[Continued from First Page.]

between Virginia and North Carolina shall have been ascertained and definitely settled.—I have, therefore, take no action under your third resolution, nor will I appoint other Commissioners until the line shall be run between Virginia and North Carolina.

Nothing has yet been done towards the settlement of the line between Virginia and North Carolina. After Col. McDonald was sent to England, I determined to await his return to ascertain whether he could procure documentary information that would throw light upon this unsettled question. I hope commissioners will be appointed by both States early in the spring, and the work pushed forward with all practicable zeal and industry. I will use all proper and honorable efforts to bring these long-standing and disagreeable questions to a final and satisfactory adjustment.

CHESAPEAKE AND OHIO CANAL COMPANY.

I call your attention to the accompanying communication from the Attorney General in relation to the Chesapeake and Ohio Canal Company, and to the suggestions therein made. Some legislative action is necessary, and I respectfully urge the adoption of his suggestions at an early day in the session. For some years past the State has been paying the interest on five hundred thousand dollars of the bonds of this Company, and in a few years will be required to pay the principal of those bonds, unless some change shall be effected in its organization and management.

ROOMS FOR THE COURT OF APPEALS.

I found it impossible to execute your resolution of the 30th March last, authorizing the Governor to set apart rooms in the Capitol for the Court of Appeals. The proviso attached to the first resolution prohibited the Court from the occupancy of either chamber used by the General Assembly. The various departments of the government have not sufficient room in the Capitol at this time to transact the public business with dispatch, and to file away the papers so as to make them accessible for reference by the public officers in the daily discharge of their important duties. If you had permitted the Court to occupy either the hall of the House of Delegates or the Senate chamber for holding the sessions of the Court during the recess of the Legislature, a conference room might perhaps have been provided.

RESOLUTION RELATING TO OSBORNE AND MATTHEWS.

Under your resolution of the 2d of April last, requesting the Governor "to allow out of the civil contingent fund to William Osborne the sum of twenty-five cents per day from the commencement of the present session, and to allow to Richard Matthews the additional sum of one dollar for each day the Legislature has held night sessions at the present session," I declined to make any allowance, because I considered it the duty of the General Assembly, if they believed anything due to these parties, to provide, by a regular appropriation bill, the means of payment. The civil contingent fund is placed at my disposal for the payment "of all expenses in the execution of *any law* for which there is no special appropriation." In this case, there was no "law" authorizing the payment, or which declared these parties entitled to it.

If the Legislature shall be of opinion that their employees are entitled to extra compensation, it is unquestionably a duty resting upon them to make the appropriation to pay it. I am opposed to all extra compensation to officials, and will in no instance pay it out of the contingent fund. If the compensation is inadequate, the Legislature should increase it, and appropriate such sum as is necessary to pay a fair equivalent for services rendered.—Salaries should be fixed and certain, and it should not be in the power of any officer of the government to increase them by allowances of extra compensation to government employees.

THE PENITENTIARY.

I herewith transmit the reports of the Superintendent, the Directors and the Surgeon of the Penitentiary for the year terminating on the first day of October last. These reports will inform you of the condition of the institution and the extent and value of its manufactures. They fully apprise you of its wants, many of which must be supplied. Additional room must be provided, as the convicts are too much crowded either for comfort or safety.—This will be apparent when I inform you that the buildings were originally constructed with a view to the accommodation of two hundred and fifty convicts. The number now in the institution, exclusive of the negroes hired on the public works, is three hundred and sixty-nine, and that number is being rapidly augmented. I have caused the buildings to be examined for the purpose of ascertaining the best mode of improvement, and herewith present a plan, for such an addition as will furnish the requisite room for the smallest expenditure of money. I hope it may be your pleasure to adopt this or some other plan, and make such an appropriation as will be necessary to effect the object. It is of the first importance that this matter shall be promptly attended to.

Chapter 14, section 16 of the Code, authorizes the appointment of seven assistant keepers in the penitentiary. Some few months ago an application was made by the Superintendent, and it was sustained by the Board of Directors, for the appointment of an additional assistant keeper, to be placed in charge of a portion of the convicts employed in the shoe shop. The number now employed in this branch of business is one hundred and thirty-seven, all in the same room, and all superintended by one assistant keeper. It is proposed to divide this room by a partition, and place one half this number in charge of another assistant proposed to be appointed.—The suggestion is in my opinion wise, and if I had possessed the power under the law, I would have had it carried out. It is neither prudent nor safe to have so large a number in one room. The law confines the number of assistant keepers to seven, and I recommend that it be so amended as to authorize the appointment of an additional assistant.

I suggest also that you so amend the criminal laws as to prohibit any person from being confined in the penitentiary for a shorter period than three years. It requires at least three years to acquire a trade, and those who are confined for a shorter period are a burden to the institution, and an expense to the State. In all such cases, let some other punishment be substituted. The ends of justice would be as well accomplished—perhaps better—and the treasury would be relieved from an onerous and unnecessary burden.

