subject the citizens to taxation without representation and without limit; it may not only appropriate their property to public uses without compensation; it may not only be authorized to deny them the right of trial by jury when charged with crime, but it may be clothed with such other powers over municipal limits as would make it a despotism within the heart of a republic. If such a theory is true it needs but to sub-divide the State into municipalities in order to deprive the body of the people of all rights. Such doctrines subvert every principle of free government. It has been well said that the Bill of Rights bears the same relation to the Body of the Constitution as the soul to the human body. It so permeates the Constitution and all the powers of the Government that every legislative act, whether intended to apply to the whole people or a portion, or any one of them, must be enacted in its spirit and in subjection to its restraints. The inherent political, personal, and property rights defined in the Bill of Rights are guaranteed to the whole body of the people, and to every sub-division, class, and individual of them. They are guaranteed against invasion by any Government, either State or local, or by any department or officer of either Government. The entire sovereign power of the people themselves cannot deprive a portion or an individual of their number of any of those rights; except for crime, or in the mode pointed out in the instrument which enumerates them. The Legislature, in framing local governments, does not confer the rights thus previously guaranteed to every citizen by fundamental law, nor can it diminish them or impair their possession. This Government cannot delegate what it does not possess, nor can it destroy what the body of the people themselves cannot impair. Charter governments simply provide easements, facilities, and processes for particular sub-divisions of the people, by which their ungranted rights are the better protected, exercised, and enjoyed.

Let it not be inferred that Government should be so organized for a city or town as to subject it to the rule of an unrestrained numerical majority. A just republican system is that which impartially protects both majorities and minorities; which, in [illegible], gives all due powers to the majority, yet restrains it from oppressing the minority. In every proper case it arms the minority with such negative power as will certainly enable it to protect itself against aggression if attempted on the part of the majority.

In my opinion, government should be provided for all cities and towns by general laws, which should secure effectual and equal protection to all rights of person and of property. And in order to effect these ends the legislative power of each municipality should be vested in two separate bodies or boards, one elected by the entire voting population, the other by designated tax-paying or property-holding suffragans. As all municipal legislation would require the concurrence of both bodies, it would be plainly impossible for the body representing the smaller constituency to inflict any wrong or of itself to accomplish any positive act. It would, however, by its negative power protect the rights of its constituency, restrain communistic tendencies, and arrest all aggression emanating from the numerical majority.

The principle here annunciated was practically sanctioned by the sages whose great minds perfected the Bill of Rights. It may be applied with especial efficacy in the present abnormal condition of southern political society, and it may help to solve the fearful social problem which threatens the larger cities and denser populations beyond this Commonwealth.

If any provision of the State Constitution hinders the application of this principle to the government of cities and towns it ought to be abrogated at once.

CONSTITUTION.

The amendments to the Constitution voted on at the last election were ratified by a large majority, and appropriate legislation should give them effect.

The newly-proposed and pending amendments have been brought to my attention on behalf of the joint committee which matured them. They are cordially commended as good to the extent of their intended operation. It was hoped, however, that a greater reduction in the numbers of the General Assembly would be determined on. On the one hand, it is argued that large legislative bodies are less liable to be affected by undue influences; on the other, that larger constituencies will be less apt to be biased by personal influences and local combinations, and in the general will be represented by greater merit. It is submitted that the exhausted finances of the State ought to determine such an issue in favor of the smaller legislative bodies, at least for some years to come. In my opinion, the aggregate of both houses of the General Assembly ought not to exceed one hundred members.

I recommend that the substance and principle of the following propositions be embodied in additional amendments to the Constitution:

1st. That (excepting bills affecting the right of eminent domain, also such other matters as ought to be specially named and excepted in the Constitution) no special, private, or local bill shall be passed by the General Assembly.

2d. That the power to tax corporations and corporate property shall not be surrendered, and no bill shall be passed for the benefit of any corporation now exempt from taxation except on condition that such exemption be surrendered.

3d. That no railroad or other transportation company shall grant free passes or passes at a discount to any person except officers and employés of the company.

4th. That the General Assembly may exempt from taxation for a limited time (to be named in the Constitution) capital invested in manufacturing enterprises, and the property of immigrants.

5th. That the offence of corrupt solicitation of members of the General Assembly, or of public officers of the State, or of any municipal division thereof, and any occupation or practice of solicitation of such members or officers to influence their official action, shall be defined by law and punished by fine and imprisonment.

QUESTIONS GROWING OUT OF FEDERAL RELATIONS.

The Circuit Court of the United States for this State has recently rendered a decision which virtually denies to the Commonwealth the right of eminent domain in the oyster-beds, and if allowed to stand unreversed it must ultimately endanger the revenues from that source.

In the same court prosecutions are pending against certain judges of election for illegal irregularities in conducting a local election in the city of Petersburg.

Pursuant to my request, the Attorney-General has taken charge of all these cases, and will follow them up—in the first, taking every proper step in another pending proceeding to effect a reversal of the decision of the Circuit Court—and in case the prosecutions result adversely to the defendants he will seek to have the question of the constitutionality of the enforcement laws finally determined in the Supreme Court of the United States—unless in the mean time it should be otherwise settled.

The action thus taken has been all that could be constitutionally done in the premises. I have been urged to take further action, but in view of the independence of the departments the Executive cannot interfere with the judicial department of the State, still less with that of the United States. And any effort to arrest the action of a Federal court through the Federal Executive would be at once in violation of this principle and wholly unavailing.

