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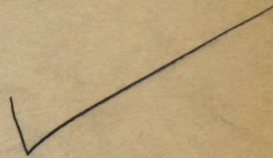
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GOVERNOR'S MESSAGE TO THE SENATE AND
HOUSE OF REPRESENTATIVES,
OF THE STATE OF MINNESOTA.



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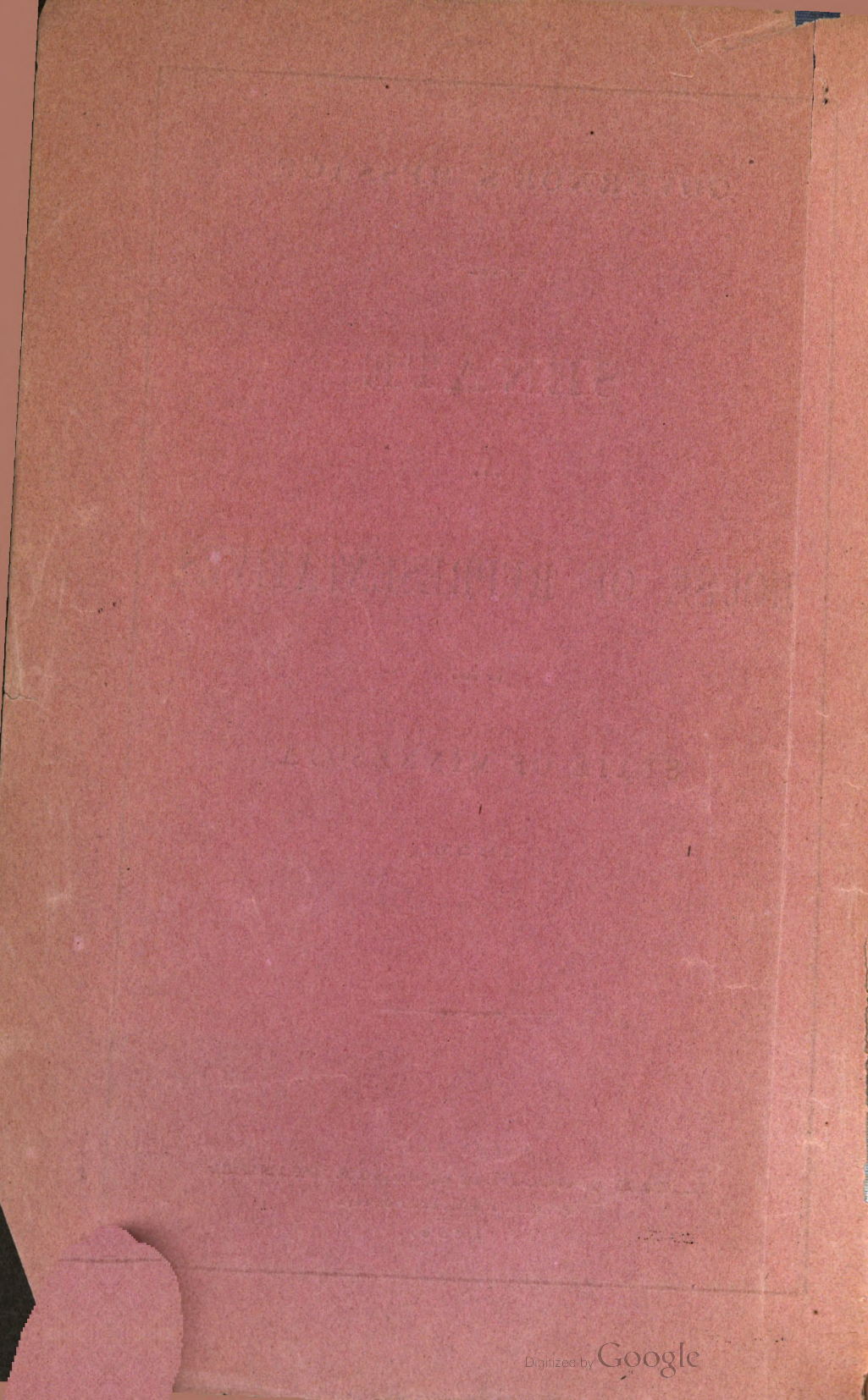
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SAINT PAUL:

EARLE S. GOODRICH, STATE PRINTER,

PIONEER & DEMOCRAT OFFICE.

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GOVERNOR'S MESSAGE.

EXECUTIVE OFFICE, MINNESOTA, }
ST. PAUL, December 7, 1859. }

To the Senate and House of Representatives:

The Constitution provides that "the Governor shall communicate by message to each session of the Legislature, such information, touching the state and condition of the country, as he may deem expedient." I proceed to the discharge of this duty, with as much regard to brevity as is consistent with a full exhibit of the affairs of the State.

When Minnesota entered upon her existence as a Sovereign State of the Union, our own country as well as the nations of Europe, was suffering from the effects of a financial crisis, almost unprecedented in severity. The entire fabric of commercial confidence and credit had been shaken to its foundations, if not absolutely destroyed, and our State, in common with the other portions of the confederacy, was most injuriously affected thereby. Foreign immigration, so essential to the development of our resources, and the enhancement in value of the taxable property of our infant State, was entirely checked. Eastern capitalists ceased to invest their funds among us, operations in real estate were suspended, our lumbermen failed to receive an adequate return for their labor and our cultivated fields, usually so prolific, seemed, for a time, to deny to our farmers that abundance of return, which they were accustomed to yield. But for the strong and abiding faith of our citizens in the ultimate triumph of Minnesota over all these discouragements, founded upon the knowledge they possessed of the fertility of her soil, the salubrity of her climate, and the advantages of her geographical position, they must have succumbed to such a concurrence of adverse circumstances. It is true that there is still a great scarcity of money in this State, but the pressure is somewhat diminished by the bountiful crops of the past season, which have enabled our agriculturists to sell, for transportation to other States, a large amount of their surplus grain, and we have every reason to

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believe, that with us, the crisis is past, and that, ere long, our State will resume that onward course to prosperity, which has been temporarily interrupted.

The anxiety of the Legislature and of the people, to apply some remedy to the gloomy state of things then existing, and to expedite, at the same time, the works upon those Rail Roads, for which munificent grants of the public domain had been made by Congress, caused the former by act to propose, and the people at a subsequent election to adopt, by an overwhelming majority of votes, as an amendment to the Constitution, a loan of State credit to the "Land-Grant Rail Road Companies," of \$5,000,000. I regret to be obliged to state, that the measure has proved a failure, and has by no means accomplished what was hoped from it, either in providing means for the issue of a safe currency, or of aiding the Companies in the completion of the work upon the roads. For a full understanding of the subject, it will be requisite for me to detail, with some particularity, the events which have transpired, in connection with the issue of the "State rail road bonds" to the Companies, and the causes to which their depreciation in value, in my judgment, is attributable.

Soon after the adoption of the "Loan Amendment," so called, the Rail Road Companies commenced the work upon their respective lines. Upon the application for state bonds, for labor actually performed in compliance with the law, I felt it my duty to place upon record, my construction of the language of the amendment, and to exact a strict compliance, on the part of the Companies, of the prescribed requirements, before any of the obligations of the State should be issued to them. I accordingly prepared, after mature deliberation, and placed upon the executive journal, on the 4th of August, 1858, the conditions upon which the state bonds would be delivered, a copy of which is herewith transmitted, and the companies were respectively informed of their precise tenor. I believed then, as I still believe, that when the people voted the State aid to these Companies they intended and expected that she would receive in return the exclusive first mortgage bonds of these companies, to an amount equal to the state bonds received by them, giving a priority of lien upon their entire lands, roads and franchises, in favor of the State. The Companies objected to this construction, and upon my refusal to issue the state bonds to them, upon any other terms, a writ of mandamus was applied for to the Supreme Court, by the Minnesota and Pacific Rail Road Company, to compel me to deliver to them the bonds of the State, without exacting the exclusive first mortgage bonds of the company in return. I desired

the Attorney General to attend, on the part of the State, and the question was ably and elaborately argued by him before the Supreme Court, but nevertheless, the majority of that tribunal decided that my ruling was erroneous, and that the State, by her own act, had placed herself on a like footing with other holders of the first mortgage bonds of the companies, under their deeds of trust, and could not, therefore, legally require an exclusive priority of lien upon the property of the Companies.