I suggest, also, that when a convict is discharged from the penitentiary, it be made the duty of the Superintendent to cause him or her to be removed, and to pay the necessary expense of removal to the place at which he or she was convicted. It is not just to the citizens of Richmond that such characters should be thrown out upon them, to whom they must prove a burden and a serious annoyance.

In the year 1857-'8 the Legislature directed the Governor to have the slave and free negro convicts employed upon the public works of the State, "upon such terms, and under such rules and regulations," as he may prescribe. When I came into office, I found the men hired for sixty dollars, and the women going with them for victuals and clothes. When the year for which they were hired to Mr. Rosser, in June last, expired, I required him to pay for the balance of the year at the rate of one hundred dollars for the men each, and forty-five dollars for the women each. I became satisfied that if competition were invited, the convicts would hire for much larger sums. And I determined, therefore, to advertise for sealed bids for the hire of the negroes employed on the first day of December last. By adopting this mode, I succeeded in hiring eighty-five men for $175 each; twenty three men for $90 each; thirteen women for $50 each; and two other women, and a little girl ten years of age, for $25 each. The bond for the hire, with what is deemed to be adequate security, is now in the office of the Secretary of State. Heretofore the Penitentiary has been a charge upon the treasury to the amount (I believe) of something like $20,000 per year. I hope, however, to be able to show, on the next annual communication, that its receipts are equal to its expenditures. I include, of course, in receipts, the hire of the convicts, which legitimately belong to the institution and should be computed in any statement show its finance condition.

The health of the asylum at this time is good in the penitentiary; and most humanely estimably humanity requires that everything shall be done for their relief. They are thrown upon the institution and the world ought to be relieved to some one of the asylums, where they may receive proper medical treatment. I recommend that a new wing shall be added to provide for all such cases. Let them be examined from the mode now prescribed by law, and if adjudged lunatics be sent to one of the asylums, and when cured be returned to the Penitentiary, that they may suffer the punishment which the sentence demands. Legislation on this subject is necessary.

ASYLUMS.

I transmit herewith reports from the Directors of the Eastern and Western Lunatic Asylums. I have received no report from the Directors of the Trans-Allegheny Asylum nor have I received a report from the officers or visitors of the Deaf and Dumb Asylums.

On a recent visit to Weston, the place at which the Trans-Allegheny Asylum is located, I suggested to the Board of Directors the propriety of completing the building by sections, so that accommodation may be furnished for some portion of this unfortunate class of our population now confined in the public jails. The Eastern and Western Asylums are filled, and if my suggestion shall be adopted (and I believe it will be adopted), forty or fifty might be received in the latter part of this year, and as the work progressed, others could be received from time to time until the structure (which will be in appearance an imposing) shall be completed. Humanity demands that this shall be done. An additional appropriation will be required to complete the building, and it will perhaps be asked for at this session.—When completed this building will reflect great credit upon the architectural taste and liberality of Virginia. It will compare most favorably in all respects with institutions for like purposes in the other States.

THE VIRGINIA MILITARY INSTITUTE.

The reports of the Superintendent and Board of Visitors of this flourishing institution, are herewith transmitted. The institution is managed with great ability, and has secured a strong hold upon popular favor. Its merits are well attested by the extraordinary success which has attended it. It is second only to the West Point Academy in its system of instruction and in the number of the cadets. At this crisis in our affairs this institution deserves to be fostered and liberally sustained. It prepares our youth thoroughly for the performance of military duties; and in these troublous and perilous times we know not at what moment such information will be called into requisition for the protection of the honor, the preservation of the rights and the maintenance of the institutions of the Commonwealth. I recommend these reports and the recommendation to your favorable consideration.

THE UNIVERSITY OF VIRGINIA.

This noble institution—an honor to its illustrious founder, and to this Commonwealth—is in a most flourishing condition. Its reputation as the first literary institution in the southern country, is admirably sustained, under the management of its learned, energetic and efficient faculty. No institution has done more in disciplining and developing the southern mind, and in spreading abroad sound moral, political and scientific principles. It deserves the fostering care of the Legislature, and is justly entitled to aid and support at your hands.

In the year 1854 the Legislature appropriated $10,000 to procure a statue of Mr. Jefferson in marble, which is intended to be placed at the University. It is now here and is a noble and beautiful specimen of workmanship. Chiseled by a native son of Virginia, it is honorable alike to his genius and to the fame of the illustrious man whose name and statesmanship it is intended to perpetuate and transmit to the latest posterity.

THE MILITIA.

I recommend that the State shall be divided into twelve divisions, and the brigades be rearranged. At present we have but five divisions—three in the east and two in the west. It is impossible for a Major General to command either of these divisions. He can never know the men under his command, and it is equally impossible that they can know him. If called into service they would meet as strangers; there would be no bond of confidence between them. In the absence of all knowledge of each other, if they proved serviceable at first, it would be but little short of miraculous. Hence I suggest that the divisions be increased in number, so that the commanding officer may have the opportunity to be brought into contact with his men. In the two divisions in Western Virginia there are in each at least fifty thousand men subject to militia duty, and who would be, in the event of trouble, called into service. The simple announcement of this fact demonstrates the utter absurdity of the present arrangement of the divisions, and shows the necessity of a rearrangement throughout the State. The existing arrangement was established in 1792. Since that time population has greatly increased, and the necessity for an increase in the number of divisions is patent. If we are to have an effective force, reliable at all times, and under all circumstances, I recommend, therefore, in the strongest terms, an increase in the number of divisions to twelve, and the rearrangement of all the brigades throughout the State.