Instructions having emanated from the National Department of Justice looking to the possible employment of a Federal military force at Petersburg for the suppression of alleged disorders which never existed, a correspondence took place between this office and the President of the United States, which is submitted for your information.

THE POLITICAL SITUATION.

Recent events create the hope that the Government of the Union is to be brought back to the Constitution, its ancient landmarks and traditions recovered and respected, and fraternal relations revived throughout the country. They cheer the oppressed and despondent southern people with the promise that the burthens which have so long borne them down are to be lifted off. For nearly ten years the existence of constant apprehension of military or other interference from without has palsied the just development of this people; has deranged their labor systems, enfeebled their productive industries, hindered the revival of trade and commercial enterprise, prevented the influx of immigration and capital, and subjected whole communities to the rule of the unpitying stranger, who has wasted the fruits of their labor and eaten up their substance. It may be safely affirmed that the period of reconstruction has visited upon the southern States greater material losses and injuries than resulted from the preceding four years of war. The most auspicious day for the honor and well-being of the whole country will be that in which the great export-producing States are restored to peace and productive energy by being restored to their constitutional rights and relations.

But our complete deliverance depends in no small measure upon the wisdom with which ourselves shall utilize past lessons and coming opportunities. It is to be wrought out by the moral power of our fidelity to every constitutional trust. If our fervent hopes be fulfilled, their very fulfilment confronts us with new exigencies, to be well understood and manfully met. The new organic order, settled by the recent amendments to the Federal Constitution, will stand unaltered, and the great domestic problem they impose on us will be left to be worked out by our unassisted strength and at our own hazard. We may rest assured of the domestic peace as soon as the repeal or judicial annulment of all enforcement laws shall peacefully relieve us from the harassment and apprehension of military and other coercion from without, and from the intermeddling of mere political adventurers within. As soon as left alone, and left to adjust their own relations, the races will be brought clearly to understand their respective destinies, and mutual coöperation and good-will will enlist them in working out a common welfare.

Looking to the preponderant numbers of the white race; to their constantly augmenting relative strength; to their great superiority in experience, education, and enlightenment; to the truth that intelligence is a main support of free institutions, we cannot doubt that the better qualified and superior portion of the people can, will, and ought to control and administer the domestic governments. Henceforth let it be understood of all that the political equality of the races is settled, and the social equality of the races is a settled impossibility. Let it be understood of all that any organized attempt on the part of the weaker and relatively diminishing race to dominate the domestic governments is the wildest chimera of political insanity. Let each race settle down in final resignation to the lot to which the logic of events has inexorably consigned it. When the pernicious intermeddling which has irritated the relations of the races shall cease, the weaker race will look with growing confidence to us for the protection of their rights; and their fidelity and services in the trying periods of the past, their dependence and comparative helplessness, the demands of humanity and our own well-being, all impel us to accord them justice and beneficence with a generous hand. The members of that race are engaged in an unequal struggle with poverty and the perilous responsibilities of a sudden freedom. Their earnings may suffice to secure a livelihood for themselves, but they who were once valuable laborers and producers are now contributing no increase to the aggregate wealth. A wise statesmanship will incite them by kindness, will rescue them from unthrift and extravagance, encourage them to increase their possessions and comforts by the practice of self-denial, diligence, and probity, will enlarge their industries, consult their wants, cultivate their minds, and draw out their best capacities, so that their now inert force shall be made an active instrumentality and wielded as a great productive power in augmenting the common wealth and prosperity.

The colored man is on trial before the eyes of the world. It is mainly for himself to prove his race worthy of its new political relations.

In dealing with these questions we are told that we cannot afford to do wrong. We are told it is not safe to make a single mistake. Let us reject the teachings of a policy so ignoble and narrow. Standing on a far higher political and moral level, let us do what we know to be right, for the sake of the right, yielding to no sickly ephemeral prejudice at home, and moved neither by menaces nor by blandishments from without.

JAMES L. KEMPER.

On motion of Mr. HOLLADAY, the message was laid on the table and 500 copies ordered to be printed for the use of the Senate.

RULES ADOPTED.

On motion of Mr. THOMAS, the rules adopted at the last session of the Senate were adopted for the government of the Senate at this session.

BILL INTRODUCED.

Mr. QUESENBERRY presented a bill entitled an act to amend and reënact an act passed April 29, 1874, to release the Commonwealth's claim to certain real estate to the heirs of Frederick David Haroth. Placed on the calendar.

On motion of Mr. NOWLIN the Senate adjourned at 1:40 P. M.

HOUSE OF DELEGATES.

The House met at 12 o'clock—Speaker HANGER presiding. Prayer by the Rev. Dr. Hoge.

PRESENT.

The roll being called, the following members were found present: Messrs. Alexander, Anderson, Armstrong, Barnes, Bickling, Brady, Brooks, Brown, Campbell, J. A. Carter, Peter J. Carter, A. J. Clark, Matt. Clark, Cockerelle, Coghill, Cox, Crank, Davis, Dooley, Finney, Fitzpatrick, Flood, Friend, Fulkerson, Gains, Gardner, P. Gibson, Gilliam, W. S. Gilman, Goodwyn, Graves, Grayson, Haden, Hale, Hamilton, Harris, Henderson, Hill, Hœnniger, Holbrook, Hoskins, William Howard, James Hudgin, P. K. Jones, Rufus S. Jones, Jordan, Koiner, J. Horace Lacy, Lampkin, Lee, Lewis, Lightner, Lipscomb, Longley, Lovell, Lovenstein, Loving, Lucas, Magruder, Massey, May, Morris, Nash, O'Neal, Pannill, Pendleton, Popham, Riddlebarger, Round, Scruggs, Sellers, Shumate, Spratt, Stovall, Stuart, Swann, Syphax, Taliaferro, Taylor, Thomas, Turner, Wallace, Webb, Webber, Williams, Winn, Withers, Young, and Mr. Speaker—90.

