



FEBRUARY 3, 1841.

Read and laid on the table.

LETTER

FROM

THE GOVERNOR,

ENCLOSING A COMMUNICATION FROM RICHARD M. YOUNG, AS AGENT OF THE
STATE OF ILLINOIS, FOR NEGOTIATING LOANS FOR THE ILLINOIS
AND MICHIGAN CANAL.

EXECUTIVE DEPARTMENT,
Springfield, Feb. 3, 1841.

To the Honorable,
The SPEAKER of the Senate.

SIR: In compliance with a resolution of the Senate, I have the honor
herewith to enclose a report of the Hon. R. M. Young, Agent of the
State of Illinois, for negotiating loans for the benefit of the Illinois and
Michigan Canal.

I have the honor to be, sir,
Your obedient servant,

THO. CARLIN.

REPORT.

WASHINGTON CITY, Jan. 10, 1841.

His Excellency, THOMAS CARLIN,
Governor of Illinois.

SIR: Yours of December 12, 1840, communicating certain resolutions
of inquiry, adopted by the House of Representatives of the State of Illi-
nois, at its present session, and instructing me to pay the semi-annual
interest which became due on our canal bonds at New York on the first
Monday in this month, has been received; in reply to which I have the
honor to submit the following statement:

That, by the contract made with Messrs. John Wright & Co. in Lon-

don, on the 30th day of October, 1839, by which they undertook to dispose of £225,000 or \$1,000,000, of the stock of the "Illinois and Michigan Canal," at the rate of £91 to the £100, free from all charges and commissions, it was stipulated, among other things, that £30,000 should be advanced to the State; £10,000 of which was to be payable on the 15th of January, 1840, and £20,000 on the 15th of July following. Besides these sums, £300 was paid by Messrs. Wright & Co. at the time of closing the agreement, and the delivery of the bonds, which was charged to the State, and, also, taken into the account of advances: making, in the whole, the sum of £30,300 sterling. On my arrival in London, I had deposited all the money I had with me, for the purpose of paying expenses, with Samuel Jaudon, Esq. agent of the Bank of the United States, and drew upon him for small sums as I had occasion to use them. These £300 I also deposited; and after settlement with him at the time of leaving London for the United States, and the proper allowance made for the amount of checks drawn upon him, I took a draft for the residue on the Bank of the United States at New York. I at the same time made an agreement with him, as agent of the Bank of the United States, for the £10,000 payable the 15th of January, for which I was to receive, on my arrival, par funds in Philadelphia, with the difference of exchange between New York and London, which was reckoned at 9 per cent., and which together, would have been equal to the sum of \$48,500 in specie. I accordingly drew an order on Messrs. Wright & Co. in favor of Mr. Jaudon, for the amount; but the order not being negotiable, according to the custom of the bankers in London, and, consequently, unavailable until the actual day of payment, I deferred, at his request, the drawing of a regular bill of exchange until my arrival at Philadelphia. (See Mr. Jaudon's letter, No. 1, in the appendix.) At this time neither myself nor Mr. Jaudon knew of the suspension of specie payment by the Bank of the United States; nor did I learn that such was the case until my arrival at New York: it being the understanding that I was to receive funds equal in value to specie. On reaching Philadelphia, about the 29th of November, 1839, I found the Bank in a state of suspension, and its notes at a depreciation of nine per cent. On the next day I had an interview with the president and cashier, and, after an explanation of the understanding between Mr. Jaudon and myself, they did not hesitate to allow nine per cent. as the difference in exchange between New York and London, and a discount of nine per cent. as the proper scale of depreciation upon their notes, in which payment was made. The draft on Messrs. Wright & Co. was dated the 30th November, 1839; and from that time the avails of the £10,000 may be considered as having been under my control, although the draft was not payable in London until the 15th of January, 1840. (See my letter to Messrs. Wright & Co. No. 2, and their reply to the same, No. 3.)

The reason why this money was placed in deposite to my own credit, and not to the credit of the State, is, that the contract was in its nature, conditional, requiring legislative action, and your approval as Governor; and that I did not consider it just towards Messrs. Wright & Co. to make any application of the funds for State purposes, until it was known that the contract would be recognized and carried out in good faith on our part, and some special instruction was received from you on the subject.

The propriety of this course will be seen by reference to the action of our Legislature, which convened soon after, and the subsequent correspondence which took place in regard to it, to be found in the appendix. There being at the time of this deposit a want of public confidence in the Bank of the United States, and supposing that these funds, in the event of the approval of the contract with Messrs. Wright & Co. (which, under the then existing circumstances, I confidently anticipated,) would be wanted for disbursement on the line of the canal at home; and believing that some advantage would accrue to the State, by converting them into such western funds as were current in Illinois, and generally received at par in all business transactions, by reason of a difference of exchange varying from one and a half to two and a half per cent. in favor of the notes of the United States Bank, I proceeded, as fast as was practicable, and had succeeded in converting the greater portion of the amount into notes and certificates of deposit on the banks of Illinois and Indiana, when I received your letter of February 3, 1840, informing me that the Legislature had adjourned on that day; that a resolution had passed the House of Representatives, requiring the Secretary of State to transmit the same to Messrs. Wright & Co. in London, declaring that no law existed in Illinois authorizing the sale of bonds at £91 to the £100, and requesting a return of the bonds, &c.: but that it had been defeated in the Senate; and that, in consequence of the Legislature having declined to approbate the arrangement made by me in London, you did not feel at liberty to confirm it; and that you were not then prepared to say how the business could be adjusted in relation to the £10,000, &c. but would write to me again on your return to Quincy. (See extracts from your letter, No. 6.)

According to your promise, you wrote to me from Quincy on the 19th of February, 1840, and advised, as the better course, the cancelling of the contract with Messrs. Wright & Co. for reasons mentioned in your letter, to which I beg leave to refer, as there is no necessity for comment. (See letter No. 7.)

In the mean time, some person had sent to Messrs. Wright & Co. a copy of the resolution referred to, although it was not authorized by the concurrent vote of the Senate; which at once put a stop to their operations in London, and prevented them from carrying out some advantageous arrangements which had been made for regular sales of our bonds in that market. (See his letter, No. 4, and Mr. Jaudon's, No. 5.)

I also refer to the letter of Mr. Jaudon to show that, shortly after I made this contract for £91 to the £100, our bonds were selling for a much less price in the market; and that he had purchased to the amount of \$50,000, for a house on the continent, of Illinois six per cent. dollar bonds payable in 1860 and 1870, at from 78 to 87½ cents on the dollar; that, according to this estimate, our sterling six per cents. would have been worth but from 88 to 88½ pounds sterling in the hundred; that the sales as made under our contract were considerably above the current market price; and that we deserved great credit for having sold the bonds so well, &c.

As soon as your letters of the 3d and 19th of February were received, I saw the necessity of converting all the funds I had, of every description, into such as were at specie par in New York, for the purpose of refunding the amount advanced by Messrs. Wright & Co. as soon as prac-

ticable, if in the mean time you should not perceive sufficient reasons for changing your opinion as to the propriety of approving the contract. Illinois and Indiana bank notes and certificates of deposit were at this period fluctuating at a discount of from 8 to 11 per cent. in New York and Philadelphia, where I effected most of the exchanges; that is, the brokers would purchase at from 9 to 11 discount, and sell at 8 to 8½; so that, with few exceptions, I lost as much as I had gained by the original exchanges; and, taking it altogether, including necessary expenses, saved but little, if any, excess.

A short time after I received yours of the 19th of February, I received a letter from W. B. Ogden, Esq. of the 7th of March, 1840, as one of a committee appointed by the contractors on the canal; in which he informed me that you had consented to permit the contractors to avail themselves of the contract with Messrs. Wright & Co. and urging me to retain for their benefit all money drawn on that account, &c. (See his letter to me, No. 8, with your note at the bottom; my reply, No. 9; and your letter, No. 10.)

In the same letter you requested Governor Reynolds and myself to proceed to some of the eastern cities, and sell bonds, if possible, to the amount of \$1,200,000, (for canal purposes, and for the completion of the State-house,) provided sales could be effected at par. We accordingly proceeded to New York; but, so far from being able to effect sales at par, we could not at that time have sold our bonds at 75 cents to the dollar. See, also, your letter of March 26, 1840, (No. 11.) on the same subject, and requesting us, in the event of our not succeeding in making sales as instructed, to deposit \$1,200,000 of the bonds in my possession in New York or Philadelphia, subject to the order of the Board of canal commissioners. These bonds were deposited with Messrs. Nevins, Townsend & Co. in New York, and subsequently passed into the hands of General Thornton. I beg leave, also, to refer to my letter to you of May 15, 1840, (No. 12.) and especially to the latter part of it, in which you were urged, as a last resort, to approve the contract made with Wright & Co. and the reasons assigned why such a course had become necessary to save the credit of the State. The next letter I received was yours of the 1st of May, 1840, (No. 13,) in which you say that you have concluded to confirm my contract with Messrs. Wright & Co. for \$1,000,000 of canal bonds, provided they will agree to promise all the money within the current year, &c.; and that, although you cannot persuade yourself that it is a par sale according to the *letter* of the law, yet still you believe it is at par according to the meaning and intention of the Legislature by which the law was enacted. I will only remark, that such was my own opinion and understanding when I accepted the agency to sell, and that in conformity with that belief I acted. I communicated the new terms proposed to Messrs. Wright & Co. in your letter of May 1, immediately after its reception, by the steamship *British Queen*, which sailed from New York on the 1st of June following. See the letter of Gov. Reynolds and myself, dated the 26th of May, 1840, (No. 16.) See, also, my letter to you, dated May 26, 1840, (No. 14,) in which reasons are likewise assigned for not paying over the \$10,000 to General Thornton, and for not drawing for the £20,000 which was payable, by the terms of the agreement, on the 15th of July, 1840. See, also, my letter to Gen. Thornton of May 25, 1840,

(No. 15, in the appendix,) on the same subject. After our letter of May 25th, to Gen. Thornton, in which we declined doing any thing until it was known that Messrs. Wright & Co. had accepted of the alteration proposed by your letter of the 1st May, he returned back to Washington from New York, and informed Gov. Reynolds and myself that he had succeeded in procuring \$45,000 for the New York interest, which became due in that city on the first Monday, in July, 1840; but that he had entirely failed to make any arrangement for the interest in London, which fell due on the same day; and that, unless Governor Reynolds and myself would draw for the £20,000, he would be under the necessity of returning to Illinois, as nothing more could be done; and that the inevitable consequence would be, the loss of our credit as a State, perhaps an abandonment of the canal, and certain ruin of the contractors, who would be left without means to proceed any further with their contracts. In this emergency, Gov. Reynolds and myself finally concluded to draw a conditional draft on Messrs. Wright & Co. provided Gen. Thornton would give us a lien upon bonds to the amount of £45,000, in the hands of Nevins, Townsend & Co. to secure us against any improper use of the draft; which he agreed to do. For an explanation of this transaction, I refer you to our letter to John Wright & Co. of May 29, 1840, (No. 17,) with the vouchers A, B, and C, which follow; to General Thornton's letter to Nevins, Townsend & Co. of May, 29, 1840, (No. 19,) and his letter to you of June 1, 1840, (No. 18, in the Appendix.) Some time in July I received a letter from Mr. Wright, dated June 30, 1840, in which he informed me that he had accepted our draft for the £20,000, and that bonds enough had been sold to cover the amount; that he had made a provisional arrangement with General Thornton for the continuance of sales until March, 1841; but says nothing about accepting the terms proposed in our letter, of securing the entire amount to be paid within the year 1840, as prescribed in your letter of instruction on that subject. See his letter to Gov. Reynolds and myself, (No. 20.)

In your letter of June 14, 1840, you for the first time approve, unconditionally, of the contract with Wright & Co. provided, in my judgment, it could be made available to save the credit of the State, as you saw no other means of averting that calamity. You also express surprise in that letter, that General Thornton should have understood you as approving the contract unconditionally, before he came to Washington, as such was not your intention; and that you could not disapprove of my caution, situated as I was, in holding the proceeds of the £10,000 untouched, for reimbursement, in case he (Mr. Wright) should decline the proposed change of contract. See No. 21, in appendix; your letter to Governor Reynolds and myself, dated June 25, 1840, (No. 22,) and your letter to myself, dated July 2, 1840, (No. 23.) In the last letter referred to, you say: "It would seem by Gen. Thornton's letter to me, that some misunderstanding existed in relation to the payment of the July interest, as it seems that he expected me to direct you to apply the £10,000 which you have drawn, and the £20,000 which you were authorized to draw for, to its payment. This I could not do before Mr. Wright had consented to the proposed alteration of the contract." You also informed me that the £225,000 of renewed bonds, with semi-annual interest, would

be forwarded to me by the Auditor of State, with instruction to send them as early as possible to Gen. Thornton, at London, to be substituted for the old bonds, of that amount, left with Wright & Co. under my contract; and to request Mr. Wright, on receipt of them, to cancel the old ones, and to send them to you by Gen. Thornton, on his return to the United States. Mr. Edmund Roberts, of Springfield, brought these bonds to Washington, and at my request took them to Nevins, Townsend, & Co. of New York, who forwarded them to London. See the letter of Governor Reynolds and myself on this subject, dated July 20, 1840, to John Wright & Co. (No. 24.) and Mr. Wright's letter to me of the 29th of August, 1840, (No. 25,) in which he acknowledges the receipt of the bonds, and proposes to transfer a portion of them to Messrs. Smiths, Magniac & Co. on account of the agreement made with that house by General Thornton, for the benefit of the contractors on the canal. On the 15th of October, 1840, I wrote to Messrs. Wright & Co. at the request of General Thornton, and with your approbation, (both of you being present at the time,) and requested them to transfer all the new bonds received to Messrs. Smiths, Magniac & Co. as suggested; which I suppose has been done as I have heard nothing to the contrary. See my letter to Wright & Co. (No. 26.) I have received the copy of a letter addressed to your Excellency, by Samuel Allinson, Esq. late agent of the house of Wright & Co. in London, dated December 1, 1840, (No. 28,) to which I beg leave to call your attention, for the purpose of showing that no loss will be sustained by the failure of that old and respectable house, and the necessity of appointing a special agent to receive the unsold bonds, as they have passed out of their hands under the assignment of bankruptcy. As soon as I heard of this failure, at New York, I immediately advised you of the fact, and addressed letters to Messrs. Wright & Co. and Samuel Jaudon, Esq. (Nos. 29 and 30,) to which I refer you, in relation to the course I thought it my duty to pursue, to save the State from injury by any attempt at a misapplication of the unsold bonds, by requesting their immediate delivery to Mr. Jaudon, as our agent. Your verbal instruction to use the avails of the £10,000 in payment of the interest which became due on our canal bonds, in New York, on the first Monday in the present month, just before I left home for Washington, is therefore the first instruction which I have received to make an application of these funds to the purposes of the State, as will appear by the annexed correspondence, and an extract from your message to the General Assembly of Illinois of the 26th of November, 1840, (No. 27,) and also an extract from the same message (No. 32,) in which reasons are also given why this money was not previously paid over to Gen. Thornton.

This interest on our canal bonds, amounting to \$39,000, I have paid in New York, according to your instruction, with the further sum of \$11,000 to Nevins, Townsend & Co. in part payment of money advanced by them to Gen. Thornton, to pay the interest in July last; making, together, the sum of \$50,000. See my letter to you, from New York, dated December 28, 1840, (No. 31,) and the accompanying vouchers (A, B, and C.)

Your letter of December 12, 1840, requesting me to pay this interest, and to deposit the residue of the funds in some safe bank, was not received until my return from New York, on the 30th of the past month;

but I trust, nevertheless, that the payments, as made, will meet your approbation. See extract from your official letter, dated December 12, 1840. (No. 33.)

During the time of purchasing western funds, I drew checks on the Bank of the United States as frequently as it was convenient to make exchanges, and kept my deposits in the Bank of Washington in this city. When it became necessary to convert these funds into such as were equal to specie in New York, I continued my deposits in this bank, which, although it did not pay specie for its notes, was nevertheless the place at which the members of Congress received their compensation. When the deposits consisted of drafts, they were made in sealed packets, not liable to be touched; and special when in specie; and at the end of the session, the bank gave me specie drafts on New York, for such of the deposits as had been made in gold and silver. At the close of the last session of Congress, a portion of these funds, consisting chiefly in certificates of deposit on the banks of Illinois and Indiana, were still on hand, and could not be exchanged in the eastern market without a losing sacrifice. These I exchanged chiefly in the city of St. Louis; and when the proceeds were in specie or notes on the Bank of Missouri, I made my deposits in that bank; where they remained until converted into eastern exchange.

I found much difficulty from first to last, and was at considerable expense in making this latter conversion into par funds. And, although the last exchanges were more favorable than the first, on account of a rise in the value of western bank notes, still, when taken altogether, I was well satisfied to find that nothing had been lost by the operation. Surely nothing has been gained, commensurate with the responsibility, trouble, risk, and expense, (to say nothing of the abuse I have received from those who have attempted from first to last to render this loan ineffectual,) incurred in bringing this matter to a close. No loans have been made to any bank, broker, or other individual, of any part of this money, for interest or otherwise; and no interest has at any time been received from any bank, broker, or other person, on such account, to the value of one cent. I have thus given you a statement in detail of every thing concerning the negotiation with the house of Wright & Co. since the contract which was made on the 30th of October, 1839. General Thornton will doubtless furnish such further explanation as may be required in relation to the proceeds of the £20,000 draft, as I have no further information than I have already given on that subject.

Of the \$4,000,000 of sterling six per cent. canal bonds originally issued, with interest payable annually, \$1,000,000 was sold to Thomas Dunlap, Esq. of Philadelphia, by Messrs. Rawlings and Reynolds; \$500,000 was delivered to General Thornton, by your direction, at Quincy; \$1,000,000 was left on deposit for sale with John Wright & Co. in London, under the contract of October 30, 1839; \$1,200,000 was, by your instruction, deposited with Messrs. Nevins, Townsend & Co. in New York, subject to the order of the board of canal commissioners; and the residue, \$300,000, is on deposit for safe-keeping in the Bank of the United States at Philadelphia.

Of the \$2,000,000 of new bonds in denominations of £300 and £100 sterling, with interest payable semi annually, \$1,000,000 was sent out to Wright & Co. and supposed to have been transferred to the house of

Smiths, Magniac & Co. as heretofore explained; and the other \$1,000,000 last received, is on deposit with the Bank of the United States in New York. This latter amount, and the \$300,000 on deposit in Philadelphia, I suppose, had better be cancelled and returned to Illinois; but nothing of that kind can be done with propriety without your special instruction. In relation to the statement of the amount of deposit to my credit, as furnished by the bank, there is certainly a mistake, either by the mixing up of other accounts, or an error in the calculation, as the amount of exchanges agreed for would not produce the sum stated. This, however, is a matter between the bank and myself, and which shall be corrected on my first visit to Philadelphia, if such an error should be detected. All that I received for the State, under the contract with Wright & Co. was £10,300—equal to \$49,897 77 7-9 specie funds in New York, including the 9 per cent. which was the difference agreed to be given in exchange between New York and London. A pound sterling in London is worth but \$1 44 4-9, being at the rate of four shillings and six-pence sterling to the dollar: £10,300, at that rate, would produce \$45,77 777 7-9, to which add 9 per cent. or \$4,120, the difference in exchange, and it makes the sum of \$49,897 77 7-9, as before stated. For this sum I was liable, but for no more. It is true, if, instead of making an agreement with Mr. Jaudon in London for payment in Philadelphia, I had brought £10,300 in sovereigns or pounds sterling, in gold, that they would, at the rate of \$4 85 to the sovereign, which is the current value in this country, have produced the sum of \$49,955 par funds in New York. The difference between these sums being on account of insurance and other charges for transportation between London and New York.

The sum of \$49,897 77 7-9 in specie funds at New York, is all, therefore, that the State can reasonably claim or expect; and this sum, with an overplus of \$102 23, has been paid to her credit according to your instruction.