In this connection, I also recommend that a distinctive uniform for cavalry, artillery, infantry and riflemen shall be prescribed by law. Under the present system we have every description of uniform; and if the volunteers of the State were called into service we would not know from the uniform whether they were of us or against us.—This should be corrected, but it is not possible to correct it without a positive law. It is very common now with volunteer companies to adopt a uniform, and procure it, and then apply to the Executive to recognize it. How can it be refused? I cannot, therefore, too strongly urge action in regard to this matter.

The report of the Adjutant General will furnish full information in regard to the military strength of the State; the number and condition of the various volunteer corps; the extent of our armament, and the efficient force that could be brought into the field in an emergency. It contains valuable suggestions and recommendations the result of his long experience and observation, which I commend to your adoption. His time and attention have been devoted to the military interests of the State for years. He thoroughly understands her wants in all that relates to her defence and protection and is ready and willing, although advanced in years to respond to her call and sacrifice his life, if needs be in defence of her rights and honor. The views of such a public officer are entitled to great consideration.

It is necessary that the Adjutant General shall have a permanent clerk. My daily intercourse with the office and observation of its numerous and pressing duties, have satisfied me on this point. This officer has exhibited an untiring energy and industry that I have never seen surpassed, and has justly entitled himself to the thanks and the confidence of the people. Under his act of 1855 important and arduous responsible duties were cast upon him, and although he was receiving a nominal compensation only, he devoted himself mentally and physically to their performance until the end had in view was accomplished. For his services he received but little over two dollars per day. Under your act of the 2d of January last, appointing commissioners to audit and pay the expenses incurred by the Executive for the purchase of arms and munitions, and for the defence of the Commonwealth, you imposed upon him the duties of Auditor of Public Accounts and the Adjutant General, a most onerous and responsible duty, in the discharge of which they were employed laboriously for weeks. For the performance of this duty they have received no compensation, as it did not legitimately belong to either of these officers, some provision ought to be made for a fair and just remuneration to each.

We should have an efficient military staff, embracing, in addition to the Adjutant General an Inspector General, a Quartermaster department, a Commissary department, an Engineer department, an Ordnance department, a Pay department and a Medical department. All these are necessary, to insure efficiency to the service; and I earnestly urge you to give the matter your consideration.

THE PUBLIC GUARD.

Since your adjournment Lieut. A. G. Layne, an able accomplished and popular officer, has departed this life. The vacancy has been supplied by the appointment of Heber Ker, of Northampton county, a distinguished graduate of the Virginia Military Institute. The corps is in excellent condition, in drill and discipline, and under the operation of the law of the last session, has been greatly improved in numbers and material. The officers are well qualified for their positions, and their duties have been discharged with ability, industry and faithfulness.

I accompany this communication with a memorial from the officers, the prayer of which appears to me so reasonable, that I earnestly invite for it your sanction, and hope you will adopt the necessary legislation to give it effect.

THE ARMORY.

In pursuance of the provisions of the first section of the act passed January 21st, 1856 authorizing me to appoint a commission to arrange and propose a plan for refitting the armory, by the introduction of suitable machinery and otherwise, I appointed Col. F. H. Smith, Col. P. St. G. Cooke and Capt. G. W. Randolph to constitute the commission. They are all gentlemen of fine intelligence, and experience in military matters. The first named two are graduates of the West Point Military Academy, and the last named was for many years connected with the Navy. These gentlemen have immediately entered upon the discharge of their important duties, and have prosecuted them with a fidelity and zeal deserving of the highest commendation.

I transmit herewith several reports made to me from time to time by the commission which furnish a true history of their acts, and solicit for them your careful consideration. They are all drawn with signal ability, and are replete with valuable information which cannot fail to prove instructive and interesting to every citizen of Virginia. No commission has ever exerted itself more zealously and perseveringly in the discharge of its duties; and under all the circumstances, none has, I think, ever been more successful. The unsurpassed locomotive and stationary engines which have been so industriously circulated in regard to the arms they have procured, and to their acts and the acts of the Executive, will be most satisfactorily refuted by the general dissemination of these reports.

I have the honor to acquaint you that the commission have completed the work assigned them, and have made a report of their acts, which I have received and transmitted herewith. Their duties were arduous and perilous, and they have discharged them with fidelity and ability. Their acts speak for themselves, and I have no doubt they will receive the approbation of the Legislature and the country. In this letter six amendments to the Constitution are suggested, all of which are of great importance at this juncture, and eminently deserving of the most mature and serious deliberation. In these days of startling and momentous events, every expression of opinion from the South, that may come to us from the Southern States, should be cheerfully received and calmly considered.