FROM THE SENATE.

Mr. NOWLIN, from the Senate, announced that that body was ready to proceed with business.

Mr. COGHILL, of Amherst, offered a resolution that a committee of three on the part of the House and two on the part of the Senate be appointed to communicate to the Governor that the General Assembly had convened, and was ready to receive any communication from him. Agreed to, and Messrs. COGHILL, LEE, and LEWIS appointed on the part of the House.

THE GOVERNOR'S MESSAGE.

A messenger from the Governor delivered to the Clerk his message, which was partially read and ordered to be printed.

BILLS, RESOLUTIONS, ETC., REFERRED.

By Mr. RIDDLEBARGER: A bill prescribing a mode for the institution and prosecution of suits for the sale of real estate held and used in common in the cities and towns of the Commonwealth.

By the same: A petition of citizens of Shenandoah county praying release from taxation for 1874 on account of damage to crops by hail-storm of June last.

By the same: A bill authorizing the sale of a certain church property in Shenandoah.

By Mr. KOINER: A bill for appointing commissioners of transportation and defining their duties, &c.

By Mr. MAGRUDER: A resolution that the Committee on Courts be instructed to examine and consider what new legislation is rendered necessary by the adoption of the amendments to the Constitution, and that they report by bill or otherwise.

By Mr. GILMAN: A bill to incorporate the Masonic Widows' and Orphans' Home.

Mr. COGHILL offered a resolution granting the use of the House for to-night to Mr. Daniel H. London, of New York, to deliver an address on the public debt, finances, &c.; which was agreed to.

The House then adjourned until this morning.

DOCUMENTS ACCOMPANYING THE GOVERNOR'S MESSAGE.

I.

Proceedings of a Conference as to the Public Debt, and an Exposition of the Debt, Finances, and Taxation of the State by the Governor.

We gave at the time as full a report as we could of the proceedings of the conference held November 10th between the bondholders and the Governor and the Treasurer of the State. We now give a summary of the most important parts of the Governor's address on that occasion.

The Governor began:

The object of this conference is to effect a just and mutually beneficial understanding between Virginia and her creditors. On the part of the State it is desired by her authorities that nothing shall be hid. A just regard for the principles of good faith always renders the interests of debtor and creditor the same. There can be no sufficient ground for conflict or contention between us as long as both parties intelligently understand and care for their respective interests. The wisest policy for the State is to relieve herself of the burthen of her debt by paying it off as fast as her best ability will allow. The wisest policy for creditors is to secure what is due to themselves, and to secure it by helping the State in every honest endeavor to comply with her obligations. If the State promises to pay beyond her real ability, she either sinks her credit by breaking the promise at once; or, in vainly striving for what is beyond her strength, she brings disaster ultimately upon her creditors, but first upon her own people, by loading them with heavier taxes than they can bear. If creditors require more than the State is able to comply with, they sink the market value of their own securities; for their excessive exactions depress the credit of the State, and consequently paralyze her resources and deprive her of the ability to make those securities good. If creditors in any way injure or deal unjustly with the State, they but impair their own debts by impairing her ability to pay. The interests of the parties to this conference are really identical, for it is our interest to pay the most that we can, and yours to ask no more. It is our interest to develop the great natural resources of this State to the end that their productive wealth may advance our own well-being; it is your interest to encourage and to help us in that great work, for thereby you strengthen the security for your debt, enhance its value, and insure its due payment.

What is the condition of Virginia, and how much is she able to pay at this time? Looking to her resources, and having the wisest regard for the interests of both creditor and debtor, how much ought the State now to undertake to pay?

There would be no sort of difficulty in answering these questions so as to satisfy all minds but for incorrect, confused, and conflicting representations which have gone abroad. The difficulty lies in the erroneous impressions thus produced, which stand in the way of a right comprehension of the truth. I propose to remove those impressions and put them out of the way of the truth.

In fairly disclosing the action of the authorities of this State in the past I propose to show wherein they have clearly erred, but without intending to criticise or call in question their motives. As a Virginian, proud of my State, I should rejoice in being able to vindicate all that its representatives have done in the past.

The passage of the act of the 30th of March, 1871, commonly called the funding bill; the circumstances attending its passage; the exposition then made to the world of the resources of this State by those who stood forth as its organs and representatives: these are the causes of all the subsequent misunderstandings, and of all the criminations under which the State has suffered and now suffers. They are causes which have inflicted equal injury upon all parties concerned in the debt and the credit of the State. When the incontestible facts are disclosed to you they will be found to constitute a stupendous and disastrous mistake, which you are bound to know in order to protect your own interests. They are the origin and seat of the disease which this conference seeks to remedy.

The funding bill became a law when nearly all the experienced public men of the State had been shut out from participation in its government. They were practically disfranchised by measures resulting from the late war. Those who legislated for Virginia were generally new men, unused to public affairs, and called suddenly to the control of the most important and intricate financial and other interests. I testify that many of those who voted for the funding bill were patriotic and incorruptible men, who acted on the purest convictions.