I see it stated in some of the newspapers (unfriendly, of course,) that this money was originally received in specie, and afterwards used in purchasing the notes of the Bank of the United States, on speculation, at a great depreciation. I need only say that such was not the fact, as the bank was then in a state of suspension, and did not, and would not, pay specie for any of its liabilities; this being the reason why payment was made and received in bank notes, but at such rate as to make the amount equal to specie, as before explained. When I went to England, I took with me \$3,900 of money of the State, of which, on my return to the United States, I enclosed you a draft, to be placed in bank to canal account, for \$1,500; retaining only \$2,400, the actual amount of my expenses, which is all that I have received for compensation and expenses. You may recollect having proposed to allow me five dollars per day over and above these expenses, as our agreement originally was when I accepted this agency, that I should be paid my expenses at all events; and that the compensation would depend on future legislative action; and that as they had only provided for the payment of five dollars per day, this was all you felt authorized to allow; but suggested, as the better way, as that amount was considered altogether inadequate, that the subject should again be subjected to the Legislature. So that nothing on that account has been received. I was absent on this mission near six months

before my return to Washington; which, at five dollars per day would amount to near \$900. Besides this, I went twice to New York at your request, on State business, as will be seen by the annexed correspondence, at an expense each time of about fifty dollars; being absent each time about ten days. No remuneration has been made on these accounts, either by refunding the amount of expenses, or providing any compensation. In regard to the payment of the interest on our State bonds, I will venture to make a suggestion, in relation to the causes which have given you so much trouble, and which have subjected our agents to so much abuse, for an occasional assumption of responsibility, and an apparent sacrifice of our securities, when all other resources had failed by which our credit could be preserved.

These difficulties have been constantly produced, by requiring bonds for that purpose to be sold at par only, when it was notorious that these bonds most frequently on such occasions, could not be cashed at seventy-five cents to the dollar. What has been the consequence? The Governor, or agent under his instruction, must either resort to expedients unauthorized by law, or suffer the credit of the State to perish. In this way, great injustice is often done to and undue exactions extorted from, those who are bona-fide purchasers of these bonds. As, for instance, (and as has actually been the case several times within my knowledge,) the Legislature fails to make efficient provision, in proper time, for the payment of interest; our agent, not being able to raise the amount required, by a sale of bonds, and especially at par, according to the law and his instructions, goes to the Bank of the United States, to Nevins, Townsend & Co., or somebody else, largely interested in our bonds, (which must of consequence become greatly depreciated, if not valueless, on a failure to pay interest,) states his difficulties, and tells them, if they do not come forward and make advances, that they, as well as the credit of the State, must suffer, and that no other resources are left to him, &c.; and in this way coerces an advance of money, whether willing or unwilling, to answer present purposes; and for which afterwards both he and they were censured for an illegal hypothecation of bonds, when all else had failed by which the interest and credit of the State could be preserved.

This matter of providing for the payment of interest, so essential to all concerned, ought never to be postponed to the last day, nor left to depend in the slightest degree on remote contingencies, which are always uncertain, and ought never to be relied on.

It appears to me that much the better plan would be to establish for this purpose a permanent agency in New York. Such an agent being always upon the ground, better acquainted with the fluctuations, which are continually going on in the money market, would, from his position and superior information, have it in his power to take advantage of circumstances, make more advantageous arrangements, and be more prompt of course, in providing means as they are wanted. I would also again direct your attention to the immediate necessity of appointing, under some new authority of law, a special agent to settle up our business with the late house of Wright & Co. in London, and to receive and transmit the unsold bonds. If a London agent should be appointed, I should think, under all circumstances, that Mr. Jaudon ought to be preferred.

In conclusion, I hope you will make due allowance for the hasty manner in which this statement has been prepared, as I have bestowed upon it such time only, since my return from New York, as was permitted at intervals when not necessarily engaged in legislative duties, which are not without their labor, whatever may be thought of them elsewhere. The annexed correspondence I have had some trouble in arranging; but, voluminous as it may appear, it is still necessary to a proper understanding of the manner in which the business connected with my agency has been transacted. In my negotiation with Wright & Co. in London, I have not touched a cent in commission, per cents., or otherwise, save the £10,300 for which I have accounted; and I refer with pride to all with whom I have had any thing to do, as an agent of Illinois, as well in London as in the United States, for the rectitude of the course which has uniformly, I trust, governed all my actions.

All which is respectfully submitted,

RICHARD M. YOUNG.

APPENDIX.

No. 1.

Samuel Jaudon to R. M. Young.

LONDON, November 1, 1839.

DEAR SIR: I sent your order to Messrs. Wright & Co. this morning; and in reply received a note from them, stating that they could not accept the order, but that the amount would be paid on the 15th of January. I therefore have thought it best to return the order to you; and, for fear of any accident to this letter, I have enclosed it to J. Cowperthwaite, Esq., Cashier of the Bank of the United States, who will hand it to you.

As soon as you reach Philadelphia, you can draw a bill on Wright & Co. in the usual form, payable on the 15th of January. This will probably be quite as well as if they had accepted the order.

Wishing you a pleasant passage,

I am, dear Sir, yours, very truly,

S. JAUDON.

Hon. R. M. Young,

On board the British Queen.

No. 2.

R. M. Young to John Wright & Co.

PHILADELPHIA; November 30, 1839.

GENTLEMEN: I was advised by your confidential clerk, (who drew, at my request, the order which was presented to you for the £10,000 sterling on our contract, dated the 30th of October ultimo, by Mr. S. Jaudon, agent of the Bank of the United States, on the morning after I left London in the British Queen,) that you could not, according to the custom of London, accept a bill or order drawn in London, but would give Mr. Jaudon an assurance that the amount would be paid on the 15th day of January, according to your stipulation in the said agreement. This assurance I supposed would be satisfactory to Mr. Jaudon, and would answer his purpose as well as an acceptance. On my arrival at Portsmouth, I received a note from Mr. Jaudon, in which he mentioned that the order had been presented, and that he had received an assurance from you that the amount would be paid on the 15th of January next; but that, on further reflection he had concluded to return the order to me, and wait until I could arrive at Philadelphia, and draw a bill according to the regular course of business. I have accordingly taken up and cancelled the order, and have this day drawn upon you for £10,000 sterling, in duplicate, in favor of J. Cowperthwaite, chashier of the Bank of the United States at Philadelphia, payable the 15th day of January next, being the first amount agreed to be advanced on our contract of the 30th of October, 1839, for \$1,000,000, or £225,000 sterling, of "Illinois and Michigan canal stock;" which I hope you will honor and pay, according to the terms of said agreement.

Since my arrival in the United States, I have learned with pleasure that Governor Carlin, of Illinois, has issued a proclamation to convene the Illinois General Assembly on the first Monday in December instant. This arrangement will consequently enable me, without any delay, to direct the Governor's attention, and through him that of the General Assembly, to the importance of changing the form of the bonds, so as to make the interest payable semi-annually, and in other respects as suggested and stipulated in our agreement of the 30th of October. I have no doubt that I will be able to effect the change in the manner desired, and will see that no unnecessary delay is permitted.

Please let me hear from you as early as may suit your convenience. Address me at Washington City.

Very respectfully,

Your obedient servant,

RICHARD M. YOUNG.

Messrs. WRIGHT & Co.

No. 3.

From John Wright & Co. to R. M. Young.

LONDON, January 4, 1840.

DEAR SIR: In answer to your favor of the 30th of November, received by the British Queen, I was most delighted to see your handwriting; for I was really not without apprehension for you, on account of the illness which you labored under in Regent street.

There will be no difficulty in paying your bill of £10,000, and I am happy to say that notwithstanding the badness of the times, we have sold enough bonds to meet it, and have a fair prospect of a good market for them; and am therefore happy to find you intend to send over the additional bonds confided to your negotiation, and which I trust we shall sell on favorable terms, as all alarm about American State securities is fast subsiding, and I trust it will be long before we experience a year of similar difficulty to that now passed.

I am glad you anticipate no difficulty in altering the bonds to the form you mention; and I hope to arrange with Mr. Jaudon that we may be the sole agents for the Illinois State, and trust we shall transact its business to its entire satisfaction.

Pray send the bonds in the altered form *as soon as you can.*

My respectful compliments to Mrs. Young, and best regards to Governor Reynolds, when you see him; and believe me, with every good wish of the season,

Yours, ever sincerely,

JOHN WRIGHT.

RICHARD M. YOUNG, Esq.,

Washington City, United States.

No. 4.

From John Wright & Co. to R. M. Young.

HENRIETTA STREET, LONDON,

March 18, 1840.

MY DEAR SIR: I am sorry that I have not heard from you since your favor of the 30th of November.

I had the pleasure of writing to you on the 4th of January, and I was congratulating myself on having sold enough of your bonds to fulfil my contract, (and which was done with extreme difficulty when some printed documents received from the United States have given me the painful information that the legality of our contract is questioned; and I am of course, prevented carrying out some arrangements which I thought would have ensured a regular sale of the bonds through our insurance office, which would have been as agreeable to you as it would have been gratifying to me. Instead of which, I see myself designated as a shark and

usurer in a public document, and one who wished to take every advantage over your countrymen. Now, I with difficulty got 92 for the bonds I have sold; but could I insure *one* per cent. commission for all our labor, I should be quite satisfied. But, as I told you when here, it is impossible to sell the bonds in the city, or on the continent, without giving a handsome margin to brokers or other sub-agents; and all I can say on this subject is, it will ever be my study to get you the highest price; but I cannot do what is impossible.

We write to you more officially to-day, so I shall only add that I am sure the conduct pursued will mortify you as much as it has done me.

Your dollar sixes were selling here at a much more than a proportionate depreciation; and you must be aware that the State of Indiana, and many others, interpreted the par exchange exactly as we did.

It is doubly mortifying, as I had resolved to accept no other agency than that of Illinois, and had hoped soon to have got you the most remunerating prices for your bonds, and had even flattered myself I should have some day seen your fine country, and witnessed the improvements made in it by the great openings contemplated from Chicago to Cairo; but I fear this will now all end like a dream. My best regards to Governor Reynolds, who, I am sure, will alike feel much annoyed at this extraordinary conduct of your statesmen.

It will be useless to send more bonds till we know how to act, without reproach on our side of the water as well as yours.

Surely money, even at 10 per cent., would be cheaply borrowed for such remunerating communications.

The conduct pursued is to me inconceivable.

I hope Mrs. Young, as well as yourself, is quite well; and remain,

Yours, ever sincerely,

JOHN WRIGHT.

RICHARD M. YOUNG, *Senator of Illinois,*
Washington City, United States.

No. 5.

From S. Jaudon to R. M. Young.

LONDON, *March 18, 1840.*

SIR: Feeling most deeply how very important it is, not only as it regards the Illinois State stock, but the stocks of all the other States, that the acts of the commissioners, in their contracts with Messrs. Wright & Co. and Messrs. Thompson & Forman, should not be repudiated, by the Legislature, in so far, at least, as they have been bona fide acted upon, I cannot avoid appealing to you in regard to the report which has been presented by a majority of the Judiciary committee on this subject.

The question as to par was discussed here very often; and although (as you may recollect) I differed in opinion from you, yet the fact that \$1,000 were considered equal to £225 sterling by the Indiana, and

Alabama Commissioners, and that those States had sanctioned this interpretation, was considered sufficient to settle that question.

As to price, I can mention to you that I have, within the past week, bought for a house on the continent upwards of \$50,000 of the dollar Illinois six per cents. of 1860 and 1870, at 78 to 78½ per cent. This, with the usual difference of ten per cent. for sterling bonds, would only place those which Messrs. Wright & Co. have at 88 and 88½ per cent.; so that the sales which they have made have been considerably above the current market price. The State has, therefore, had its money on the best possible terms that the market would afford; and the contractors deserve great credit for having sold the bonds so well.

I trust that you will use your influence so far, at least, as to prevent any interference with the sales that have bona fide been made. If the Legislature are not satisfied, let them stop all future sales; but it would be most unwise, impolitic and injurious to touch the past. The State will have to resort to this market for the means of completing its public works; and it is better that it should submit to the sales that have been made on the very best terms, than cause the slightest reason for distrusting its good faith or that of its agents.

I am, with great respect,

Your obedient servant,

S. JAUDON.

Hon. R. M. Young,

Senate of the United States, Washington.

I beg you to communicate with Governor Reynolds upon this important matter.

No. 6.

Extract of a letter from Governor Carlin to R. M. Young.

SPRINGFIELD, February 3, 1840.

DEAR SIR: The Legislature has this day adjourned. A resolution passed both Houses, annulling all the negotiations for money made by the agents of the State during the past year, and absolving the State from liability; but was reconsidered in the Senate. A resolution passed the House requiring the Secretary of State to transmit said resolution to Messrs. Wright & Co., in London, declaring that no law existed in Illinois authorizing the sale of bonds at £91 to £100, and requesting a return of the bonds placed in his hands as your agent. This resolution was defeated in the Senate. As the Legislature have declined approving your arrangement, I do not feel at liberty to confirm it; but how the business can be adjusted, I am not prepared to say, as I presume you have drawn upon Messrs. Wright & Co. for £10,000, &c.

I leave to-morrow in the stage for Quincy, and will write to you again.

In great haste, your friend,

THO. CARLIN.

Hon. R. M. Young.

No. 7.

From Gov. Carlin to R. M. Young.

QUINCY, ILLINOIS, February 19, 1840.

DEAR SIR: Yours of the 28th ultimo came to hand yesterday, enclosing a draft in my favor, of \$1,500, upon the State Bank of Illinois, for the use of the canal. It would have afforded me pleasure to have complied with your request, by laying your letter before the Legislature, had it been received before the adjournment. A resolution passed the House of Representatives, declaring (as I was informed) that no law of Illinois authorized the sale of State bonds in Europe, or elsewhere, at 91 to the 100, and requiring the Secretary of State to communicate said resolution to Messrs. Wright & Co. of London, demanding a return of the bonds placed by you in the hands of said company. This resolution, however, did not pass the Senate; but all legislative action during the session disapproved all negotiations made during the last year, both for the canal and internal improvement. I could not therefore consent to assume, the responsibility of ratifying your contract with Messrs. Wright & Co. after the many strong expressions of disapprobation by the Legislature. I would therefore advise cancelling the contract, and a surrender and return of the bonds by Messrs. Wright & Co. The friends of the canal did not desire its consummation, on the ground that no reliance could be placed upon it to furnish funds for the use of the canal, as all seemed to depend upon the sale of bonds by Messrs. Wright & Co. I think I advised you in my last that an act had passed allowing five dollars per day (only) as compensation for the service of all agents of the State employed in the negotiation or transportation of money, except in cases of specific contracts by which I had agreed to allow a larger compensation. This act I consider oppressive, as the compensation allowed by it will fall greatly short of paying the travelling expenses of the agents while in the service of the State. We cannot be envied for patriotism, when it shall be known that we refuse to compensate individuals for services rendered by them in accordance with law, or even to allow them a sufficient sum to cover their expenses. The amount retained by you being only equal to your expenses while actually engaged as agent of the State, all notions of justice and equity would seem to forbid the restoration or repayment of any part of it; but the compensation allowed you by the recent act of the Legislature will not probably cover half that amount. Being fully satisfied that the public good seldom or never requires private sacrifice, I think I hazard little in saying that the next Legislature will make an allowance more proportioned to the importance of the service in which you were engaged; and as a return of the whole amount expended by you while on your tour from this place to Europe and back again must seriously affect your private means, I cannot see any impropriety in withholding it until after the meeting of the next Legislature; and, if proper compensation is not then allowed, you can refund the money. An act passed at the last session, allowing the canal commissioners to issue scrip to meet the liabilities of the canal up to the first of March next;

after which time the contractors propose to receive State bonds at par, until funds can be procured. This plan I have objections to, as it will tend to reduce the value of the bonds, and compel the contractors to sell them at any price they will command. But a portion of them allege that they cannot abandon the work; and it would appear unjust to refuse the payment of the estimates due them in bonds at par.

An act passed authorizing the issuing of bonds, and the sale of them, for canal purposes, the interest payable semi-annually. If it is possible, I hope you will effect a sale in the United States of \$1,000,000; but the contract must be complete par at the place, and in the currency, where the contract is made. I am thus particular, in order to avoid future censure, which must and will always follow disappointment and failure.

* * * * *

Your friend,
THO. CARLIN.

Hon. R. M. YOUNG.

No. 8.

Letter from W. B. Ogden, of Chicago, to R. M. Young, with a note at bottom by Governor Carlin.

QUINCY, March 7, 1840.

DEAR SIR: As one of a committee appointed by contractors on the Illinois and Michigan canal, I am on a visit to his Excellency Governor Carlin, with a view to some settled policy for progressing with the work upon the canal the ensuing season.

The contractors are willing to carry on their work, if they can receive payment in bonds, at par, to be hypothecated or sold for their account, through a proper and prudent agent, in large parcels, and in such a manner as not to injure the credit of the bonds.

The Governor has assented to this arrangement; and the contractors are extremely anxious to avail themselves of your arrangement with Wright & Co. for a million or a million and a half—accounting to the State for what shall, on all hands, be admitted the full and legal par value of the bonds disposed of. The contractors expressed to me their strong desire, before I left Chicago to avail themselves of this arrangement, if it will surely prove availing in the course of the summer. And any funds that you may have received, or can obtain on account of that negotiation, the contractors are very anxious to obtain; and will pay any difference to the State, if any, that shall be necessary to make the sale par to the State. And they beg me to urge upon you to retain any such money for them, to remit through the Governor or canal commissioners, for their benefit.

The Governor says he has written you to withdraw the bonds deposited with Wright & Co., altogether, or so far as the money has not been received upon them.

The contractors now have the Governor's consent to their availing themselves of the loan contracted by you with Wright & Co., securing the State par for the bonds, provided it can be made available to them; and they feel almost that their salvation, in a business point of view, would be found in obtaining it.

The anxiety felt by a large community as to the fate of the canal, is most intense; and the fate of a thousand business men, directly or indirectly, depends upon it.

Payment in bonds will insure the progress of the canal, if they can be properly and favorably disposed of. But an early realization is, of course, vitally important; and, with that view, I address you, in behalf of contractors, in relation to your arrangement with Wright & Co.

Will you oblige me with an immediate reply, advising me of the particulars and prospects of that negotiation? And if any thing can be obtained from it beneficial to contractors, withhold, as you have here the Governor's assent to do, the withdrawal of the bonds until the matter has been considered by contractors, after the receipt of your reply to this, and until after you hear from me again.

Very truly, yours,

W. B. OGDEN, of Chicago.

Hon. R. M. YOUNG.

The subject matter of the above letter from Mr. Ogden to Judge Young meets with my approbation, provided the money can be realized to suit the convenience of the contractors—say in instalments of \$200,000 on the 1st of May, July, September, November; &c.

THO. CARLIN.

No. 9.

