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[ Doc. No. 17. ]

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MINORITY REPORT

OF THE

COMMITTEE ON INTERNAL IMPROVEMENTS,

ON THE SUBJECT OF THE

CHESAPEAKE AND OHIO CANAL.

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## REPORT.

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BY THE HOUSE OF DELEGATES,

*March 1st, 1841.*

Read and 666 copies ordered to be printed.

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Mr. Legrand submitted the following report of the minority of the Committee on Internal improvements, on the subject of the Chesapeake and Ohio Canal.

The undersigned, one of the committee on internal improvements to whom, among other matters, was entrusted the subject of the investigation of the affairs and condition of the Chesapeake and Ohio Canal Company, has, in conjunction with the other members of the committee, diligently applied himself to the investigation, with a view of ascertaining the precise condition of the affairs of that company. The necessarily short time allowed for that purpose, has been improved, so as to afford to the House, as clear and distinct a statement of the matter, as possible.

The undersigned regrets, that he has been unable to concur with the majority, in the correctness of the conclusions to which they have arrived. In the course of this report, he will endeavor to establish, and, he hopes satisfactorily to the House, that the majority have formed erroneous opinions as to the character of the acts of the present President and Directors, and attributed to them consequences for which they are wholly irresponsible; and that many of the subjects of just complaint against the company, are owing to circumstances, which the present board have had no agency in creating.

Before proceeding to do so, it is thought not improper to glance at the condition of things, when this State changed her policy in the year 1828, and to review some of the means, which have from time to time, been employed to induce, on the

part of the State, such a course of action, and has resulted in so much embarrassment both to the State and people. The undersigned disclaims any intention in doing so to excite political jealousies or party feeling, well knowing that a few of those associated in politics with him have been instrumental, in despite of the principles they professed to support, in bringing about the present state of things. But whilst he does so, he nevertheless contends that their conduct was antagonistical to the principles of the party to which they were attached, and in harmony with those of their opponents. The time has arrived, when the representatives of the people should speak out. The people demand that there should be no concealment, and they ought to be gratified.

It must be well recollected, and if it be not, the records of the State will show it, that at the time when the party now in the minority of the State, surrendered the control of the finances of the State to their more fortunate opponents, that there was a surplus in the Treasury of \$29,838 64, and a public debt of only \$601,447 30, incurred for laudable and proper objects.

After a period of eleven years' management of the finances of the State, we are compelled to behold a bankrupt treasury; the State involved in an immense debt, portions of which were imprudently and recklessly contracted; a direct tax about to be imposed on the people without the least probability of diminution for many years, acting as it must, as a damper upon the enterprize of the citizen, and as a disheartener of the industrious and frugal. This state of things cannot be other than afflicting to every one who is anxious either for the welfare, prosperity or glory of his State.

Had the counsels of men, (who, in the inflated and deceptive language of the day, were denominated "as men behind the age,") been taken, instead of the present truly appalling state of affairs, our noble State would present to the eye of the world, as she did prior to the year 1828, as industrious, honest and happy people as ever lived. Unfortunately for the good of the State, the counsels of such persons were wholly disregarded, and the statements of interested speculators, feed attorneys and engineers were made the authority for legislative action. The legislative proceedings of this State will show, and it is designed they shall in this report, that from time to time, deceptive statements were made to the legislature with the view of procuring further aid to the various works of Internal Improvement, but more particularly in favor of the

Chesapeake and Ohio Canal. Such a state of things cannot be productive, under any circumstances, of consequences other than destructive, both to the honor and credit of the State which tolerates them. Had the finances of the State been more steadily guarded, the various works of Internal Improvement more thoroughly understood, instead of the present distressing condition of things, it is fair to presume, that the credit of the State would have been preserved, and the present generation relieved from the unpleasant task of taxing not only its, but the industry of many generations yet to come, to provide for the punctual payment of the interest accruing on the public debt so unwisely and imprudently contracted.

It is to be regretted, as all history demonstrates, that in all ages and countries, the interests of the great body of the people have been made subsidiary to the avaricious views of hungry speculators, who never fail to infest every region; and it is also cause of deep regret, that by trickery and management this class of persons have uniformly succeeded in acquiring and exerting over the deliberations of the legislature an influence, destructive of the best interests of the great mass of the people. To this class of persons are we mainly indebted for the evils of the Banking system, under which the people now groan in agony. It was they who true to their instincts, first plundered the needy soldier of the revolution, and then by the means of a factitious public opinion, coerced the first Secretary of the Treasury into the recommendation of the establishment in this country, of an institution similar to the Bank of England.— Their success in this instance, gave them an influence over the public affairs, which they have never ceased rigorously to exercise. To this class are we also mainly indebted for the wild and visionary *system* of Internal Improvements which has, or is about to, eventuate in the utter prostration of the credit, finances and prosperity of the State. Such was the excitement produced by the myriad of harpies who are ever eager to prey on the industry of the people, that the sober voice of reason was drowned amidst their constant clamour, and the individual who had independence enough to question the propriety of the proceedings instituted and consummated for their benefit, was sure to provoke for himself the abuse of the press, which, but in few instances, was under their control. Did the laborer protest—he was informed he had nothing to do with it, as upon him would not devolve any portion of the burden in any contin-

