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THE MEMPHIS DAILY APPEAL.

ESTABLISHED 1840. MEMPHIS, TENN., FRIDAY, FEBRUARY 9, 1883. VOL. XLIII—NO. 32

ALL the Taxing-District officers were re-elected yesterday, except Dr. Laurence, who was defeated by Dr. J. E. Black. The election of district attorney and a market-master for Beale street market was deferred by request of President Hadden.

A JOINT resolution was yesterday introduced in the Senate, providing for the appointment of a committee of three members of the Legislature, to receive and turn over to the State treasury any moneys the attorneys of the defaulting treasurer or his sureties might be prepared to pay to the State on his account.

THE State Senate yesterday, by a vote of twenty to eight, adopted a joint resolution reaffirming a previous declaration of the Legislature, that under no circumstances would the State pay more, principal or interest, than was agreed to by the June platform. This looks like protesting too much. The prompt enactment of the fifty-and-three measure would be more to the purpose.

A RUMOR was current in Nashville and Chattanooga on Wednesday to the effect that the Erlsinger Syndicate was about to lease the Memphis and Charleston railroad, but a prominent stockholder, who resides in the former city, assured the *World* that it was not true. The road will not be leased. The stockholders intend to run it for their own benefit and that of the country adjacent to it.

THE greatest flood reported in many years is now overflowing the banks of the Ohio river throughout its course from Pittsburg to the mouth, and already great destruction of property is reported at all the towns and cities on its banks. And worse and more of it, the rains continue, and all the creeks and streams are like so many torrents swelling the volume of destruction every hour, and there is no telling where or when it will stop.

A BILL before the Texas Legislature provides for the pensioning of all the surviving soldiers and sailors of the revolutionary army and navy of that State, the signers of the declaration of independence and their widows. A Houston paper thinks if the measure becomes a law, it will be found that Sam Houston's army was composed of about 200,000 men. It likewise, in the opinion of the same paper, will open the eyes of the world to the magnitude of the Texas army and navy.

THE Special Committee of the House of Representatives on the improvement of the Mississippi river has agreed to report unanimously in favor of the jetty system. Six of the nine members are utterly opposed to Cowdon's outlet plan, and on general improvement they report unanimously to continue the work at present conducted at Plum Point and Providence Reaches, with the auxiliary work in front of this city and at Vicksburg. The committee also favors an appropriation of $2,500,000 for the work below Cairo. This is about as good news as we have had this year, and is especially encouraging to the people of Memphis.

THE present slushy condition of Second street is the most earnest protest that can be offered against its being again paved with wood of any kind, and we trust the Taxing-District Council will vote for a stone block pavement like that on Beale and South Court streets, when the question comes up again. It is decidedly the most desirable, the cheapest, and the healthiest. There is one fact against wooden pavements that ought to weigh against all theories, and that is that its decay is rapid and, like any other vegetable poison, is as deleterious to health as the decay of as much dead timber in an Arkansas swamp. Memphis has paid dearly for her experiments in paving. The macadam is so far a failure as to be a sinful nuisance in wet weather and a fearful nuisance in dry. Nothing serves so well as stone blocks. This is the verdict of all cities, New York especially.

WE devote a great deal of our space today to the message of Gov. Bate, which is mainly taken up with the State debt question. This he discusses with clearness and force according to the declared will of the people implied by his election as chief magistrate of the State. The funding of the debt, he says, has frequently been the subject of legislation from 1865 to 1882, but under none of the acts passed has a majority of the outstanding bonds been funded, nor has the entire indebtedness under all of them taken together been funded. A large number are in their original form. The first funding act was not by the consent or request of the creditors, and when passed and put in operation three-fourths of the voters and taxpayers were denied the right to vote or hold office. The funding act of 1873 was so objectionable to the people that subsequent legislatures made no provision for the payment of interest. The one-hundred-and-three act was declared unconstitutional and void by the courts. The sixty-and-six act, passed by the same Legislature, fell short of its aim, as the official reports show that the owners of more than half of the outstanding bonds declined to fund under that act. Since July, 1875, no interest has been paid on any bonds save those belonging to educational and charitable institutions, and to Mrs. Polk. The interest paid out by the late treasurer was from funds not collected for that purpose, but of funds previously paid into the treasury. The governor maintains that none of the five funding acts grew out of the expression of popular will, nor were they acquiesced in by the people after their passage. The people, seeing constant and systematic efforts to foist upon them unjust laws touching the State debt, and witnessing the schemes and practices of corrupt speculators and lobbyists preying upon the crippled credit of Tennessee, took the matter in hand and for the first time expressed their will through the ballot-box, last November, and tendered terms of settlement to our creditors which every disinterested, right-thinking man must regard as just to all concerned. The duty of the State is to render a settlement and let each creditor act on it as he deems best. The governor then reviews at length the history of the creation of the debt, and states that $14,000,000 of bonds were issued to railroads immediately after the war, when the majority of the citizens of the State were disfranchised, and it is part of the published history in connection with the issuance of these bonds, that purchasers were put upon their guard as to dealing in Tennessee's securities. The evidence of previous investigations shows that many bonds were issued wrongfully. The devastation of war, the corruption and misrule of State governments, the tardy recuperation therefrom, the doubtful authority of the governments which issued certain of these bonds has been recognized and acted on by the holders of other Southern securities as just and equitable reasons for the abatement of part of the principal of their debts, and the governor doubts if any of those States settled their indebtedness upon more liberal terms than those proposed by Tennessee. In accordance with the will of the people, he therefore suggests a tender of settlement of the State debt proper in full, less war interest, with the same interest as the original bonds; also, those held by educational and charitable institutions, and the twenty-nine bonds of Mrs. Polk. He also suggests that the remainder or contingent debt be settled at fifty cents on the dollar, principal and interest, and to bear interest at three per cent