R. M. Young to William B. Ogden.

WASHINGTON CITY, *March 29, 1840.*

DEAR SIR: Yours of March 7th, bearing date at Quincy, as one of a committee appointed by the contractors on the Illinois and Michigan canal, was received by last evening's mail; and I hasten a reply by the earliest opportunity, agreeably to your request. I shall feel much gratified if I can in any way be of assistance in saving the contractors from bankruptcy and ruin, the canal from abandonment, and our citizens and State from so great a calamity. The contract I made with Messrs. John Wright & Co., of Henrietta Street, Covent Garden, London, for the sale of one million of the Illinois and Michigan Canal bonds, was most unquestionably, a much better contract for the State than any one acquainted with the then depressed condition of the money market in London

supposed could have been made, under the adverse circumstances attending it; and was, and still is, in my opinion, in strict conformity with the law under which I acted, by which the bonds were required to be disposed of at par. The bonds were severally for the sum of £225 sterling, or \$1,000 in our currency, estimating the pound sterling value at the rate of four shillings and sixpence to the dollar. All Governor Reynolds and myself had to do as agents of the State, was to procure, for the use of the canal fund, \$1,000 in par money for each of these bonds. Did we make such an arrangement? The agreement with Messrs. Wright & Co., which I forwarded to Governor Carlin was for £91 in the £100, in London, giving the benefit to the difference in exchange between London and New York to the State of Illinois, which at that time, was computed at nine per cent., with a condition annexed, that, if the exchanges should at any time fall below nine per cent. in New York, and Messrs. Wright & Co. were advised of that fact, they were to increase the price of the bonds above £91, in proportion to the fall of the exchanges, so as to preserve the relative value of the bonds as contemplated by the agreement. The question now is, would this price produce \$1,000 in par funds, (by which I mean specie) for each of the bonds in Illinois? In the first place, I draw on Messrs. Wright & Co., at New York, for £204 15s. sterling the amount for which I sell one of the bonds of £225 or \$1000, counting at the rate of £91 in the £100. I sell the draft in New York at 9 per cent. advance, which is equal to £18 8s. 6d. sterling, which, added to the sum drawn for, makes the sum of £223 3s. 6d.; this rendered into dollars is \$992, omitting fractions. I deposite this sum in one of the banks in New York, and a draft is drawn upon it by the canal commissioners at Chicago, at two per cent. advance, which was the usual difference in exchange between Illinois and New York previous to the suspension of specie payment by the banks; and it will produce in Chicago, in funds equivalent to specie, \$1,010 84 cents. But an illustration more simple and easier of comprehension may be given to such as are not accustomed to calculate exchanges, and the rendering of pounds, shillings, and pence into our currency.

In London, a sovereign of gold is exactly a pound sterling, or twenty shillings, British currency. Now, suppose, instead of leaving the money in deposite with Messrs. Wright & Co. in London, for the purpose of making drafts upon it in New York, I had brought with me the avails of one of these £225 or \$1,000 bonds in gold. I would have had at New York on my arrival, 204½ sovereigns. A sovereign, according to the American standard, and its actual value, as received and paid out by the banks in New York, is worth four dollars and eighty-five cents. These sovereigns, consequently, would be equal to \$993 and a fraction. This sum I deposite in bank at New York, and it is drawn for as above by the canal commissioners at Chicago, at two per cent. advance. The amount realized in specie, or its equivalent, in Illinois, by this operation, would be \$1,012 86 cents. Is this not a par arrangement, as was understood by the General Assembly by which the law in question was enacted? Suppose, for instance, after these bonds were executed by the Governor for sale in a foreign market, \$1,000 for each bond had been offered in Illinois: would not the proposition have been accepted as being in accordance with the spirit and intention of the law? You may re-

collect that \$500,000 of these sterling bonds were delivered to General Thornton, one of the canal commissioners, for sale at Chicago, or within the limits of Illinois, at par: now was it expected that General Thornton was to obtain more than \$1,000 for each of these bonds? and did he sell for more, or not? And yet these were a parcel of the same sterling bonds, for the sale of which Governor Reynolds and myself made the arrangement with Messrs. Wright & Co. in London. It is, nevertheless, true that we lose the difference in the exchange, in the payment of interest and in the reimbursement of the principal. What that difference may be, no one can tell. Nor can it be known, at this time, whether the exchanges will be for or against us, when the principal shall become due, as that must depend upon the course of trade between the two countries, and a variety of other circumstances, when the event occurs. Be that as it may, the sale was considered as at par, according to the signification of the term among bankers and merchants, both in England and the United States. Before the agreement was signed, Messrs. Wright & Co. submitted it, with the laws of Illinois, and our commissions from the Governor, under which we acted, to their attorney, (who is a gentleman of acknowledged legal ability in London,) who pronounced it a par arrangement, and in conformity with the law and our powers; and such being my opinion, the contract was consummated for \$1,000,000 of the bonds, and might have been extended for \$2,500,000, if I had not supposed that the residue had been disposed of at New York, by my colleague, Governor Reynolds, on his return to that city. You will also bear in mind, that the commissions, &c. of Messrs. Wright & Co. for selling, were to be discharged out of such excess over and above the £91 in the £100, not exceeding four per cent., as might be realized above that minimum, and that all above £95 in the £100 was to be equally divided between Messrs. Wright & Co. and the State. There was also a clause which prohibited Messrs. Wright & Co. from selling below the minimum of £91, even to reimburse themselves for advances, which were to be made at five per cent. being one per cent. less than the interest on the bonds.

This, in my judgment, is decidedly a better contract than can be made again; and, if it should be cancelled, according to the understanding of the late General Assembly, as I am advised by Governor Carlin, it will be a hopeless task to undertake the sale of Illinois bonds in that market, at least; and the credit of the State would greatly suffer, I fear, both abroad and at home, for the want of confidence in its future legislation; as it respects all liabilities for moneys advanced in aid of her public improvements. As for selling Illinois bonds in New York or Philadelphia at par, at this time, I should think it would be utterly impossible. The last sale of our bonds at New York was at seventy-two cents to the dollar. A short time ago, Major Charles J. Nourse, exchange broker of this city informed me that he was authorized by some person at New York to offer a parcel of Illinois bonds to the Secretary of the Treasury, (who was about investing some Indian annuities, I believe, in State stocks, at seventy-one cents to the dollar, and that his proposition was refused. Judging from these facts, therefore, it would seem that a par arrangement could not at this time be effected at either of these cities.

I have drawn for £10,000 on the contract with Messrs. Wright & Co., which is received and could be made immediately available to the canal

contractors, as soon as an understanding can be had that the Governor will sanction a renewal of the contract with Messrs. Wright & Co., and the new bonds are forwarded to London. The contract as it now stands, is a *State contract*; and whether Messrs. Wright & Co. would consent to cancel it in that form, and make a new contract with the canal contractors, or their agents, I am unable to say. It would certainly be better to make as little change as possible, as a proposition to that effect might induce Messrs. Wright & Co. to suppose that the State, by insisting on the change, did it for the purpose of escaping liability. But this difficulty, I think, could be avoided in this way: Let Governor Carlin authorize me, or some other agent to cause the new bonds to be made at New York, in sums varying from £100 to £300, with the interest payable semi-annually on the 1st days of January and July, and changed from the form of the old bond so as to express in addition to the faith of the State, that the canal lands, &c., were also pledged to secure the ultimate payments. These changes, Messrs. Wright & Co. said would be of great advantage in making sales. Then, let the canal contractors receipt to the Governor for as many of these bonds as may be agreed upon, as payment for so much money on their several contracts. I could then, with the authority and advice of Governor Carlin, place these bonds in the hands of Messrs. Wright & Co., and secure the avails, as might be directed for the benefit of the contractors. In this way, the Governor could secure the par value of the bonds to the State, in his agreement with the contractors. In addition to the £10,000, we can, according to the contract already made, very soon draw for £20,000 more; and I have no doubt that the residue could be obtained, in sums to suit the contractors, within a short time thereafter. I have received letters from London, recently, giving the most flattering account of the prospect of sales of our bonds. In a letter from Messrs. Wright & Co., of the 4th of January they say that they have sold enough of the bonds to reimburse them for the £10,000 drawn for, and have a fair prospect of making further sales on more favorable terms; and urge the necessity of sending over renewed bonds, making the interest payable semi-annually, and changed from £225 to denominations varying from £100 to £300. They also propose to take the residue of the bonds, making \$2,500,000, on the same terms. They conclude by saying that the prejudice against American securities is fast subsiding, and wish the altered bonds transmitted as soon as possible. Mr. Samuel Allinson, agent of the House of Wright & Co. in a letter dated 31st January, says: "The price of Illinois bonds is at present £95 in the £100, and I think will very shortly run up to the full amount expressed on their face, and I am convinced will be preferred to any other American securities. The Bank of England has just reduced the rate of interest from six to five per cent.; and a still further reduction is expected;" and concludes by urging me to procure and forward the altered bonds, changed as above described. In a subsequent letter dated 18th February, (the last received,) Mr. Allinson says: "Illinois bonds are in good demand, and I think we could dispose of your \$2,500,000 easily;" and again requests that renewed bonds may be sent without delay. Thus you have the prospect held out at London. I was just preparing a letter to Messrs. Wright & Co. to cancel the contract made with them, under instructions from the Governor, which I intended

to have sent by the "British Queen," which leaves New York the first of April; but will not send it until I hear from you on the subject of the proposed arrangement. If the Governor should be unwilling to remodel and retain the agreement as a *State* arrangement, and the contractors should desire to avail themselves of the benefit of the contract, by substituting their names for that of the State, I will aid them to the extent of my ability; but doubt the success of such a proposition, and hope the Governor may consent to the course I have suggested.

I am, very respectfully,

Your obedient servant,

RICHARD M. YOUNG.

WILLIAM B. OGDEN, Esq.

P. S. At the date of Mr. Allinson's last letter, they had not heard in London any thing of the doings of our Legislature at the late special session.

No. 10.

Governor Carlin to R. M. Young and John Reynolds.

QUINCY, ILLINOIS, March 12, 1840.

GENTLEMEN: A committee of contractors upon the Illinois and Michigan canal have visited me, and propose to receive their estimates as they become due, from time to time, in State bonds, provided money cannot be procured to pay those estimates. I am exceedingly unwilling to pay them in bonds; but it would seem to be very hard treatment to refuse to do so, as such refusal would compel them to abandon their contracts, and would absolutely bankrupt and ruin a great portion of the contractors. They further propose, in case bonds are paid to them at par, to place said bonds in the hands of an agent to sell for them, in the east, in large parcels, so as to prevent them being hawked about in small quantities to the injury of the credit of the State. They further propose and request (with a view of providing certain assurance of money) me to place in the hands of the canal commissioners bonds equal to the probable amount of work to be done during the season, from the 1st of March instant—altogether about \$1,200,000; with instruction to sell the same at discretion, on such terms only, however, as will secure their legal par value to the State; and the proceeds of such sale, or sales, to apply to the current expenses of the canal.

Believing it to be a duty devolving upon me to strictly preserve the good faith of the State toward her creditors, I have consented to the foregoing propositions; but to avoid any difficulty that may possibly grow out of such proceeding, I have to request of you and Judge Reynolds to

use your utmost exertions, to make a sale of bonds, in some of the eastern banks, to the amount of \$1,200,000, payable, in instalments of \$200,000, on the 1st of May, July, September, November, &c., but, if possible, procure \$500,000 on the first of May, as the debts of the canal, for which scrip has been issued prior to the 1st of March instant; is probably near \$300,000.

I think I informed you in one of my preceding letters, that the Legislature passed a law providing for the payment of interest on loans for canal purposes semi-annually. The contractors express great anxiety to secure your contract with Messrs. Wright & Co.; but I informed them that I had advised you to cause the contract to be cancelled, and the bonds withdrawn; which I presume you will have done before this reaches you. I cannot however now approve that contract, as the last Legislature was altogether opposed to it; but I, notwithstanding, believe it is better, on the score of expediency, than can be done elsewhere, and would therefore be glad if the contractors could avail themselves of it; but on reflection, I cannot see how it is possible, unless they should first avail themselves of the bonds, and enter into the contract through an agent of their own. Please write me what the present prospects are in relation to the sale of bonds in the eastern cities.

The act of the last session, allowing five dollars per day to agents employed to negotiate loans, I am inclined to construe differently since I wrote you. The act allows five dollars per day, where no specific bargain was made by me. In the case with each of you, I made a specific bargain that you were to be furnished a sufficient sum to bear your expenses, and were to submit to such allowance as the Legislature might agree upon as compensation for your services. The Legislature surely meant to pay you five dollars per day, over and above your expenses. At all events, I feel free to do so, under the authority of that act; and shall therefore, authorize each of you to make an account of your expenses, while engaged in that service, as well as the number of days employed and forward it to me, and I will direct all arrears to be paid to you out of the canal fund.

An act passed the last session requiring the canal commissioners to sell as much of the canal lands as was necessary to pay the interest on canal debts; which, I suppose, is the only legitimate source from whence the interest is to be derived.

If any negotiation is made by you for canal purposes, please advise the canal commissioners immediately.

With much esteem, your friend,

THOS. CARLIN.

P. S.—Two drafts of \$16,000, each, drawn by me upon the Onondaga Bank, (being the two first instalments due on account of a loan or negotiation made by Governor Reynolds and General Rawlins with the Poughkeepsie Locomotive Fire Engine Company, for \$128,000,) have been protested by said bank. This loan has been transferred to the Bank of Illinois; and that bank has made advances to the amount of \$80,000, which have been expended upon the State House. This subject I

referred to the last Legislature, and recommended the indemnity of the Bank of Illinois; but no action was had in reference to it. I presume the company will not pay for the bonds, but was informed by the cashier of the Bank of Illinois, that they expressed a desire to return the bonds; which, I suppose, had better be acceded to. But as the instalments were transferred to the Bank of Illinois, it may be proper to secure the consent of that bank to such arrangement, particularly as the State is not in possession of funds to indemnify that bank, at the present time, for the advances which it has made. I have to request Governor Reynolds to ascertain whether there is any certainty of getting the money from said company, and if not, to recover the bonds if possible. In that event, the company ought to pay for engraving the bonds. In case the negotiation is cancelled, I wish you to sell that amount of bonds, to enable the State to complete the State House, as contemplated by the law authorizing the loan. I will write to the Bank of Illinois to advise you of their consent to cancelling the contract.

With great esteem, your friend,

THOS. CARLIN.

Hon. R. M. Young and
JOHN REYNOLDS.

No. 11.

Gov. Carlin to R. M. Young and John Reynolds.

QUINCY, ILLINOIS, March 26, 1840.

GENTLEMEN: I omitted, in my letter to you of the 12th instant, to request you to place in some bank, in New York or Philadelphia, \$1,200,000 of the canal bonds, which you have in possession, subject to the order of the board of canal commissioners; provided, however, you have not or cannot sell bonds to that amount. I would much prefer your selling the bonds, in case a sale can be made at par. In one of my former letters I enjoined upon you not to sell bonds at less than par in the currency where the sale was made; but, under existing circumstances, I have now concluded to take the responsibility of authorizing you to sell bonds to the amount of \$1,200,000, provided you can realize par in Illinois bank paper. A sale at that rate would be as favorable to the State, as to pay that amount of bonds to contractors at Chicago, and would obviate any depreciation of bonds which might grow out of the payment of them to contractors. In case, however, you cannot sell, please to place the above amount in some safe bank, subject to the order of the board of canal commissioners; and give them notice thereof as soon as you have determined what bank you will place them in, as it may be important for them to know as early as possible. I also mentioned, in my last letter, that I wished you to sell as many bonds as are necessary to pay the interest that will become due on the 1st of July next, on account of canal loans; but in

the same letter countermanded it, in consequence of an act of the last Legislature requiring the canal commissioners to sell as much of the canal lands as would be necessary to pay the accruing interest upon canal debts. I am, however, informed by Gen. Thornton, that money cannot be realized from the sale of canal lands in sufficient amount to pay the interest that will then become due; therefore, in order that the faith of the State may be fully preserved, I consider it my duty, if possible, to cause a sufficient additional amount of bonds to be sold, to enable the State to *punctually* pay the interest. Be pleased to use every exertion to sell bonds for that purpose, and, in case you should succeed, advise the canal commissioners of it immediately.

Your friend,

THOS. CARLIN.

Hon. Messrs. YOUNG and REYNOLDS.

No. 12.

Richard M. Young to Gov. Carlin.

WASHINGTON CITY, May 15, 1840.

DEAR SIR: After the joint letter of Governor Reynolds and myself, from New York, in which we informed you of the impossibility of making sales of canal bonds to pay interest, &c. agreeably to your letter of instructions to us on that subject, I called to see Thomas Dunlap, Esq. president of the United States Bank at Philadelphia, on my return to Washington city, and advised him of our failure, and the probable inability of the State to pay the accruing July interest, which will fall due in London on the \$1,000,000 of canal bonds sold to that institution by Messrs. Rawlings and Reynolds last spring. That interest is stipulated to be paid at the agency of the Bank of the United States in London, and amounts to \$60,000. Mr. Dunlap says that his bank is much pressed to meet its liabilities in London, and that he cannot, without much inconvenience, make an advance to meet this interest; but that if the State should fail to provide the means, he will see to the payment, rather than suffer the bonds to become discredited in the London market; as would inevitably be the case, not only there, but also in the home market, upon the happening of such a contingency. In that event I think we can prevail upon him to take bonds upon the same terms on which the \$1,000,000 were sold, for the amount of interest it may become necessary for him to advance in London. Besides the \$60,000 payable in London on the *sterling* bonds sold to the Bank of the United States, there is a considerable sum due at the same time on the *dollar* bonds, payable in New York. This, it is the duty of the canal commissioners to pay; and as no provisional arrangement could be made for its payment, with the means placed at our disposal by your letter of instruction, it is important that the amount should be raised in some other way, and that speedily, as otherwise the credit of our stocks will inevitably go down, and with it, necessarily, the credit of the State. We mentioned in our letter from New York, that

during our stay in that city a parcel of our bonds were offered at the "stock board" at 70 cents to the dollar, without a purchaser; and that a lot of Indiana bonds were sold at the same time at 65 cents to the dollar. What will be the scale of depreciation upon a failure to meet the payment of the interest punctually, no one can foresee. But one thing is certain: that such a result would be injurious in the extreme, if not wholly ruinous to the future credit and prospects of our State.

While at New York, the citizens from Illinois then present in that city, consisting of Governor Duncan, Colonel Mather, Doctor Barrett, Governor Reynolds, and myself, had frequent conversations on the subject of our State difficulties, and unanimously agreed that our only hope depends upon the execution, in good faith, on our part, of the two contracts with Messrs. Wright & Co. of London. If these contracts should be abandoned, what are our other resources to meet the accruing liabilities of the State at home and abroad? We see none—nothing before us but mist, and gloom, and hopeless bankruptcy. The canal lands cannot be disposed of without great sacrifice, if at all; and it will not do to tax the people so heavily as would be necessary, if unaided by other and very considerable means. To think of making further sales of bonds at par, either in Europe or in this country, under existing circumstances, (which are daily becoming worse and worse,) is a fallacious calculation, if, indeed, such an idea should at this time be entertained by those whose duty it is to provide for these and other exigencies of the State.

These contracts, in our judgment, may yet be consummated, provided you should, on a reconsideration of your former opinions, consent that renewed bonds, with the interest payable semi-annually, to the extent of \$2,900,000, should be executed, and forwarded to Messrs. Wright & Co. on the canal contract, and for the residue of the contract made by Messrs. Rawlings & Oakley. In regard to the contract negotiated by us with Messrs. Wright & Co. Colonel Mather has agreed, on his own responsibility as to expense, to have the renewed bonds engraved, and to take them out with him to Illinois, or to see that they are forwarded as soon as they can be made ready. You can then exercise your discretion, with all the information which may be in your possession, whether you will execute them or not, and give instructions for the execution of the contract; it being our opinion that there is nothing in the legislation of the late General Assembly to prevent such a course, if you should consider it expedient. Two-thirds of the new bonds will be for £300 sterling each, and the residue of the denomination of £100 each; Mr. Wright being of opinion that they would be much more saleable than if executed in the old form. We were informed by Colonel Mather that Gen. Thornton had sold only \$100,000 of the \$500,000 of bonds placed in his hands for sale within the limits of the State; so that (with the \$400,000 in his hands unsold, the \$1,000,000 in the hands of Messrs. Wright & Co. which would be withdrawn, the \$1,200,000 deposited with Messrs. Nevins, Townsend & Co. in New York, and \$300,000 deposited with the Bank of the United States, in Philadelphia—all of which, we suppose, would be taken up and cancelled,) the amount of the new bonds would be \$2,900,000, to make up the \$4,000,000 authorized by the laws of the State.

Very respectfully, &c.

RICHARD M. YOUNG.

His Excellency, THOMAS CARLIN, Governor of Illinois.