JAMES RIVER AND KANAWHA COMPANY.

Since your adjournment this Company has entered into a contract with Messieurs Bellot des Minieres, Brothers and Company, for the sale of its entire line of improvement to the Commonwealth, including the Commonwealth's interest, and with stipulations for the completion of the entire work. At a meeting of the stockholders of the Company, held in this city in the month of August last, the agreement was amended and as amended, was approved by a vote almost unanimous. The approval of the Legislature is necessary to give validity to the contract. The accompanying documents will place you in possession of all the facts connected with the transaction.

The completion of this great improvement is an object of the first importance to the people of Virginia. It has been long on hand, and its progress has been watched with the strongest interest. When completed, it will do more to develop the vast resources of our State than any improvement that has been projected. Immense mineral wealth is to be found all along the line, and the completion of the work will bring it into use, and thereby add greatly to our prosperity. I am in favor of any scheme that is likely to be successful, guarding carefully, however, the interests and rights of our citizens. The section in regard to tolls ought to be changed and modified, as I am inclined to think it will prove burdensome and oppressive to the coal, salt, and perhaps other interests. I am sure you will scrutinize this agreement, and secure ample protection for the rights and interests of the people of the State; and I am satisfied that very little trouble will be experienced in adjusting the details to the satisfaction of all parties interested.

I recommend the whole subject to your favorable attention, and earnestly hope that a wise and considerate policy will be adopted, looking to the early completion of this great central improvement. The intelligent president of the company will take pleasure in laying before you such information as you may desire.

I am informed that Mr. Bellot des Minieres is expected here in a short time, and the assurances I have received induces the confident belief on my mind that he will come prepared to execute the contract on his part.

PRINTING.

Reform is greatly needed in this branch of expenditure. Under the law the quarterly statements of all the banks are required to be published in the city papers, and at a large annual expense, without corresponding advantages, so far as I can see or understand. For the year ending Sept. 30, 1859, their publication cost $1 623 36, and for the past year, $1 584 87. In addition, you have these statements published for your own use, at a heavy cost. No two of them are made up in the same way—and it is utterly impossible therefore to prepare a comparative statement from the returns which are sent to this department. I recommend that the law requiring their publication in the city papers be repealed, leaving so much of the law in force as requires them to be published by the banks in the towns and cities in which they are located. I recommend also that so much of the law as allows a salary of $1 100 to the printer of the Senate, be repealed. The public printer receives no salary, and I can conceive of no reason for allowing a salary to the printer of the Senate. Let him be paid a fair and remunerative price for the printing he may be required to execute, and that is all he has a right to ask or expect.

Under the law the public printer is paid a commission of ten per cent. on the purchase of paper required for the execution of the printing. This is wrong both in principle and policy. It is an encouragement to the expenditure of public money. The more paper consumed, the greater are his commissions. A temptation is thus held out constantly to this officer to expend as much as possible in the purchase of paper, even when it is not needed even under the most favorable circumstances.—Hold out no inducement to expend more than is absolutely necessary for any branch of the public service. In recommending that this clause of the law be repealed, I feel that I should be wanting in fidelity to the interests of the government if I failed to furnish everything necessary for the execution of the printing, and that he be paid fair and just prices for his labor. I intend to cast no reflection upon that estimable and prompt officer.

PUBLIC BUILDINGS AND GROUNDS.

I communicate herewith the report of the Superintendent. It presents truly the condition of the several public buildings and the repairs necessary to be made to put them in good condition. On the score of economy, these repairs should be made as speedily as practicable. The longer they are delayed, the greater will be the expenditure required. The recommendations made by this faithful and excellent public officer, are deserving of approval. Some of his report are related to the Capitol grounds, and commend to your special attention, and cordially endorse his recommendation.

FINANCE.

The report of the Auditor of Public Accounts will exhibit the financial condition of the State, in all its details, and to it I refer you for full and accurate information on this interesting subject. On the first day of October last, the balance in the treasury was $139,305 18. The aggregate receipts for the fiscal year 1860-61, were $3 438 476 38, and the estimated disbursements for the same year, $3 939 512 81. The estimated balance in the treasury on the first day of October, 1861, is $138 268 75.

The total debt outstanding on the first day of January, 1861, is $33,929,791 63. Of this amount $23 411,946 33 has been created since the first day of January, 1852. The debt guaranteed for the James River and Kanawha Company, the Chesapeake and Ohio Canal Company, the city of Petersburg, the Virginia Central Railroad, the Richmond and Danville Railroad, the city of Wheeling and the Alexandria Canal Company, amounted on the 1st day of January, 1861, to $2 167 575. It affords me pleasure to inform you that the interest on the State debt was paid promptly on the first day of this month.