BATE'S MESSAGE.

The Burden of the First Message of Our New Governor is the Settlement of

The State Debt at Fifty Cents on the Dollar of the Face Value of the Bonds

And Coupons and Three Per Cent. Interest, in Accordance With the People's Instructions.

The Reasons for This Course, as It is Found in the Financial History of the State.

An Equitable System of Taxation, a Railroad Commission and Relief for the Supreme Court

Recommended—The Congressional Apportionment to be Overhauled—The Bogus Land Titles.

Important Measures Introduced in the Senate—Settlement of the Polk Defalcation—Democratic Caucus.

Special to the Appeal.]

NASHVILLE, February 8.—*Senate.*—New bills were introduced as follows:

By Mr. Smallman: To amend the four-mile law so as to make it apply to cities of more than 5000 inhabitants.

By Mr. Edmundson: To repeal section 4707 of the Code, and to remove from public officials a temptation to embezzle public funds.

By Mr. Edmundson: To provide for the regulation of railroad companies and persons operating railroads in this State, and to prevent the discrimination of railroads in this State, and to appoint a railroad commission.

By Mr. Steele: To authorize the payment of deposits of judgment creditors in the Bank of Tennessee and branches.

By Mr. Porter: Bills to amend chapter 92 of the acts of the Forty-first General Assembly, passed March 13, 1879, with reference to the collection of back taxes by extinct municipalities; to give to purchasers at tax sales a good title to property so bought; to more effectually collect State, county and city taxes and taxes levied for the use of taxing districts of this State.

By Mr. Dawson: To establish three boards of medical examiners and regulate the practice of medicine in Tennessee.

By Mr. Swofford: To protect owners of mill dams across water courses and to allow the floating of lumber and saw logs in all the streams and rivers of the State.

By Mr. Wilson: To change the line between the counties of Benton and Denton.

By Mr. Galloway: To require the owners of live stock to pen their stock, and authorizing the cultivation of land without fences.

By Mr. Galloway: To repeal section — of the act to establish taxing-districts, and provide means for local government of the same. Tabled.

The House joint resolution urging and requesting our senators and representatives in Congress to vote and use their influence for the passage of a bill to give financial aid to States for educational purposes was laid on the table.

THE POLK DEFICIENCY.

Mr. Daniel introduced a joint resolution providing for the appointment of a committee to confer with the attorney-general, and also with the attorneys of M. T. Polk, in regard to any proposed settlement of the deficit of the late treasurer, said committee to be authorized to receive any sums of money that Polk or his sureties may desire to return on account of said deficit. Mr. Daniel also read the following letter:

NASHVILLE, TENN., February 7, 1883.

Hon. WM. M. DANIEL:

DEAR SIR—I have received a letter from the attorneys of M. T. Polk asking if I was authorized to confer with them as to a settlement of Col. Polk's liability to the State, and if not to refer the matter to you. I answered them that I had no such authority, and could refer them to no one who had. Will you suggest that the Legislature, by resolution, appoint a committee, any of three, who shall be authorized to confer with said attorneys in reference to the matter, and to receive and turn into the treasury any payment which it is desired to be made. Respectfully,

S. F. WILSON, JR., A. L. LEA, Attorney-General.

The resolution was then adopted.

THE STATE DEBT.

The Senate joint resolution to appoint a committee to ascertain the amount of the State debt proper and railroad debts and other matters was then taken up, and the amendments proposed by the State Debt Committee being agreed on, it was adopted.

The Senate joint resolution declaring that no proposition looking to a higher rate of principal and interest than that proposed in the June platform will be entertained by the people through their representatives in the Legislature was taken, and after some discussion it was adopted by a vote of twenty to eight.

Several senators who voted for the resolution explained their votes, saying that they did not concur in that part which says, "and no higher rate of settlement should ever be entertained by the people or their representatives," because it was beyond the domain or the power of that body, and dictatorial in sentiment, from an agent to his superior.