No. 13.

Gov. Carlin to R. M. Young.

QUINCY, ILLINOIS, May 1, 1840.

DEAR SIR: I have concluded to confirm your sale of \$1,000,000 canal bonds to Messrs. Wright & Co. of London: 1st. Because I have no doubt that it is the best and most favorable sale that can probably be effected to enable the State to meet the present and accruing liabilities on account of the canal throughout the year; the present indebtedness to the holders of scrip; and to contractors, amounting to near \$400,000. These must be provided for, and the accruing interest to be paid on the 1st of July and January next. The last Legislature, by an act passed on the 1st of February last, required the canal commissioners to sell as much of the canal lands and lots as would be necessary to pay the interest on canal debts for the present year; but General Thornton tells me that it would be impracticable to raise the money from that source. And 2dly. Because the action of the last Legislature failed to repudiate your contract, although it was much animadverted upon; and therefore removes responsibility, to a great extent, on my part. I cannot, however, persuade myself that it is a sale at par, according to the letter of the law; but I do believe it is a par sale, according to the meaning and intention of the Legislature at the time it was enacted; knowing, as I do, that they were informed that the price of Illinois stocks at that time in Europe was 93 to the 100; and by estimating the difference of exchange at 10 per cent. in favor of London, it was contended that 3 per cent. premium would be realized by a sale at that rate. Therefore, the sale of \$4,000,000 canal bonds was anticipated to be made in Europe, as the phraseology of the act itself will demonstrate; and if a sale at 93 to the 100 at that time would net a premium of 3 per cent. surely a sale at the same time at 90 to the 100 would have yielded par.

Whatever may be my private opinion as to the utility of contracting those debts, I think expediency at present demands the confirmation of your sale to Messrs. Wright & Co. Therefore, if the money can be realized to meet the demands upon the canal throughout the present year, I request you to close and confirm the contract; but if money cannot be realized from that negotiation to meet the present and accruing liabilities for this year, then, and in that case, I would advise and recommend cancelling the contract, and a withdrawal of the bonds; because, should the payment of the money be postponed until next year, the Legislature, before that time, will have been convened, and an opportunity afforded for such action as their wisdom may dictate.

With sentiments of the highest regard, your friend,

THO. CARLIN.

HON. RICHARD M. YOUNG.

P. S.—I presume Gen. Thornton will arrive at Washington by the time this reaches you, on his agency for the canal contractors, for the purpose of selling bonds, which necessity and a sense of justice compelled me to

place in the hands of the canal commissioners, to meet the wants and liabilities of the State in the absence of money. I deprecate a forced sale of those bonds by the contractors, (although they take them at par from the State,) both on account of the loss to be sustained by the contractors themselves, and the effect and pernicious influence that it will have upon the credit and character of our State stocks in future. This, sir, has had no small agency in determining me to confirm your sale of \$1,000,000 to Messrs. Wright & Co. General Thornton expressed an intention, when here, in case the money was realized from your contract, to sell an additional amount of bonds on account of the contractors, even at reduced prices; alleging that \$1,000,000 would be unequal to the present liabilities, and keeping the work on the canal in progress throughout the year. I have reflected upon this matter since his departure, and have arrived at the conclusion that it would be infinitely better to curtail the work upon the canal, to the limits of \$1,000,000, than to sell any of the bonds below par; and request you to show him this, and I give it as my deliberate and decided recommendation. The success and ultimate completion of the canal depend less upon the amount of work done this year, than upon keeping the credit of the bonds inviolate at par.

T. C.

No. 14.

Richard M. Young to Gov. Carlin.

SENATE CHAMBER,

Washington City, May 26, 1840.

DEAR SIR: YOUR letter of the 1st of May, approving of the contract made with Messrs. Wright & Co. of London, for \$1,000,000 of bonds of Illinois and Michigan canal stock, provided the money can be realized for the purposes of the canal during the current year, has been received; and we have hastened to inform Messrs. Wright & Co. (by the steamship British Queen, which sails on the 1st of June instant) of the proposed alteration, and of your desire that the contract should be cancelled, and the bonds withdrawn, if the money cannot be promised within the year. I send herewith a copy of our letter to Messrs. Wright & Co. to which I beg leave to refer for the subject-matter of its contents.

I regret (if it is intended to avail ourselves of this contract,) that any limitation should have been imposed in regard to the time of payment, as I very much fear Mr. Wright will decline making any promise inconsistent with the agreement. To give you an idea of his feelings in respect to any movement which savors of repudiation, or a disposition tending to a non-compliance with existing agreements, entered into, as he supposed, in good faith, and by agents duly authorized by law, I send you the copy of a letter from him, which was politely furnished me by Thomas Dunlap, Esq. President of the Bank of the United States.

General Thornton was exceedingly anxious that I should pay the New York interest, amounting to \$45,000, out of the £10,000 heretofore advanced by Mr. Wright, and draw for the £20,000 promised on the 15th of July, to enable him to pay the interest falling due in London on the first Monday in July, amounting to about \$65,000. At first, I was disposed to aid him in providing for these payments, and went to Philadelphia to assist him to make the necessary arrangements with the Bank of the United States; but not having succeeded there as we anticipated, I returned to Washington, and, on further reflection and advice with Governor Reynolds and Mr. Webster declined doing any thing further in the matter. I send you a copy of my letter to General Thornton, now at New York; which will explain the reasons which decided me to adopt this course.

If it is desirable to carry out our contract with Wright & Co. in good faith, my present impression is, that it will be essential for you to withdraw the limitation contained in your letter of approval of the 1st of May, so as to leave the payments to be made according to the terms of the agreement. In respect to the substitution of new bonds, providing for the payment of the interest semi-annually, you say nothing in your letter, or in any of your correspondence with General Thornton. General T. says that such was your intention, and that he will undertake to procure and forward the new bonds to Mr. Wright. This will be necessary to render that contract effectual, as the old bonds are admitted on all hands to be unsaleable with the interest payable but once a year.

I am informed that the accounts brought out by the "British Queen," from London, represent American stocks, with but few exceptions in a state of very great depression. Arkansas six per cent. sterling stock sold a few days ago, in New York, at 56 to the 100; and although money is plenty there, it cannot be obtained for our western and southwestern State securities.

Very respectfully, your friend,

RICHARD M. YOUNG.

His Excellency, THOMAS CARLIN,
Governor of Illinois.

No. 15.

R. M. Young to General Thornton.

SENATE CHAMBER.

Washington City, May 25, 1840.

DEAR SIR: Since my return from Philadelphia, I have consulted with Governor Reynolds on the subject of providing for the interest on our canal bonds at New York and London. He is altogether unwilling to make such an appropriation of the £30,000, or any portion of it, until it is known that Messrs. Wright & Co. will accept the condition imposed by Governor Carlin, in his letter of approval the first of May

and especially as the Governor did not in that letter, request us to assist you in payment of the interest. I also mentioned to him the guaranty offered by Colonel Mather, as president of the State Bank of Illinois, for the reimbursement of the \$45,000 proposed to be paid in New York. He says he cannot consent to any such arrangement, as he is unwilling to assume responsibility without express authority from the Governor. Without his consent, I do not feel authorized to act; and must therefore decline, for the present, doing any thing further in the matter. It appears to me upon much reflection, that it would be better to inform Mr. Wright of the approval of our contract by the Governor, with the circumstances attending that approval, and at the same time to hold ourselves in a position to cancel the contract, by refunding the £10,000 drawn, and asking for a return of the \$1,000,000 of bonds, provided he is unwilling to promise the money within the current year. It would unquestionably be better to keep this contract, for the present, separate and distinct from all other transactions, until we can close it up in some way, and surrender our agencies.

I do deplore exceedingly the present condition of things, and see nothing but mist and gloom in the prospective; and regret exceedingly that the last legislature did not do something effectual to place the credit and integrity of the State on some substantial basis. The July interest should, at all events have been provided for with certainty, and not left to depend on remote probabilities.

We will send our letter, with its enclosures to Messrs. Wright & Co. by the British Queen, which sails on Monday next, and ask the favor of you to take out a duplicate; and will lose no time in making our contract available to the State, as soon as Mr. Wright's acceptance of the new condition proposed in the Governor's letter shall have been communicated to us.

Before writing this morning, Governor Reynolds and myself advised with several gentlemen here, in whose judgment we repose great confidence, as to the course we ought to pursue in the present emergency, after stating the difficulties with which you were surrounded, and the guaranty offered by Colonel Mather, as president of the State Bank, for the reimbursement of the New York interest; and they advise us against all expedients, and say that it is our duty, both as it regards the interest of the State, and as matter of good faith towards Messrs. Wright & Co. to refrain from doing any thing whatever under our contract, until we hear from them, and have their approval of the change proposed by the Governor; and at the same time to hold ourselves in a position to cancel the contract by refunding the £10,000, and asking for a return of the bonds, if Messrs. Wright & Co. after a consideration of all the circumstances, should be unwilling to promise the money within the current year.

Very respectfully,

Your obedient servant,

RICHARD M. YOUNG.

General WILLIAM F. THORNTON,
City of New York.

No. 16.

R. M. Young and John Reynolds to John Wright & Co.

WASHINGTON CITY, *May 26, 1840.*

DEAR SIR: Your esteemed favors of the 4th and 23d of January, and 18th of March, with copies of letters of remonstrance from yourself and Messrs. Thompson & Forman, to his Excellency, Thomas Carlin, Governor of Illinois, and the copy of the letter from Messrs. Few & Co. to Mr. Blatchford, have been received and duly considered. After the letter of Mr. Young of the 30th of November, in which he informed you that Governor Carlin had issued his proclamation convening the Illinois Legislature on the first Monday in December following, and that his attention, and, through him, the attention of the Legislature, had been directed to the necessity of changing the denomination of the bonds from £225 to sums of £100 and £300, and the still greater necessity of providing for the payment of the interest semi-annually, we waited for the action of the Legislature to enable us to advise you understandingly as to the future operations connected with our negotiation. This, with the subsequent portion of this letter, will account for our delay. At the commencement of the session of the General Assembly, Governor Carlin submitted our contract for the approval or disapproval of the Legislature. We send you herewith the reports of the majority and minority of the Committee on Finance, without comment; suffice it to say, that neither report was, in the end, adopted. After the adjournment of the Legislature, the Governor was at first inclined to the opinion, that, as the contract was not formally ratified, he could not approve it with propriety; and hence the new bonds, with semi-annual interest, could not be procured to make the contract effectual in your hands, it being the general understanding that the old bonds would be unsaleable by reason of the interest being payable but once a year. Thus matters remained for a time; the Governor hesitating, and the contractors on the canal anxious that something should be done for their relief. We have at length received an official letter from the Governor, dated May 1, 1840, (a copy of which we enclose to you,) and the copy of a letter addressed to General William F. Thornton, dated April 30, 1840. (which we also enclose,) by which you will perceive that he has concluded to confirm our sale for \$1,000,000, the amount of bonds left only in your hands. We did not ourselves suppose there was any necessity for a formal approval of the contract by the Legislature, as the power to make contracts, under the laws which governed our action, had been transferred to the agents to be appointed by the Governor; but, as the contract contained a provision for semi-annual interest, requiring legislative action and sanction to give it effect, we think it was very properly for that purpose at least submitted for consideration, inasmuch as the proposed change was not authorized by any existing law. But, without this, the contract was perfect, as all we promised to do was to procure, or endeavor to procure; and, in that respect, complied with our contract to the extent of our engagement. The Governor, we are informed by General Thornton, has also consented to the making of

the new bonds, which are now in process of execution at the engravers in New York—two-thirds to be of the denomination of £300, and the remaining one-third £100, with interest payable semi-annually. These bonds, when engraved, must be sent to Illinois for the signatures of the Governor and Auditor of State, with the great seal of the State; and will immediately thereafter be forwarded to you, for the purpose of being substituted in place of the old bonds now in your possession, provided you are willing, under all the circumstances, to carry the contract into execution as originally intended. You will see, from the Governor's letter of May 1, that his approval of the contract is accompanied with a provision, "that, if money cannot be realized from that negotiation to meet the present accruing liabilities for this year; then, and in that case, I would advise and recommend cancelling the contract, and a withdrawal of the bonds," &c. It is, therefore, for you to judge whether the money can be promised for this year or not. We suppose, if the last instalment can be drawn for at ninety days at the close of the year, which would extend the actual payment at London three months beyond that time, it would come within the meaning of the Governor's instruction, as the money could be realized upon such a draft at New York at the close of the year. You will see by the 7th section, of the act to amend the several laws in relation to the Illinois and Michigan canal, approved, February 1, 1840, (a copy of which we also send you,) how far provision is made for the payment of interest semi-annually. We have thus given you a history of the difficulties which have been thrown in our way; and which still exist, in regard to our contract, which we had fondly anticipated would have been carried out with interest and credit to all the parties concerned. We saw no other way of providing for the exigencies of our State, and feeling a deep interest in the prosecution and completion of the work upon our grand canal, we felt a solicitude that something should be done; and all who were in London, and acquainted with the depressed condition of the money market at that time—not only there, but over the whole commercial world—will, we are sure award us the credit of having done the very best that could be done, and much better than any one supposed could have been effected, under the various embarrassments attending the money market at home and abroad. How much might have been realized in money, under our contract with you, if there had been no interruption to prevent its consummation, you, of course can judge better than we can. If but little has been accomplished, you surely are not justly chargeable with delinquency, when the embarrassments under which you have labored shall be duly considered and justly appreciated. We still hope you will consent to carry out the contract on the terms proposed in the letter of the Governor of the 1st May. If so, we will furnish you with the renewed bonds as speedily as we can, as General Thornton has promised to see that every thing is despatched in that respect as expeditiously as possible. General T., who will deliver you this packet, and to whose care the renewed bonds will be intrusted, assures us that messengers should be provided to carry the bonds, for execution, to Illinois, and back again to New York, when executed, with all possible despatch; to him we beg leave to refer you for such further information on this subject as may not be afforded by the explanations contained herein, and accompanying this letter. If you should,

however, decline going on with our contract, after the explanations afforded you, you will please signify in what way you would wish the £10,000 already drawn to be refunded, and return by some safe conveyance, the \$1,000,000 of bonds deposited with you, either to the care of Prime, Ward & King, or Nevins, Townsend & Co., of the city of New York. We have, up to this time, refrained from drawing upon your house for the £20,000 authorized by your letter of credit of the 31st of October last, and which will become payable in London on the 15th of July, 1840, by reason of the beforementioned difficulties. We regret that the Governor should have limited his approval to the condition of a change of the agreement so as to make the money available during the present year; but we, nevertheless, hope that you will find yourself in a situation to enable you to comply with that condition without inconvenience. We should not, of ourselves, have proposed any change affecting the original contract in any respect whatever, being satisfied with the agreement as it is; but as the Governor evidently yielded to a supposed necessity, with much hesitation and reluctance, and as we are anxious to avoid difficulty, we would be gratified if you would consent to the proposed alteration, to limit all the payments within the current year. Our Legislature will convene again on the first Monday in December next, when we trust something may be done to place the integrity of the State upon some substantial basis. We will thank you to favor us with a reply to this communication by the earliest convenient opportunity, as we are desirous so far as we are concerned, to bring this matter to a close with the least possible delay, with the view of resigning our agencies as soon as we can do so with propriety.

We are, very respectfully,

Your obedient servants,

RICHARD M. YOUNG,
JOHN REYNOLDS.

JOHN WRIGHT, Esq.,

Covent Garden, London.

P. S.—The £10,000 sterling advanced by you on my draft, in favor of the cashier of the Bank of the United States, in pursuance of the agreement made by me with Mr. Jaudon in London, has not been appropriated to any State purpose, and will be retained until I hear from you on the subject.

R. M. YOUNG.

No. 17.

Messrs. Reynolds and Young to John Wright

WASHINGTON CITY, May 29, 1840.

DEAR SIR: Since writing to you by the British Queen, on the 26th of the present month, we have at the request of General William F. Thornton, of Illinois, who is the acting president of the board of commissioners on the Illinois and Michigan canal, ventured to make a draft on you

for the twenty thousands pounds sterling authorized by your letter of credit of the 31st of October, 1839, to assist General Thornton in paying the interest on £225,000 sterling, sold to Thomas Dunlap, Esq. of Philadelphia, and which is payable at the agency of the Bank of the United States in London, on the first Monday of July 1840, and some arrearages due the United States Bank for interest heretofore advanced in Philadelphia, amounting to about twenty-four thousand dollars. Our draft in triplicate, is dated 23d May, 1840, and payable to A. Lardner, Esq., acting cashier of the Bank of the United States, and the negotiation is to be made through the agency of Mr. Jaudon, in London. It is, however, distinctly understood, that, as Governor Carlin of Illinois has limited the approval of our contract to the payment of the money within the present year, and much delay has been occasioned by the Legislature of our State in bringing about a consummation of our agreement, the draft or bill before mentioned is drawn subject to your approval, without being subject to protest or damages for non-acceptance; leaving you free to refuse the bill and annul the contract, if you should be unwilling under all the circumstances, to carry it into effect. We have attached a letter to each number of the bill, expressive of this understanding, with the assent of Thomas Dunlap, Esq., president of the Bank of the United States, as you will see by his own signature on the same sheet of paper, in his note to Mr. Jaudon, dated May 23, 1840, which is also the date of our letter accompanying the bill. The reason why the date of the bill (which is the 23d of May) does not correspond with the date of this our letter of advice of to-day, is because we had these bills made out several days ago at Philadelphia, and had concluded, when we wrote you by the British Queen not to make any use of them. But as we have since changed our minds upon the subject, and being now in a situation to place you in possession of the renewed bonds, through General Thornton, in a very short time, we hope it will suit you to go on with the agreement, and that you will find it convenient to promise the money, as explained in our original letter, within the present year.

We remain with respect and esteem,

Your obedient servants,

RICHARD M. YOUNG,
JOHN REYNOLDS,

*Agents of the State of Illinois for making the Illinois
and Michigan Canal State Loan.*

N. B.—We have omitted to send copies of the communications accompanying our original letter by the British Queen of the 26th of the present month, as we are confident that letter, with its contents, will reach you safely.

R. and Y.

A.

PHILADELPHIA, *May 23, 1840.*£20,000 sterling.

On the fifteenth day of July next after date of this our *third* of exchange, (first and second, of same tenor and date, unpaid,) pay to the order of A. Lardner, acting cashier, twenty thousand pounds sterling, value received; which charge as advised by

Your obedient servants,

RICHARD M. YOUNG,
JOHN REYNOLDS,

*Agents of the State of Illinois for Illinois and
Michigan Canal Loan.*

Messrs. JOHN WRIGHT & Co., *London.*

B.

PHILADELPHIA, *May 23, 1840.*

SIR: We send you through the Bank of the United States, the annexed bill on Messrs. Wright & Co. London, for £20,000 sterling the proceeds of which, when paid, you will please apply to the payment of interest due on the first Monday in July next on £225,000 sterling Illinois and Michigan canal bonds, No. 1. to 1,000, £225 sterling each—interest at six cent. annually.

It is, however, distinctly understood between the Bank of the United States and ourselves, that should the bill not be accepted or paid by Messrs. Wright & Co., it is not to be protested; Messrs. Wright & Co. having the option to annul and repudiate the contract at present existing between them and us, in relation to the loan to the State of Illinois for canal purposes. We have written fully to those gentlemen to-day on the subject; and our bill, as above, will be paid or not, as they may think proper to decide.

We are, very respectfully,
Your obedient servants,

RICHARD M. YOUNG,
JOHN REYNOLDS,

*Agents of the State of Illinois for making the Illinois
and Michigan Canal Loan.*

S. JAUDON, Esq., *London.*

C.

BANK OF THE UNITED STATES,

May 23, 1840.

DEAR SIR: The foregoing letter of Messrs. Young and Reynolds, is in conformity to an understanding we have with them, and we request you will carry the same into effect.