It was questionable in my mind, whether the Supreme Court possessed jurisdiction in the case, but as it was the tribunal of final resort in the State, I foresaw, that, if I disregarded the mandamus directed to me, the Rail Road Companies would probably consent to receive the state bonds under my original ruling, but would then apply to the Supreme Court to be released from what it had already decided to be an illegal obligation, imposed upon them by the Governor, and, in such a contingency, the interests of the State would have been exposed to new complications, and, perhaps, new dangers. I therefore submitted to the writ directing the issue of the state bonds, but the publicity given to the disagreement between the Executive and the Companies, by the proceedings, was the first blow to the market value of the bonds, which, under the original construction, were eagerly sought for at par, but after the decision of the Supreme Court, began to be regarded with suspicion. The several Companies having received the state bonds due them, attempted to effect their negotiation in New York City, but were unsuccessful, and at their earnest solicitation, and prompted by a sense of public duty, I visited that city, and spent several weeks, in the endeavor to sell the bonds, so that the Companies might secure the means to progress with the work upon their roads, the speedy completion of which was so desirable and important to the State herself. I do not doubt that these exertions would have been crowned with success, but for the determined and mischievous efforts of a portion of our own citizens, through the instrumentality of the press and of private letters, to defeat every attempt to sell the bonds, and thereby render nugatory and valueless the aid voted by the people of the State, without any distinction of party, to these Rail Road Companies. I know of no like instance in the history of the country, where citizens have deliberately combined and industriously striven to undermine and destroy the credit of their own State. Before the adoption of the Loan Amendment, it was legitimate and proper for its opponents to strive to compass its defeat by any fair means, but when it became a part of the settled

policy of the State, it was the duty of every good citizen to lend his influence in carrying it out, if possible, to a successful conclusion.

It is to be regretted that these machinations were so far effective as to prevent the negotiation of the bonds in New York City, and although an arrangement was made by me, on the part of the companies, with a leading firm there, which I have every reason to believe would have resulted in the sale of the bonds at a fair price, it did not meet with the assent of some of the companies, who believed they could effect a sale at higher rates, and it was consequently declared null and void. Unfortunately, these anticipations have not been realized, and the companies being possessed of little or no means of their own, have depended mainly upon the State aid to enable them to prosecute the work upon their roads. Unable now to raise money upon their bonds, except at ruinous rates, and even to release many of them from hypothecation, all labor on the roads has been suspended, and the companies have not the means to meet their engagements to those to whom they are indebted, nor with the single exception of the Southern Minnesota Company, to pay the December instalment of semi-annual interest on the state bonds they have received.

The act of the Legislature, approved August 12th, 1858, required the Railroad Companies to deposit with the Treasurer of the State, sixty days in advance of the date upon which the semi-annual interest on the state bonds should become due, a sum sufficient to meet the payment of such interest, with the necessary expenses, but upon a thorough examination and consultation with the Attorney General, I became satisfied that the act conflicted with the terms of the loan amendment, which only made it incumbent upon the Companies to pay the interest on the state bonds issued to them respectively, as it became due and payable. I have therefore deferred giving the notices of foreclosure contemplated by the law, until three of the companies, to wit: The Minnesota and Pacific Company, the Minneapolis and Cedar Valley Company, and Transit Company, have actually made default in the payment of the interest on the state bonds severally issued to them, due on the first of the present month, before addressing such notices to the Trustees of the companies in default. Inasmuch as there is now no power conferred upon any of the State officers, to bid in for the State, the property and franchises of such of the Railroad Companies as have failed to make payment of the interest due upon the bonds issued to them, I recommend that an act be passed as soon as practicable, giving authority to the Governor, or other State officer, to purchase the property of any such company as may be sold under a

foreclosure of the mortgage or trust deed. Such a measure is indispensable to prevent the securities held by the State from passing into the hands of third persons, for an inconsiderable sum, and which might result in trouble and litigation, and it may be, serious loss.

The instruments from the several companies required to be deposited with the Governor, to wit: the transfer of the net profits of the roads for the payment of interest, and of 240 sections of land from each company, have been duly executed, and the latter recorded in the various counties in which the lands belonging to the companies lie. I deemed this precaution a proper one, to avoid any question of title that might otherwise be raised hereafter, had it been omitted. This was not deemed requisite so far as the Minnesota and Pacific Company was concerned, as the charter of that Company provides for the filing of their documents with the Secretary of State.

In the present complex state of the Railroad question, a serious and responsible task devolves upon you in connection with it. Such of the companies as have failed to meet their engagements, should be dispossessed, and the important interests entrusted to them, transferred to more responsible hands. In providing by act for such a transfer, it will be necessary to guard every avenue where advantage may be taken to injure the State, and as no action of the Legislature can be effective unless the State is the successful bidder, when a foreclosure takes place, it is equally certain, that in such an event, you will have full power, under a new contract with other parties, to make the conditions of acceptance more fixed and definite than they now are. It is quite certain that a further issue of bonds now, would not only be unwise on the part of the State, and detrimental to her interests, but would confer no benefit on the parties receiving them. Up to the present time there have been issued of State Railroad Bonds,

To the Minnesota and Pacific Railroad Company,	-	\$600,000
“ “ Minneapolis and Cedar Valley	“ - -	600,000
“ “ Transit Road,	“ - -	500,000
“ “ Southern Minnesota	“ - -	575,000

Making in all, - - - - - \$2,275,000

And there has been completed of grading, ready for the superstructure, on the roads of the several companies, as follows, to wit.

On the line of the Minnesota and Pacific R. R. Co., 62 miles and 3213 feet.

On the Minneapolis and Cedar Valley Road, - 69½ miles

On the Transit Road, - - - - -	50 miles.
On the Southern Minnesota, or main line up the Minnesota Valley, - - - - -	37½ miles.
On Root River branch, - - - - -	20 miles, and 1004 feet.

After the issue of State railroad bonds to the respective companies, the Auditor was importuned to receive them as a basis for banking. It was urged upon him, that the State officers had no right under the law to reject the bonds of our own State, and that a refusal on his part, to allow them to be so used, would prevent them from being negotiated abroad. Notwithstanding the plausibility of such a plea, the Auditor persisted in declining to permit them to be placed as a basis for the issue of currency, until he should be assured that the companies would accede, either in terms or in substance, to the original ruling of the Executive, and thereby restore the bonds to the position, in the public confidence, from which they had been displaced by the decision of the Supreme Court. He conceived that it would be his duty to receive them, if the State should be thus amply secured against loss, and *bona fide* sales were made, as the State Administration was clearly bound, in his opinion, to aid in carrying out the policy indicated by the people, when they voted in favor of a loan of public credit to the Railroad Companies, so far as was consistent with the interests of the State. The Minneapolis & Cedar Valley Company finally filed in the Executive office a full waiver of all its rights under the decision of the Supreme Court, and accepted the original terms prescribed by the Governor. The Southern Minnesota Company so changed and restricted its trust deed, that, in lieu of \$9,500,000 proposed of first mortgage bonds in its original trust deed, only \$2,000,000 should be issued on its entire line of road, including \$1,250,000 to the State. The Transit Company, by its trust deed, bound itself to issue only \$1,860,000, of first mortgage bonds, including those to the State, until sixty-two miles of its road should be completed and the cars running thereon, and only \$30,000 on each mile of its road, as it should be graded and completed in sections of ten miles, after the completion of the sixty-two miles as aforesaid. In addition, these companies formally accepted the ruling of the Executive, by which only \$625,000 of the State aid, was to be applied to the grading of their roads respectively, and the remaining \$625,000 to be delivered, only as the roads were completed and the cars running thereon.

The companies last named, have also obligated themselves to secure the right of way on their respective lines, as soon as possi-

ble. The Minnesota & Pacific Company had also assented, substantially, to the terms imposed upon the Transit Company, and the supplemental trust deed, containing the provisions, was prepared and signed by the officers of the Company, but for some cause unknown to me, the instrument was not filed in the Executive office; consequently, the bonds issued to that Company, have not been taken as a banking basis by the Auditor, while a portion of those delivered to each of the three other companies, were received by him at 95 cents, the proof required by the law of *bona fide* sales of the bonds, at that price, having been previously placed in his hands. These are the facts connected with the receipt of the Minnesota "State railroad bonds," as a basis for the issue of currency, under the banking law, and, although the result has been unfortunate, had the Auditor refused to take the bonds under the circumstances, he would have been charged with having cast a direct imputation upon the faith and credit of the State, and with being guilty of an arbitrary and illegal exercise of power. He did not anticipate that a continued warfare would be waged upon the bonds, which would depreciate them in value, nor that the banks organized upon them, would be subjected to the crushing opposition of the same monied combination. He felt bound to follow the requirements of the law, and leave the responsibility of the consequences where it justly belonged.