The Governor of the State, himself comparatively a new citizen, and then for the first time connected with its public affairs, undertook the task of disclosing the particulars of the financial situation. As the chief executive officer, controlling official sources of information, fulfilling the constitutional requirement to "communicate to the General Assembly at every session the condition of the Commonwealth," he was understood to speak authoritatively for the State, and his utterances as to what we could and ought to do were naturally taken, abroad as well as at home, as conclusive testimony to prove the ability of the State to meet promptly all her engagements—for they were taken as the deliberate admissions of the State against herself.

Such information and assurances, published to the world under such sanction, not only exerted a controlling influence over the minds of many members of the Legislature—not only persuaded many Virginians to believe that a desolating war of four years' duration had left the State with resources but slightly if at all diminished—but caused creditors abroad to infer that Virginia was abundantly able to meet all her obligations at once and with ease, and that nothing but positive bad faith would prevent their prompt fulfilment thereafter. That the minds of foreign bondholders should have been captivated by such assurances as harmonized with their interests and their wishes is not to be complained of. Nevertheless, it is submitted that some of them have done great injustice to themselves and to us in assailing the integrity of Virginia while closing their ears to additional information.

Governor Kemper quotes largely from the proceedings of the creditors of Virginia at a meeting held in London last May, at which meeting disparaging remarks were made as to the State. And to show the grounds on which the bondholders based their action, and in order that no injustice might be done to any who influenced them to conclusions so hostile and offensive to Virginia, he quoted extracts from the messages of Governor Walker to the General Assembly; and adds:

It is conceded that the estimates, arguments, and recommendations above quoted not only exerted a potential influence in shaping the financial policy of the State and in giving the force of law to the provisions of the funding bill, but they have been instrumental in creating in foreign financial circles the opinion expressed by Mr. J. S. Gilliat, that our "proportion of taxation is ludicrously small to the amount of property in the State"—the opinion that Virginia has ample ability to pay at once and with ease full interest on all her outstanding obligations, and that her failure to make such payment is neither more nor less than a deliberate breach of good faith.

The estimates, arguments, and recommendations quoted, upon being epitomized and fairly restated, will be found to contain these distinct propositions:

1st. That "the State debt on the 1st of January, 1870, in round numbers, amounted to $46,000,000, and to pay the annual interest on this sum (would) require the sum of $2,760,000."

2. That "of the assets and securities held by the State," "$2,612,776.37 (were) considered of equal or greater value than State bonds at (the then) present quotation"; and that in the estimation then made of the said assets the further sum of "$10,048,267.91 (would) in a few years be equal in value to State bonds, and be available for the redemption of the State debt"; that is to say, that the State then possessed solvent assets and securities equal in value to $12,661,044.28 of State bonds, a portion of which was at that time, and all of which would be in a few years, available for the redemption of the State debt.

3d. That "the sum total of the real and personal property" in Virginia in 1870 was "$723,115,589, upon which we (might) predicate our calculations of the rate of taxation necessary to be imposed to realize a sufficient amount to meet our annual liabilities."

4th. That taxation at the rate of "forty cents on the one hundred dollars of value," "upon the basis above mentioned," added to the "interest on interest-bearing securities held by the State," "and the tax upon oysters, licenses, and incomes," would yield an annual revenue of "$3,364,255.53, or more than the sum total of our annual liabilities."

5th. That "$3,310,000 is the sum necessary to be annually raised to pay current expenses of the Government and meet the annual interest upon the public debt"; that is to say, inasmuch as a tax of "forty cents on the one hundred dollars," "upon the basis above estimated," &c., would yield annually $3,364,255.53; therefore the said tax of "forty cents on the one hundred dollars" would yield revenue enough to pay the current expenses of the Government and discharge the whole of the annual interest of six per cent. on the original debt of forty-six millions and then to leave an annual surplus in the Treasury of $54,255.53.

6th. "That a correct assessment (would) demonstrate that the total of real estate in the State (was in 1870) probably nearly equal to that of 1860, and that the total valuation of personal property, including stocks, bonds, capital stock, &c., which had not theretofore been directly taxed on their valuation, (would) be about threefold more than in 1866-'67."

7th. That "the new assessment of property," then about to be made, would "when completed give the correct basis upon which to ascertain the rate of taxation to be imposed to meet the maturing interest thereafter"; and that such new assessment would furnish "very correct data upon which to base (legislative) action upon the subject of future taxation"—that is to say, the new assessment would be authoritative, conclusive, and final as a test of the value of taxable property and of the capacity of the State to raise revenues.

8th. That the State of Virginia is bound for the whole of the original debt of forty-six millions of dollars, and bound to provide for meeting the whole of it and every part of it.

9th. That it would be inconsistent with the just obligations of Virginia to provide for payment of interest on only two-thirds of the debt, and so leave the residue to be met by West Virginia, but that the liability of West Virginia could "only be regarded in the light of a claim or asset of uncertain value not in anywise affecting our liability for the whole debt," and that "whatever sum (might) be eventually realized from this claim must be paid into the treasury of our State and applied to the liquidation of the debt of Virginia, the same as other funds appropriated for that purpose."

10th. That provision should be "immediately made for the funding of the whole debt, principal and interest," "in one uniform class of new bonds," "with interest payable semi-annually in New York."

11th. That all the new bonds issued should be coupon bonds, and the coupons at and after maturity (should be) receivable for all debts and demands of every character due the State, to be so provided "not only in the law, but upon the face of the coupon, so that it might be known and understood of all," and so that "every succeeding Legislature would be compelled to provide the necessary means for paying the interest on the public debt, or stop the wheels of Government."