HOUSE.

The resolution instructing our senators and requesting our representatives to vote to abolish the system of *regie* contracts on tobacco was taken up and elicited considerable discussion. The resolution was adopted unanimously.

The Senate bill to repeal section 40 of the appropriation bill of the second extra session of 1882, appropriating money to pay interest on bonds funded under the sixty-and-six act, passed its third and final reading by a vote of sixty-eight to twenty-one.

The Senate bill to levy and collect taxes for the Taxing-District of Shelby county passed its first reading.

Most of the afternoon session of the House was occupied by the clerk reading the governor's message, 15,000 copies of which were ordered printed. The message is as follows:

THE MESSAGE.

Gentlemen of the Senate and House of Representatives:

The auspices under which you have met, as legislators, are hopeful, yet gravely embarrassing, because, among other things, of the State debt question with which you are to grapple. This embarrassment has been increased, since your assembling, by the official defalcation of Treasurer M. T. Polk, to the extent, according to the report of an investigating committee, of $883,000, which, together with the payment of $120,000, as interest on the bonds so recently funded under the law known as the Sixty-and-Six Act, has left us with a comparatively empty treasury. The funding of our State's bonded indebtedness has frequently been the subject of legislation, namely: 1865-66, 1868, 1873, 1881 and 1882. Under no one of these acts has a majority of the outstanding bonds of the State been funded. Neither has the entire indebtedness, under all of them taken together, been funded. A large number of these bonds, notwithstanding the repeated efforts to fund and refund them, are yet in their original form. Under the act of 1865-66, the first funding act in Tennessee, there were funded 4,971,000 bonds, and so far as the act itself, or the legislative journal show, it was not passed at the request or by the consent of the creditors of the State. One of the principal objects of this act seem to have been to pay the war interest on our bonded indebtedness by issuing bonds therefor, and to give consent of the State for holders to convert five and five and one-fourth per cent. into six per cent. annual interest bonds. Besides these bonds of about that date there are outstanding $647,000 of bonds, which are denominated "renewals," the exact nature of which, and cause of issuance, I am unable to define, unless it be they were issued under the first section of the act authorizing the issuance of bonds in place of defaced and mutilated bonds. Under the act of 1868, which seems to have been passed, in part, as a continuation of that of 1865-66, there were issued $2,500,000 of bonds bearing interest. When these acts of 1865-66 and 1868 were passed and put in operation, a large majority, if not three-fourths of the voters and taxpayers in Tennessee were denied the right to vote or hold office. In 1873 the Legislature passed another act, known as the Funding Act, under which various classes and kinds of our bonds were funded, and bonds issued for past-due interest upon them, the whole amounting to $6,657,000. So objectionable was this to the people, that at the ensuing Legislature, all provisions for the payment of interest under this act were repealed, and have never been renewed.

THE ONE-HUNDRED-AND-THREE AND SIXTY-AND-SIX ACTS.

An act to fund the State debt in bonds at 100 cents on the dollar, and three per cent. annual interest, was passed by the Forty-second General Assembly, and became a law on the 6th day of April, 1881. Before this was in full operation it was thrown into the courts by injunction, and finally declared by the Supreme Court unconstitutional and void, hence no bonds were issued under it. The same General Assembly which passed the one-hundred-and-three act was convened in a third extraordinary session, and its labors during this extra session, on the 19th day of May, 1882, resulted in the sixty-three-four-five-and-six act, known as the Sixty-and-Six Act, authorizing the payment of sixty cents on the dollar and three, four, five and six per cent. interest. This act contains the following:

"SECTION 9. *Be it further enacted*, That the funding under this act shall cease after the 1st day of January, 1883."

This requirement for the bonds to be funded under it by the 1st of January, 1883, leaves all those bonds not so funded under it unprovided for. The machinery of this act was put in operation immediately after its passage, but fell short of its aim, as the recent report of Comptroller James N. Nolan shows that the owners of more than one-half of the outstanding bonds, invited to avail themselves of this act, declined to do so. It has ceased operations by its own terms without fully accomplishing its object. There is said to have been funded under this act $13,706,812 77, made up of the following:

Green F (signed John C. Brown)	$ 2,669,000 00
Green C	292,000 00
Green G	322,000 00
Green (no letter)	976,000 00
White D	1,145,000 00
Total (signed Brownlow and Senter)	$ 2,776,000 00
White B	$ 3,380,000 00
White C	100,000 00
White (no letter)	56,000 00
Total (signed Harris and Johnson)	$ 4,141,000 00
Capitol bonds	14,000 00
Carthage and Rome Turnpike Co.	1,000 00
Total six per cent bonds	$ 9,601,000 00
White D (total five per cent. bonds)	97,400 00
Total bonds funded	$ 9,698,400 00
Six per cent. attached coupons	$ 621,250 00
Six per cent. detached coupons	339,150 00
Six per cent. interest on past-due bonds	1,800 00
Five per cent. coupons, some attached and some detached	17,800 00
Five cent. interest	28,362 77
	$13,706,812 87
Less forty per cent	5,482,725 11
	$ 8,224,087 66
Cash to make even bonds	246 00
	$ 8,224,351 66
Issued in place of above—7,284—$1000 bonds	$ 7,284,000 00
1,354—$500 bonds	677,000 00
Script outstanding and redeemable in sums of $500 per yet redeemed, but a part of the total amount stated in the amount as funded	13,351 66
Total	$ 8,224,351 66
Total six per cent. attached coupons funded	$ 621,250 00
Total six per cent. detached coupons funded	339,150 00
Total six per cent. interest	1,800 00
Total six per cent. coupons and interest funded	$ 962,250 00
Total five per cent. coupons funded	17,800 00
Total five per cent. interest funded	28,362 77
Total coupons and interest funded	4,008,412 77

It will be seen by the above table that $4,008,512 77, nearly one-third of the whole amount funded in bonds under the sixty-and-six act, was the funding of coupons—(interest)—into bonds; and that $839,000 of those coupons so funded were detached, and not a part of the interest that belonged to the bonds thus funded.

INTEREST DEFAULTED SINCE 1875.

Interest was paid on bonds up to July, 1875, since which time no interest whatever has been paid on any Tennessee bonds, only those belonging to educational and charitable institutions and to Mrs. Polk. This was done by special authority of legislative enactment. It is also further shown by the recent report of Comptroller Nolan, one semi-annual payment of interest, amounting to $120,405, due July, 1882, and of interest on same for January, 1883, was paid by Treasurer M. T. Polk, and since, on January, 1883, interest on bonds funded under act above referred to, of 19th of May, 1882. This payment was from funds not collected for that purpose, but out of funds previously in the treasury. The act approved April 6, 1881, popularly known as the one-hundred-and-three act, was rendered inoperative and void by legal process and litigation instituted before any funding took place. The act of 19th May, 1882, known as the sixty-three-four-five-and-six act, as already stated, did go into operation without hindrance, and run its full legal course, with only partial results. As current history and subsequent events have shown, not one of these five funding acts seems to have grown out of an expression of the will of the people, or was acquiesced in by them after passage.

HE PEOPLE DETERMINED TO SETTLE IN THEIR OWN WAY.

The people of Tennessee seeing constant and systematic efforts to foist upon them laws touching the State indebtedness, that were unjust and distasteful; and having witnessed with regret and mortification the schemes and practices of corrupt speculators and lobbyists, as they heartlessly preyed upon the crippled credit of the State, took the matter in their own hands, as they ought, and had a right to do, and for the first time have expressed their will through the ballot-box, on the 7th of last November, to tender terms of settlement of our indebtedness to the creditors of the State, which, under all the circumstances, every disinterested and right-thinking man must regard as just and honorable to all parties concerned.

* * *

The people have unmistakably declared the extent to which the obligation of the bonded indebtedness, with due consideration of our equitable in the premises, ought to be recognized and the burden of taxes they are able to bear, to pay the same. I also understand that you have been chosen to tender a settlement in the form of a definite legislative enactment, according to the judgment and will of the people of Tennessee, as recently expressed. This is the first time the taxpayers have spoken out through the ballot-box in favor of a settlement of our debt at a given amount.

THE "CONTINGENT" AND THE "STATE DEBT PROPER."

Without burdening you just here with an itemized statement, it is sufficient to know that our bonded indebtedness, principal and interest, is nearly $30,000,000; a portion of which was authorized to be created as early as 1833. Soon after the passage of the act of 1852, out of which grew the railroad debt—there being two distinct obligations, the debt was classified by the comptrollers into two separate and distinct classes—the "State debt proper" and the "contingent" debt—meaning by State debt proper, the debt created directly for property and State purposes, and no intermediate obligation existing, and depending on no contingency. This classification, or in substance this, was uninterruptedly employed by our comptrollers until 1875, when it was abandoned by Comptroller John C. Burch. It seems that Col. Burch neither denied nor misunderstood this classification, but that he abandoned it solely on account of the funding act of 1873. In his report to the Thirty-ninth General Assembly he states that since the funding act of 1873 he deems the classification of the bonds into registered new funding bonds to be the most convenient classification. In 1879 a joint committee was appointed by the General Assembly to investigate and report "what amount of the bonds outstanding against the State of Tennessee, when issued, were a part of the State debt proper, and what amount were railroad bonds, as they were distinguished in all official reports, messages, etc., up to the late war, and what part are *post bellum* bonds." The committee made two reports, that are known as the Wilson and the Clapp reports, from which it appears that "the State debt proper," as it is termed, consisted, as the report says, of bonds issued for the stock of the State in turnpike companies, in railroads and banks, for the construction of the capitol, for the purchase of the Hermitage, and to the Agricultural Bureau. These bonds were issued under different acts, ranging in point of time from 1832 to 1860, and constituted an aggregate of 6,481, amounting to $6,481,000, and of these there are now outstanding 2105 bonds, amounting to $2,105,000, as stated by the committee. On the 28th of March, 1879, the General Assembly, without action on the part of our creditors, passed an act, commonly known as the Fifty-and-Four Act, to settle the bonded debt of the State. It designated the following as the bonds to be funded:

Capitol bonds	$ 425,000
Hermitage bonds	35,000
Agricultural bonds	18,000
Union Bank bonds	125,000
Bank of Tennessee bonds	214,000
Bonds issued to various turnpike companies	741,000
Hiawassee railroad	280,000
East Tennessee & Georgia railroad	144,000
Memphis & Ligarue railroad	38,000
Ante-war railroad bonds	8,582,000
Post-war railroad bonds	2,838,000
Funded under act 1866	2,246,000
Funded under act 1868	569,000
Funded under act 1873	4,867,000

By reference to the report of the Wilson-Clapp committee, it will be seen that the first nine classes of bonds enumerated by the act of 1879, aggregating $2,108,000, constituted the State debt proper of Tennessee. These authoritative statements have never been officially modified or questioned; they have been accepted and acquiesced in, and the State debt proper as known to the people of Tennessee, and recognized by them, exclusive of unpaid interest since July, 1875, does not, in my opinion, exceed $2,118,000. Some of these $2,118,000 of bonds were funded under the act of 1873, and a few of them have been funded, as it is asserted, under the act of 1882. Less than one-half (it is believed about $900,000), are outstanding in their original form, and while most of them bear interest at the rate of six per cent. a part are five and one-fourth, and others five per cent. per annum.

THE FIFTY-AND-THREE PROPOSITION.

I think it just, and in accordance with the desire of the taxpayers of Tennessee, that the new funding bonds, to be issued in renewal of the State debt proper bonds, should be dollar for dollar, and bear the same rate of interest which original bonds, surrendered, bear. The remainder of the debt, except certain bonds mentioned hereafter, should be funded in bonds for one-half their amount of the principal and interest, bearing interest at three per cent. per annum.

THE CONTINGENT DEBT—HOW IT WAS MADE.

This debt, last referred to (named in comptroller's report as "contingent debt"), was merely created to construct and equip railroads in the State. The interest in government system, as you are well aware, contemplated that the bonds of the State should be loaned to such railroad companies as complied with certain conditions; and for the State's indemnity, a statutory lien was retained on the roads, franchises, etc. The railroad companies were required by the act and its amendments, under which the bonds were issued, to provide for the payment of the coupons on the bonds as they matured; and also to create a sinking fund to pay the bonds themselves. It was never contemplated that taxpayers of Tennessee would in fact be called upon to pay the bonds; and the history of the times show that the advocates of the law so announced. Doubtless the public expectation would have been realized but for the late war between the States. Twelve railroads to which $20,502,684 of bonds had been issued, were sold under judicial proceedings instituted by the State, with a loss to the State of $13,897,684, notwithstanding the vast amounts which had, recently before sale, been obtained under the mortgages of mortgagors, to equip these. The following are the roads, with respective amounts annexed to each, which make up the sum of this loss:

	Amount Issued to Which Roads Sold.	Amount for Which Roads Sold.
Memphis, Clarksville & Louisville	$ 2,955,795	$1,700,000
McMinnville & Manchester	1,091,375	300,000
Nashville & Northwestern	4,341,129	2,400,000
Edgefield & Kentucky	1,261,629	900,000
Knoxville & Kentucky	2,816,176	250,000
Cincinnati, Cumberland Gap & Charleston	1,657,208	300,000
Winchester & Alabama	1,790,035	800,000
Mississippi & Tennessee	1,552,000	20,000
East Tennessee & West North Carolina	448,000	20,000
Tennessee & Pacific	1,220,530	300,000
Knoxville & Charleston	816,500	105,000
Eastern Railroad Company	556,720	.....
	$20,502,684	$6,698,000
Total amount issued to roads above named		$20,502,684
Total amount for which they were sold		6,698,000
Loss on sales		$13,804,684

Purchasers had the right to pay in bonds of any issue, and bought five and forty cents and paid in at dollar for dollar.

BONDS ISSUED SINCE THE WAR.