There is no good reason why these bonds are not now worth as much as other State stocks, unless, indeed, the State intends to repudiate her obligations—a consummation which none, but those who have no regard for public honor and good faith would venture to advocate. The bonds have been issued under the solemn sanctions of the Constitution, every prerequisite having been strictly observed, and in case of default in the payment of interest or principal, the State is bound to acquit herself of the liabilities she has voluntarily incurred. I do not propose, nor do I recommend, that the Legislature shall provide by law for immediate taxation to meet the payments of interest, for the people of the State are now too poor to submit to the imposition of any such burden. That fact is evident to all; and the most that can be expected of the State, is a recognition of her liability and willingness to pay, when she is in a condition to do so. By such an emphatic declaration, the State will remain free from the loathsome stain of repudiation, and place herself right before the nation, and the bondholders themselves, will be satisfied, to wait until returning prosperity shall give to the State the ability to meet her engagements. I trust, therefore, that you will decide this grave and important question in such

a manner as to demonstrate abroad, that the representatives of the people of Minnesota will not, for a moment, tolerate repudiation. Better, far better, that we be visited by pestilence or famine, for these are the instruments of God, for which we are not responsible; but our own act, in violation of public faith and the pledged honor of the State, would sink Minnesota, for all time to come, beneath the contempt and indignation of the civilized world.

It is doubtless true, that the amount of \$10,000, loaned by the State to the companies, for the grading of each mile of their roads, was greater than the actual cost of such grading; and it is equally well known, that many of the present holders have purchased or received the bonds at a much less rate than their par value, and it may well be, in view of these facts, that an arrangement can be effected, whereby the State will be enabled to withdraw all of these bonds upon favorable terms, by substituting therefor, other obligations of the State, of a more specific character, the interest thereon to be made payable at some time in the future, when it may be reasonable to expect that the State will have the means to meet it. If an agreement of this kind can be arrived at with the bondholders, the State will be relieved from the awkward position in which she now finds herself, with reference to these outstanding bonds; and, in such an event, the "Loan Amendment" must be swept from existence, and replaced by a new constitutional amendment, which shall specify the mode and amount of the new bonds to be issued, in lieu of the "State railroad bonds."

The Railroad Companies were required to pay all expenses attendant upon the engraving and issue of the State bonds, and they were called upon for an assessment of six hundred dollars each for that purpose. All of this has been paid and appropriated for the objects contemplated, except one hundred dollars still due by the Transit Company, which has not been received. The sum is insufficient to cover the expenditure, and I have been compelled to pay some portion of the amount due the State Engineers, from the Executive Contingent Fund, for which the Companies are justly indebted to the State. A synopsis of the accounts for the entire amount of the Contingent Fund, and of the sums received from the Railroad Companies, is herewith transmitted, vouchers for each item being on file in the Executive office.

The Reports of the Auditor and Treasurer will show, more particularly, the condition of the State Treasury. The total amount of taxes unpaid, on the 1st of the present month, was \$149,699.67. Of the appropriations made by the last Legislature, the sum of \$58,689.40 remains undrawn. The amount received during the

present year, by the Treasurer, is \$92,328.49, of which about \$5,000 consists of taxes due on the old tax list of the Territory. There is an apparent balance in the Treasury of \$1,014.14, made up of bills of depreciated or broken banks.

The Report of the Auditor will also contain the details of operations under the general banking law of the State. The banking system has proved to be worse than useless, and I recommend its entire modification or repeal. Experience has demonstrated, most conclusively, that the elements essential to a safe and profitable banking business, do not yet exist here. No issue of paper money, by individuals or corporations will, for the future, be regarded as worthy of the public confidence, until the facilities for exchange far exceed those now afforded. The greater part of the circulating medium finds its way into the hands of the merchants, who must necessarily make use of their means to pay their debts to their eastern creditors, and when this medium is not convertible into exchange, it fails to subserve the great necessities of commerce, and remains a useless drug in the hands of its holders. Paper money is the great curse of the West, and, indeed, of the entire nation. It has nearly driven gold and silver out of circulation, and it is a serious question how the evil shall be abated. The enormous inflation of the banking system was the origin of the panic and the calamities of 1857. It has been well said, that paper currency "will answer in fair weather, but flies at the first appearance of a storm. It always fails us when most needed, and the suddenness of its flight is an evidence of its tendency to panic, inherent in its very nature." In our own State, we have had abundant experience of the insecure character of bank promises to pay. When it is the interest of a combination of capital to crush a banking institution, the power is remorselessly exercised, without regard to the loss that may be entailed upon the community. Such combinations exist in every State, and it should be the object of the Legislature to curb the tremendous power wielded by them, so far as it is possible to do so. I believe that much benefit would accrue, by banishing from circulation, all bank notes of a less denomination than five dollars. The losses from notes of broken or depreciated banks fall, generally, upon the farmer or day laborer, who is the least able to bear them. The sums paid them, for produce or labor, are ordinarily smaller in amount, than that named, and the notes of doubtful banks are too often foisted upon them by unscrupulous men, as they have not the same opportunity, enjoyed by other classes of the community, for ascertaining the daily fluctuations in this species of currency. If it be objected

that small notes are convenient, it may be answered, that if it was made unlawful to circulate notes of a less sum than I have specified, the vacuum would speedily be filled by the introduction of coin, in the same manner it is now furnished in sums of less than one dollar, sufficient for the wants of the community. Another strong reason in favor of such a prohibition, is to be found in the fact, that notes for large amounts, will always be scrutinized with more severity and care than those of a less denomination. Even if some temporary inconvenience should be felt by the public, it would be much more than counterbalanced by the withdrawal of small notes of doubtful character from circulation, and the consequent diminution of the power of individuals or corporations to inflict a loss upon the community, by a refusal to receive them at will.

Indeed, it would be a blessing, if paper currency could be entirely dispensed with, and specie used instead thereof. The very fact that gold or silver cannot be procured for any bank notes at their par value, is proof sufficient, that the latter are not regarded as an equivalent. The reason is obvious. No matter how well secured bank notes may be, by the deposit of stocks with the State under general laws, such stocks, however intrinsically valuable, are subject to depreciation, when a panic like that of 1857, sweeps through the land, and the holders of notes must suffer proportionate losses.

It may not be possible, at present, to provide for the total exclusion of bank notes from circulation, but it would be, in my judgment, a wise and salutary precaution, to place upon your statute books, an act making it a penal offence, to circulate or use as money, any bank notes of a less sum than I have indicated. By so doing, you will have effected much in protecting the public against the extortions and losses to which they are now subjected.

While every means, consistent with a just economy, should be adopted to lessen the burdens of taxation upon the people, it is highly necessary that the Counties should be compelled to provide for a more punctual payment, into the State Treasury, of the amounts due by them respectively. It will appear from the Report of the Auditor, that, of the taxes due the State for the year 1858, considerably less than one-half have been paid. The consequence is, that warrants upon the Treasury, issued by the Auditor, in accordance with appropriations made by the Legislature, have depreciated in value, to the serious loss and inconvenience of those individuals, to whom the State is indebted, for salaries or other objects. It has

been difficult, for the last few months, for holders of these warrants to realize even two-thirds of their par value; and, in making purchases of necessary articles for the State, payable in warrants, an additional charge is made, to cover the discount upon them. It is said—and, I have no doubt, truly—that the Treasurers of some of the Counties have taken advantage of this state of things, to buy up State warrants at low prices, and transfer them to the Treasurer of the State, in payment of taxes due; the County Treasurers themselves realizing a handsome sum from this unjustifiable proceeding. To meet this evil, a still more stringent law should be passed, making it penal for a County Treasurer, or other collecting officer, to pay into the State or County Treasury any other funds than those actually received by him, the character of which should be specified by law. The Territorial statute, still in force, requires the taxes to the State to be paid out of the first money collected by the county officers; but this provision is disregarded, and should be enforced by new and stringent enactments. Unless this is done, the State will not have the means to defray her ordinary expenses.

The authorities of Ramsey County have assumed, very unwarrantably, to diminish the assessments upon which a State tax was levied, to one-half of the amount which was the basis of the County tax. This is an evident attempt to nullify the clause in the Constitution, declaring that all taxes shall be uniform and equal throughout the State, and should be promptly rebuked. The Legislature should make any future action of that kind a misdemeanor, subjecting the offender to proper penalties.

I recommend the passage of an act forbidding State warrants to be received in the payment of taxes. Such a measure would not only put a stop to the illegal traffic, now carried on by some of the County officers, but, if these warrants were made payable at the Treasury in gold and silver, or their equivalent, they would acquire a positive value, and not be liable to the fluctuations, incident to a greater or less demand on the part of tax-payers, which now occur.

In my Message to the Legislature, in June 1858, I urged a revision of the act creating a township organization, which had received the sanction of my predecessor. A modification was made in a subsequent act, which remedied many of the defects previously existing, but experience has shown that the system is better adapted to a populous and wealthy State, than to a sparsely settled region like Minnesota. The people are now oppressed by a county

tax nearly as great as under the old form of county government, to which is superadded a heavy township tax—both of which, together with the assessments for the State, for schools, and for roads, make up an annual demand upon the people, too heavy to be borne, and from much of which they should be relieved by prompt legislation. The machinery of County government is not only expensive, but useless. A large number of county and township officers receive pay, for which they render no corresponding services. I, therefore, most earnestly recommend, that the act establishing Township Organization be repealed, and the former system, vesting the County government in three Commissioners, be reinstated, with the single addition of a County Auditor, to revise and control the County Commissioners and the Treasurer in their expenditure of the public money, and with such restrictions and limitations of the powers of these officers, as, in your wisdom, you may deem expedient. The Treasurer of the County should be made the Collector of all taxes therein, and a per centage allowed him, in proportion to the amount to be collected. The cost of collection is now far more than it should be.