The foregoing recommendations, estimates, and statistics, were at the time of their publication, and they are now, accepted and sanctioned abroad as affording a reliable measure of the ability of Virginia to meet her engagements.

Governor Kemper then proceeds to show that the estimate of the value of the real and personal property in Virginia in 1870 was entirely too high. He shows that the aggregate values of all kinds, both taxed and untaxed, within the State in 1860 amounted to the grand total of $748,655,482.77. Included within the last-named aggregate was the value of the slave property of the State, which, according to the same official records, amounted to $245,514,000. Included also within the same aggregate were the land and personal property now in West Virginia. The slaves have been freed, and West Virginia cut off. These two items of loss being deducted from the grand total of 1860 leave a balance of taxable values of $395,880,191.65. The war destroyed much other property. It is in proof that the *per capita* losses of our people in some counties exceeded the present *per capita* wealth of the people of Massachusetts. Certainly and undoubtedly the taxable values of Virginia at the close of the war were much less than $300,000,000. The Governor shows, next, that in 1870 the State had no such resources as were claimed for her, and that the total assessed value of lands and personalty in Virginia now is $336,686,433.23; and he also shows that *this* aggregate of assessed values in the present period of depression and distress, and notwithstanding our immense losses from war, is but $59,093,758.42 less than the corresponding aggregate of assessments in 1860—the year in which our resources and prosperity were greatest. It is further shown that the assessed personal property at present is but $16,523,899.09 less than all the assessed personal property other than slaves within the present limits of Virginia in the year 1860.

As to the sum of $12,661,044.28 which Governor Walker estimated would be received from "assets and securities held by the State," Governor Kemper gives the following:

ASSETS AND SECURITIES.	ESTIMATED IN 1870.	REALIZED.
Bonds Alexandria, Loudoun and Hampshire Railroad Company	$50,862 40	$50,862 40
Bonds Chesapeake and Ohio Railroad Company	467,147 34	340,900 00
Stock Chesapeake and Ohio Railroad Company (worthless)	2,019,987 50	
Bonds Orange, Alexandria and Manassas Railroad Company	276,207 89	276,207 89
Stock Orange, Alexandria and Manassas Railroad Company	874,000 00	874,000 00
Stock Richmond and Petersburg Railroad Company	885,678 00	578,404 00
Stock Marietta and Cincinnati Railroad Company	202,611 91	140,863 00
Chesapeake and Ohio Canal Company, and Selden, Withers & Co.	750,000 00	104,815 38
Stock Richmond and Danville Railroad Company	1,188,588 50	1,036,000 07
Total of above-named assets	6,202,015 44	$3,400,842 77
Stock Norfolk and Petersburg Railroad Company	1,199,970 00	All these five securities were converted by the consolidation bill into a second-class debt of $4,000,000 against the Atlantic, Mississippi and Ohio Railroad Company, on which interest is to commence in 1880; but it is postponed to a mortgage debt of the company for $15,000,000.
Bonds Norfolk and Petersburg Railroad Company	141,371 82	
Stock Southside Railroad Company	808,500 00	
Bonds Southside Railroad Company	1,080,000 00	
Stock Virginia and Tennessee Railroad Company	2,300,000 00	
Bonds Richmond and Danville Railroad Company (unsold and having value)	658,987 02	
Stock Richmond and Fredericksburg Railroad Company (unsold and having value)	275,200 00	
Total, as estimated in 1870	$12,661,044 28	

which is not a very bad showing for Governor Walker's estimates if the amount given to Mahone be deducted. Governor Kemper then shows that the taxation is now very high in Virginia, including over $18,000,000 paid as internal revenue and as a tariff. Also, that so far from taxation at the rate of forty cents on the one hundred dollars sufficing to support the Government and pay six per cent. interest on the original debt of $45,718,119.73, an addition of twenty-five per centum to that rate of taxation fell far short of enabling the Government to pay two-thirds of the interest on two-thirds of the debt. The increased rate of taxation has fallen short of enabling the Government to pay full interest on two-thirds of the original debt by an average annual deficiency of $1,062,578.05.

Governor Kemper then considers what is best to be done by the State and her creditors. He gives the various plans spoken of, including Mr. MacKinnon's, which was described in this paper several weeks ago. The Governor says:

It is easy to provide the guarantees just alluded to and to render them certainly effectual. Whatever adjustment, if any, is arrived at between the State and her creditors, such adjustment can be embodied in an act of Assembly so as to give the nature of a contract to the statute itself and to make it impossible to be repealed or modified without the consent of both contracting parties. Such act might impose, set apart, and dedicate specified revenues, of fixed character and amount, to the payment of interest, and provide that the disbursing officers of the Government should thereafter regularly, statedly, and punctually pay over the same to creditors; thus precluding the possibility of any legislative or other interference with the fulfilment of the contract. The form of such an act is given; but what the Governor says elsewhere of the funding act—that "there are those who have always "denied the obligation of the funding act "and allege that that act was not only a surprise to the people and passed in contravention of their will, but it tied up the "hands of the State without the fair consent "of the State"—applies with tenfold force to the new scheme.