It may also be stated in this connection that $14,513,000 of bonds, in amount about one-half our present bonded indebtedness, were issued to the railroad companies after the war. These bonds, issued since the war, were under and by authority of legislative acts passed and enforced immediately after the war, and by legislatures elected at a time when more than half, if not three-fourths of all the citizens in Tennessee, who had been voters, were disfranchised, notwithstanding taxes were annually collected from them to pay interest on these and other bonds as well as for current expenses of the State. The following is a list of those so issued, with names, amounts and dates:

April and June, 1866.	
Memphis & Charleston railroad	$ 600,000
East Tennessee & Georgia	250,000
Nashville & Chattanooga	600,000
McMinnville & Manchester	400,000
Tennessee & Alabama	300,000
Central Southern	75,000
Memphis & Selma	500,000
Mississippi & Tennessee	300,000
Winchester & Alabama	886,000
Memphis, Clarksville & Louisville	34,000
Edgefield & Kentucky	225,000
Hopkinsville & Clarksville	100,000
Knoxville & Kentucky	2,171,000
Cincinnati, Cumberland Gap & Charleston	919,000
Cincinnati, Cumberland Gap & Charleston	322,000
Knoxville & Charleston	710,000
Nashville & Northwestern	1,337,000
Nashville & Northwestern	551,000
Nashville & Chattanooga	765,000
Tennessee & Pacific	727,000
Memphis & Ohio	458,000
Mississippi Central	550,000
Northwestern	525,000
East Tennessee and Western North Carolina	400,000
Mineral Home	70,000
Evansville, Henderson'lle & Nashville, 1866-67	200,000
Nashville & Decatur	320,000
Issued to railroads since war	$14,513,000

This marked injustice to the taxpaying citizens—this taxation without representation—this issuance of millions of dollars in bonds under the green seal of the State, at a time and under circumstances like these, contributed to bringing the credit of the State into disrepute, and reducing the price of her bonds down to less than one-third of their face value. This induced speculation in them; yet, while passing from hand to hand, their speculating holders never failed to gather semi-annual six per cent. interest, until July, 1875, when the payment of interest ceased. In many instances a greater amount of interest was collected, during that period (of eight or nine years), than the bond itself cost the holder.

PURCHASERS OF THESE BONDS WERE PUT UPON GUARD.

It is part of published history, in connection with the issuance and circulation of these bonds, that purchasers *were put upon their guardas* to dealing in Tennessee securities. Independent of public utterances, in editorisms, freely published at the time, Gov. Brownlow, then occupying the gubernatorial chair, in his message of April 6, 1865, to the Tennessee Legislature that passed the sixty-and-six act that authorized the issuance of these bonds, in regard to this used this strong and emphatic language: "* * * * Double payment can probably be avoided. Evidence must be in existence by which they can be identified. *The notorious condition of our State affairs has been sufficient to put dealers upon their guard.* * * *" Therefore it is seen that many of these bonds were purchased *with the knowledge* that they were not free from suspicion; and because of this, in part, they were bought at less than half, and even one-third, what they called for. Upon a restoration of the ballot to Tennesseans, in 1870, the taxpayers began to inquire into the why and wherefore of all this indebtedness coming upon them at the close of a protracted and destructive war, and at a time they could not vote. In searching out the facts and seeing the surroundings, many taxpayers contended that these bonds constituted no obligation on the State; and by many this was denied; but others still, who conceded the obligation of these bonds, contended that the State, as a matter of right, was entitled to a large abatement of the debt. The grounds on which this is claimed is commonly called "equities of the State." One is, that many of the bonds were held during the late war between the States by foreigners and citizens in the enemy's territory, and not only cut off from communication, but forbidden to communicate with those thus located; hence, they neither received nor negotiation nor payment. Besides, all the revenue which could be raised was required for the public defense, and the State government was really in abeyance during the war. For these reasons it was believed that the interest which then accumulated—that is, between April 12, 1861, and May 26, 1865—ought not to be paid by the people of Tennessee. Nevertheless, this interest was funded under the act of 1865, and in part refunded in 1873 together with a portion of the just debt of the State. It ought, also, to be stated that the *ante bellum* railroad debt was created at a time when the people of the State possessed nearly twice as much property as they now do (the loss having been caused by the war), although nearly twenty years of peace have intervened.

SOME OF THE EQUITIES OF THE STATE.