I am convinced that it would be wise policy to prohibit the Counties from bidding in the land sold for taxes therein, and also, to deprive the County authorities of the power to issue orders as evidence of indebtedness. The present system is essentially defective, and operates, rather as an inducement to delay the payment of taxes, than otherwise, while it renders necessary an excessive issue of county orders. If measures were adopted, to simplify the whole mode of conducting the affairs of the Counties, by abolishing every office not absolutely necessary, by restricting the taxation to the least practical limit, and by holding the County authorities to the strictest accountability, there would be fewer delinquent tax payers than there now are, as the sum of taxation would be very much lessened.

The State officers are fixed by the Constitution, and their number can only be diminished by an amendment to that instrument; but the office of District Attorney should be abolished, and the salaries of all State, District and County officers reduced in amount, to correspond with the present straitened condition of the State and County treasuries.

The interest due, semi-annually, on the State loan of \$250,000, will be payable on the 1st day of January next, and the money is not now in the Treasury to pay the instalment, and protect the credit of the State. I call your particular attention to this sub-

ject, which admits of no delay. I desired the Treasurer of the State, some months since, to retain the money he might receive, until he had accumulated the sum of \$10,000, requisite to meet the interest on these State bonds, due 1st proximo. He acquiesced in my suggestion, and had already set aside about \$6000 for that purpose, but it was found that there existed no special provision of law, authorizing him thus to retain it, when holders of State warrants demanded their pay, and therefore upon being threatened with legal proceedings, he felt himself bound to disburse the funds thus reserved, in payment of the warrants first presented at the Treasury. I suggest, for your consideration, the propriety of authorizing the retention, by the Treasurer of State, of a sum sufficient to enable him to meet these instalments of interest as they become due, from the first money received by him. Indeed, the Constitution itself requires the passage of such a law.

The Reports of the Inspectors and Warden of the State Prison, at Stillwater, will be transmitted to you at the time prescribed by law. Although the building is not suited for the confinement of a large number of criminals, yet it will answer present requirements, and I do not, therefore, recommend any present expenditure for the enlargement of the Prison.

An appropriation of \$20,000, having been made by Congress, to defray expenses connected with the release of the captives, held by Inkpadoota's band of Sioux, I felt it to be my duty to present the claim of the State, for disbursements made in compliance with the act of the Territorial Legislature, approved May 15th, 1857. The records of the Executive Office furnished no data upon which an estimate could be based, and I had to be governed, in the statement of the sum due the State, by such information as I could obtain. I therefore put in a claim for \$7,000, which I judged would cover the amount expended, or for which the State was responsible. A pro rata allowance of 75 per cent. was made upon those accounts which were deemed just, so that the State received \$5,250, of which \$3000 was paid to the Treasurer of State, on the 16th day of August last, by the Superintendent of Indian Affairs, and \$2,250 paid to the holders of a Territorial obligation, issued by Governor Medary for \$3,500, under the act referred to, which was recalled and cancelled, a new obligation of \$750, being amount of balance due on the previous one, having been delivered by me to the same persons, and now held by them against the State.

The Reporter of the Supreme Court has addressed to me an official communication, relating to matters connected with his office, which I transmit herewith. It is important that the manner in

which future reports shall be prepared and published, and the duties of the Reporter, and the rate of his compensation, should be accurately defined. The mode of distributing the reports should also be specified by law. There remains a large number of copies on hand, subject to the disposal of the Legislature.

An act of the Legislature, passed at its last session, provided for the compilation of the laws now in force in the State, and agreeably with its requirements, a contract was entered into by me, for the publication thereof, after the Commissioners appointed for that purpose had performed the labor assigned them, and it had undergone a revision by the Judges of the Supreme Court. I took the responsibility of limiting the number for the State, to seventeen hundred, including one hundred for the Library, which have been furnished and paid for at \$6 per volume, from the fund appropriated for that object. A strict compliance with the terms of the Territorial law, which specified the mode of distribution of all volumes of statutes thereafter to be enacted and published, and named the classes of officers to whom they were to be delivered, would have demanded an edition of between three and four thousand copies, and involved the State in a great and unnecessary expense. The distribution was therefore directed to be made only to those officials, including one Justice of the Peace in each township, to the proper discharge of whose duties, the compilation was indispensable. Accompanying this message, will be found a list of officers to whom one copy has been assigned. Each copy distributed has been conspicuously stamped with the words, "Property of the State, deliver to your successor in office." There still remains in the custody of the Secretary of State, a considerable number of these statutes, to be disposed of as the Legislature may deem expedient.

The salt springs, twelve in number, granted to the State, by the act of Congress admitting Minnesota into the Union, with six sections adjoining each, making in all seventy-two sections, and ten sections for public buildings, have been selected. It was not known whether salt springs existed within the limits of the State, until after some months of search in an unexplored region, they were discovered, and all the necessary steps to secure the title of the State to them, and to the lands, have been taken, and confirmed by the proper department of the Federal Government. The ten sections, for public buildings, were selected within six miles of the line of the Minnesota and Pacific Railroad, from the even sections, and the Commissioner of the General Land Office, in May last, notified me that the choice would not be confirmed, as the double minimum price of \$2.50 attached, but I appealed from this decision to

the Secretary of the Interior, and was personally assured by him, when I visited Washington City, in September last, that he would overrule the opinion of the Commissioner, and permit the State to hold the lands so selected. These tracts, for public buildings, are in one body, and being of fine quality and near the geographical center of the State, it is believed that no better selection could have been made.

I recommend particular attention, on your part, to the affairs of the University, which, by the Constitution, is recognized and declared to be a State institution, and authority given the Regents, by act of the Legislature, to issue bonds to be secured on the lands appropriated by Congress for its support and endowment. A large and costly building has been erected near the Falls of St. Anthony, on land purchased mainly with the proceeds of private subscription. The expenditures have exceeded the means within the control of the Board of Regents, but it is manifest that the State is responsible for the acts of its agents, if in accordance with the authority granted them. The buildings and the land belong to the State, and no individual has any interest therein; and some mode should be devised to release them from hypothecation, and extricate the institution from the embarrassments with which it is now surrounded.

In a message to the last Legislature, I suggested that the number of Senators be reduced from thirty-seven to twenty-five, and of Representatives from eighty to fifty. I am of opinion that the public interests would be subserved by a still greater diminution, and I therefore recommend, that you provide, by law, for the reduction of the number of Senators to eighteen, and of Representatives to thirty-six. The embarrassed condition of the State finances, and the impoverished situation of the people, imperatively demand retrenchment, and, I am satisfied, that the legislation requisite for the State, may safely be confided to a body composed of the number I have specified, acting under an increased sense of individual responsibility. Such a change would reduce the expenses of a session more than one-half, and I have no doubt, would be highly acceptable to the people of the State.

I submit, also for your consideration, the propriety of a proposition so to amend the Constitution, as to limit the regular Sessions of the Legislature to sixty days, and of called or extra Sessions to thirty days. I believe that such a measure would receive the sanction of the people—and that it would be of much benefit, by insuring greater industry on the part of legislators, and more economy in the expenditure of the public funds, while the time in-

icated, would be ample for all purposes connected with ordinary legislation.

One of the most important subjects requiring your action, is that relating to the disposition of the School Lands, in accordance with the power conferred upon the Legislature by the Constitution. One-third of these lands, and those the most valuable, are alone permitted to be exposed to public sale, within two years after the adoption of that instrument. The experience of other States should teach us, that too many guards cannot be thrown around the School Lands. It would be strange, indeed, if advantage is not sought to be taken by speculators, of any act that may be passed for the disposal of the School Sections, to obtain the title to the most valuable, at rates far beneath their actual worth. I recommend that a State commission of three be authorized to appraise the value of these Sections, preparatory to their being sold, and that provision be made, whereby none of these lands shall be sold for less than their appraised price.

There is a necessity for the speedy disposal of some of the School Sections, for they are now trespassed upon in many of the townships, and the valuable timber destroyed, and apart from this, the interest accruing upon extensive sales, would very much relieve the citizens of the State from the heavy taxation for school purposes which is now imposed upon them.

A bill was passed by the last Legislature, which provided for the disposal of all the lands, and I was constrained to return it with my objections, not only on constitutional grounds, but because it was so loosely framed and guarded, that if it had become a law, the most of the proceeds of the lands sold would have been squandered or inadequately secured. The Constitution requires that the principal, for which the School Lands may be sold, shall remain "forever inviolate and undiminished," and I earnestly recommend, that in any act that you may pass, authorizing a portion of these lands to be sold, you will carefully provide for the security of the fund against any possible contingency. No State in the Union, east of the Rocky Mountains, has received so large a grant of lands for common schools as our own, and this munificent donation should be guarded with jealous care.