I am not and never was one of those who resist the execution of the funding act, but have ever advocated the duty to comply faithfully with all its obligations. As a private citizen, with no sources of information but such as were common to the whole public, I condemned, what better knowledge compels me to approve, the act suspending and modifying its provisions. I have gone with those who went farthest in upholding the public credit, and I have held that the two Virginias are bound jointly and severally for the whole of the original debt. In citing the allegations habitually made against the execution of the funding bill, and in respect to the circumstances of its passage, I do not intend to adopt them as my own. I cite them as current proofs of the profound dissatisfaction with that act which exists in the public mind of Virginia, and to show that, in the distressed and distracted condition of affairs in this State, unjust assaults upon its reputation and offensive threats to coërce its action are calculated neither to strengthen those who are striving for the speediest payment of the debt nor to weaken those who resist its payment.

I claim to be of those who realize the obligations of my State as personal obligations. With a knowledge of her people, her condition, and her action in the past, I affirm that Virginia has done, is doing, and will continue to do, all that her best ability can accomplish towards fulfilling her engagements. But she is no galley-slave, to be quickened with the scourge to the performance of duty.

II.

Report of John O. Steger to the Governor and Treasurer.

Mr. Steger is the "expert" selected by the Governor and Treasurer "to examine and report upon the condition and management of affairs in the basement of the capitol." And faithfully did he perform the duty. He found that the deficit of the late Treasurer was very little more than it was reported by the legislative committee last winter. He thoroughly examined not only into this matter, but the public debt, the sinking fund, and the books kept by each basement officer and the manner of keeping them. He is an "expert" indeed. His report covers thirty-eight pages octavo of rather fine print. He recommends a number of improvements in the manner of keeping the books as well as that new books shall be kept.

III.

Plan Providing for a Constitutional Currency, Proposed by Hon. R. M. T. Hunter, State Treasurer.

To his Excellency James L. Kemper, Governor:

At your request I submit the following: Let the State issue $3,000,000 in bills of the denomination of $1, $5, $10, $20, and in fractions of a dollar, with a provision that the holder may at pleasure convert these notes in sums of $100, or multiples of $100, to draw interest from the State at the rate of four per cent. per annum in specie. In addition to which the holder of this bond shall be allowed to reinvest into bills of the like denomination as at first; which bills shall bear no interest, but shall be convertible and reconvertible as originally provided. The interest on these bonds shall be paid semi-annually unless the holder should convert them into currency at a shorter period, when interest shall be paid for the period of its existence as a bond. Until the sum of $3,000,000 has been issued any holder of Virginia State bonds shall be allowed to exchange them for these bills at the market price in Richmond when sold for legal-tenders. And when once issued these bills may be received at par in payment for half the taxes of any person or corporation who may owe the State for taxes.

After purchasing these bonds interest shall be paid on them, and after paying interest on the converted bonds, as herein provided, the residue shall be invested in State bonds, as heretofore prescribed, and the interest paid to the commissioners for the purpose of this investment may be paid in the whole or by a portion of these bills collected for taxes.

The sinking fund might thus be considerably increased at but a small cost to the State, and a currency provided which would afford a great relief to the State if not issued beyond the limit herein prescribed. It would perform the most useful functions of currency without encountering the difficulties to which a currency founded upon the promise to pay specie on demand is often exposed. If the currency should be redundant it will go into these convertible bonds, on which the State will pay interest in specie, and enough will be thus funded to adjust the volume of currency to the true demands of trade, and the quantity would be thus self-regulating upon true principles. The quantity thus funded would probably never be large, and the interest upon these bonds would be all the scheme would cost the State.

The rate of interest might be so adjusted as to keep these bills at par with specie, and this ought to be done; but the true rate for this purpose would have to be ascertained by trial. It is probable, however, that four per cent. would be found very near to the true rate adequate for keeping these bonds and the notes into which they were convertible at par with specie. On the other hand, if the money market should become tight, and should the banks be unable to pay specie, as is often the case in times of panic, the bonds would be reconverted into currency, and relief would soon be afforded to a great extent, if not entirely.

In such times the promise to redeem the bank-note cannot be performed, and the distress is greatly enhanced. We all know how often—nay, how invariably—this has proved to be the case, whilst the means of relief have been generally found to consist either in new issues or a release from the obligation to pay in specie for a time. The solvency of the Bank of England was once saved by finding an old case of notes long forgotten, which were issued in sufficient quantities to relieve the pressure. The Bank of England, as planned by Peel and his school, has been saved once, at least, by a relief from some of its restrictions, and the grant of the privilege to issue more notes. In the plan here proposed the distress can never be enhanced by the inability of the State to redeem its promise. It can always find the currency according to promise, and if too much be not issued it can be preserved at a par value with specie, or very nearly so. To provide a remedy against such a danger it would be well and safest to offer no more than $3,000,000 in such bills. Here, too, the quantity in circulation would be regulated by the law and wants of trade. No more bonds would be reconverted than enough to meet the pressing demand for money. If the State should take care to preserve its own credit, it can easily keep up that of the currency. That such a scheme would greatly facilitate the means of the State to pay its debts through its sinking fund is obvious enough. Such an issue would probably purchase six or seven millions of State bonds, which, in addition to what the sinking fund now holds, would constitute a sum upon which the accruing interest to be invested in other bonds would be so large that the sinking fund would accumulate very rapidly and enhance the value of State bonds, and, consequently, also its credit.

The privilege of paying half the taxes in these bills would add greatly to their credit, and consequently afford great relief to our people. Nor would the State run any risk if it should not exceed the limit of $3,000,000—for every bill thus issued a corresponding value, and possibly a much larger amount in State stock, would be secured. In following the provisions of the law no bill would be issued except in exchange for State stock at the market rate.