Very respectfully yours,

THOS. DUNLAP.

S. JAUDON, Esq.,

Agent of the Bank of the United States, London.

No. 18.

General Thornton to Governor Carlin.

NEW YORK, June 1, 1840.

DEAR SIR: I have been twice to Washington, to Philadelphia three times, and am now in New York for the third time, struggling to make arrangements for the payment of the July interest on canal bonds, as well in London as in New York. I have spared neither labor nor responsibility in the attainment of so important an object, convinced, as all others connected with our affairs are, that, unless the interest be promptly provided, and that provision be at once made known, no further negotiations need be attempted, either through Messrs. Wright & Co., on account of the State, or through any other channel, on account of contractors. The immediate prostration of the State credit, already seriously impaired, and the consequent ruin of thousands of our citizens, could not be averted a single day, if it were believed that any part of our interest would remain unpaid. After your sanction although conditional, of Messrs. Young and Reynold's contract with Messrs. Wright & Co., I calculated that the £10,000 already drawn, and the £20,000 authorized to be drawn for in July, would certainly be applied to the payment of interest, since Messrs. Wright & Co. had ample security in their own hands to reimburse themselves, even should they choose to relinquish the contract; and I was under the impression that you had written to Messrs. Young and Reynolds to pay the interest, if in their power. But they say they have received no order from you to pay the interest in any event; and that if they had, the conditions attached to your sanction of Wright & Co.'s arrangement render it improper for them to part with the £10,000 now in hand, until they can be assured that Messrs. Wright & Co. will proceed to carry out their contract, notwithstanding the modifications insisted on. For the same reason, they hesitated several days in drawing for the £20,000 due in July, to enable me to pay our interest in London; but have since consented, on condition that I would deposite

with them two hundred State bonds, until you should have ordered them to apply any funds derived from Messrs. Wright & Co. to the payment of interest. Hence you will see the necessity of immediate instructions to that effect.

Failing to obtain the £10,000 now in the hands of Judge Young, I was compelled to borrow \$45,000 in this city, for the payment of that part of our interest coming due in the United States, and to rely upon arrangements in England to meet the London interest, if Messrs. Wright & Co. refused to honor Messrs. Young and Reynold's bill for £20,000; which they will have a right to do, and which, by agreement with the Bank of the United States, is not to subject us to any damages whatever. But I carry such letters to Mr. Jaudon and others at London, as will, with very little doubt secure the payment of the European interest at the proper time. It is the unqualified opinion of every intelligent financier I have conversed with, that unless our engagements are kept with Wright & Co., and they continue to repose confidence in our stocks, it will be needless to offer the bonds in Europe; and, if discredited in Europe, it would be equally fruitless to try the American market. I therefore look upon the good will of Wright & Co. as so essential to our preservation and so necessary to the re-establishment of our character, that I trust you will not hesitate a moment in taking off all restrictions, and leaving them free to act according to the original understanding with Judge Young. By that agreement, the bonds were to be sold or withdrawn within eighteen months from last October; which limitation, without further provision, will bring the matter to a close in April next; and even if they refuse to warrant full sales during the present year, and I am obliged to sell a few bonds on account of the contractors, any money which Wright & Co. can furnish up to the middle of April will be much needed before new negotiations can possibly be effected. Judge Young and Governor Reynolds will write you on the same subject; and if, our recommendation be attended with success, they should be informed of it with the least possible delay, in order that the information may reach London time enough to avail us, in the event of the refusal of Wright & Co. to proceed as now restricted.

I have had engraved under the supervision of Judge Young, new bonds of £300 and £100, with semi-annual interest, to an amount sufficient to substitute those in the possession of Messrs. Wright & Co., (say £225,000 sterling) which will be forwarded to you without delay; and I beg you will be good enough to execute them as early as practicable, and transmit them to Judge Young, who will take the proper steps to forward them to me in London; and, if used by Wright & Co., I will take up the old bonds, and deliver them to you on my return, (seeing that they are first hammer-cancelled,) as soon as the others pass into the hands of Wright & Co. I shall also have prepared 500 bonds of \$1,000 each, to be sold in this country for scrip and money, which when you have executed, you will hold until bonds of £225 each be presented to you in exchange, by those to whom I may sell with that condition, agreeably to your letter of instructions, to me of the 1st of last month. Our delegation generally, and Judge Young particularly, have been very useful to me in procuring me proper letters, and otherwise aiding me in the object of my mission. I am using every effort to get off this morning in the

British Queen for London; consequently am much hurried, which will excuse me, I hope, for the hasty manner I have made this communication. I shall write again from London as soon as I can do any thing decisive, and would be much pleased to hear from you.

Very respectfully, your obedient servant,

W. F. THORNTON.

His Excellency, THOMAS CARLIN, *Governor of Illinois.*

No. 19.

Gen. Thornton to Nevins, Townsend & Co.

WASHINGTON CITY, *May 29, 1840.*

GENTLEMEN: You will please deliver to Messrs. Richard M. Young and John Reynolds, of Illinois, bonds, or Illinois and Michigan canal stock, to the amount of £45,000 sterling; to be held by them as security for drawing on Messrs. Wright & Co. of London, for £20,000; to be applied to the payment of interest on £225,00 sterling of said stock; due in London the 1st of July next.

Respectfully, your obedient servant,

W. F. THORNTON.

Messrs. NEVINS, TOWNSEND & Co. *New York.*

No. 20.

John Wright & Co. to R. M. Young and John Reynolds.

LONDON, *June 30, 1840.*

MY DEAR SIR: Thanks for your kind communications; and I am happy to find that all the difficulties (as I fully expected) about the par of exchange have been satisfactorily arranged.

Gen. Thornton, to whom I have had the greatest pleasure in being introduced, has arranged with us to continue the issue of the bonds, as agreed between us, till March, 1841, subject then to new arrangements; so that we shall, or rather have, accepted the bill of £20,000.

I am happy to say, among our private connexions we have sold bonds to cover the above amount; and hope to succeed equally well in future: but there is no chance with the public at the price mentioned, just at present; but times must alter this side March.

Trusting this will find you quite well, believe me yours, ever sincerely,
JOHN WRIGHT.

Messrs. YOUNG and REYNOLDS.

No. 21.

From Gov. Carlin to R. M. Young.

QUINCY, ILLINOIS, June 14, 1840.

DEAR SIR: Your letter of the 26th ultimo, together with the accompanying copies of letters addressed to Messrs. Wright & Co. of London, and to Gen. W. F. Thornton; also, a copy of a letter from Messrs. Wright & Co. to Thomas Dunlap, President of the United States Bank, were received by last mail, and I hasten to reply. Your letter to me, and the accompanying copies, most fully disclose the difficulties with which the affairs of the canal are surrounded, and its future prospects and progress threatened. The last Legislature, by their act, required the canal commissioners to sell as much of the canal lands as would be necessary to pay the interest upon the canal debts for the present year; consequently, no other legitimate source was left from whence to derive the means for that purpose. But, being verbally informed by General Thornton, in March last, that money could not be realized from the sale of lands to meet the interest which would fall due on the 1st July next, and believing that the character and true interest of the State depended upon the punctual payment of the interest as it became due, I took the responsibility of instructing you and Governor Reynolds to use every exertion to sell bonds for that purpose; which, however, proved unavailing. At that time, as at present, I felt fully persuaded that the confirmation of your contract with Messrs. Wright & Co. was the best that could probably be done, to enable the State to progress with the work on the canal; but the uncertainty of obtaining the money from that quarter to meet the expenditures for the year, together with the doubts I entertained of the contract being strictly a par sale, and the powerful efforts by members of the Legislature to repudiate not only that, but all other contracts made by the agents of the State during the past year, deterred me from approving it at that time. The doubts I entertained, however, of its being completely a par transaction, principally controlled my action thus far; believing, as I did, that the hostility evinced by a portion of the Legislature did not emanate from the most patriotic motives; but when the necessity arose of paying the contractors with State bonds, I then determined that the interest of the State would be better promoted by availing ourselves of your contract, provided the money could be had within the present year, and thus supersede the payment of bonds to contractors. This conclusion was approved by General Thornton; but he alleged that the money must be received during the present year, or the greater portion of it, otherwise it would be unavailing. From the tenor of your letter, as well as of a published letter from General Thornton to William B. Ogden, of Chicago, I would infer that some misunderstanding existed between Gen. Thornton and myself, in relation to the confirmation of your contract with Messrs. Wright & Co. and the payment of interest, &c. I cannot, however, conceive it possible that the General could have understood that your contract was approved unconditionally, as he expressly stated that the money must be realized during the present year.

A failure to pay the interest punctually, as it becomes due, under existing circumstances, would, in my conception, prove most destructive to the interest and prospects of Illinois; and I would, unhesitatingly, incur almost any responsibility to avert such a calamity. You say, that "if it is desirable to carry out our contract with Wright & Co. in good faith, my present impression is that it will be essential for you to withdraw the limitation contained in your letter of approval of the 1st of May, so as to leave the payments to be made according to the terms of the agreement."

If a withdrawal of the limitation of the time of payment could now furnish the means of the payment of the interest falling due on the 1st of July next, both in New York and in London, and save the State from the humiliation and mortification of a forfeiture of good faith and honor, it unhesitatingly would be done: but if such withdrawal would not prevent the catastrophe, no end nor advantage would be attained by it. And as the interest will become due about the time this reaches you, it will, therefore, be too late to make any provision for the interest falling due in London; but I will repeat, that if such withdrawal will avert the calamity, then it is freely and fully made. An additional reason to those before stated, for not promptly approving your contract with Messrs. Wright & Co. was, that if the money was not paid during the year, the Legislature would be convened before any thing could be derived from that source; and, therefore, an opportunity afforded to make any provision they might think proper, for the future wants of the canal. You will discover that the entire object is to provide for the present year. General Thornton spoke to me of the guaranty offered by Col. Mather, as President of the State Bank of Illinois, for the reimbursement of the New York interest; and he added, that he would not leave the eastern cities until the interest was provided for. I therefore relied upon his, yours, and Gov. Reynolds' joint exertion; and still hope that you will succeed in devising and procuring means to pay the interest. I cannot, however, disapprove your caution, situated as you are, in holding the proceeds of the £10,000 untouched, for reimbursement to Wright & Co. in case he should decline the proposed change of contract. If I had the control, at present, of any fund belonging to the State, I would not hesitate to divert it from its legitimate use, and apply it to the payment of the interest.

I have a letter now before me, from Mr. Woodbury, Secretary of the Treasury, informing me that \$57,289 37, on account of the three per cent. fund, arising from the sales of public lands, is due, and ready to be paid to the State of Illinois on the application of the proper authority, to be accompanied by a report in conformity to the act of Congress of the 12th December, 1820, giving an account of the application of said fund by the State, &c. This fund is, by law, to be added to the school fund, and I have no control of it, otherwise, I would apply it to the payment of the interest, and reimburse it out of the first money procured for canal purposes. Mr. Woodbury's letter will be enclosed, this evening, to the Auditor and Secretary of State—the money, to be drawn for and received by them; and it then becomes revenue for the use of the State. But still I have no control over it. I hope you will use the utmost diligence to provide means for the payment of the interest; and whatever

responsibility you may incur, shall be sustained to the utmost by me, and I feel assured, by the Legislature and the people also.

Your friend,

THOS. CARLIN.

Hon. R. M. YOUNG,

No. 22.

Gov. Carlin to R. M. Young and John Reynolds.

QUINCY, ILLINOIS, *June 25, 1840.*

GENTLEMEN: I have only time to drop you a hasty line, to let you know that I have determined to take the responsibility of confirming Judge Young's sale of \$1,000,000 canal bonds to Messrs. Wright & Co. unconditionally, according to the tenor of that contract. This I would have preferred doing at the outset, to the payment of bonds to contractors, had it not been doubtful as to the receipt of the money in due time to meet the wants upon the canal; and General Thornton himself insisted that it would not do to rely upon that contract for money to defray the expenses of the canal during the year, as it would depend upon the sales made by Mr. Wright, and, consequently, nothing certain could be depended upon from them; but as the General and yourself, and Judge Young, agree in recommending it, I have consented. You will, therefore, please confirm the contract, in case Mr. Wright has not previously accepted of the restriction proposed in my letter to you of the 1st of May last. The new bonds, to supply those in the possession of Mr. Wright, have been received and signed by me this day, and will be sent by tomorrow's stage to Springfield, to be completed; and thence to you, according to the request of Gen. Thornton, to be forwarded by you to him, at London. I have thought it best to leave the filling up of the numbers, and to whom payable, blank; to be filled up according to your direction, as it may be possible that Mr. Wright will decline the contract, altogether, and in that event the bonds could be made payable to another: besides, I am not entirely positive of the commencing number of those bonds now in Mr. Wright's hands. I expect the new bonds will be conveyed to you by Mr. Roberts, of Springfield. Want of time compels me to close.

Your friend,

THO. CARLIN,

Governor of Illinois.

Hon. R. M. YOUNG and

JOHN REYNOLDS.

No. 23.

Gov. Carlin to R. M. Young.

QUINCY, ILLINOIS, July 2, 1840.

DEAR SIR: I wrote you in great haste on the 25th ultimo, informing you that I had determined to confirm your sale of \$1,000,000 canal bonds made to Messrs. Wright & Co. of London, in October last, free from all restriction. This I would have done, in preference to the payment of bonds to contractors; but the committee appointed by the contractors about the 1st of March last, composed of General Thornton and others, alleged that your contract could not be relied on for money to meet the wants of the contractors, as it depended upon Mr. Wright's success in selling the bonds; and, in case he should fail to procure the money to meet their demands during the present year, inevitable ruin would be the consequence. But Gen. Thornton wrote me, immediately before his departure from New York to Europe, urging the propriety of confirming your contract, and says that it will dispense with the sale of bonds on account of the contractors. I therefore, without hesitancy, consented, and expressly informed and instructed him that it should supersede the sale of that amount of bonds on account of contractors. The semi-annual bonds will be forwarded to you by the Auditor from Springfield: you will please send them as early as possible to Gen. Thornton, at London, and advise Messrs. Wright & Co. on receipt of them, to cancel the bonds which you left in their hands before surrendering them to Gen. Thornton, to be by him returned to me.

It would seem by General Thornton's letters to me, that some misunderstanding existed in relation to the payment of the July interest, as it seems that he expected me to direct you to apply the £10,000 which you have drawn, and the £20,000 which you were authorized to draw for on Mr. Wright, to its payment. This I could not do before Mr. Wright had consented to the proposed alteration of the contract. I understood Gen. Thornton to say that he thought the guaranty of Col. Mather would be sufficient to induce you to do so, in case the interest could not be provided for from some other source.

Your friend,

THO. CARLIN.

Hon. RICHARD M. YOUNG.

No. 24.

Messrs. Young and Reynolds to John Wright & Co.

WASHINGTON CITY, July 20, 1840.

DEAR SIR: Yours of June 30th, acknowledging the receipt of our communications on the subject of our agreement of October 30, 1839, is duly received, and we are happy to learn that the difficulties with which our negotiation was surrounded are likely to be removed. The new bonds,

in denominations of £300 and £100, respectively, with interest payable semi-annually, duly executed by the Governor of Illinois and the Auditor of State, with the great seal of State affixed, in pursuance of the laws of Illinois, have been received by us in this city from Illinois, and transmitted to Messrs. Nevins, Townsend & Co. of the city of New York, with instructions to forward them to Gen. Thornton in London by the earliest safe conveyance, to be exchanged by you as far as may be necessary for the bonds now in your hands. It is the request of Gov. Carlin, of Illinois, that you cause the old bonds to be cancelled before their delivery in exchange to Gen. Thornton for the renewed ones, which will relieve all the parties concerned from any further responsibility in relation to them. It is, nevertheless, his wish that Gen. Thornton should preserve them in their cancelled condition, and bring them with him on his return home. We are happy to inform you that the Governor has withdrawn all restriction in respect to our contract, and has authorized us to inform you that the contract is to stand, if agreeable to you, in all respects, without any restriction whatever, according to the original agreement. We trust, therefore, that you will find yourself now placed in a situation, with the renewed bonds, to make sales as fast as the necessities of the State may require, at the stipulated prices. You will find *the numbers, and to whom payable, &c.* left blank in the renewed bonds: these we authorize either yourself or General Thornton to fill up, as circumstances may require. We sent a copy of Gov. Carlin's letter to us to Gen. Thornton, in which he agrees to confirm our contract in all respects as it was made with you, which we requested Gen. Thornton to communicate to you. We are obliged to you for the acceptance of our draft for £20,000 sterling, and are pleased to understand by your letter that you have sold a sufficiency of our securities to indemnify for advances thus far made, &c. We trust that you will continue to exert yourself for our State; and that you may be fully indemnified in the sequel for all the trouble and vexation we have given you, and to which you may yet be subjected before our negotiation is brought to a termination.

Wishing you health and happiness, we subscribe ourselves, most respectfully, your obedient servants,

RICHARD M. YOUNG,
JOHN REYNOLDS,

*Agents of the State of Illinois for negotiating loans for the
Illinois and Michigan Canal.*

JOHN WRIGHT, Esq.

No. 6 Henrietta street, Covent Garden, London.

No. 25.

Messrs. Wright & Co. to R. M. Young.

LONDON, August 29, 1840.

SIR: We duly received your favor of the 20th ultimo, by the British Queen, which also brought us the box advised in your letter, addressed

to Gen. Thornton; which we have opened, and find to contain bonds of £100 and £300 each, to the amount of £225,000.

In consequence of what the General said to us before he quitted England, we have considered it more prudent not to disturb these bonds until we have written instructions again from you, as he seemed anxious (as he will no doubt explain to you,) that we should transmit some of these bonds to Messrs. Smith & Co. and take in return some of those already in their hands.

If you think it more desirable, we could give them the whole, and await the exchange of those already advised to you as having been sold to our friends, until the next package arrives, when we could return all the bonds cancelled, with coupons payable annually, (which will never suit our market,) held by us and Messrs. Smith & Co.

For these reasons we shall wait until we hear from you again. We presume the £100 bonds transmitted should be numbered from 1 to 450, and the £300 from 1 to 600; upon which point you will be pleased to favor us with your instructions. In the interim we have every hope that after Messrs. Smith & Co. shall have disposed, at the lower price, of the bonds they contracted for, of being able to resume the sales as heretofore.

We trust Gen. Thornton has safely arrived on your side of the water; and, with our best compliments to him, we remain, sir,

Your obliged servants,

WRIGHT & Co.

P. S.—The letter addressed by you to General Thornton we have also opened, being aware that it only advised the transmission of the bonds.

To Judge YOUNG,

Washington, U. S.

No. 26.

R. M. Young to John Wright & Co.

QUINCY, ILLINOIS, Oct. 15, 1840.

GENTLEMEN: Yours of the 29th of August ultimo, advising me of the receipt of mine of the 20th of July, by the British Queen, with the box of canal bonds forwarded by the same conveyance, is duly received. You are right in supposing that the £100 bonds should be numbered from 1 to 450, and the £300 bonds from 1 to 600; and you are authorized to cause them to be numbered accordingly. Gov. Carlin, our State Governor, and Gen. Thornton, are now present while I am writing, and, with their concurrence, I empower and request you to transfer the £225,000 of new bonds, with semi-annual interest received, as advised by your letter, to Messrs. Magniac, Smiths & Co. in fulfilment of Gen. Thornton's contract with that house. We shall expect you in the mean time to pay the January interest on these bonds, as proposed by you in your letter to General Thornton of July 18, and will, of course, make no other arrangement. General Thornton has brought with him from our seat of Government

£225,000 also, of the new form of bonds, which only require the Governor's signature to make them perfect. These bonds, when executed, are intended to be substituted in the place of those you now hold, and which you are requested to transfer to Messrs. Magniac, Smiths & Co. I shall set out for Congress, at Washington, about the 10th of November instant; and as this will be the first safe opportunity of conveying these bonds to New York, I expect to take them with me. They will, immediately on my arrival in New York, be transmitted to you at London. You will pursue the Governor's directions in cancelling all the old bonds, and afterwards sending them, as soon as the renewed ones are received, to my address, care of Messrs. Nevins, Townsend & Co. New York. You will also see that the coupons on the renewed bonds are made to correspond precisely with those attached to the old bonds. We confidently expect you will use every exertion to sell these bonds on the terms agreed, as we are very solicitous that the work on the canal should not be interrupted for the want of funds. I think you may expect the new bonds, which I will take out with me to New York, from the middle to the latter part of December. Please inform me whether, on the receipt of the new bonds, we might be permitted, in case of necessity, to anticipate sales, in sums to suit your convenience, from £30,000 to £50,000. If we succeed well in the amount committed to your care, it is very probable that we shall continue to employ your house to make sales for us until the whole work is completed.