The financial derangement, and the uncertain condition of public affairs broad, demand that we should practice and set the necessity of practicing rigid economy, individually and as representatives of the people. In starring and eventful times, such as are now upon us, "we know not what a day may bring forth." The future is shrouded in impenetrable darkness, and it is wise to be ready for the worst. We behold nothing but danger and darkness." I recommend, therefore, that you confine your appropriations to objects of indispensable necessity—such as are required to carry on the regular administration of the government, and such as may be demanded to put the Commonwealth in a condition to defend her rights and her honor against assaults from any quarter. We must retrench and economize, and enforce a rigid accountability throughout all the avenues of which the financial storm, now raging so wildly, threatens to visit upon us.

THE BANKS.

On the 21st day of November last, the Banks in the city of Richmond suspended specie payments and very shortly thereafter the other Banks in the State followed their example. At the time I was in communication with the officials by the Treasurer, I caused the accompanying order to be sent to that officer. Under the circumstances all of which were carefully considered, I came to the conclusion that it was safer and cheaper to make the three deposit banks the special receivers and collectors of the revenue, as it should be paid in by the collecting officers. The Capitol is not fireproof; and if I had directed the revenue to be received and retained by the Treasurer until it was needed, it would have been necessary to employ an additional clerk, at a salary of perhaps $2 500 per annum. This course, if adopted, would have thrown a heavy responsibility upon the treasurer, and it could not have been safer or more convenient than the present mode. The revenue collected since the suspension is on special deposit in the banks, and is to be drawn on special checks. I trust his arrangement will meet with your approbation.

After the suspension of specie payments, the first important question to be considered was, how are the specie funds to be provided for the payment of the State interest and the redemption of the bonds? After serious reflection, I decided that the only fair and proper mode was to ascertain what per centage upon the circulation of all the banks in the State, on the first day of October last (the date of the last quarterly return of their condition), would realize the necessary amount, and thus save the credit of the State. I ascertained that it would require seventeen per centum; and I then directed the Treasurer and Auditor of Public Accounts to prepare a circular, to be sent to the banks, calling upon them to furnish the quota necessary "to meet the obligations of the State." Shortly thereafter replies were received from two of the banks, protesting against the arrangement, and insisting that it was the duty of the deposit banks to furnish the specie required for these objects, but at the same time expressing a willingness to aid in saving the credit of the State. After these letters were received, I caused a second circular to be sent to the banks. Both of the circulars are herewith transmitted.

On the 22d day of December last a Convention, consisting of officers of the Valley Bank, the Merchants' and Mechanics' Bank, the Northwestern Bank, and the branches of each, the Central Bank, the United States Bank, and sixteen of the State stock banks, assembled in this city; and after spending some time in the discussion and consideration of the subject, delivered to me a paper, herewith transmitted for your consideration. On the next day a committee appointed by the Governor visited me upon me, and we had a conference of several hours in regard to the plan I had adopted. The objections to the plan, as stated in the conversation, were very much those that are embodied in the paper to which I have referred, and are set forth in the other resolution.

The first resolution sets forth a principle which meets with my cordial approbation. I utterly dissent from the principles avowed and the doctrines asserted in the second and third resolutions, and which are in my opinion in direct conflict with the principle asserted in the first. The policy recommended by the Convention would result in placing the burden of providing for the State interest and the redemption of the debt, almost entirely upon the deposit banks, and to that extent embarrass the mercantile, commercial, mechanical and manufacturing interests of this city, the banks as well as the citizens are bound by every consideration of duty, to aid in preserving the credit of the State, and the burden ought to be made to bear, as near equally as possible, upon all. A policy which would impose that burden upon one city in the State, is in my judgment unjust, and I therefore decline to recognize it. Nor did I approve of the discrimination which this resolution proposed to make between Virginia bondholders and others—in the first place because it was unjust to our own citizens, and in the second place, because such a discrimination, if sanctioned, was to be regarded as a declaration of inability on the part of the State to meet her engagements, and must have injuriously affected her credit abroad. The preservation of the State's credit is at all times an object of the first importance. It is especially important that she shall maintain her credit now.

The third resolution demands "a uniform percentage upon the average amount of the capital, circulation, and deposits of all the banks of the Commonwealth on the first day of October last, excluding the State's deposits." A single instance will be sufficient to demonstrate the injustice of this plan, as well as its impracticability. The Bank of Richmond was chartered at the last session, with a capital of not less than one hundred thousand dollars and not more than one million.—When the minimum capital was subscribed and the bank was organized, they applied for an issue of notes to the amount of twenty thousand dollars, having one-fourth of that amount or five thousand dollars in specie. According to the views embodied in this resolution, I would have been required to assess, in this instance seventeen percent upon one hundred and twenty thousand dollars, when the bank never had a circulation exceeding twenty thousand. Does not this illustration clearly demonstrate the injustice of the rule laid down by the Convention? I could not therefore recognize either the justice or the policy of this recommendation.

