$3,395,000 of bonds surrendered by the Blue Ridge Railroad in accordance with the provisions of an act of the Legislature, approved March 2, 1872.

There is also upon the treasurer's book a large miscellaneous floating debt, including unpaid free school fund, and all unpaid appropriations, not payable as deficiencies after October 31, 1873, which is estimated at about \$150,000.

Interest upon Bonded Debt to October 31, 1873,..... \$2,342,298 18
Debt fundable under Acts September and December, 1866,..... 116,751 68
Pay certificates and bills payable, etc., of 1870-71, 1871-72,..... 500,000 00
Pay certificates issued in 1872-73,..... 100,000 00
Debt due Blue Ridge Railroad,..... 217,829 94
Miscellaneous Floating Debt,..... 450,000 00
Total,..... \$3,856,879 75

Aggregate Floating and Funded Debt,..... \$3,856,879 75

The positive, or do-nothing policy which has obtained in the treatment of the public debt, since 1871, has unreservedly proved disastrous to the credit of the State.

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The question then arises what is to be done under the circumstances? There are those who even object, strenuously, to the levy of any tax at all for the present to pay interest; but we must either pay or repudiate. If from January 1871 to October 1873 does not furnish the tax payer a sufficient breathing spell to prepare the way for the resumption of the interest payments, then three additional years with all their interest accumulations will not afford it. But I am satisfied that the class of grumblers comprises but a small minority of the tax payers of the State.

They would grumble whether the tax be one mill or ten.

Taxation is considered an evil always to be shunned; but there are evils much worse than that. The loss of credit, public and private, the continuation of such a course, will bring discredit upon the fair name of the State and cloud the honor and ultimate good intentions of the people with suspicion of dishonorable repudiation. History is pregnant with illustrations of the fact that such a remedy is far worse than the disease. It is irrelevant to our present purpose to reflect upon the way the debt has been contracted, or to estimate what consideration the State received in return. The debt exists, and sound public policy demands that some provision be made at once for its adjustment.

ANTE-RECONSTRUCTION BONDED DEBT.

Statement of the Bonded Debt August 1, 1868, Showing the Amount of Each Class since Converted or Redeemed and the Balance Outstanding October, 1873.

CLASS.	WHAT ACT	FOR WHAT PURPOSE.	WHEN REDEEMED.	AMOUNT OUTSTANDING AUGUST 1, 1868.		AMOUNT CONVERTED AND CANCELLED.		BALANCE OUTSTANDING OCTOBER, 1873.
				AMOUNT.	RATE.	AMOUNT.	RATE.	
Registered Stock	1794	Revolutionary War Claims	At Pleasure	\$28,800 00				\$28,800 00
Registered Stock	June 1, 1868	Charleston Fire Loan	1870	314,				