

REPORT
OF
THE COMMITTEE
OF
TWENTY-SIX,
ON
THE SURPLUS REVENUE.

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The Joint Select Committee of twenty-six, who were appointed to inquire into the best investment of that portion of the Surplus Revenue which will be received by North Carolina, under the provisions of the deposit act of the last session of Congress, and to whom were referred various propositions relative to such investment by both Houses of the General Assembly, have attentively considered the same; and

REPORT,

THAT the thirteenth section of the act of Congress "to regulate the deposits of the public money," declares, in substance, that such deposits, in the Treasury of the different States, shall be by way of loan, and not as absolute gifts. This provision, your committee believe, should not be wholly overlooked by the General Assembly, in any disposition it may make of that portion of the public Treasury which is allotted to this State. They are persuaded, nevertheless, that it should be considered and treated as a loan, of a most liberal character, which the State may never be required to repay; and which, it would be most unreasonable to suppose, will be demanded by any exigency of the Federal Treasury for many years to come. Viewed in this aspect, it is a talent committed to the Legislature, for the proper use of which, its members will justly be held accountable to their constituents and country; unless, in their hands, it shall be made productive of great and lasting benefits to the people. How it can be most advantageously applied to the accomplishments of such ends, your committee have experienced much difficulty in determining. The wisdom of statesmen in former times, and in other countries, has been exhibited in devising schemes for raising the revenues actually necessary for the real or imaginary wants of Government; and so novel is the spectacle of a people, not only freed from debt, but with an income vastly exceeding the necessities of Government, the excess of which it is desired to invest for public benefit, that but little light on the subject of this reference, can be derived from the history of the past.

Among the numerous plans of investment referred to them, your committee first considered the propositions of certain banking and canal companies in New York and New Jersey, to borrow the fund due to this State, and are unanimous in the opinion, that these propositions should not be accepted. The great advantage to the States, which were contemplated by the passage of the deposit act, consisted not in the receipts of interest on the sums entrusted to them; but in the renewed life and vigor which would be imparted to their industry and enterprize—their physical and men-

tal improvement, by adding so much to the active capital within their limits. Every Thousand dollars of such deposits, if used as active capital, will furnish employment to one thousand dollars worth of industry in the country where it is used. That encouragement should be given to the industry of the citizens of our own State, in preference to those of other States, so far as it can be done with the public funds, under the control of the Legislature; and that this may be done even without a diminution of the annual profits on such funds, if invested abroad, your committee suppose, can hardly admit of question. They take this occasion to remark, that in their opinion, no one cause has militated so much against the prosperity of North Carolina, as the drain upon her capital and productive labour, which has been in progress for a series of years, and which has been much accelerated within a short time. To say nothing of our contributions to the Federal Government; but a pittance of which has ever been expended within our limits; the large sums of money which are periodically sent to the North to seek permanent employment in stocks, merchandize, city property, and otherwise; and to the South and South-West, to be laid out in lands and slaves, have had a like disastrous effect upon her condition, though not to the same ruinous extent with the *absenteeism* of the landed proprietors of Ireland, so much complained of in that country. By a judicious use of the means now in our hands, this course of impoverishment may, in some degree, be arrested; and the ardent and enterprising of our own people, may find at home, a field for their zeal and energy.

Another objection to such loans is, that the proposed borrowers are not under the control of our Legislature; nor amenable to the jurisdiction of our courts. Your committee believe that the boon conferred by the act of Congress, was poorly worthy of our acceptance, if its only effect shall be to make North Carolina's a surety to the Federal Treasury for the Banks of other States, she receiving for such insurance, only the interest on the sum thus secured, while all the advantages of the use of this vast treasure, are to be enjoyed by the citizens of other States.

Your Committee are also of opinion, that no portion of the public deposits should be applied in aid of the ordinary revenues either for the support of the State Government, or for county purposes. The ordinary taxes levied for these uses, are far from being burthensome to the people; and by a proper adjustment of the valuation of taxable property, will yield a sum quite as great as ought to be desired. It should, moreover, be borne in mind, that those Governments have been distinguished by the greatest purity of administration, and have longest preserved the blessings of liberty, in which the governing power, no matter how constituted, has been dependent for its support, on annual pecuniary levies from the people. To exhaust the surplus revenue in maintaining the current expenses of Government, or to fritter it away, by a division among the several counties, to replenish their treasuries, in the manner proposed by a bill referred by the House of Commons, would be not merely to compromit the dignity of the State, but to interrupt, for a time, only the regular operation of the system of State taxation, and to disappoint the just expectations of our constituents. Your committee, therefore, return said bill to the House, and recommend its rejection.