The laws now in force, for the regulation of common schools, require entire revision, and I recommend the adoption of such a system, as will ensure uniformity and efficiency on the part of those to whom are entrusted the great interests of popular education.

In connection with this subject, it is proper I should mention, that I regard the Joint Resolution of Congress approved March 3d,

1857, which gives the right of pre-emption to settlers upon sections 16 and 36 in this State, under certain circumstances, as violative of the rights of the State, vested by the act admitting Minnesota into the Union, and I have addressed an official communication to the Secretary of the Interior, a copy of which is herewith transmitted, denying the validity of that Joint Resolution of Congress, and claiming all of the said school sections as the exclusive property of the State. I have been led to take this course, by a perusal of the opinion of Attorney General Black, dated Nov. 10th, 1858, in a case involving the same questions, which arose in Arkansas, between the State and a land grant Railroad Company. The principle is therein distinctly asserted, and other authorities sanction the views taken by the Attorney General, that the action of Congress, subsequent to the date of the compact entered into between the United States and a State, by which certain public lands are granted to the latter, cannot divest the State of its title to such lands, and that the compact takes effect on the day the act of Congress containing it is approved by the President, which in the case of Minnesota, was the 26th of February, 1857. I am clearly of the opinion, therefore, that the State should not, by any act of her own, acknowledge the binding nature of the Joint Resolution of Congress referred to, but that she should, if necessary, appeal to the Federal Courts to protect her in the possession of all the school sections granted by Congress. If that Joint Resolution of Congress is operative and valid, the State will be compelled to select inferior, and perhaps refuse lands, in lieu of the valuable sections in each township, to which she is justly entitled. Probably, the assertion of the rights of the State, will eventuate in serious loss to individuals, but the importance of the question is too great to permit such considerations to weigh in the scale, as against the public interests, especially as it would be in the power of the Legislature to provide for any case of peculiar hardship which may occur.

The various tribes of Indians, having reservations within the State, are a great source of annoyance to our citizens in the remote counties, as they commit depredations upon property, besides causing alarm by their presence and insolent deportment in the thinly settled parts of the State. I have caused them to be removed, time after time, from some of the counties, upon the complaints of the white settlers, but it is impossible to confine them within the bounds of their own reservations, unless some other line of policy be adopted by the General Government and by the State. A portion of the members of each tribe have assumed the dress

and habits of the whites, and deserve encouragement and protection, but the incorrigible idlers and vagabonds among them, should either be compelled to follow the example of their more industrious brethren, and remain upon and cultivate their own lands, or application should be made to the General Government for their removal further westward, where they may affiliate with the wilder bands of savages, who subsist by the chase, and thus relieve our frontier settlements from the curse of their periodical visits. Col. Cullen, the United States Superintendent of Indian Affairs for this State, has been indefatigable in his exertions to retain the Indians within their own limits, and I take pleasure in acknowledging the promptitude with which he has responded to my repeated applications for his interference.

The clause in the Constitution, prescribing the conditions upon which civilized Indians may exercise the elective franchise, has thus far remained inoperative, in consequence of the failure of the last Legislature to regulate the mode of the examination of applicants by the District Courts. I am informed by the Rev. Mr. Riggs, a highly respected Missionary among the Dakota or Sioux Indians, that there are individual members of that tribe who are possessed of the requisite qualifications for citizenship; and if so, they and all others similarly qualified, have a constitutional right to ask from the Legislature, such facilities as will enable them to present themselves before the proper tribunal for examination, while it would be proper to place around any enactment for that object, every safeguard to prevent abuses. If the State authorities can give encouragement to the red man, who is striving to raise himself in the intellectual and political scale, it is surely incumbent on them to do so, promptly and cheerfully, especially as our Constitution has thrown over him its broad shield of protection. I commend the subject to your special attention.

I transmit, herewith, a communication from the United States Treasury Department, in reply to a requisition made by me, for a complete set of weights and measures, to which the State is entitled, under the Joint Resolution of Congress, approved June 14, 1836.

It will be seen that before these very desirable standards can be made available for the convenience of the public, a proper building must be provided for their reception. If a fire proof structure can be erected at a small expense, I suggest that an appropriation be made for that object. The building might be placed on the capitol grounds, and one room therein appropriated, for the military arms of the State, which are now in an exposed condition.

I have not felt justified in ordering an enumeration of those capa-

ble of bearing arms in the State, as it would have been attended with very considerable expense, but in lieu thereof, I applied to the United States Marshal to furnish the Auditor with a copy of the census taken by him in 1857, so far as it comprised those subject to military duty in the State, with a view to found thereon an application to the War Department for the number of arms to which we are entitled upon that basis. A communication has been made by me to the Secretary of War, accompanying the enumeration, and I have no doubt the demand for the arms will be promptly complied with.

Some changes in the militia law are desirable, rendering it more simple and better adapted to our present condition. The Report of the Adjutant General and that of the Quarter-Master General are herewith transmitted. In the re-organization of the volunteer system, under the law passed at the last session of the Legislature, I have received much valuable aid from these very efficient officers. Much remains to be done to carry into effect the requirements of the law, and to perfect a military organization throughout the State, although considerable progress has been made in that direction. I am more and more convinced, that public policy requires that the formation of volunteer companies should be promoted and encouraged by proper means. The main dependence of the State must be upon these volunteers, whenever any exigency arises, necessitating the employment of force by the authorities of the State, either for maintenance of order, or to protect her against invasion. The alacrity manifested on a late occasion, which will presently be stated, by the companies ordered to a distant point by the Commander-in-Chief, to suppress threatened resistance to the law, is the best proof that could be given of the reliable character of that species of military force.

In accordance with the Act of the Legislature, approved March 10th, 1858, a liberal donation of lands has been made by the citizens of Glencoe, in the county of McLeod, for the Agricultural College at that place, and in my judgment, no more judicious location could have been found. Deeds to the State for 320 acres, have been filed with the Secretary of State, and it remains for the State to fulfill on her part, so soon as she has the ability to do so, the obligations voluntarily assumed. The object is of paramount importance to the State, as it has a direct prospective bearing upon the great interests of agriculture.

The preliminary steps for the opening of a State Normal School, under the Act of the Legislature, approved August 2d, 1858, have been taken by the citizens of Winona, in conjunction with the

Board of Instruction, appointed by me under the provisions of that act. I transmit, herewith, the Report of the Board, which contains much information, and specifies what has thus far been accomplished. In the present condition of the State Treasury, it cannot be expected that much can be done in support of this meritorious institution, which is, however, deserving of such support and encouragement, as can be afforded on the part of the State.

Measures have been adopted to secure the land at, or near Fari-bault, in Rice County, for the Deaf and Dumb Asylum, under the Act approved Aug. 11th, 1858.

The office of State Librarian is one of much responsibility, and the incumbent should be made the legal custodian of all books of every kind belonging to the State, including such volumes of laws and other documents as may be published by direction of the Legislature, and intended for distribution. Everything practicable has been done by the Librarian, to collect the books belonging to the Library, which previous to his appointment, had been taken therefrom and not returned, and a catalogue of the works therein, which was much needed, has been completed. Important as it is, that the Library should be periodically increased, in the present condition of the Treasury, I do not feel justified in recommending an appropriation for that purpose during the present session. A small sum should, however, be placed under the control of the Librarian, to enable him to defray the expenses of postage, and of express charges on books donated by individuals or societies, which are occasionally sent through that channel.