Our banking system needs reformation in several respects. We have two competing systems of banking in the State; and I have abundant reason to know that the policy and the interest of Virginia demand that we should put an end to this conflict. Under the late bank Convention was held in this city, the Virginia Bank, the Farmers' Bank and the Exchange Bank were not invited to participate in the discussion and consideration of the important questions which had called the Convention together. When I proposed to the committee who waited upon me, that I would invite the officers of those institutions to meet and confer with them, the reply was, "that the Convention had adjourned, and they had no power to alter the policy fixed upon by the body." My object in presenting this fact is to demonstrate the existence of a feeling of jealousy and hostility, which I regard as decidedly unfavorable to harmonious action in our monetary system. In 1857 my predecessor, in his message to the Legislature, in referring to the existence of this feeling, used this distinct and emphatic language: "They are competing with each other, and their collisions and jealousies are not the best influences to ease the difficulties of the times.—Without drawing any invidious comparison between them, I urge merely the fact that the existence of the two is not most favorable to the harmony of our money system. Which was the best or worst, either alone would be better, in my opinion, than the two with an antagonism between them. Antagonism exists, and will exist." My experience and observation since the suspension of specie payments, confirms fully the accuracy of his statement. Why this is so, I am not prepared to say, nor shall I undertake to determine who is to blame for the existence of this state of things. It is certainly prejudicial to the interests of the State, and ought to be corrected, if it can be done, by legislation.

It affords me great satisfaction to believe that all our banks are in a sound condition, and that they are responsible and reliable. In times of financial embarrassment and pressure, such as we are now passing through, it becomes us to practice as much forbearance as possible in our business intercourse and arrangements, that the evil may not be unnecessarily aggravated. Confidence has been shaken to a great extent, but this was to have been expected. It is a plant of slow growth, and charity, forbearance and prudence is required to prevent it from being uprooted and destroyed. In communities where the credit system prevails to so great an extent as it does here, we must be cautious, or we will involve all in a common ruin.

Several reforms are necessary, in my opinion, in our system of banking. We ought to abolish all notes of a less denomination than twenty dollars; but this should be done by degrees, and with the utmost caution. It is a reform that will require time to accomplish; but as it is a necessary reform, our attention should be directed to it, and it should be provided for in the renewal of the charters of the banks. Its effect will be to infuse a larger amount of specie into our circulation, and to protect those in the community who, from their want of familiarity with bank paper, are most liable to be imposed upon by counterfeit paper. From 1797 to 1819, a period of twenty-two years, the one and two pound notes of the Bank of England were allowed to circulate, and according to the returns made to Parliament, it is ascertained that the number of prosecutions for counterfeiting or passing counterfeit notes of the Bank of England, were 695, and of that number, there were 313 capital convictions, 530 inferior convictions, and 155 acquittals. The enormous sum of £249 000 (near a million and a quarter of dollars) was expended by the bank in attending to these prosecutions. The returns show that by far the greater proportion of these prosecutions were connected with the one and two pound notes. The detections at the bank, for a period of a little more than six years, from the 1st day of January, 1813, to the 10th 1818, were of one pound notes, 197,238; of *two* pound notes, 17,787; of *five* pound notes, 5 826; of *ten* pound notes, 419; of *twenty* pound notes, 54; and of all above *twenty* pounds, 35. This covers only six years out of the twenty-two; but it shows a frightful extension of crime connected with the small notes. A reference to any reliable counterfeit detector will show that the editions of counterfeits in the United States, of local and State banks, of *ten* dollars and under, are more than ten to one of the editions of the public and United States. These striking facts are extracted from a speech made some years ago, by one of our best informed statesmen and they well deserve to be pondered in your consideration of this question. If you shall come to the conclusion that no notes of a less denomination than twenty dollars should be issued by the banks, you will of course prohibit the circulation of notes of other States, of a less denomination.

Second—A custom prevails throughout Virginia, in perhaps all the banks, by which their loans are confined, to a great extent, to those persons who can offer drafts on northern cities. This policy is, in my opinion, not only unjust to the community, but it is unsafe to the banks. So long as the specie of our banks is kept in New York, or other northern cities, to be drawn on in favor of the holders of their notes, we are perfectly safe. The revenues of Texas, for the year ending October 31st, 1852, amounted to $139 222 51; and at that date she had a surplus in specie in her treasury of $533,651 20. On the first of October 1850 Arkansas had in her treasury $203—000, and received in revenue, for the year ending of September 1850 to the 30th of September 1852, the sum of $386,767 03, making a total of $589,733 11. The receipts of California, as estimated for the year ending June 1st, 1853, amounted to the sum of $434,150. These are the latest returns that I can conveniently refer to, but they serve to illustrate my view; particularly when it is remembered that in the space of exact years the amount of revenue collected in each of these States, with their increasing wealth and population, must have been greatly augmented. The banks in these States are personally known to them as the maker and endorsers of the note, and of whose ability to meet it at maturity they are fully advised.