Your committee have also been instructed to enquire into the propriety of devoting the fund in question, to the establishment of a new Bank, to be owned wholly by the State. A portion of them are confident in the belief, that the establishment of such an institution, would contravene that provision of the Constitution of the United States, which declares that "no State shall emit bills of credit;" and which they are informed, has been judicially expounded, to extend to any paper medium issued by a State, for the purposes of common circulation. Independently of the arguments against the expediency of such a Bank, which have been often urged in the discussions of this subject heretofore, your committee believe that no financial

skill could successfully manage a Bank founded entirely on a borrowed capital, demandable in certain proportions, at the pleasure of the lender; which must regulate its business according to the necessities of the Federal Government; the fluctuations of party politics—the appropriations made by Congress; and even the movements of individuals of that body, from motives either partizan or patriotic.

The only remaining objects of appropriation, to which the attention of your committee has been called by the direction of the Legislature, are common schools and Internal Improvements. These, your committee recognize as first in importance among all the objects which now claim the patronage of the public; and but for the fiduciary character of the means in their possession, they would meet less difficulty in dedicating the whole fund immediately and irrevocably to these purposes. They, however, propose to devote it to them; while, at the same time, it shall be so invested for the present, as to be capable of recall without great inconvenience, should the State be required to refund any part of the loan. They are aware that public opinion is divided on the question, whether general education, or the improvement of the means of transportation, should be first patronized. Some of your committee were inclined to the opinion, that the whole should be expended on Internal Improvements; in the belief, that opening new avenues to wealth, which are accessible to all classes of the community, would diffuse the means and the disposition for education to an extent almost equal to a direct appropriation for public schools—others on the contrary, insist on claiming the whole as a school fund, as the only mode in which it can be made to benefit equally the whole population. In deference to this conflict of opinion, your committee have been induced to recommend that our whole share of the surplus revenue, shall be devoted equally to popular education and Internal Improvements, that that part which is appropriated to education, shall be added to the “fund for common schools” now existing; and shall be invested for accumulation in Bank stock, by increasing the capital stock of the Bank of Cape Fear, to one million five hundred thousand dollars; in which, there shall be subscribed, of the school fund before mentioned, four hundred thousand dollars; and by increasing the capital stock of the Bank of the State of North Carolina, to two millions of dollars; by a subscription of the school fund aforesaid, for five thousand shares in said Bank. Your committee are fully sensible of the dangers to be apprehended from an excess of Banking capital; and have only consented to this mode of investment, because of a general prevalence of the opinion, that our present capital is too small. They propose, however, to remedy the inconveniences of an excess, should one occur, by a provision in the amended charters for the reduction of the capital stocks of both the Banks, if it shall be found too great for the real demands of business. They also believe that this disposition of the addition to the school fund, can be much more economically and profitably made in the Banks already in existence and in full operation, than in one owned exclusively by the State; not to mention the objections already urged to an institution of the latter character. In all monied transactions, your committee suggests, that experience has generally proved, that individuals having an interest in the adventure, have realized greater profits than mere agents. The proposed investments in Bank may be made without any expense to the school fund, except its portion of the compensation paid to the officers of the Banks. The President and Directors of the Literary fund, by the act of the General Assembly of 1825, will receive the dividends on the shares of that fund, and re-invest them for further increase.

The residue of the public deposits, (which is estimated at nine hundred thousand dollars,) your committee recommend to be added to the fund for Internal Improvements, and be placed under the control of the Board of Internal Improvements. That they shall proceed to loan out the same upon the terms prescribed in the bill herewith reported—that a preference shall be given in making such loans to compa-

nies engaged in constructing works for the Improvement of the means of internal transportation; but that no company shall be allowed to borrow to an amount greater than one half of its capital stock actually subscribed by solvent subscribers; and that satisfactory security, either real or personal, to be judged of by the said Board, shall, in all cases, be given by the borrowers. The President and Directors of the Board of Internal Improvements, are directed, whenever interest shall be received thereon, to make new loans, so as to keep the fund in a course of active accumulation. The President and Directors of the Board of Internal Improvements, have a corporate existence by the act of the General Assembly of 1819, and consist of the Governor, Treasurer, and an agent of public works, appointed by the Legislature, no one of whom receives any compensation for this service, except the last; who is entitled to pay for the time actually spent by him in public employment.