During my absence in New York City, last winter, a man by the name of Rheinhart, accused of murder in Le Sueur County, and awaiting his trial upon that charge, was seized by a mob and put to death, the jail in which he was confined having previously been forced open. Only a few months after this outrage had been committed, an individual by the name of Oscar F. Jackson, who had been tried on a charge of murder, by the District Court of Wright County, and acquitted, was also taken into custody, by an armed body of men, in that county, and deprived of his life by hanging. Determined, if possible, to check such exhibitions of mob law, so discreditable to the State, and so alarming to her citizens, I at once offered a reward of five hundred dollars for the apprehension and conviction of the murderers of Jackson. One of the alleged leaders and perpetrators of the deed, was recognized by Mrs. Jackson in the County of Hennepin, and, upon her affidavit, was arrested and taken to St. Paul. Being anxious that he should have a fair trial,

I ordered him to be transferred to Wright County for examination, and instructed the Attorney General to appear on the part of the State. While proceeding with the examination, and before it was brought to a close, a band of disguised and armed men, numbering more than forty, composed in whole or in part, of those who had hung Jackson, broke into the house of the constable having the prisoner in custody, and forcibly released him, uttering at the same time threats of the most violent character against any and all officials who should again attempt to enforce the law against the executioners of Jackson. The Attorney General immediately reported to me the facts, in person, at the Capitol, and I decided at once to put forth so much of the power of the State as might be necessary to vindicate the offended majesty of the law. Being satisfied, from the official statements made to me, that the authorities of Wright County were either unable or unwilling to enforce the law, I declared the County in a state of insurrection, and dispatched a body of police with three companies of volunteers, under the command of Col. Prince, to Wright County, for the purpose of overawing any attempt at resistance, it being currently reported that such an attempt would be made. A few arrests had taken place before I visited Monticello in person, but as they could not be identified as participators in the outrage, the prisoners were released. Upon receiving the written assurances of the Prosecuting Attorney of the 4th District, and of the Sheriff of the County, that the law should be enforced against those known or suspected to be concerned in the double outrage that had been committed, within a limited period, the criminals having fled to the woods and were not to be found, I ordered the return of the volunteers and police to their homes. The pledges given for the arrest of those connected with the hanging of Jackson and the rescue of the alleged participator, were redeemed, by the apprehension of eleven of the number—some of whom were bound over to appear at the next term of the District Court of Wright County, and the others discharged for want of sufficient evidence. One great object I had in view was to demonstrate, at this early period of our history, that the State had not only the will but the power to put down all combinations to resist the law. Happily, the object was effected without any effusion of blood, and the mission of the forces ordered into the field was ended when the law was recognized and obeyed. I transmit herewith the correspondence relating to the Expedition, and those matters immediately connected therewith. The cost of these proceedings is between \$6000 or \$7000, about \$4000 of which has been paid from the Executive Contingent Fund—leaving a bal-

ance to be provided for by you of \$1,935.50, for which I recommend an immediate appropriation. Three other volunteer companies, who were ordered to hold themselves in readiness to march, deserve to receive some remuneration for the loss of time to which they were subjected, although not ordered into active service. I therefore recommend that the "Dakota Rifles," the "Washington Light Artillery," and the "St. Paul Light Cavalry," be paid for three days' service, at the same rate allowed those called into service. The prompt and cheerful response of all these companies to the requisition for their services, and the order and soldierly discipline of the officers and privates, who were actually in the field, are alike creditable to themselves and to the State.

The returns of the late election for State officers, and for members of Congress, will be transmitted to the Speaker of the House of Representatives. In the absence of any law, prescribing the mode by which the votes cast for Members of Congress shall be canvassed, I have advised the Secretary of State to make the returns to him, to be canvassed at the same time with those for State officers. When the result shall have been declared and certified to me by the officers of the House of Representatives, I will at once issue to the members elect, their certificates, under the Great Seal of the State.

I recommend that an act be passed regulating the election of Members of the House of Representatives of the United States, and also that of Lieutenant Governor, Attorney General, and Secretary of State, for which there exists now no provision of law. I also suggest for your consideration the propriety of revising the General Election Laws, and of defining more explicitly the duties of officers entrusted with their execution.

During the late canvass, serious accusations were publicly made against the State officers, that some, if not all of them had appropriated to their private use the sums placed at their disposal to defray the necessary expenses of their several offices, or for other objects connected with the government of the State. It devolves upon the House of Representatives to institute a rigid examination into the accounts of each of these offices, and I earnestly recommend the appointment of a committee for that purpose, with power to send for persons and papers. It is due to the honor of the State, as well as to those officers who are innocent, that this course be pursued, and the guilty, if such there be, exposed and punished to the full extent of the law.

While I feel it to be my duty to urge this subject upon your immediate attention, it is equally proper that I should accompany

the recommendation with a declaration of my ignorance of any cause for such charges as I have referred to, and of my utter disbelief of their truth.

The Act of Congress, approved March 3d, 1853, gives the right to Minnesota to make up any deficiency of school sections in fractional townships, from any other portion of the unappropriated public lands. It would be the part of wisdom to have these selections made as speedily as practicable.

The Secretary of the Interior very unexpectedly decided that the grant of swamp lands, made to the different land States, was not applicable to Minnesota. No time should be lost, in soliciting Congress for the passage of an act, extending the provisions of the former law to our State, and I recommend that by Joint Resolution of the two Houses, the application be made without unnecessary delay.

There is a class of enactments on the statute book, of the nature of standing appropriations, which are the occasion of much perplexity and doubt to the State officers in the discharge of their duties. Instances will be found in the act to establish State Normal Schools, in that with regard to the State Prison, and others of a like character, in which a direct appropriation is made, and yet, the sums thus set apart, are not included in any bill making appropriations for the support of the State Government. I recommend legislation on your part to prescribe the duty of the Auditor under such laws. The policy of standing appropriations is very questionable. In my judgment all appropriations should be embraced in a general bill, which will show the entire amount of annual State expenditure.

It has been customary, in acts of a general character, to provide in the concluding section, for the repeal of all acts or parts of acts inconsistent therewith, without specifying them. This mode of proceeding has given rise to much confusion and doubt, and I recommend that in future, any act, intended to be struck from the statute book, shall be particularly designated in the repealing clause.

By the act of Congress admitting Minnesota into the Union, it is provided that "five per centum of the net proceeds of all sales of public lands, lying within said State, which shall be sold by Congress, after the admission of said State into the Union, after deducting all the expenses incident to the same, shall be paid to the State for the purpose of making public roads and internal improvements, as the Legislature may direct." A considerable amount must be now due under the above act, and I suggest that

the requisite steps be taken by you, to secure its payment into the State Treasury at an early day.

The importance of a Homestead Bill to our State, is beyond question, and I recommend, that by Joint Resolution, you instruct your Senators and request your Representatives in Congress, to use their utmost efforts to procure the passage of such an Act during the next session of that body, extending its provisions to all lands, whether surveyed or unsurveyed. Such a measure would not only be just in itself, but it would tend incalculably to advance the prosperity of the State.

I suggest also, for your consideration, the propriety of an application to Congress, for the re-imbursement of the expenses incurred by the State, in connection with the Convention to form a State Constitution. That Convention was assembled under the authority of Congress, and the State has a just claim for the sum disbursed by her, in the payment of members and other contingent expenditures.

It is of momentous consequence, that the provisions of the Reciprocity Treaty between the United States and the British Government, and now confined to certain States and Provinces, shall be extended, so as to embrace our State in her commercial intercourse with our northern neighbors. The Red River settlement, although containing nearly ten thousand souls, and becoming more and more identified with us in interests, is but the germ of the mighty population which, so soon as the country is opened to immigrants, will pour into the great valleys—the vast and fertile plains within the British possessions. Every step taken by us now to cultivate good feeling, and to encourage intimate relations with the people north of our boundary line, will do much to bind them to us hereafter. And as the settlements continue to extend westward towards the Rocky Mountains, the influence in favor of a Pacific Railway through Minnesota, will be constantly increased. Our destiny for the future is very much bound up with that of the colonies north of us, and while it may not be possible, or even desirable, that we should be united with them under the same form of government, still, it is evident, that their interests and ours, are so interwoven and identical, that unrestricted commercial facilities should be sought for by both parties, under the sanction of their respective governments.

The impetus which would be given to the prosperity of Minnesota, by the adoption of the northern route for railway communication across the continent, and the commencement of the work on the line, cannot be over-estimated. It would at once place us

in the front rank of Western States, and ensure to us an unprecedented increase in population and wealth. That such a consummation will take place sooner or later, no reasonable man can entertain a doubt. The comparatively short distance, the abundance of wood and water, and the favorable character of the climate, all point to the northern, surveyed by Gov. Stevens, as altogether more practicable and less expensive, than the middle or southern routes, both of which have been also surveyed under the direction of the General Government. It is incumbent upon the State and on all her citizens, to embrace every opportunity of pressing this subject on all proper occasions, on the attention of Congress, and at the same time, of enlisting the friendly assistance of those States with whom we are particularly allied in interest, in the promotion of this great enterprise. I suggest for your consideration, the propriety of petitioning Congress to appropriate a suitable amount of the public domain for aiding in its construction.

It is to be regretted, that the State has not now at her command, a sufficient sum of money to be applied to the encouragement of immigration. Every dollar judiciously applied to that object, would be returned ten-fold to the State in a single year. The war taxes which are now bearing so heavily upon many of the European States, will, as a natural consequence, induce many of their subjects to escape from exactions so overwhelming, and seek their fortunes in the New World. Unfortunately for us, others of the Western States, have systematized a plan of operations, so as to divert the stream of immigration to their own limits. They employ persons abroad as well as in the United States, and expend annually large sums for that purpose. Something should be done by us to counteract these formidable agencies, and with the view to some practical result in connection with this subject, I recommend that a joint committee be appointed by the two Houses, for the express object of collecting all the information to be obtained, to assist the Legislature in determining the proper course to be pursued.