There is another objection to this policy, which I will illustrate. An individual borrows say $2 000 from one of our banks, payable in Baltimore. After his note has been discounted, the banks suspend specie payments. When the note matures, he must procure exchange to pay it. He has made the money loaned him at Richmond, payable in Baltimore with the notes perhaps of that bank, and pass them to a broker at a loss of two or three per cent. to procure Baltimore funds to take up his note. This surely is neither just nor right. I recommend, therefore, that the party be allowed to redeem his obligation by requiring the bank to receive its own notes in payment in all cases. This policy places an onerous burden upon the borrower, which is unjust in the extreme and I thought it was the duty of the banks to protect and hold a note of equal amount against him, the law authorizing me to seize for his demand. Why should it not be so with the banks?

Third I would prohibit the banks from dealing in exchange, and would require them to transmit their funds at their own cost and risk. The rate of exchange between Virginia and New York in ordinary times, when the banks are paying specie, seldom ranges above the half of one per centum, which is about the cost of transporting specie between the two cities. If the banks were denied the privilege of dealing in exchange and realizing a profit, it would take from them the temptation to confine their loans to those who pay them their drafts, and their accommodations would be distributed more equally throughout the citizens. Our banking capital would thus be used for the accommodation of our own people. As it now is, much of it is used for the benefit and advantage of citizens of the northern cities.

Lastly—If the policy of discounting northern drafts is to be continued, I recommend that it shall be restricted to such drafts as have only a short time to run, say sixty days. Many of the northern drafts that the banks are in the habit of discounting, if I have been correctly informed, run from four to six months. This is extending southern credit to the northern agent. He is using the funds of southern banks for his own advantage, at the expense and injury of our own citizens. Our banks were created for the benefit and convenience of the people of Virginia. If the northern agent wishes to purchase our tobacco, or any other article we have for sale, let him come prepared to pay for it. Change a policy which thus passes the south tributary to the north. No policy, financial or other, should be encouraged to strengthen and build up the business of the north, under present circumstances, at our expense.

I recommend a deposit of the State from the banks; and in making this recommendation, I desire to be understood as striking no blow at those institutions. It is a measure demanded alike by wisdom and prudence, and the interests both of the State and the banks. It will concentrate down ten millions so well calculated to restrain the banks from excessive issues, and to confine them within prudent and safe limits, and which at the same time will tend to the enlargement of the specie circulation of our State. Where there is a deficiency, there will probably be a supply. The article that may be required for the comfort the convenience or the business interests of the community. The amount collected by the various State governments (and mainly in bank paper) is about $50,000,000 annually, and the revenue amounts to about $3,938,000, in round numbers, and if collected in specie, it is plain to the commonest understanding, that it would exert a powerful influence in restraining over issues by the banks, and this would prevent the evil, it would prevent the deposit banks from discounting on the faith of the revenue, collected by the State, in the notes of her various banks, and which are on deposit in their vaults. This stimulant to overtrading being withdrawn, we would have a healthier and a more uniform circulation.

The adoption of this policy would result in retaining in our State a sufficient amount of specie not only for the purposes of the government, but in a time of bank suspensions, would furnish sufficient specie for the ordinary transactions of the people. The divorce is demanded by principle and policy. The connection involves the State as a partner in the misfortunes of the banks; and whenever the law is violated, by the suspension of specie payments the last time the bank note holder, induces the Legislature to look upon the act more favorably than would be the case, perhaps, if she held no interest in them. Whatever is calculated to impair or destroy independence in legislation, must ever prove a most decided and injurious influence upon the public interests.

Entertaining very decided convictions on this subject, I felt it to be my duty, in the canvass which preceded my election, to avow my opinions freely and frankly, and to declare my purpose to recommend the adoption of the independent treasury system on the consideration of the Legislature. The recent suspension of specie payments (a result I did not then anticipate) and the difficulties that have attended the arrangements for the payment of the State's semi-annual interest, growing out of the inability of existing banks, and who is ignorant of banking, shows, in my judgment, the necessity for adopting this policy at as early a day as practicable, consistently with a due regard to the interests of the Commonwealth, at least from her ownership of stock in the banks. Should a connection exist between the State and the banks existing, those banks, which receive no portion of the State revenue, will complain of the preference which has been given to the three banks in this city, as prejudicial and injurious to their interests, and will protest against any demand that may be made upon them by the State, beyond the redemption of so much of their paper as is received in payment of revenue. As between the systems, we should not exhibit a preference for one over the other. Let the State keep her own affairs in her own way, and leave the banks to manage theirs, subject only to the requirements of the law. The divorce of the State from the banks will remove one ground of jealousy. Let the two systems demonstrate their relative advantages.

Against this policy many objections are urged—some of the more prominent of which I propose to notice briefly. Most of these are the same objections which were urged against the adoption of the independent treasury system by the Federal government. When the measure was proposed in Congress, its opponents were fully satisfied that the effect of such a policy would be ruinous, and serious apprehensions were felt and expressed by the timid of its friends. The measure was pressed, adopted, and after an experience of years, very few would be willing to return to the old system, and revive it as the settled policy of the government. I can see no reason why the adoption of a like policy by the State would not operate equally as well, and produce results equally as satisfactory.