Very respectfully, &c.

RICHARD M. YOUNG.

Messrs. JOHN WRIGHT & Co.

No. 27.

Extract from Gov. Carlin's Message to the General Assembly of Illinois, dated November 26, 1840.

"To pay that portion of interest falling due in Europe, (in July last,) a draft was drawn by Judge Young upon Messrs. John Wright & Co. of London, for £20,000; it being part of £30,000 advanced by said company on a contract for \$1,000,000 canal bonds, entered into in October, 1839. £10,000, being the residue of the above £30,000 advanced by said Wright & Co. has been placed on deposit in the United States Bank, and I have instructed Judge Young to apply so much thereof as may be necessary for the payment of the interest becoming due in New York on the first Monday in January next; and I am informed by General Thornton, that the means are provided to meet the interest due in London at the same time. As the contract with Messrs. Wright & Co. was much animadverted upon by the last Legislature, notwithstanding I was convinced that no sale could be made more advantageous to the State at the time it was effected, or during the present year, yet I hesitated very much before assenting to its confirmation. Being, however, informed that no other means could be obtained to meet the July interest in London, to prevent a forfeiture of good faith on the part of the State,

I at once determined to confirm the contract. The residue of the bonds, after deducting the £30,000 advanced, still remain in the hands of Messrs. Wright & Co. and are as yet unavailable to the canal fund. If they are not sold prior to the 1st of April next, the contract ceases by its own stipulations; and, in that event, no means are provided for the prosecution of the work on the canal for the ensuing year," &c.

THO. CARLIN.

SPRINGFIELD, *November 26, 1840.*

No. 28.

Samuel Allinson to Gov. Carlin.

LONDON, *December 1, 1840.*

SIR: It becomes my painful duty to inform your Excellency of the failure of Messrs. Wright & Co. I address Judge Young and Gen. Thornton; but as those letters may miscarry, I think it due to the part I acted in the negotiations of these gentlemen, and of Messrs. Rawlings and Oakley, to apprise your Excellency of this sad occurrence. I beg to refer you to any of these gentlemen for my position here, and to the Government at Washington for my official character as consul in France.

This is the third *private* banking-house that has recently stopped here, owing, partly, to the pressure upon them of the joint-stock banks. Mr. Wright has made himself so conspicuous in the support of American securities on a liberal principle, that the joint-stock banks, and some city bankers and brokers, have labored to destroy him; and their misrepresentations induced the Bank of England to withdraw its aid when most needed. Thus has this old and respected house become the victim of animosity so well directed, that I regret to say it can rise no more. The house stopped on the 23d ultimo, and a fiat of bankruptcy has issued against the partners. The Illinois bonds left with the house by Judge Young and Messrs. Rawlings and Oakley, are thus, for the moment, in charge of the Court of Bankruptcy; but no fear need be entertained of their appropriation, except for the amount advanced the State by Wright & Co. I have always understood Mr. Wright that sufficient have been sold to cover these advances. He is in a distant part of the country, but I shall see him in a few days, and will communicate to your Excellency, the state of the account. To an authorized agent of the State of Illinois, only, will these bonds be delivered, after payment of any balance due Wright & Co. I do hope to make some provision for the payment of interest in January, on the bonds sold by Wright & Co. and will continue to advise you of my progress. With this view I am negotiating with the very powerful house of Palmers, Mackillop, Dent & Co.; and had I the power of securing to them the banking account of paying dividends, I should doubtless succeed. This house was selected by Gen. Hamilton to be the bankers for the loan obtained here of two millions of dollars for South Carolina, and by Col. Gamble for a similar loan for Florida. I ven-

ture to recommend it to you as one of great resources and influence. They are not money bankers, but a commission house with great means; and for their credit, reference can be made to Howland & Aspinwall, New York.

Mr. John Horsley Palmer is a director of the Bank of England, of which he has been thrice elected Governor. He originated, and by his sole great power, carried the measures of relief given by the bank to the American merchants in 1837-'38; and I cannot refrain from expressing my conviction, that if the State of Illinois would make this house its agent in Europe, funds for completing both the canal and central railroad might regularly be obtained. I promised Judge Young and Gen. Thornton, that, at a proper time, I would visit Paris, with a view to introduce the Illinois bonds in that market. I have but recently returned to London, and am able to say that, with prudence and perseverance, I think a large amount might be placed there among the higher classes in France. The early settlement of Frenchmen in Illinois, and the missions of La Salle and Marquette, are topics of interest. The bonds of Ohio and New York have become a favorite on the Paris Bourse; but they were introduced cautiously and with great influence.

I observe that the State holds 40,000 acres of unsettled lands. Could not these, with the railroad as it progresses, the depots, cars, revenues, &c. be pledged by the State for the redemption of the debt to be incurred for that system of improvement, in the same way as the lands are made a security for the canal debt? I think such an arrangement would doubtless secure the negotiation of bonds. As an American, I am truly desirous of serving the State of Illinois: my children look to it as their future residence: my son is laboring hard at King's college to finish his education as an engineer, and go out there: and I am thus encouraged to urge upon your Excellency, the adoption, as agents, of the above house, known as they are throughout Europe and the United States.

I think you will reflect how much better a permanent agent of high character will serve the State, than one of equal character specially deputed: for the first is at home, ready to take advantage of circumstances; while the other must be a stranger to local matters, anxious to finish his mission and return home. The settlement of the account with Wright and Co. will require an agent of character and weight. I would therefore advise that a power of attorney be forwarded to Messrs. Palmers, Mackillop, Dent & Co. to act in the premises. I give the names at foot.

The contract for iron made by Messrs. Rawlings and Oakley with Thompson expires on the 1st of January, 1841. Their contract is at £9 10s. The same iron has ever since been bought, and is now bought, at £7 to £7 5s. Messrs. Palmer & Co. contracted with the New York and Erie Railroad Company, early in September last, for 5000 tons T rails, at £9 5s. per ton, on a credit. The iron was bought of the British Iron Company, and the whole of it has already been shipped.

I have the honor to be, sir, your obedient servant,

SAMUEL ALLINSON.

His Excellency, Gov. CARLIN.

Names of the partners of Palmers, Mackillop, Dent & Co.—George Palmer, John Horsley Palmer, James Mackillop, Lestock Peach Wilson, Thomas Dent, George Palmer, jr. and Edward Horsley Palmer.

No. 29.

R. M. Young to Samuel Jaudon.

NEW YORK, Dec. 23, 1840.

DEAR SIR: On my arrival here on yesterday, I learned with much surprise that the house of Wright & Co. of London, had stopped payment. Prudence, therefore, requires that the earliest application should be made for the return of the Illinois and Michigan canal bonds, which were left on deposite, under the contract made with that firm, by Gov. Reynolds and myself, to be sold on certain stipulated terms, so far as the same may not have been sold. By our latest advices from Mr. Wright, the whole amount of sales did not much exceed the sum of £31,000, and we have drawn £30,300; so that the greater portion are still on hand and unsold. You may recollect that the bonds were not sold to Messrs. Wright & Co. nor were they hypothecated for any advances made; but were merely left for sale with them, as agents of the State of Illinois. As Mr. John Wright informed me in his last letter that a sufficiency of bonds had been sold to cover all advances, with a small surplus in his hands, I presume, of course, that there will be no difficulty in the residue being handed over to you, on application. I therefore authorize you, as agent of the State of Illinois, for the control and management of said bonds, to call upon Messrs. Wright & Co. for them, and request that they may be delivered over to you, and that they may be immediately cancelled either before or subsequent to their delivery to you, and forwarded to my address by the earliest safe opportunity, to the care of the branch of the United States Bank in New York. Your early attention to this important business will much oblige yours, very respectfully,

RICH'D. M. YOUNG,

*Agent of the State of Illinois,**for negotiating sales of Illinois and Michigan Canal Bonds.*

SAMUEL JAUDON, Esq. London.

P. S.—If necessary, please take measures to prevent the further negotiation, or any improper use being made, of said bonds.

R. M. YOUNG,

Agent, &c. of the State of Illinois.

No. 30.

R. M. Young to John Wright & Co.

NEW YORK, Dec. 23, 1840.

GENTLEMEN: On my arrival in this city, for the purpose of transmitting to you the £225,000 of Illinois and Michigan canal bonds, in denomina-

tions of £300 and £100, with interest payable semi-annually, for the purpose of substituting them in the place of the old bonds deposited with you under our contract of October 30, 1839, I learned with surprise and unfeigned regret, that your old and respectable house had been compelled, from its numerous engagements, to stop payment. We cannot, of course, expect you, under the circumstances, to proceed further with the agreement; and I have accordingly empowered Samuel Jaudon, Esq. agent of the Bank of the United States, to call on you for the unsold bonds, who will receipt to you for the same. You can have them cancelled before their delivery to Mr. Jaudon, or he can have it done afterwards, before they are sent home. By the latest advices from your house the net proceeds of sales exceeded £31,000; and the advances were stated at somewhat a less sum, but exceeding £30,000. If, by the terms of the sale of such bonds as may have been disposed of, you have undertaken, on the part of the State of Illinois, to deliver bonds of the new denominations of £300 and £100, with semi-annual interest, the requisite number can be forwarded to such person or persons as you may appoint in London, as soon as we are informed upon the subject. I will of course withhold the bonds I have with me, as you would not expect me to send them, under existing circumstances.

You will please deliver the unsold bonds deposited with you to Mr. Jaudon, on application. I sincerely condole with you in your misfortune, and hope that things may not turn out as badly for your interest as the news on this side of the water would seem to indicate.

I remain, very respectfully, your obedient servant,

RICHARD M. YOUNG,

Agent of the State of Illinois for Illinois and Michigan Canal Loan.

Messrs. JOHN WRIGHT & Co., London.

No. 31.

Richard M. Young to Gov. Carlin, with receipts A, B, C.

NEW YORK, Dec. 28, 1840.

DEAR SIR: I mentioned in my letter to you of the 23d ultimo, from this city, that my object in coming was to pay the January interest on our canal bonds, and to forward the £225,000 sterling bonds of the new denomination to Messrs. John Wright & Co. of London, to be substituted in place of the old ones deposited under the contract made with that house, by Gov. Reynolds and myself, on the 30th of October, 1839. I also informed you in that letter, that I had met the news here of the failure of Messrs. Wright & Co. and that I had consequently refrained from sending out the bonds, and would have them cancelled and returned home. Upon further reflection, I think it would be improper to cancel them without your instruction to that effect; and I have, until further advised, deposited them for safekeeping with the United States Bank in this city.

As Mr. Wright may have sold the amount mentioned in his last letter, of which the net proceeds were stated at £31,753 Os. 3d. with the understanding that the old bonds were, when received by him, to be substituted by the new; and as we have received nearly, if not quite, all of these proceeds, justice and good faith would seem to require that so many of the new bonds should be held in readiness to be sent out to London for this purpose, if our next advices should make it necessary. At the request of Messrs. Nevins, Townsend & Co. who were anxious for the arrival of Dr. Barrett, fund commissioner, (with whose co-operation it was hoped that provision could be made for the whole of our interest, internal improvement and all, at the same time, so as not to make a difference in the price of the coupons in this market, I delayed paying the interest on the canal bonds until to-day. Dr. Barrett not having arrived, and as our State is unrepresented in the Senate, in consequence of the indisposition of Gen. Robinson, I could not consent to remain any longer. I have accordingly deposited, in New York, par funds, with the branch of the United States Bank in this city, thirty-nine thousand dollars, which is sufficient to pay all the interest on the canal bonds which will become due, in this city, on the first Monday in January. It is in this bank that all the coupons are made payable. The above amount includes the interest on the three hundred thousand dollars of canal bonds, sold to Mr. John Delafield by Messrs. Rawlings and Reynolds. The interest on the one hundred thousand dollars of canal bonds, sold by Gen. Thornton, which is payable at the Phoenix Bank in this city, does not become due until the first Monday in July, 1841. In addition to the thirty-nine thousand dollars thus deposited, I have paid eleven thousand dollars to Nevins, Townsend & Co. in part payment of the money advanced by them to Gen. Thornton, to pay the interest on the canal bonds which fell due in July last; making, together, the sum of fifty thousand dollars, in New York par funds. The amount drawn by me from Messrs. Wright & Co. was £10,300 sterling, equal to \$49,955 in specie funds in New York, which will leave a balance of \$45 in my favor. Enclosed I send you the duplicate receipts for the \$39,000 and the £225,000 of bonds deposited with the United States Bank in this city, and for the \$11,000 paid Nevins, Townsend & Co. on account of money advanced to Gen. Thornton: all of which you will please lay before the Legislature. I leave in the morning for Washington city, and will in a very few days after my arrival make a special report, in detail, to you, of all the matters connected with my agency.

Respectfully, &c.

R. M. YOUNG.

His Excellency, THOMAS CARLIN,
Springfield, Illinois.

\$39,000.

A.

BANK OF THE UNITED STATES
in New York, December 28, 1840.

Received from the Hon. R. M. Young, of Illinois, thirty-nine thousand dollars, to be appropriated to the payment of the interest due the 4th day of January, 1841, on the bonds of the State of Illinois. (Illinois and Michigan Canal 6 per cents.)

T. H. YOUNG, *Cashier.*

—
B.

NEW YORK, Dec. 28, 1840.

\$11,000.

Received of Richard M. Young, Esq. eleven thousand dollars, in part payment of moneys advanced by us to General William F. Thornton, President of the Board of Canal Commissioners, to pay the July interest last due on the Illinois and Michigan canal bonds.

Signed duplicate receipts.

NEVINS, TOWNSEND & CO.

—
C.

BANK OF THE UNITED STATES
in New York, December 28, 1840.

Received from the Hon. R. M. Young, of Illinois, one package, containing bonds of the State of Illinois, viz:

750 bonds of £100 sterling each	-	-	£75,000
500 do £300 " "	-	-	150,000

£225,000

say two hundred and twenty-five thousand pounds sterling, signed by Thomas Carlin, Governor of Illinois, and Levi Davis, Auditor of State; numbers in blank; dated June 1, 1840. Said bonds to be held subject to the order of the said Richard M. Young.

T. H. YOUNG, *Cashier.*

—
No. 32.

Extract from the Message of Gov. Carlin, in reply to certain resolutions addressed to him by the House of Representatives, in relation to the sum of £10,000, received by R. M. Young, on the contract made by him with the house of Wright & Co. in London.

"In answer to the three last inquiries, I have to say, that the proceeds of the said £10,000 sterling, have not been paid to the canal commission-

ers, because the contract upon which the money was advanced by Messrs. Wright & Co. was not consented to and confirmed by me until the 25th of June last, which was subsequent to General Thornton's demand for the money to apply to the payment of the July interest, and, until that time, could not be used for canal purposes. It was therefore proper to withhold it, in readiness to be refunded to said Wright & Co. in case the contract should not be confirmed. Consequently, the agents declined to pay over the money when requested by the President of their board.

“THOS. CARLIN.”

No. 33.

Extract from the official letter of Gov. Carlin to R. M. Young, dated at Springfield, December 12, 1840.

“I have to request you to see that the interest due in New York, on the canal debt, on the first Monday of January next, is promptly paid out of the said £10,000 sterling. I am informed that a large surplus remains of the £20,000 received from Messrs. Wright & Co. (by Gen. Thornton) in July last. That surplus, together with the residue of the £10,000, after paying the January interest, I wish you to deposit in a safe bank, to the credit of the canal fund, or apply it as you may hereafter be directed, to the payment of the moneys borrowed by General Thornton to pay the last interest in New York.

“Very respectfully, &c.

“THO. CARLIN.

“HON. RICHARD M. YOUNG.”

Faint, illegible text at the top of the page, possibly a header or introductory paragraph.

Section header or title in the middle of the page.

Text block below the section header, containing several lines of faint text.

Main body of faint text, appearing to be a list or detailed notes.

Text block in the lower middle section of the page.

Text block at the bottom of the page, possibly a signature or footer.

FEBRUARY 27, 1841.

Read and laid on the table.

REPORT

FROM THE

SELECT COMMITTEE,

ON PROVIDING FOR THE PAYMENT OF INTEREST ON THE STATE DEBT—FOR
THE DISPOSITION OF THE SYSTEM OF INTERNAL IMPROVEMENTS,
AND FOR THE CONTINUANCE OF THE CANAL.

MR. EDWARDS, from the Select Committee of nine, made the following

REPORT:

The Select Committee, to whom was referred a resolution for considering and reporting "upon the best means of further providing for the payment of interest on the State debt—for the disposition of the system of internal improvements—and for the continuance of operations on the canal," have had the same under consideration, and beg leave to report, as follows:

That they are fully aware of the magnitude of the task imposed on them by the resolution above referred to—embracing, as it does, an outline of the whole financial policy of the State, and requiring an investigation of the true condition of her liabilities and means—together with the best plan for carrying on to completion the public works already begun by the State. Nothing but an imperative sense of duty, and a sincere desire to contribute, as far as lies in their power, to alleviate the anxiety which now rests upon the public mind, could have prompted them to undertake a task so onerous and responsible, and of the practicability of which there exists such a diversity of opinion. Your committee do not arrogate to themselves any superior wisdom, or means of information, over the committees of this House, to whom the questions embraced in the above resolution properly belong. On the contrary, they freely acknowledge their indebtedness to

the arduous labors of those committees; and so far from desiring to supersede them, their only aim is, in the language of the resolution, *further* to provide, if possible, for the advancement of the important interests therein alluded to. They feel, with intense anxiety, the urgent necessity of making every exertion to rescue Illinois from the foul stain now likely to blot her hitherto fair escutcheon—to relieve her from the odium of being the first and only State in the Union, which has neglected to make the necessary arrangements for meeting her solemn engagements, and preserving unsullied her oft plighted faith; and thus not only casting a shade over her own reputation, but bringing into reproach and disgrace that of her sister States and of the whole Union.

Your committee believe that all parties in this State would repudiate the conduct of Representatives who should return to their homes without, at least, making an effort, in good faith, to avert such a calamity as the one impending—one which would render them individually and collectively infamous, in the eyes of the civilized world—one which would degrade the character of the republican institutions which we all profess so much to reverence and cherish—one so entirely at war with the sentiments of honor and of honesty prevailing among our citizens in their private transactions, and the destruction of which they would regard as the heaviest curse that could befall a virtuous, intelligent and free people. They would most sincerely deplore, and most indignantly reprobate the intrusion of any party feeling or party bias upon subjects of such vital concern to themselves and to the State. We, therefore, in behalf of our common constituents, most earnestly invoke all of both parties in this House to unite with heart and hand in the cause of the country—to stand shoulder to shoulder in upholding its faith and credit—and to retire from the contest only when that object is attained.