Having given you my views, however imperfectly, upon those topics of special or general interest to the State, which I deemed it incumbent upon me to present for your consideration, I may be permitted to congratulate you that our country has been preserved from foreign war, and that we are justified in the belief that there are no questions at issue between our own and other governments, which are not susceptible of an amicable solution.

An attempt on the part of a few misguided men, to instigate a servile insurrection in Virginia has signally failed, and most of these

disturbers of the public peace have either miserably perished, or are about to expiate their crimes on the scaffold. The slavery question has for years, been the fruitful source of sectional discord, and will continue to alienate the affections of the two great parts of the Union from each other, so long as it can be dragged into the arena of politics. When the principle of Non-Intervention on the part of Congress, with the domestic institutions of the States or organized Territories, shall be fully established as a part of the public policy, and the same doctrine is made applicable to the several States and Territories, no one being permitted to interfere in any manner, with the domestic affairs of another, we may confidently expect to see the bonds of fraternal kindness fully restored between the North and the South, and the only element of danger to the integrity of the Confederacy, wholly dissipated and removed.

It is the duty of Minnesota, and of every other State, to promote harmony and good will between the different sections, and to frown upon all endeavors to exasperate one part of our common country against the other. God has given us a noble heritage, and while we enjoy the blessings of perfect freedom, religious as well as civil, we should bear in mind, that we shall be held justly responsible for any failure on our part, to transmit them unimpaired to our descendants.

In closing this, my last annual communication to the Legislature, I assure you that I will, during the brief period I shall remain in office, cheerfully co-operate in any measures you may propose for the benefit of the people of the State.

HENRY H. SIBLEY.

No 2
Gen. Sibley's Statement

THE
STATE RAILROAD BONDS.
COMPLETE AND RELIABLE
STATEMENT OF FACTS
CONNECTED WITH THEIR HISTORY.

LETTER FROM GEN. HENRY H. SIBLEY,
The First Governor of the State.

St. PAUL, May 19, 1877.

Editor of the Northwestern Chronicle.

I have been requested to prepare for your columns a statement of the facts connected with the history of the State railroad bonds, and I have consented to do so, notwithstanding the hackneyed nature of the subject, because of the importance of the pending amendment for the settlement of these obligations, and the further consideration that very many of your readers are old friends and acquaintances of mine, who cannot be induced to believe that I would willfully mislead them.

**BONDS AUTHORIZED BY OVERWHELMING
VOTE OF THE PEOPLE.**

It is well known that the constitutional amendment which authorized the issue of these bonds to certain railroad corporations was adopted in 1858, by the overwhelming majority in round numbers of 25,000 yeas to 7,000 nays. The amendment, by that act, became part and parcel of the original constitution.

**GOVERNOR'S STRINGENT REQUIREMENTS
IN ISSUING THE BONDS. SUPREME
COURT INVOKED.**

I was the Governor of the State when work was commenced upon the roads respectively, and upon me was imposed the duty of issuing the bonds. Having been opposed to the measure for the loan of the State credit, deeming it premature and unwise thus to burden Minnesota at the very outset of her existence, it was perhaps natural that the railroad companies should regard the stringent requirements which I laid down as a condition precedent to the delivery of the bonds, as an evidence on my part of an intent to cripple and embarrass them in their operations; and the criticism to which I was subjected by them culminated in an appeal from my ruling by one of the companies, to the Supreme Court, and a writ of peremptory mandamus was obtained from that body, directing me to issue the bonds, without insisting, as I had done, upon *exclusive* first mortgage bonds of the

companies in return for those of the State. I mention this to show that I was governed in my official action by a determination to enforce a strict compliance with the law on the part of the companies, and that, in the judgment of the highest legal tribunal of the State, I had gone even farther than I was justified, in my desire to guard her interests. Not only was the evidence required by the enactment, of the amount and quality of the work on the roads, as it progressed, strictly exacted, but I assumed the responsibility of appointing competent engineers to examine and report upon it under oath, before issuing the bonds, testimony additional which was not provided for in the law.

It should be borne in mind, that among the directors and corporators in these railroad companies, were to be numbered many of our most reputable citizens, who could not be justly suspected of any design to take undue advantage of the State. While I disagreed with them in some points as to the construction of the amendment, I never had reason to doubt that it was their intention to carry out fairly their contract with the State.

BONDS NEGOTIATED IN NEW YORK.

The total amount of the bonds issued was \$2,275,000, but before these were all delivered I was requested, by the officers of the companies, to visit New York city, and aid them to sell their bonds, and I conceived it to be my duty to do so, that the means might be secured for the continuance of the work. I remained in that city for two months at my own expense, and had nearly consummated an arrangement with the banking house of Duncan, Sherman & Co., to place them upon the market at 90 cents, when they were deterred from completing it by the denunciations of the bonds by one or more newspapers in the State. I did not hesitate to state my belief, that the bonds having been legally issued, were good and would be protected; and upon my representations nearly \$150,000 were sold for 90 cents on the dollar in gold, and I am reliably informed that more exchanged hands at that figure. The failure of the negotiations was a fatal blow to the companies, as the contractors who had received the bonds in payment could not dispose of them except at a ruinous sacrifice, and were thus deprived of the means to continue their work. The great financial disasters of 1857 and 1858, were also upon us, and the companies failing to obtain money from any source, were unable to meet the interest on the bonds they had received, and I gave them due notice that no more would be issued.

The State was thus in the same situation

with an individual engaged in building a house, who had obligated himself to pay a certain sum when the foundation was laid, in negotiable paper, and to continue the payments *pari passu* as the work progressed, but who found himself by the failure of the contractor, with a portion only of the edifice completed. What would be thought of such a man if he refused to pay his outstanding notes in the hands of innocent parties, because the contractor had not finished the building? Who does not know that such a defence would be of no avail in any court in Christendom?

WORK ON ROADS DULY PERFORMED. NO SWINDLE ON PART OF COMPANIES.

But it is asserted that the contractors swindled the State by receiving more for the work performed than it was worth. That charge is very easily refuted. The contractors had no direct dealings with the State at all, but with the companies who employed them, so that if a fraud was practiced, by which the State was the sufferer, it could not justly be charged upon parties who had entered into no engagements with her. If, therefore, a swindle was perpetrated, it must have been by the companies, and yet, I have never seen or heard of any allegations that the members of these corporations had made money out of the transaction. The facts are as stated, that the work on the roads was duly performed; that the companies received the bonds, and would doubtless have continued the construction, but for the acts of our citizens, who denounced and depreciated them to such an extent that they could not be negotiated. That the State might have procured the work to be done at a less cost is true; but who is to blame for that, but the people themselves, who adopted and ratified the constitutional amendment, after a full discussion of the question, and after being warned of the probable results.

FORECLOSURE OF MORTGAGES. NEW COMPANIES UNDERTAKE AND COMPLETE THE ROADS.

The foreclosures of the mortgages or trust deeds, took place; the State was reinstated in the possession of the franchises and lands granted to the defaulting companies, and acquired in addition, the ownership of the roads that had been graded; and she was then in a position to apply all this valuable property to secure herself against liability for the outstanding bonds. But here, again, the people were clamorous for the continuation and completion of the railroads; and the legislature but carried out their wishes, by turning over all the property to new corporations, coupled with

the sole condition that they should construct the railways within a reasonable time. That proceeding not only deprived the State of the resources she held for meeting her bonded indebtedness, but it fixed beyond question her responsibility to the bondholders. Nevertheless, my belief is, that the measure was a judicious and wise one, for it secured the completion of the magnificent system of railroads, which has since been the means of immensely increasing the population and taxable wealth of the State. It is certain that the new companies would not have undertaken these enterprises, but for the advantages offered by so many miles of graded road. If, therefore, Minnesota had to pay every dollar of the principal and interest of the bonds, the investment, in view of the grand results accomplished, would be a highly profitable one. She has, consequently, not even the poor excuse of not having received an equivalent for her bonds; and repudiation on her part would be more infamous than that of the State of Mississippi, which never received a dollar for the bonds she entrusted to the Planters' Bank, to be negotiated for her benefit, and yet that state has been held to a full accountability for her neglect to provide for their payment, and is now utterly without credit in the great money centers at home and abroad. That Minnesota is not in much better repute, is shown by the fact that the attempts of her officials to place her bonds upon the market outside of the State have met with no success for the past ten years. Such is the report of the State Treasurer.

MR. CHAMBERLAIN AND OTHER BOND-HOLDERS OFFER TO COMPROMISE FOR HALF THE LEGAL CLAIM.

The proposition of Mr. Chamberlain, for himself and other bondholders, to receive about fifty cents on the dollar for what is due them, in bonds due in thirty years with 6 per cent. interest, instead of 7, which the old bonds bear, can be accepted by the State without dishonor; whereas she, herself, could not have made such an offer to the bondholders without absolute disgrace. Never, in my judgment, will another opportunity be offered for a settlement of this vexed question, upon terms equally favorable to the State, should the pending amendment be rejected.