It may be supposed that such an issue would subject the State to the tax of the United States upon this amount, but a reference to the law will show that the tax is imposed only upon the notes of any person, State bank, or State banking association, used for circulation—a description and enumeration of issues which does not include such an emission of bills by the State as is herein described. If it did, the United States would doubtless relieve the State from any tax upon such an issue designed to build up a sinking fund for a State so deeply indebted as Virginia, and one in which such an issue would perform so useful a function for currency purposes amongst a people so deeply depressed as ours.

Mr. Hunter then argues the constitutional question, and quotes Mr. Madison to prove that the provision in the Federal Constitution prohibiting the States from "emitting bills of credit" refers only to such bills of credit as are made legal tenders. Mr. Hunter thinks perhaps it would be well to use the device of incorporating a bank with officers to be chosen by the Legislature. He also argues to show the feasibility and desirability of his plan, and asks:

Is not an experiment which promises such results worthy of trial, especially when it would aid so much the public and private credit of the State? If the scheme failed to work, the most which could happen would be an exchange of a four per cent. bond for as large, perhaps a larger, amount of State bonds bearing six per cent. interest. If, on the other hand, it should work as expected, all can see the benefit to be derived from it by individuals and the State.

IV.

Correspondence of the Governor with the Agent of the American Bond-funding and Banking Association, Limited, in Respect to the Recapitalization of the Debt of Virginia.

This correspondence is hardly worth publishing, though interesting to some. Its results are clearly stated by the Governor. It is followed by a draft of an act to settle and fund the public debt, which act, we may confidently predict, will never be passed by the Legislature of Virginia.

V.

Correspondence between the Governor and the President of the United States in Relation to the Employment of Military Force at Petersburg.

We have heretofore published Governor Kemper's letter. The President's response was as follows. It shows that the State Governments are objects of contempt to that great monarch:

DEPARTMENT OF JUSTICE,
WASHINGTON, June 20, 1874.

Hon. James L. Kemper, Governor, Richmond, Va.:

Sir,—I have the honor to inform you that the President has received your letter of the 17th instant, referring to my instructions to the marshal of the United States for the Eastern District of Virginia as to the alleged disturbances in Petersburg, and has handed the same to me with the request that I would acknowledge its receipt.

Very respectfully,
GEORGE W. WILLIAMS,
Attorney-General.

VI.

Memorial of the James River and Kanawha Company to the General Assembly.

This memorial asks, in view of considerations presented, that the General Assembly authorize the company to execute a mortgage on the property of the company as security for the issue of bonds to an amount deemed sufficient for the completion of the canal to Clifton Forge, and for the improvement of the canal between Richmond and Buchanan. Also, to provide for paying a debt of $4,830 which the State has assumed. Also, to exempt the company from the operation of the law requiring fish-dams to be erected in James river.

Extracts from the Report of the Second Auditor.

COMMONWEALTH OF VIRGINIA,
SECOND AUDITOR'S OFFICE,
RICHMOND, October 1, 1874.

To the General Assembly of Virginia:

I have the honor to present herewith my annual report of the public debt, together with the condition of the Literary Fund and the Sinking Fund, and also, as required by law, the report of the Commissioners of the Sinking Fund:

The amount of debt September 30, 1874, (exclusive of bonds and certificates held by the Literary Fund and the Sinking Fund)		$29,957,010 75
The debt as reported 30th September, 1873, was		$30,478,741 49
But from this is now deducted bonds purchased by commissioners of Sinking Fund	$499,630 74	
And by Board of Education	22,100 00	
		521,730 74
The amount of tax-paying coupon bonds issued to this date		$17,281,100 00
And registered bonds and fractions which may be converted into such bonds		2,957,915 80
Residue of the debt funded and that which may be funded into bonds not receivable for taxes		$9,717,994 95
The amount of deferred interest over and above that provided by law to be paid, for which non-interest bearing certificates have been and may be issued, and for which no provision has yet been made by the General Assembly, is		$1,828,724 48
Amount of tax-paying coupons, including those of July, 1874, outstanding this day, at face value, is		517,505 00
The portion of the debt recognized by this State as due by West Virginia, in certificates issued and to be issued, as of July 1, 1871, is		15,239,370 74

INTEREST.

By an act of April 22, 1874, the Governor, the Auditor of Public Accounts, the Second Auditor, and the Treasurer, were constituted a board charged with the duty of determining when, in their judgment, the condition of the Treasury would warrant the payment of the interest payable on the 1st of January and 1st of July, 1874, at the rates paid for the last two years, having regard to the surplus in the Treasury, and the accruing revenues, and the amount necessary to the support of the Government.

* * * * * *

We commenced paying the January (1874) interest on the 1st of July last, but the condition of the Treasury not warranting the payment of the July (1874) interest, no action has been taken by the Board in relation to it. It is believed that it will be practicable to pay it on the 1st of January next.

No provision exists now for payment of interest for January and July next except to schools and colleges and to the Board of Education.

It will be seen that the interest to be provided for on the public debt proper for January and July, 1875—

4¼ per cent. on 6 per cent. stock and 3½ on the 5 per cent. is	$1,180,157 93
Under existing laws, full interest to schools and colleges at the rate prescribed by law [illegible]	[illegible]
Arrears of interest due and unpaid at this date at the rates prescribed by law	801,549 90
Total for next fiscal year	$2,094,730 42

LITERARY FUND.

The condition of this fund is substantially the same as at the last annual report. A large portion of the stock then held has been funded under the act of March 29, 1873. The seven per cent. stock held by the board, amounting to $310,000, and the accrued interest thereon to 1st of July, 1871 ($123,986), not been funded, there being no authority in the funding act for issuing bonds bearing more than six per cent. interest. It is treated, however, as stock funded at six per cent.