Your committee believe that it will be in the power of the Board greatly to facilitate works of Internal Improvement, by the adoption of the plan proposed; while, at the same time, the fund of the State will accumulate for future use. The regular business of banking, requires such speedy returns of their loans, that neither Rail Road, Canal, nor Manufacturing Companies, can obtain from them, the accommodations necessary for constructing their works. Whereas, the disposition of the fund for Internal Improvements herein recommended, by affording longer time for payment, than is allowed by legitimate Banking operations, will give to them all due encouragement. Your committee have deemed it advisable that this whole fund should be placed under the control of the Board of Internal Improvements, rather than that the loans should be made by the Legislature, for the reason that but few corporations for purposes of Internal improvement are, as yet, in operation in this State; and they desire that the accommodations which may be furnished by the Bill before mentioned, shall be extended, whenever its terms are complied with. As the corporations which may be chartered at this session, will not be organized; and their characters for solvency will be, of course, unknown until after the adjournment, it is deemed to be inexpedient for the General Assembly to designate those to which aid shall be given, or how far it shall extend.

Your committee know full well, that many of our constituents had expected bolder measures on the subject of Internal Improvement, or of public education; or of both, than they have recommended—that fond hopes have been cherished by patriots in every quarter—that the State would, immediately be blessed with the full fruition of those advantages for which they may now suppose that but a tardy preparation is about to be made. When, however, it is recollected, that much, as the subject has been agitated, even at this day, public opinion has not settled down on any great work of Internal Improvement, to which the public treasure should first be devoted—that no plan of common schools has yet been devised, which is capable of practical execution in every part of the State; when, moreover, it is remembered, that it is as yet uncertain whether the policy of distributing the excess of the Federal Revenue among the States, will be repeated; and if continued, whether it will be, by way of loan, or in absolute property. Your committee presume, that the present Legislature will, in some degree, deserve the gratitude of their country, if they shall so appropriate the fund confided to her, as to deepen and widen those foundations on which others may erect the superstructure of her happiness and prosperity. To carry into effect the plans herein proposed, they present the Bills marked No. 1, 2, 3, and recommend that they be passed into laws.

Respectfully submitted,

WILLIAM A. GRAHAM, *Chairman Pro Tem*

January 2, 1837.

STATEMENT OF FUNDS REFERRED TO IN FOREGOING RESOLUTIONS.

Stock in State Bank 6000 Shares,		\$600,000
Bank of Cape Fear 2122 Shares,		212,200
Cash (see Treasurer's Report,)		38,600
Debt (money loaned to Tennessee River Turnpike Company.)		2,700
Stock in Buncombe Turnpike Company,		5,000
Stock in Cape Fear Navigation Company,		32,000
Stock in Roanoke Navigation Company,		30,000
1959 Shares residue of stock in the Bank of Newbern, estimated at 6 per cent		11,754
3050 Shares do. " State Bank " 8 per cent		24,400
Surplus Money,		1,911,700

		Total	\$ 2,868,354
For Literary fund,	812,200 stock		
do	187,800 cash to buy stock		

1,000,000

For Redemption of State Debt,		Leaves \$ 1,868,354
		400,000

For Literary Fund to drain Swamp Lands,		Leaves \$ 1,268,354
		200,000

Leaves \$ 1,268,354

Consisting of the following to wit:

Surplus money,	1,123,900
Other cash,	38,600
Residue of old Bank Stocks,	36,154
Note, (Turnpike company,)	2,700
Navigation and Road Stocks, good for	67,000

1,268,354

If State subscribes 2-5 to Wilmington	
Road it will be	\$ 520,000
Do. Yadkin Road,	400,000

920,000

Leaves (unappropriated.) \$ 548,354

Consisting of the following viz:

Navigation and Turnpike Stocks,	67,000
Old Banks,	36,154
Note and Interest,	2,700
Cash,	38,600
Surplus,	203,900

\$ 348,354

Should a call be made by the General Government for the Surplus, the State will have the following means to answer that call.

Balance unappropriated,	348,354	
Literary Fund,	1,000,000	
Stocks in Rail Roads,	920,000	
Lands of Cherokees,	350,000	(\$ 150,000 less than the estimate made by a committee of this Assembly.)
State Scrip,	400,000	

Aggregate \$ 3,018,354

If the Swamp Lands be added, it will swell the sum beyond,	4,000,000
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If ever called for, the fund will certainly not be demanded in 6 years; in that time the Literary fund at 7 per cent, (interest re-invested) will increase \$ 501,500. This will make the aggregate means of the State

3,018,354
501,500

Aggregate \$ 3,519,854 besides the Swamp Lands.

No account is taken of bonds for Cherokee Lands in the foregoing statement.