THE EFFECT OF THE PENDING PROPOSITION.

Let us examine briefly the effect of the proposition should it be accepted by the people, for much misunderstanding exists upon this point.

It is proposed to authorize the 500,000 acres of internal improvement land to be dispos-

ed of for the purpose of meeting the payment of the interest and a large part of the principal of the bonds to be issued. By the report of the State Auditor it appears that \$88,000 in cash and interest contracts, had been received up to last winter, from the sales of portions of this land. Should the whole be disposed of even at the rate for which the school lands are sold, to-wit, six dollars per acre, the sum total would be \$3,000,000, applicable to the extinction of the bonded indebtedness. But there is every reason to believe, that this fine body of land will sell for an average of nine or ten dollars per acre, if judiciously placed upon the market. The provision for the retention in the coffers of the State, of a sufficient number of new bonds released by the holders, to meet the interest on the entire issue until the year 1880, would give ample time for the accumulation from the sales of lands to pay the interest from that year forward, and at the same time to form a sinking fund from the surplus to provide for a large proportion of the principal when it shall become due in thirty years, so that the cry of largely increased taxation in carrying out this measure is without foundation in fact. Meantime, the State, freed from the charge of repudiation, which now so injuriously affects her credit and all her material interests, would receive large accessions to her population and wealth, and fresh vigor and energy would be infused into every branch of business. So thoroughly is this understood, as the result of a favorable vote on the amendment, that a large proportion of the professional and business men in the State are earnest advocates of the measure, regarding the final settlement of this old bond question as "a consummation devoutly to be wished." Even those who believe the terms to be too favorable for the bondholders must admit that an adverse decision by the people would be attended with very disastrous effects upon all our interests, and utterly destroy the confidence of the financial world in the honesty of the people of the State. It would be regarded as an act of rank repudiation, and our unfortunate Minnesota would be held up to the scorn and reprobation of all Christendom.

THE NATURE OF THE OPPOSITION.

The opponents of the contemplated settlement are, by no means, agreed upon any other plan. A few take the extreme ground that Minnesota does not owe anything upon the bonds; a larger class acknowledge the indebtedness but claim that the State should ascertain the exact sum paid by the present holders, and refund the amount

with interest ; while the remainder clamor for the rejection of the amendment, without any fixed purpose for the future, but with a vague hope that still more favorable conditions can be extorted from our creditors. No scheme of adjustment that could be devised would satisfy men holding such widely divergent views, so that even if the present proposition was voted down, we should be farther than ever from any conclusion which would extricate the State from her embarrassments, and in the meanwhile she would sink deeper and deeper in the public estimation, until finally compelled to pay every dollar of the bonds with interest. For it is sheer nonsense to contend that we can defy the whole world in this matter.

THE MORAL RESPONSIBILITY OF THE STATE TO THE NATION.

Every one outside of the State is convinced that Minnesota is legally and equitably bound for this indebtedness, and the Supreme Court of the United States has given its solemn judgment to the same effect. As a member of the Union, we are under obligations to refrain from any course which will injure American credit abroad, so that repudiation in any form by a State is not only suicidal so far as her own particular interests are concerned, but is a crime against the nation.

THE HONOR OF THE STATE.

I repeat what I have heretofore frequently asserted, that the honor of Minnesota shall be held to be far more precious than any object of merely material value, such as dollars and cents. We owe it to God, to the American people, to ourselves, and to our posterity, to transmit the name of this noble young State to a succeeding generation bright and unsullied. I have striven for many years to bring about some adjustment of these old bonds, upon a basis of right and justice, knowing as I did, that

Minnesota was suffering in character and in all her public interests, by her delay in responding to the appeals of her creditors. My zeal was no doubt, quickened by the fact that my official signature is attached to these dishonored obligations, but as a citizen of the State, apart from that consideration, I have felt keenly, how equivocal and humiliating has been her position before the world.

LET THE STATE NOW REDEEM HER REPUTATION.

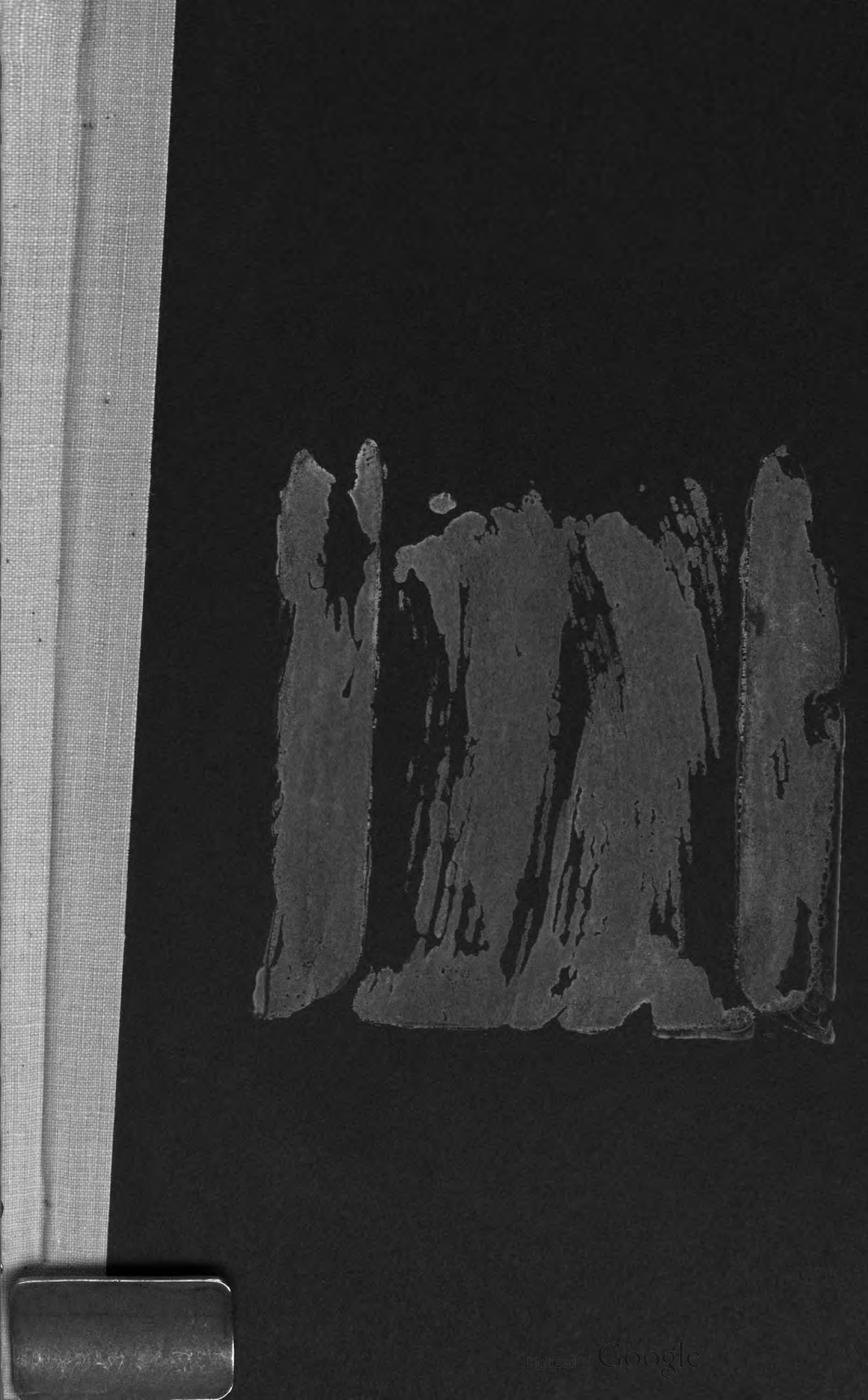
I dismiss the special pleading and petty technicalities, with which this subject has been beclouded and mystified, and which have been put forward as a justification for the refusal of the State to act honestly, as utterly unworthy of consideration by a commonwealth, that at this late day has an opportunity to atone for past neglect, and thus be restored to good standing in the sisterhood of States. These sophistries have been exposed and exploded both by our own citizens and by others, until there is left of them no shred to cover the shame of Minnesota from the public gaze. Let us embrace the opportunity now afforded us of concluding the mooted question forever, and Minnesotians can once more look their fellow men in the face without blushing for their State.

ENLIGHTENED SELF-INTEREST DEMANDS THIS SETTLEMENT.

Minnesota, like all new and rapidly expanding States, must for many years be a borrower. Her people want money at low rates of interest, and this they can never hope to accomplish until financial credit is restored, and capitalists abroad are convinced that the State and her citizens can be depended upon to meet their obligations. In this case, as in every other, "honesty is the best policy."

Respectfully,

HENRY H. SIBLEY.



UNIVERSITY OF MINNESOTA



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