Statement under letter B represents in detail the stocks held by the board, receipts and disbursements, the interest, and other matters pertaining to the subject.

It will be seen that the amount of stock on which interest is payable is	$1,428,245 25
Which, at the rate of interest stated for January and July, 1875, is	83,907 64
Which add arrears of interest to date	54,357 60
Making amount of interest to be paid in next fiscal year	$138,265 24

RECAPITULATION.

Of interest now due, and that which will be payable in the next fiscal year, at the rates stated above, for the several heads of report:

On public debt proper	$2,094,730 42
On Literary Fund	138,265 24
On Sinking Fund	252,139 30
Total	$2,485,134 96

I deem it proper to call attention to the fact that it will appear by reference to the annual report of the Second Auditor that 1st October, 1872, there was outstanding and not called for balance of cash interest of $764,210 95
1st October, 1873, balance of cash interest of 880,059 41
And by this report, 1st October, 1874, balance of cash interest of 891,549 90

And it is reasonable to expect that about the same amount will be in arrear the current fiscal year. Assuming, however, that the balance thus remaining in the Treasury the ensuing year will be only $750,000 00

It will leave the sum of	$1,735,134 96
But estimating that one million of dollars of coupons may come into the Treasury for revenue, an addition must be made to the above of one-third of the sum for the difference between the face value of such coupons and the amount payable by the above estimate	$333,333 33
Making amount to be provided for in money for the current fiscal year	$2,068,468 29
It will appear that the amount of tax-paying coupons past due, including those for July, 1874, now outstanding, at their face value, is	$517,505 00
There is no record in this office by which it can be ascertained with any degree of accuracy where our public debt is held, but we estimate that there is owned by citizens and corporations in Virginia, as funded, about	$8,000,000
In other States of the Union about	13,000,000
And in Europe about	9,500,000
In round numbers	$30,500,000

The stocks and bonds held by the Literary Fund and by the Sinking Fund, except those purchased by the commissioners, have not heretofore been reported as part of "the public debt of the Commonwealth"; but in providing for the payment of interest to those funds the foregoing estimates will show the amount required in addition to the debt proper of the State.

I have the honor to be, most respectfully, yours,
ASA ROGERS.

The Supreme Court of Indiana on the 13th, 14th, and 15th Amendments.

We have already published the statement that the Supreme Court of Indiana has decided that the law of that State providing for separate schools for the whites and the blacks is constitutional. We have before us a fuller report of the opinion of the court, which will be found interesting. The decision was made unanimously, and the court is no doubt composed of Republicans. We quote:

Discussing the bearing of the Federal Constitution upon the law of May 13, 1869, the Court quotes a decision of the Ohio Supreme Court, which held that the fourteenth amendment was only an additional guarantee of equality to the colored people; and equality of rights does not involve the necessity of educating white and colored persons in the same school any more than it does that of educating children of both sexes in the same school, or that different grades of scholars must be kept in the same school. In answer to the question of how far these amendments affect the Constitution, or sovereign powers of the State, the Court says:

1. The State cannot in the future, while a member of the Federal Union, change her Constitution so as to create or establish slavery or involuntary servitude except as a punishment for crimes whereof the party shall have been convicted; thus protecting the new class of citizens—i. e., negroes and mulattoes—from being again reduced to slavery.

2. The State cannot deny to nor deprive a citizen of the United States—i. e., any negro or mulatto—of those national rights, privileges, or immunities which belong to him as such citizen.

3. The State must recognize as its citizens any citizen of the United States—i. e., any negro or mulatto who is or becomes a *bona fide* resident therein.

4. The State must give to such—i. e., to any negro or mulatto who is or becomes a *bona fide* resident therein—the same rights, privileges, and immunities secured by her Constitution and laws to her other—i. e., to white—citizens.

From the concluding portions of the opinion the following points are taken:

The Legislature, under our State Constitution as it existed without the limitation imposed upon the sovereign power of the State by the fourteenth amendment as hereinbefore stated, had the power to provide for the education only of the white children of the State; but since its ratification no system of public schools would be general, uniform, and equally open to all, which did not provide for the education of the colored children of the State. It being settled that the Legislature must provide for the education of the colored children as well as for the white children, we are required to determine whether the Legislature may classify such children by color and race, and provide for their education in separate schools, or whether they must attend the same schools without reference to race or color. In our opinion, the classification of scholars on the basis of race or color, and their education in separate schools, involve questions of domestic policy which are within the legislative discretion and control, and do not amount to an exclusion of either class. In other words, the placing of the white children of the State in one class, and the negro children of the State in another class, and requiring these classes to be taught separately, provision being made for their education in the same branches according to their capacity, or advancement, at the same rate, by teachers, and to the same extent, does not amount to a denial of equal privileges to either, nor conflict with the open character of the system required by the Constitution.

We are very clearly of the opinion that the act of May 13, 1869, is constitutional, and that while it remains in force colored children are not entitled to admission into the common schools which are provided for the education of white children.

The attorney for the appellee excepted to the opinion and judgment of the Supreme Court, and announced his intention to appeal to the Supreme Court of the United States; first, however, asking the Supreme Court of Indiana to grant him [illegible] the better [illegible].

A serious accident occurred Monday on the Northern Central railroad, at Lake Roland, near Baltimore, resulting in the death of one passenger and wounding of three other persons.