But your committee are aware that not only the preservation of the faith and credit of our State demands this sacrifice, but that her pecuniary interests must and will suffer great and irreparable loss, if this Legislature shall adjourn without having made some efficient arrangements by which such of her works, as policy requires to be continued, can be carried out to completion. Should this Legislature so adjourn, then the people of Illinois will have sustained a loss of nine or ten millions of dollars, without the most distant prospect of ever realizing one cent of profit or advantage from so great and ruinous an expenditure. Can the people or their representatives, contemplate such a state of things without feeling the sad and alarming dereliction of duty, on the part of the Legislature, in failing to make some adequate provision by which something might be preserved from the general wreck? If they cannot, then it is our high and solemn duty—at whatever sacrifice of personal popularity at home, or of ease or tranquillity here—to begin, at once, in good earnest, and make whatever progress therein that time and circumstances will allow. Nor should we fear to encounter the sneers or clamors of senseless and time-serving demagogues, here or elsewhere; for your committee are assured that although a temporary excitement may be got up against them, yet, when the subject is understood by the people, (and understood it will be,) all who now join in endeavoring to maintain the credit of the State, and to save a portion of her vast investments from indiscriminate ruin, will be cheered by the welcome plaudits of a generous and high minded constituency.

INTERNAL IMPROVEMENTS.

In the presentation of a plan for carrying on the public works of the State, your committee will begin with the system of internal improvements—a system which they believe, from its magnitude and the inutility of many of the works projected, it would be altogether unwise in the State to attempt, at this time, to carry on, upon her own responsibility, and at her own expense. But as upwards of five millions of dollars have been expended upon this system, and no portion of it completed, but many parts in a condition from which some advantage may be derived to the people and the State, if finished; and as, from the various and conflicting interests which might, and doubtless would be brought to bear upon this subject, no hope can be entertained that the State (even were it desirable to do so,) would finish those portions which are most needed and nearest a completion, your committee would recommend that the plan submitted by the committee on internal improvements should be adopted as a part of the policy of the State.

This plan provides, in the first place, for the total suspension of all operations upon the several works of internal improvement under the existing laws—for the prevention, under any pretence whatever, of any further allowance or expenditure by virtue of those laws—for the reservation to the State, of lands and rights acquired under and for the use of the system, from forfeiture to the individuals or corporations from whom they were obtained—for the sale of all the perishable materials and iron belonging to the State—and for the repeal of so much of any act of this State as authorizes any person to obtain an assessment for the right of way on any of said works. Your committee believe that the above proposition is the best that can be adopted, under the circumstances, as it leaves it in the power of the State to make such disposition of the public works as circumstances may require—which power, it is believed, could not have been so safely exercised under an entire and absolute repeal of the laws creating the system.

Your committee further concur with the committee on internal improvements in their plan for the future disposition of the public works—which provides for the creation of a board, on the part of the State, to exercise a general supervision over all the works of the State—to prosecute all trespassers on said works—and to sell, lease, or contract, in relation to all or any part of the different railways, laid out and commenced by the State, under the restrictions and securities therein provided for; and which further provides for giving up the works to companies, upon the condition that the work done by the State shall be valued—that the company shall expend a sum equal to the valuation—and then half as much as will be necessary to complete the work, before the State shall be called upon to contribute any thing further in their prosecution; after which, the State and the company shall be joint proprietors, and participate equally in the profits of the work—reserving, at the same time, to the State the right to purchase, within a limited period, the interest of said company, upon the payment to them of the amount which they shall have expended, with six per cent. interest—and thereby avoiding the dangers of corporate monopolies, whilst securing the benefits of corporate enterprise.

Your committee believe that the above mode of disposing of the public works is decidedly the best that can be adopted, as it will enable a discrimination to be made between those works which are of practical utility and those which are not—a result which could not be attained in the Legislature, no one being willing to authorize the expenditure of public money upon a work not immediately advantageous to his constituents, without including the one in which they were directly interested. It will likewise save the State from any improvident appropriations, since capitalists would not expend their own money in the construction of a work, unless it would be likely to be profitable; and if profitable, it would not fail to be useful, as its profits would depend upon the facilities it afforded to the community for travelling and the transportation of their merchandize and produce. Besides, this plan, it is confidently believed, would insure the completion of several of the works upon which large sums of money have been expended, without the possibility of loss to the State, and greatly to her advantage, as well in enabling her to realize some profit from the money invested, and which, without this plan, must be irrecoverably lost, as in providing the necessary facilities for travelling and transportation. In addition to the above reasons, your committee would add that this plan would save to the State a large amount of time and money, lavished upon idle, conflicting and exciting legislation, in relation to the several parts of the system, to the exclusion of other useful business,—and would interpose a safeguard against incautious and dangerous grants of power to particular companies.

STATE DEBT.

In reference to the payment of interest of the State debt, your committee are disposed to concur with the Finance committee in their plan for taxing the salaries of the officers of the State Government, as well as the members of the Medical and Legal professions, believing that, under the present financial embarrassments of the country, the imposition of such a tax would be cheerfully submitted to by these classes. Nor would they object to a graduated tax upon deeds and other instruments of writing to be recorded, feeling, as they do, the unavoidable necessity of a resort to some specified objects of taxation. They do not, however, concur with the committee on Finance in their proposition to tax merchants; from the consideration that if the tax will have to borne by the merchants, without being reimbursed to them, they could not, as a class, justly be called upon to contribute so largely to the support of government; especially when they have suffered so severely from the great pecuniary embarrassments which have overwhelmed the country for the last few years. If this tax is, however, to be charged by the merchant on his goods, and collected from the people, then your committee believe that it is not correct in principle, and would be nothing more nor less than an indirect tax upon the people;—a policy which your committee think unwise for the purpose of raising a revenue for the support of the State Government. They are of opinion that the people will always be found ready to submit to such taxation as is necessary to the wants of the Government; and that they should know how much, and in what manner their money is taken from them. In what your committee have just said, they do not intend to reflect, in the

slightest degree, upon the committee on Finance. Far from it. They believe that committee to be entitled to the highest praise for the zeal and industry displayed in their laudable endeavor to devise the means for enabling the State to meet her liabilities without the necessity of a resort to taxation. But your committee are persuaded that such endeavor must ever prove fruitless. For there is (as has been so justly remarked by the Governor, in his message,) no other efficient mode of discharging a public debt than by a tax upon the industry and property of the people.

In accordance, then, with this principle, which cannot be too faithfully inculcated upon the public mind, your committee would further propose, that, in addition to the taxes already laid, the sum of twenty cents on every hundred dollars worth of property be collected for State purposes—that, in the valuation of real property, the minimum shall be fixed at four dollars—and that, in the oath to be administered to the assessors, they shall swear that they will not assess real estate at four dollars per acre, unless in their belief, and according to their best judgment, it should not be worth a greater amount. But, as the revenue to be derived from taxation will not be available in time to meet our engagements, your committee would recommend that the Governor shall, from time to time, issue such an amount of interest bonds as may be absolutely necessary to raise funds for the payment of interest upon the State debt, and for the redemption of bonds heretofore hypothecated—said bonds to be reimbursable in the year 1865, and to bear interest at the rate of six per cent. per annum, payable semi-annually, and to be sold by the Fund Commissioner for the best price they will command; and, that a sufficiency of the revenue raised from the taxes above referred to, shall be pledged for the payment of the interest upon the said bonds. And for the purpose of carrying out the foregoing provisions, your committee herewith report a bill for the consideration of this House.

In connection with this subject, a majority of your committee would further recommend that a law should be passed for legalizing the late suspension of specie payments on the part of the bank of the State of Illinois, upon the condition that, the bank shall advance to the State the sum of one hundred thousand dollars, annually, until the next regular meeting of the General Assembly, to be applied to the payment of the debts of the State, other than those due to the bank; and upon the further condition, that the bank shall accept the terms above set forth at the first meeting of the board of directors after the passage of a bill for carrying into effect the above provisions, which is herewith submitted. This measure is deemed of the utmost consequence by your committee. Although they generally disapprove of bank suspensions, yet, under the peculiar circumstances of this case, they cannot perceive how it is possible to avert the great and alarming evils threatened to the State and to the people by the overthrow of this institution.

In the first place, it is well known that about three millions of dollars are due to the bank by the citizens of this State. If the bank should fail, suits would be immediately commenced against all her debtors. They, in turn, would be obliged to sue those indebted to them, in order to raise the amount due to the bank; and thus millions of money would be in suit in the course of five or six months. In addition to the inconvenience of such an increase of litigation, the hurry and anxiety of many persons to raise

money, and the frequent sacrifice of property under the hammer, would occasion a most fearful depreciation of the value of every description of property. And this depreciation would not only affect those who were indebted, but would extend itself through every ramification of society. Every man who had any thing to dispose of would sensibly feel the effects of such derangement. But let us reflect further, that, if all these debts were collected, we should have no currency left with which to carry on our business transactions, or to pay the amount due for taxes to the Government. Nor can we overlook the evils which would be occasioned by a depreciated and valueless currency in the hands of our citizens—the gains of which would accrue to heartless brokers and speculators, whilst the loss would fall chiefly upon the poorer classes, who are not indebted to the bank, and who obtained its paper in exchange for the sweat of their brows.

In addition to the losses incurred by the people in their individual capacity, they would sustain still greater in their aggregate character. If this bank should fail, the State would lose a large portion of the stock which she has invested in it, and thus increase the general pressure arising from the unwise negotiation of State bonds, and the injudicious expenditure of public moneys. The state of things making necessary the legalization of the suspension of specie payments was not brought about, in the opinion of your committee, nor is it under her control. It has existed, and will continue to exist independently of her, or of the action of this Legislature. It is a well known fact that most of the banks throughout the Union have been compelled to suspend specie payments, and have been sustained in such suspension by their respective Legislatures. The consequence, then, of requiring the Bank of the State of Illinois to maintain her resumption would be to drain every cent of specie from her vaults, and transfer it to those of the suspended banks of other States. And after having thus deprived us of the only basis which can elevate and preserve our own currency, our institution must fail, and entail upon us the train of ruinous consequences above alluded to. Every man of experience must know that it is not in the nature of any banking institution to carry on its operations at a time when it is the interest of other banks to press it for the redemption of its notes so soon as they are issued. But such is evidently the interest as well as the design of other banks, and capitalists throughout the country at the present juncture.

Your committee believe that this question is frequently misrepresented to the people. It is stated that the Legislature, by legalizing the suspension, confers upon the Bank privileges withheld from individuals. This statement of the case is untrue. The Bank may, during a suspension, be sued, and the amount of her indebtedness may be collected in the same manner as against an individual. The only effect of legalizing the suspension would be, that the existence of the Bank should not be destroyed upon failure to redeem her notes for a certain length of time after their presentation. She would be just as liable to be sued for the same, and her property to be taken in execution, as the humblest individual in the community. No remission of the indebtedness of the Bank ensues upon the step proposed to be taken by the Legislature.

Your committee desire not to be considered as being in favor of suspension, unless imperiously required by the circumstances surrounding us. If those circumstances were brought about by the Bank, or removable at

her pleasure, and she should refuse to continue the resumption, none would be found more ready than your committee to withhold every favor from her.

In addition to what they have said, they apprehend no danger to the pecuniary interests of the People in the suspension. They have witnessed the two last suspensions of this Bank, during which her paper has subserved the purposes of the community, and realized the just expectations of the people, as far as its office of a currency was concerned. Indeed, it is believed that the most distressing embarrassments would have resulted from any other course than the one pursued by former Legislatures upon this subject. And they believe that incalculable evils will be the consequence of a refusal on the part of this Legislature to pursue the course pointed out by our experience, and dictated by every consideration of prudence, nay, even of humanity itself.

Your committee are decidedly of opinion that the onerous taxation to be imposed, according to the views of your committee, will be but temporary. The vast increase of wealth and population throughout this State—the amount to be received from the lands not hitherto subject to taxation—the added dividends to be derived from Bank stock—together with our share of the proceeds of the public lands (a distribution of which will unquestionably take place, with or without the sanction of Illinois,) will be sufficient to meet all our engagements, without oppressing our citizens with a continuance of the heavy burdens to be borne for the next two years.

In conclusion, your committee would plead the want of time as an apology for the crudeness of this report.—They regret that the threatened immediate adjournment of this body has left them scarce a moment for such an investigation of the topics above referred to, as their great importance demands. But confiding in the indulgence of this House, in the generous spirit of their constituents, and in the consciousness of a patriotic purpose to cherish and protect every interest of the State, they freely submit the result of their labors to the better judgment of this General Assembly.

THE CANAL.

In relation to the canal, your committee have given it as much consideration as limited time, and the importance of other subjects referred to them, would allow. It will be seen by reference to the laws relating to the canal, that early after its commencement the Legislature determined to keep out of market all canal lands, except in limited quantities, for the purpose of paying interest.

Your committee believe this to have been a wise and prudent policy. The country then, as now, was new and sparsely populated. An immense quantity of Government lands unsold—not brought into market, and a large portion of it unsurveyed, which would, when brought into market, be subject to entry at Government price, by virtue of pre-emption, and after public sale by private entry; thereby demonstrating the impossibility of obtaining but a small part of its prospective value. Your committee would respectfully recommend the continuation of this policy, and that no lands should be sold immediately upon the line of the canal, except a

reasonable portion of lots in towns and villages, where it may be indispensibly necessary for raising money to pay interest, and increasing the value of the remaining property; or unimportant lands, of but little present or prospective value. That the proceeds of sold and unsold lands be set apart as an interest fund agreeably to the provisions of a bill now on the table; and upon, and in anticipation of this fund, that interest bonds be issued, bearing any rate of interest not exceeding seven per centum per annum, to be sold, and the proceeds applied exclusively to the payment of interest on canal bonds, for which there may be no other means of payment, and by this means prevent that inevitable sacrifice which must ensue. Should those lands be sold under the present depressed and ruinous condition of the money market, superadded to the newness of the country, and unfinished state of the canal.

And while your committee would not hesitate in the opinion that the State should complete the Illinois and Michigan canal as early as possible, as the only alternative whereby the State can avoid very heavy losses, and while it would be desirable to strictly pursue the policy heretofore adopted, provided means could readily and certainly be obtained, yet it is believed by your committee, that for the purpose of securing the speedy and certain completion of this magnificent enterprize, within the period of three years, at the prices for which contracts have been let, and at the estimated prices, where not under contract, that it would be best for the State to accede to the proposition submitted to your committee, (and made a part of this report,) by the agents of the contractors on the line of said canal.

It will be seen by reference to the report of the canal commissioners, that the canal is more than half done—much of it under contract; and if by necessity or design the work should be suspended, it will readily be perceived that great damages must accrue, not only to the State, but to all others concerned. To avert this calamity, a majority of your committee are of the decided opinion that the State must advance steadily and rapidly to the completion of the work. By such a course much will be saved in contingent expenses, which will be the same in any given time, whether the expenditure be great or small. And the same argument will equally and forcibly apply to the accruing interest upon loans already obtained.

It must be obvious, also, that by progressing slowly with the work, it would be much more expensive to the State, longer in developing the real value of all kinds of canal property, and have the effect to retard the population of that part of the country, while, by the speedy completion of the work, all these interests would be fostered and protected, and consequences averted which would depress the spirit and enterprise of the State, increase her liabilities, and injure her credit and character both at home and abroad.

There are now on hand, unsold bonds for about one million six hundred thousand dollars, in addition to which a majority of the committee recommend that three millions more be issued, which sums are believed to be sufficient for the completion of the work; said bonds to be issued and sold at such times and in such quantities as will promptly meet the estimates from time to time, as it progresses.

Your committee are further of the opinion, that if this policy is pursued, success will attend the enterprize, and the canal will, as she has heretofore

done, meet her own liabilities, until her own resources shall exceed the interest on the cost of construction, and produce an overplus, which, added to the unexpended balance of the proceeds of canal property, will finally extinguish her debt. But, should your committee be mistaken in their views on this part of the subject, they hesitate not in expressing the belief, that on account of the nationality of the work, the boldness and splendor of the plan, the durability and perfection of materials, and the execution of construction, that the General Government would not permit an onerous debt to fall upon the State, but, finding the trust confided to us faithfully administered, would generously, and wisely, grant further donations, which might necessarily be required to release the State from injury or loss, which she might otherwise sustain. Your committee are the more confirmed in this opinion, from the fact that, while the General Government has, and still may grant, liberal donations to this important enterprise, she is not the loser by it—the entire donation being doubly returned to her, on account of the additional value added to her lands by means of constructing the canal, and its importance to her welfare by the facilities it will afford in a national point of view, both in peace and in war.

Your committee could extend this part of the report in relation to the canal, almost without limit, but deem it unnecessary on the present occasion, believing as they do, that the importance of this part of the subject referred to them, must address itself to the serious consideration and attention, not only of this House, but to the people of the State and the Nation.

tion, meet her own liabilities, until her own resources shall exhaust, be-
 lieves on the cost of construction, and proper and adequate provision should
 to the unexpended balance of the proceeds of canal property, will apply
 against her debt. But should you commit the mistake in your
 view, on this part of the subject, by placing not in your mind the de-
 lit, that on account of the nationality of the work, the balance would be re-
 for of the plan, the timidity and perfection of materials and necessary
 tion of construction, that the General Government would not permit an
 enormous debt to fall upon the State, but finding the tract most ad-
 faithfully characterized would generously, and wisely grant immor-
 tion, which might necessarily be required to release the State from any
 or loss, which she might otherwise sustain. Your committee are, there-
 confined in the opinion, from the fact that while the General Govern-
 ment has, and still may grant liberal donations to the national enter-
 prise, she is not the loser by it—the entire donation being doubly returned
 to her, on account of the additional value added to her lands, by means of
 contracting the canal, and its importance to her welfare by the facilities
 it will afford in a national point of view, both in peace and in war.
 Your committee could extend this part of the report in relation to the
 canal, almost without limit, but deem it unnecessary on the present occa-
 sion, believing as they do, that the importance of this part of the subject
 referred to them, must address itself to the serious consideration and atten-
 tion, not only of the House, but to the people of the State and the Nation.

FEBRUARY 22, 1841.

Read and laid on the table.

MINORITY REPORT

FROM THE

SELECT COMMITTEE

TO WHOM WAS REFERRED.

**THE SUBJECT OF THE DISPOSITION OF THE INTERNAL IMPROVEMENT SYSTEM,
THE CANAL, AND THE RAISING AN ADEQUATE REVENUE FOR THE
SUPPORT OF THE STATE GOVERNMENT.**

The undersigned dissenting from the majority of the select committee to whom was referred, the subject of the disposition of the internal improvement system, the canal, and the raising an adequate revenue for the support of the State government and maintenance of the public faith, begs leave respectfully to

REPORT:

That while the undersigned fully concurs with the majority in the magnitude and importance of the subjects referred to the committee, and the paramount influences they must exercise on the destinies of Illinois, whatever may be the disposition made of them. And while he cheerfully concedes to them the same measure of sincerity and honesty of purpose, which he claims for himself; and while he would further award to them that high character for talent and patriotism, which some of them have earned by many years of faithful public service, and of which all give promise. Yet the subscriber cannot in justice to himself, his constituents and the State shrink from the performance of what he believes an imperious duty in setting forth as he now does the reasons for his dissent. It is a subject of no surprise, that on subjects so deeply interesting to the welfare of Illinois, that there should be a difference of opinion, but it is a source of much mortification to the undersigned to find himself alone in the committee. Thus situated coming in collision with the opinions of so large a majority of the committee, men with whom he

has been accustomed to act, and to men whose better judgments he has been accustomed to refer. The subscriber at the same time he presents this report, is led to distrust his own judgment and is only induced to do so from the responsibility of his station, representing as he does a numerous and high minded constituency, whose interests are deeply involved in the subjects under consideration, he feels that he may not omit to point out the consequences which he believes will follow the adoption of the plans of the majority. In commenting on their plans the undersigned will endeavor to treat their opinions with respect, but he will ask their indulgence if he does so with plainness.

The subscriber, believing as he does that he will not have discharged his duty to those whose interests he represents here by clearly pointing out what he conceives to be the error in the policy recommended by the majority, but that common justice requires that while he calls in question the wisdom or prudence of the measure suggested by others, he should offer to the consideration of the House, some plan in lieu thereof. This duty the undersigned will attempt to perform, and to do this he may have to travel apparently out of the strict requirements of the resolution—and take a slight survey of our public expenditures and such subjects of State policy as are intimately connected with, and which materially affect our finances. The undersigned will have to ask the indulgence of the House if his remarks should seem to be lengthy, the interests involved are of so vast and multiplied a character he cannot compress within very narrow limits his objections to the plans proposed, and submit others which in his judgment promise better results.