It will be remembered, as before stated, the *post-bellum* railroad debt was contracted at a time when numbers of the best citizens and largest taxpayers of Tennessee were arbitrarily and wrongfully deprived of a voice in the conduct of public affairs; and, as has been heretofore suggested, this hiatus, or at least irregularity, in our State government was known to the purchasers of our bonds, who, because of this irregularity in State government, at the time of issuance and sale of a large part of these bonds, bought them at greatly reduced prices, and paid for them in the then cheap greenbacks. Without attempting to detail the evidence of previous investigations, it may be stated that many of these bonds were issued wrongfully and in violation of law. Further, the impoverished condition of Tennessee was a fact to be considered in dealing with our public debt. No Southern State has been so much devastated and impoverished by the war. The creditors themselves realized this to be true, when, in 1877, a large portion of them, claiming to be a majority, proffered to accept a settlement at sixty cents on the dollar, stating that when all the circumstances under which the debt was incurred, and peculiar condition of affairs in the State, together with its present ability and future resources were considered, it was just, alike to creditor and debtor. How can such creditors now complain of a proposition made by the taxpayers growing out of the same facts as those conceded to exist by the bondholders? On this ground in part the government of the United States, as it ought to have done, abated a large portion of its claims against Southern railroads, and did it under the advice of letters from Gov. Brownlow, Hon. Horace Maynard, and other national characters. This devastation of war, this usurpation and misrule of State government by irresponsible parties, immediately following the war; the tardy effort and failure to fully recuperate from it, as well as the doubtful authority of those gubernatorial State governments by which bonds were recklessly legislated into existence, and as recklessly put into circulation, has been recognized and acted upon by the holders of securities of other Southern States, as a just and equitable reason for an abatement in the amount of debt; and while some have settled for much less, I doubt if any Southern State has actually settled the *indebtedness* upon terms more liberal to the holders of her bonds than the terms proposed by Tennessee. Indeed, according to statistics published by Poor's *Public Indebtedness*, published last year by act of Congress, Southern State has paid, or agreed to pay, so much on the dollar as Tennessee—with but one or two exceptions.

THE TERMS OF THE FIFTY-AND-THREE SETTLEMENT.

Upon the other hand, there were those who believed the entire bonded debt to be a valid obligation on the State, and that Tennessee was disinterested and able to pay the same. The sincerity with which large masses of our countrymen have maintained their views, and the pertinacity and bitterness with which their opinions have been uttered, have resulted unfortunately to the creditors and disloyalty to the State. The just debt remains unpaid, while the volume of bonded debt incurred and to be adjusted has steadily increased. The people, realizing that the opinions of rival factions were sincere and fixed, and that the interest of the creditors and the welfare of the State demanded a definitive settlement upon some terms, resolved upon a basis, and have declared it in the most authoritative and unmistakable terms. Accordingly, in my opinion, it only remains to carry the settlement into effect. A settlement which is not based upon the people's consent, is only a settlement, so called. But one in accord with their will and desires, as they have spoken it, when expressed, will permanently endure, and thus, not only be fruitful to the creditors, but bring repose to the State, its like causes cannot again occur to disturb the relation of confidence between them. Accordingly, I suggest a settlement upon the following terms: The payment of the State debt proper in full, less war interest, in bonds running twenty years, same interest per annum that the original bond called for, and those held in good faith, as hereinafter explained, by education and charitable institutions, and the twenty-nine bonds of the widow of President James K. Polk, be settled in like manner; and in view of the fact of the gradual decrease in the rate of interest on all public securities, I suggest that the new bonds be made to run for thirty years before due, with privilege of earlier redemption, and to bear interest at the rate of three per cent. per annum. As a necessary sequel to this, it is further suggested that your honorable body, in order to carry out in good faith the terms of the settlement, provide for such means as may be necessary to promptly meet the interest as it accrues upon the bonds so issued, and as this alone can be done by the levy and collection of taxes, you are invoked to act with clear understanding of our situation, and with all possible economy. It is a part of the legislative history of Tennessee that the two principal points on the footing of our country, the twenty-nine bonds of Mr. Polk have been since 1875 made an exception of, and six per cent. on them has been paid annually by the legislative votes and appropriations of all parties. The encouragement of education has always been the policy of the people of Tennessee, and should strengthen as we advance in progress and increase in population. Over $600,000 of bonds (the exact amount as well as the holders of the same are easily ascertained) are held by educational and charitable institutions of Tennessee. With a view to encouraging as far as possible such institutions, I understand it to be the desire of the people of Tennessee to pay such bonds as are held by them in full, regardless of the class of bonds to which the same may belong. Believing it encouraging to the cause of education and carrying out the will of the people in regard thereto, I suggest (as heretofore in this) that such bonds be funded in full, in interest-bearing bonds of same rate as those they substitute, and be exempted from the operation of a date in the past anterior to that at which this distinction in dealing with bonds was made, should be fixed upon to ascertain the institutions that shall be considered holders of the bonds and beneficiaries of this exception.

TAXATION AND THE SEAL—MINERAL HOME.

The governor also urges that the State shall return the $35,000 paid for the $100,000 of bonds issued by the State to the Mineral Home Railroad, and which it very properly refuses to recognize.

He recommends the taxation of all property, real, personal and mixed, according to an equitable basis, and that every species of property, when not specially exempted by statute, not excepting that operated under charters and owned by corporate bodies, should be taxed according to its value, including railroads.

He also suggests an enactment prohibiting the removal, in time of peace, of the seal of the State beyond its limits, as was done by the Funding Board under the sixty-and-six act—who took the seal to New York to affix it to the new bands.

A RAILROAD COMMISSION.