The first objection is, that it would operate oppressively upon the people, in this—that they could not procure specie enough to pay their taxes. The same objection was urged when the system was proposed to be adopted by the Federal government; but the result has proved in that case that it was unfounded. So I think it would be in this case. In four fifths of the States the taxes are now paid in notes of the banks. These notes upon their face profess to be the representatives of specie. If this be true, then there would be no difficulty in converting them into specie, and the specie thus derived would be used in the payment of the taxes. If they are not convertible, the people, the most of whom are interested in banking upon sound principles only, should know the fact, and neither they nor the State should receive them. We want a sound paper currency—a currency that is convertible into specie—and if our present currency is not convertible at the will of the holder, it ought to be made so.

The second objection is, that we have not specie enough in Virginia to carry this policy into operation. The wisest statesmen of the nation have for more than twenty-five years felt the necessity of infusing into the circulation of the country a larger amount of specie, and to this end they have been shaping the legislation of Congress. They have abundant reason to be gratified with the success that has attended their efforts. In October, 1833, we had in specie, in active circulation, $4,000,000, and in the banks in specie, $25,000,000; on the 1st day of January, 1834, $12,000,000 in active circulation, and $27,000,000 in the banks; on the 1st day of January, 1836, $18,000,000 in active circulation, and in the banks $43,000,000; on the 1st day of January, 1838, $23,000,000 in active circulation, and in the banks $40 000 000; and on the 1st day of December, 1836, $28,000,000 in active circulation, and in the banks, $45,000,000. These are the results of the policy inaugurated by those statesmen, who were ridiculed and stigmatized at that day as "hard money men;" and they are valuable practical results, reflecting the highest credit upon their sagacity and statesmanship, and producing the best effects upon the business and interests of the country. I come down to a later period, and present the results as they exhibit themselves to us. Since the discovery of gold in California in 1849, more than $400,000 000 have been added from that source to the gold of the world. It was estimated that we had in the United States, at that time, $100 000,000 in specie, showing an increase between 1847 and 1849, of $47,000,000. In December, 1857, it was estimated that there was at least $200,000,000 in specie in the United States, $60,000,000 of which were in the banks, and $200,000,000 in active circulation.

In our own State, according to the quarterly returns made by the banks to this department, of their condition on the 30th of September last, their capital amounts to $16,566,300; their circulation, $9,806,837 83; their deposits, $6,609 285 60; their discounts, $25,532,39 67; and their specie, $2,804,930 9. Thus it is seen that we have a circulation of near ten millions, upon a banking capital of more than sixteen millions and a half. The question that presents itself in this connection is, do the five, ten, twenty, thirty, fifty and hundred dollar notes, now in circulation, represent specie? Upon their face, they purport to be convertible into specie, at the will of the holder; and it would be regarded as an attack upon the solvency of the banks which had issued them, to say they were not convertible.

We thus have within a fraction of ten millions in the circulation of the banks, besides the specie in active circulation in the State, which must be several millions more. Can it be possible, with these facts before us, that the revenue of the state cannot be collected in specie? If there shall be doubt on the subject, let the law prescribe that one fourth shall be collected in specie the first, one half the second, three fourths the third, and the whole amount the fourth year. This will afford the people ample time to provide for the change in the system of collecting the revenue of the State.

In 1841 the banks held $13 000 000 in specie, upon which they issued a circulation of $114 745 415.—In 1857 they had $60,000,000 in specie upon which they issued a circulation of $214 778.822. Thus it will be seen that in a period of eight years the banks increased their specie only $17 0 000, while their circulation increased in that period, $100,000 000 in the same time. Could such a result have occurred, if the operations of the various State governments had been conducted upon the principle, for which I contend, viz: the independent treasury system? Such an inquiry occurs to the mind to foretell the end of a system which exhibits such startling results.

Another objection urged is, that the system is not safe. Why not? Cannot the treasurer of the State be as safely entrusted with the keeping and disbursement of the revenue, as the officers of the banks? They are all respectable gentlemen; and is there reason to suppose that an officer of the State is less trustworthy than an officer of the bank? Experience, however, is the safest guide in all such cases. Has not the experiment worked well under the Federal Government; and if it has, have we reason to suppose that the officers of our State government would be less honest, less prompt, or less faithful in executing the law? I trust not.

The State of Mississippi has collected her revenue in specie since 1835. The States of Arkansas, Texas and California have collected their revenue in specie also, from the time of their organization as States. The receipts into the treasury of Mississippi from the 1st day of January 1850 to the 16th of February 1852, amounted to $482 935 65. The revenue of Texas, for the year ending October 31st, 1852, amounted to $139 222 51; and at that date she had a surplus in specie in her treasury of $533,651 20. On the first of October 1850 Arkansas had in her treasury $203—000, and received in revenue, for the year ending of September 1850 to the 30th of September 1852, the sum of $386,767 03, making a total of $589,733 11. The receipts of California, as estimated for the year ending June 1st, 1853, amounted to the sum of $434,150. These are the latest returns that I can conveniently refer to, but they serve to illustrate my view; particularly when it is remembered that in the space of exact years the amount of revenue