The undersigned is fully aware of the obligation resting on this Legislature, not only to provide for the maintenance of the government for the next two years, and provide means if practicable to carry out the canal to completion, but she is imperiously called upon to provide a revenue for the payment of interest on our public debt. It is known that our credit and character abroad has already suffered, and the question now arises shall this Legislature adjourn without having made some permanent provision to meet our engagements, and sustain the faith and character of the State, as far as may be in its power, or whether we shall go home after so protracted a session without having done any thing to sustain our fast sinking credit abroad, or to relieve the anxieties or ameliorate the suffering condition of our citizens at home.

Public honor and public faith should be inviolate, and on this Legislature rests the solemn responsibility of providing to maintain it, or we shall be placed before our sister States, and the civilized world in the humiliating position of being the first American State, who will have disregarded our plighted faith, and set at defiance public opinion, by shrinking from our duties, and refusing or neglecting to do what yet remains in our power towards restoring confidence abroad in the integrity, and in the ultimate ability of the State to meet her engagements.

Before proceeding to suggest any remedies for existing evils, or a plan of escape from them, it may be necessary to take a brief survey of the past to ascertain the causes of our present embarrassments. The amount of our indebtedness, and the resources we have left us to aid in meeting our present and future liabilities. I am aware it is a thankless office to review past Legislation and point out its errors, but it may be necessa-

ry to do it. From a mistaken sense of duty, or from the belief that the people of Illinois would not pay an amount of taxation equal to her just expenses, we have incurred a debt to defray the ordinary expenses of the State Government of one half a million of dollars, and under such circumstances did the Legislature commence our gigantic system of internal improvement. At this time common prudence and a just regard to the rights of the public creditors as well as the honor and character of the State, and a safe guaranty for the prosecution of the works to completion, all imperiously demanded, that a permanent and efficient revenue should be raised, not only sufficient to pay current expenses, but to provide for the payment of interest on the loans contemplated to carry on the public works. For, aside from the impolicy of borrowing money to pay interest on large sums, thereby increasing the debt by the rapid process of compound interest, a system of financiering ruinous to private individuals or to communities, such a revenue was called for as a basis on which to sustain the credit of the State. For capitalists will only lend money where ample security is tendered for the payment of interest at least on monies borrowed.

But the levying a heavy tax at the commencement of the system was loudly demanded by every consideration of prudence and public policy, for as the necessity for such increase of taxation must have been obvious to any mind at all conversant with questions of finance, what time so propitious for the Legislature to have performed a duty at all times so onerous as that of levying taxes. From the large increase of banking capital, and the consequent expansion of the currency, and the additional amount also thrown into circulation by the operations of the various public works in progress, and the popular feeling at that time in favor of the system, all combined to mark this, as the time most auspicious for raising a revenue suitable to the public exigencies. But that time was permitted to pass. The internal improvement system originally wild and extravagant in the extent which it was contemplated to be carried, want of prudence and economy in its management, and a growing conviction in the public mind that many at least of the contemplated works were uncalled for by the public necessities, or would fail to pay a revenue if completed. The system having received the sentence of condemnation as expressed by public opinion; money from being very abundant has become unusually scarce, the bank being compelled to withdraw a large amount of its circulation; at the same time the public works were stopped, and all supplies stopped from this source; thousands of hands thrown out of employment; the merchants and the community who had become largely indebted in times of apparent prosperity greatly suffering; the State stocks from being at par having rapidly depreciated, so that they are only worth from 65 to 70 cents on the dollar, and still have a tendency downward; our internal improvement system (so called) abandoned, yet called upon to furnish supplies for the prosecution of the canal, requiring during the present year at least fifteen hundred thousand dollars; a large amount of State bonds pledged, which are already subject to sacrifice, and if it has not already taken place it has been from the forbearance of the holders of them, another still larger amount, which will in about thirty days be subject to

forfeiture; upwards of \$1,300,000 out in scrip now due, and many who have honestly labored for it are nearly ruined for want of payment—over \$400,000 of interest to be provided for—our State Bank again in a State of suspension, her resources very much crippled and utterly unable in her present position to extend any efficient aid in relieving the necessities of the people or of the State; Auditor's warrants as well as every other evidence of State securities 25 to 30 per cent. below par; not one dollar in your treasury, and within one week of the expiration of the session. At such a time it is that we are called upon to devise ways and means to extricate the State from her embarrassments, relieve the wants of the people, and provide for the reinstatement of public confidence and credit.

The undersigned, in view of our present condition and future prospects, as one of the committee, distrusting his own judgment, and the more so from his difference of opinion from most of his friends, and his acknowledged want of experience in extensive financial operations, he would most willingly avoid the responsibility of suggesting a course of policy to be pursued in the present disastrous situation of our affairs. But he will shrink from no duty that his constituents, or the State may seem to require at his hands, but will freely and fearlessly express his opinions, and suggest such plans as his judgment approves of, trusting the House will excuse the frankness assumed, and give to his suggestions whatever consideration they may merit. The undersigned would recommend then, first, a more rigid economy in our public expenditure, and a more strict accountability in our public affairs and agents. 2d, The repeal of the entire Rail road system and the letting the works to companies as far as they may be disposed to take them. 3d, The suspension of all operations on the canal until our State credit shall have been placed on so firm a basis that we may with confidence hope to borrow money for its completion without doing so at ruinous sacrifices. 4th, To provide for raising such a revenue as will inspire confidence at home and abroad, that we are determined to meet our engagements and provide the means of paying every honest demand that may be against us.

The undersigned will have to ask the indulgence of the House, while he offers some of the reasons that impel him to make the recommendation he has done, and particularly in relation to the canal, as his opinions are at variance with the recent expressed opinions of the House on this subject, and it may appear a want of decorum in him to urge a measure on the House it has so recently decided as inexpedient.

And first the necessity of strict economy and accountability in the management of our affairs must be apparent, while we should avoid a mean parsimony in providing for our officers; we should avoid any appearance of extravagance, in times of such great pecuniary embarrassment, and while it is necessary to greatly increase the burthens of the tax paying community, common justice requires that the sums thus raised from the hard earnings of the community should be husbanded carefully, and above all every dollar should be accounted for. It has been the unpleasant duty of the undersigned this winter, as chairman of a committee of this House to examine extensive accounts and expenditures, and the conviction has been fixed in his mind, that this branch of the public service is susceptible of

great improvement. This course is rendered necessary not only to silence well founded complaints at home, but to inspire confidence abroad; for without strict accountability, a large revenue may be wasted, the people oppressed, and yet the just claims of the public creditors go unsatisfied. It is the deliberate opinion of the undersigned, that in almost every department of the public service a large reduction in our expenditures might take place without any detriment to the public service, and would render our constituents more willing to bear any burthens we might impose on them by sacrificing some portion of the claims we may be supposed to have on the treasury.

The repeal of the Railroad system; on this subject the undersigned has heretofore expressed his views which may be found in a minority report submitted some time since, and he will only add, that as Legislators we should respect public opinion, and this opinion he cannot doubt but calls for its repeal; and he is further constrained to say, that so far as he is made acquainted with their feelings on this subject they will very unwillingly submit to further taxation while this law remains on your statute books. Believing as they do that it is there retained with the view of further prosecuting the system at some future period, an event which they would regard as most destructive of the public interests, and would cut off all hope at ever seeing our State relieved from her embarrassments. If companies will take and finish them on fair terms, we should let them do it; if not, a large share of them should be abandoned before a further waste of our resources is made in so hopeless a project.

In regard to the canal, the undersigned is anxious to be distinctly understood; he would fain hope to convince the friends of the canal, that the best interests of that work itself calls for suspension, and he will here take occasion to say, that he desires and expects to see that work finished, and has no doubts but it will be unless its prospects are blasted by those who profess to be its friends, by throwing the shade of suspicion around the character and conduct of those who have the management of it, by making or endeavoring to make it subservient to party purposes, and by pressing for the sale of bonds at their present depreciated prices, and as a necessary consequence still further reducing them in value in market, when if such depression cannot be prevented and their value enhanced, all hope of completing this work must be abandoned.

This work was carried on last year by a transfer by the Governor of bonds to the contractors at par, and by them sold in London at 17 per cent. discount. Our internal improvement bonds had been worth from 90 to 91, and had never been sold by the agents of the State for less, and these bonds have always been considered less valuable than canal bonds, as being not so well secured. The value of our bonds in the London market, were of course all depressed to that price, this being the best description of bonds we have. This together with other injudicious sales and hypothecation of bonds at home and abroad, and the fact that the State has provided no permanent fund for the payment of interest, and a pressure in the money market all conspired to sink the value of our bonds until they are barely worth 70 cents in the dollar; and this depression must continue with accelerated force unless the Legislature shall raise a permanent revenue, and all apprehension be removed as to the regular payment of interest, for however solvent the State may be be-

lieved to be if she permits her interest to go unpaid, our bonds will be thrown out of market as of no value. It is proposed again to pay contractors bonds in payment for their work. These the contractors must dispose of, as they are unable to carry on their contracts and retain the bonds. Our bonds abroad being now worth only 70 per cent., and every cause operating since the last advices to produce a still further decline; any new emissions of bonds without some proper guaranty for the payment of interest must beget still greater distrust, and any sale made of them must be at prices below 70 per cent., and produce a still greater depression in the prices of all our stocks. Let it be borne in mind that if the canal goes on these bonds must be sold, at whatever sacrifice, and if this course is permitted your bonds will be depressed to half price. Can any reflecting mind at all conversant with financial affairs doubt that this must be the result; all the laws of trade, and the continued if not increased pressure on the money market point to this as the inevitable result of putting in market so large an addition of bonds, when stocks of every kind are so depressed, and Illinois bonds peculiarly so, and when our banks east and west are in a state of suspension. But it may be objected that the loss, if any, will be sustained by the contractors. Suppose it granted that for the present year, it is so? What will be our condition next year, to continue the work, if our bonds are by this process of shoving them into market this year, sunk to half price? A similar operation must be gone into next year, and a further decline takes place, or suppose them to remain stationary? Have our contractors got their contracts at such prices, that they can lose one half their pay in the operation of shoving, and still sustain themselves? If they can, then the nature of their contracts well merits enquiry. But again a very considerable portion of these works have not yet been let, and before the works now in progress can avail the State any thing, these must also be finished. Will this Legislature permit new jobs to be let, and give bonds in payment, those bonds being worth only half price in market, and which the State must redeem at their face? Will not the new contracts be taken at prices proportionate to the reduced value of the bonds? On the whole, I am constrained to believe that if this system is pursued, your works must stop twelve months hence, without some extraordinary aid coming to our relief, which is a contingency too remote on which to rely for Legislative action, and on interests so important. Would it not be better, and the undersigned would address himself to the friends of the canal, that it should be suspended during the present year; that in the mean time we should raise a revenue, collect our resources, and elevate the character of the State by a rigid compliance with her contracts abroad; by so doing we might next season borrow the money on fair terms, and even without other aid, we would have a fair prospect of carrying on this work to completion; or shall we persist, our bonds be still further depressed in market, our citizens still further embittered against all public improvements, by having State bonds sacrificed, which their farms will be mortgaged to pay, and our credit and standing abroad irretrievably ruined.

But it may be objected in regard to the new contracts, that there is no danger of having to pay exorbitant prices for their completion, even if the State stock should become still further depressed, as the same contractors propose taking them at the estimates of Engineers, and that the

same bill provides for incorporating a company and giving to them the contracts on these terms. In the opinion of the undersigned, this is not the least exceptionable part of the bill. By the incorporation of a company and assigning them the work at a given price, and stipulating for the payment of the works in State bonds at par, the very acceptance of the contracts with such stipulations shows the prices of the work to be put unreasonably high, or the corporation would not take the contract and receive bonds at par in payment, when these bonds are at thirty to thirty-five per cent. discount, and still falling, unless the prices they obtained were at unreasonable rates. Again, these estimates were made some years since, when labor on the canal was 20 to 30 dollars per month, when it can now be obtained at 10 to 12 dollars, showing most conclusively that they are made much too high with reference to the present prices. There can be very little doubt that for cash payment these jobs would now be taken at half price or less, consequently being a loss to the State of one half the cost of their construction. And it is a subject that well merits the serious enquiries of the Legislature, whether they will give to a chartered corporation all the contracts without permitting others to become bidders, thus closing the doors to all competition. Such a course is alike destructive of the interests of the State and other citizens, who may wish to compete for these jobs, and who perhaps possess equal, if not superior qualifications to prosecute them to advantage.

A revenue; the undersigned came to this place prepared to support any system of taxation that our citizens could bear, and which the preservation of the honor and faith of the State might demand. But this determination was based on the supposition that our Legislation should be founded on principles which had the sanction of his judgment and such as he believed his constituents would approve. Our commencement by the hypothecation of bonds was regarded as most calamitous, and he will be happy to find his fears were not well founded. We should look at our affairs if possible, with the eyes of statesmen, resolved to find our true situation. These remedies are necessary, and if within our reach, apply them. The undersigned is still the advocate of efficient taxation; but it must come accompanied with measures which promise that the sums so raised from our common constituents shall not be lost in the sacrifice of State bonds. It must be under circumstances that furnish ground of hope that our tarnished honor may be cleared of imputation, and that while we provide for the payment of our foreign debt, we do not lose sight of our suffering citizens at home. Shall we not pause? Shall we not look around us and calmly calculate on consequences? Our affairs are yet susceptible of being reinstated. The gloom that pervades every countenance when our State affairs are mentioned, may be dissipated, and our State occupy that proud position that with prudent councils she is destined to fill. Should the House determine to suspend operations on the canal and prevent the hypothecation of any more State bonds, unless on long time and to redeem bonds that would otherwise be sacrificed, the undersigned will be found lending his aid in creating a revenue; but unless such should be the case, every consideration of duty to himself and his constituents forbid the idea as only tending to oppress them, without in the smallest degree advancing their permanent interests, but the money so wrung from them will go to fill the pockets of brokers and stock-jobbers.

The committee recommend the issuing three millions in State bonds, bearing interest at the rate of seven per cent. to carry on the canal, subject to the direction of the contractors to be either sold or pledged on such terms as they may direct. They further propose to issue any amount of bonds that may be necessary, to be called interest bonds, which also bear seven per cent. interest, and be sold for the best price that can be got for them. Here are two classes of bonds to be thrown into market and by different owners, the rate of interest to be higher than ever before contemplated for State bonds, and the necessities of each so great that they must be sold at whatever price the avarice or cupidity of foreign Shylocks may please to give for them, and these different holders each underbidding each other. They (the stock-jobbers) may at first be satisfied with the pound of flesh, but with the growing necessities of the contractors and the State, will the demands of avarice keep pace, and the suffering victims must submit to deeper and still deeper shaving. Will the Legislature of Illinois thus legalize shaving, on a wholesale scale, themselves being the victims to be operated upon. Will that Legislature which was so recently edified by so pathetic a disquisition on the evils and corrupting tendency of banking, so soon forget the lessons of prudence so freely tendered, and offer her bonds, and with them her honor and character to foreign brokers and money changers, and tell them to take them and give what they please in return? Is there any thing in being swindled by a foreigner which makes it grateful to a *Sucker* bosom? Will our constituents think all is right in sacrificing millions to foreign bankers, and yet our own institutions must be visited by our utmost vengeance, if they resort to common prudence to protect themselves? I would invoke the attention of the House to the proposed plans. To my vision, ruin is stamped on their every line. If swindling does not follow in its train, and if further and deeper disgrace does not close the scene, then may we expect "sweet streams to flow from bitter fountains," and the events to belie what the plans hold out. To me the prospect seems so utterly devoid of promise that did I not know from whence they originated I should pronounce it a hoax. I will only say that looking at the depressed state of monetary affairs, the low situation of our credit, and the tendency of these measures to ruin our credit if now good, the inducements held out to shaving, and its inevitable following, two years will not have closed, until you will have ruined contractors—an unfinished canal, three millions gone, and will need the aid of a public administrator to settle up the affairs of a defunct canal; for, after the waste that must follow so in, provident a course no one will be hardy enough to ask for another appropriation.

The committee recommend the authorizing of the bank to suspend during the period while the western banks shall do so. To this measure the undersigned could agree, if such suspension was the act of a large majority of both parties in the Legislature, but from the vote recently taken in the House on that subject, it is obvious that if such a measure passes it must be by a meagre majority. That institution is already hard pressed by the payment of specie, when the vaults of the other banks were closed, and she is in so crippled a condition, that without the countenance of the State authorities, and cherished by them instead of being the subject of invidious attacks, she can render the State or her citizens but little service; and if the same course is taken with her that has been heretofore, like a consump-

live patient she may linger along with a feeble existence, but her onward course must be faltering until she falls to rise no more. The undersigned regrets the prospect of seeing her go down, money is now scarce and is daily becoming more so, and her paper constitutes a large share of our circulating medium, besides she has a large amount of debts owing her by our citizens, the payment of which at the present juncture must greatly distress them. But her business is so cramped that she now makes no profit for the State, or her other stockholders, and satisfied as I am that without a total change of policy in regard to her she must fail, and I feel unwilling to assist in prolonging a feeble existence.

In conclusion, the undersigned would ask the House, that burthened with a debt of nearly fourteen millions, the annual interest on which exceeds seven hundred thousand dollars; a prostrate bank; four hundred thousand dollars of your bonds already pledged at one-third of their face, part of which are now forfeited, and the balance shortly will be; upwards of six hundred thousand dollars more lost or in imminent danger in New York by the bad management of your agents; between one and two millions in Europe in a like condition. Your interest falling due before the Legislature meets again unprovided for, and an extra session of the Legislature in consequence almost inevitable; your bonds selling at 60 to 70 cents on the dollar; a bankrupt treasury, and an oppressed and dispirited people; thousands of your honest citizens who have labored on your public works are already nearly or quite ruined by withholding from them their just demands; the State so poor she cannot pay her door-keepers much less her members; under such circumstances is it that we are called upon to authorize the emission of three millions more in bonds to be hawked about America and Europe. Your commissioners knocking at the door of every pawn-broker and shaver, begging them to buy or lend money on bonds, Illinois bonds.

The undersigned appeals to members to look at this picture, its shades are dark, but truth would warrant in giving a still darker hue. The undersigned would again appeal to members; he would ask them in solemn sadness to examine, closely examine the majority proposition. Let us not be induced by any committee however talented or respectable to take on trial measures so portentous, measures so fraught with evil, if evil it be. Are we prepared to take another plunge? Are we prepared to go home and tell our constituents, we have mortgaged their farms for three millions more? Are we prepared to say to them, we have doubled their taxes, but we have provided no means to pay such of you as have faithfully labored on our public works? Shall we say to them, that while we have increased their debts and added to their burthens, we have failed to lessen the public expenditure, but have increased it? These are grave questions, but questions we must expect to answer, if the proposed measures are carried out. The undersigned would not weary the House, but he feels that if these measures become laws you have given the last stab to the credit of Illinois. No more may we hope for repose at home, or honor or character abroad. Your State, your credit, your prospects are blighted. The erect and manly forms of the freemen of Illinois, will become bent, their spirits broken by the hopeless prospect of interminable bankruptcy. In the name of his constituents, the undersigned must protest against a policy so ruinous, and although we

must suffer in the common calamity, we will at least find some consolation in the reflection, that we have done all that we could to avert the ruin with which we shall be surrounded.

I will close this painful report, by presenting to the House a bill for their acceptance or rejection; in the choice of this and those proposed by the majority of the committee, will in the opinion of the undersigned depend much of weal or woe to the people of Illinois.

LEANDER MUNSSELL





TC
625
I45
Y68
1841
PARE