The governor also recommends the enactment of a Railroad Commission, the duty of which shall be, among other things, to regulate, as far as practicable, the tariffs of transportation on railroads, and such other kindred duties appertaining to this vast interest as may be deemed proper to impose upon them. He suggests that this commission be composed of three capable persons; that their duties be prescribed as minutely and accurately as practicable; that when appointed, they be put under oath and proper bonds; that the term of office of each commission shall be for two years, and that it may be chosen by the electors as representatives to the General Assembly are chosen; except for the first term of appointment, which shall commence as soon after the passage of the act authorizing the same as practicable, and extend until the next general election for representatives in 1884, and that for the last named period they be elected by the General Assembly now in session; that they be paid quarterly by the State an annual salary of — dollars for their services; that they be required to make such official reports at stated intervals, and publish the same, as the public interest may require.

CONGRESSIONAL APPORTIONMENT.

The bill passed at the second extra session of the Forty-second General Assembly, entitled "An act to apportion the representatives of Tennessee in the Congress of the United States," which enumerates the counties in the Third Congressional District, as in all other districts in the State, the counties of Meigs, Rhea and Cumberland are not named, and in congressional representation are practically disfranchised. As to what extent this ignoring of said counties affects the validity of said act is of grave and doubtful import. Certainly, as a part of Tennessee's constituency, and so estimated in the census on which is based the congressional apportionment, they are as fully entitled to representation as any other portion of the State. I call your attention to this serious injustice, and invite such prompt action in regard to it as you may deem essential and proper to secure the voters of these three counties in their constitutional rights.

THE SUPREME COURT—PUBLIC SCHOOLS.

He recommends immediate relief for the Supreme Court, the docket of which is so overcrowded. He refers at length to the statistics of the public schools, and is glad that though Tennessee is far behind many of her sister States in this regard, yet she is abreast in this movement with most of the Southern States. In this connection the governor refers to the report of the State Board of Education, made on the 1st instant, which urges an appropriation of $10,000 per annum to the State Normal College at Nashville (without the scholarship feature). He is informed that if this is done the Peabody trustees will give Tennessee equal interest in its scholarship system with the other Southern States. This would entitle Tennessee to about fourteen scholarships. This would greatly enhance the cause of education in our State, and if it can, in justice to other obligations, it should be done in view of the school population of the State, and that 140,000 are colored, the social relationship that exists, and the active work necessary to make our school system a success. He also recommends legislation authorizing the appointment of an assistant superintendent of Public Instruction with a salary of $— who shall be a colored man, qualified for the duties of the position; and who shall, in the performance of his duties, confine his labors to the colored scholastic population, reporting to and be under the direction of the superintendent of Public Instruction; that he shall be appointed in such manner as the Legislature may indicate, and hold his office as the superintendent now does, and be subject to the same obligations.

CHARITABLE INSTITUTIONS.

Gov. Bate indorses the report of Dr. John H. Callender touching the support of the Insane Asylum, and recommends the passage of the bill already reported for that purpose, and he urges adequate appropriations for the blind and the deaf and dumb asylums, reports from which have been delayed by the death of the principal of each within the past few weeks.

THE PENITENTIARY.

As to the penitentiary, he says that while there are grave objections to the lease system, yet the interest of the State and the great necessity for economy persuade me that nothing better could now be done than to observe the lease system. The present lease will expire on the day of — next, and he suggests legislative action to the effect that the penitentiary be again let out on lease for such length of time, and on such terms and conditions as the General Assembly may adopt. In view of that which is understood to have occurred, perhaps through misapprehension at the time of bidding for the lease before made, he feels the liberty of suggesting that not only the day, but the exact hour and place be designated for receiving bids, and the exact time when such shall be received and acted upon.

LAND TITLES.

Much embarrassment is being felt in Tennessee, especially in the region of her mountain country, as to land titles. The governor is informed that in many instances several grants have been placed upon the same territory, and of course embarrasses the title of the rightful owner. In many portions of this part of Tennessee—because of the distance to the seat of the land office, and the cost of timber—the land has become valuable and is much sought after. Purchasers are unable to secure good titles, hence a general distrust is the result. Without being able to suggest a clear and unembarrassed remedy, he calls attention to it, that it may be the subject of consideration by the General Assembly. It is a matter of much importance to both the rightful owners and to purchasers and the State, which urges an appropriation of $10,000 per annum to the State Normal College at Nashville (without the scholarship feature). He is informed that if this is done the Peabody trustees will give Tennessee equal interest in its scholarship system with the other Southern States. This would entitle Tennessee to about fourteen scholarships. This would greatly enhance the cause of education in our State, and if it can, in justice to other obligations, it should be done in view of the school population of the State, and that 140,000 are colored, the social relationship that exists, and the active work necessary to make our school system a success. He also recommends legislation authorizing the appointment of an assistant superintendent of Public Instruction with a salary of $— who shall be a colored man, qualified for the duties of the position; and who shall, in the performance of his duties, confine his labors to the colored scholastic population, reporting to and be under the direction of the superintendent of Public Instruction; that he shall be appoint