gency. The farmer they sought to entice to their aid, by holding out to his imagination the golden harvest of great gains, and the prospect of constant high prices for his produce. They beset the legislature not only of this State, but the legislatures of every State in the Union, with petitions and memorials, asking, and in most cases procuring the means of the people, until they succeeded in involving the States that would countenance them, in the enormous debt of two hundred millions of dollars, the interest alone of which enormous sum, is twelve millions, at six per cent., but which, when we consider the necessary expense attending its assessment and collection, will make it near fourteen millions. If the faith of the States is to be preserved, a large proportion of this sum in specie, (making liberal allowance for productive works,) must leave the country annually to pay the interest due on the stocks of the various States, held principally by foreigners. To raise this enormous sum by taxation, would of itself impose a burden on the people, which they would be compelled to strain every nerve to stand up under; but when we reflect, that this sum must be annually withdrawn from the capital of the country, who is prepared to limit the extent of the misery and suffering that must inevitably ensue?

The amount of tax paid at this time is far from being small, and the reason why it is not so severely felt by the people is, because it is immediately disbursed among those who pay it in the first instance, in the form of payments to those who are engaged in the performance of public duties, and to those who keep in repair the public roads and perform other business for the various counties of the State. Widely different will be the operation of a direct tax to pay the interest on the debts of the State. The effect of this tax will be uncontrollably to withdraw from this country all its specie, and of course so much of its active capital. How this constant demand for the precious metals is to be met, it is not easy to foresee? Judging, however, from what we know of the nature of the trade of this country, it is not doing violence to reason to assert, that it cannot be done.

Taking one year with another for the last seventeen years, the balance of trade has been against this country, precluding the possibility of any very considerable, if any increase of the precious metals in the United States. From the following table of the imports and exports in each year (ending 30th September, 1840,) since the year 1821, the state of the trade of the



United States will be clearly seen, and the data upon which a calculation ought to be made as to the probability of any influx of specie from abroad.

YEARS.	IMPORTS.	EXPORTS.
1821,	62,585,624,	74,974,382,
1822,	83,241,541,	74,160,281,
1823,	77,597,267,	74,699,030,
1824,	80,549,007,	75,986,657,
1825,	96,340,975,	99,535,388,
1826,	84,074,477,	77,595,322,
1827,	79,564,068,	82,324,827,
1828,	88,509,824,	72,264,686,
1829,	74,492,527,	72,358,681,
1830,	70,876,920,	72,358,681,
1831,	103,101,124,	81,310,583,
1832,	101,029,265,	77,176,943,
1833,	108,118,311,	90,140,433,
1834,	126,521,332,	81,024,162,
1835,	149,895,742,	121,693,557,
1836,	189,980,035,	127,663,040,
1837,	140,989,217,	117,419,377,
1838,	113,717,404,	103,486,616,
1839,	169,092,132,	121,022,416,
1840,	104,805,391,	131,571,950.

The above table has been compiled with care from the public documents relating to the subject, and clearly demonstrates that unless there be some decided change in the character of the commerce of the United States, so far from specie flowing into the country to enable the States with punctuality to meet their liabilities, its tendency will be to the other side of the Atlantic. It is gratifying however to see at this period, that the exports last year exceeded the imports by near twenty-seven millions of dollars; if this ratio was preserved for any very considerable number of years, which it is not fair to presume it will, the States would be in some degree better qualified to comply with their engagements.

Such being the case it must be alarming to the citizen to look forward to the future. Whatever delusion heretofore took possession of the public mind must now be dissipated by stern reality. The many erroneous opinions which have been for the last ten years so industriously and so successfully propagated, must now share the fate of other similar fallacies that have

had their day in this and other countries. Public opinion is assuming an healthier tone, and the suspicion of the people is being aroused to the grossness of the many delusions which have been practiced upon them so much to their loss. Every patriot ought to congratulate himself on the change, as it involves not only the property and morals of the people but the very vitality of the Republican institutions of the country.

So incautiously was our enormous debt contracted, such little inquiry made as to the true character of the works in which the State is so deeply interested, that it might safely be inferred by a stranger, not acquainted with their secret history, that the debt was contracted and the works undertaken, under the belief that the people would never be called upon to pay. Indeed it may be averred without fear of successful controversy, that the great body of the people of the State were led into the belief that they would not only be relieved from all liability in the shape of taxes, but that on the contrary, long before this time the various works of internal improvement in which the State is engaged, would be the source of considerable revenue. This belief can no longer exist in the minds of any but enthusiasts. The time fixed for the completion of the works in which the State is so much involved has long since elapsed. The statements upon which the State acted are shown by facts to be untrue, and all the wild and visionary notions of making them a source of revenue to the State, exploded by the heavy tax which the State is called upon to impose upon her citizens.

That such a state of things would follow the inconsiderate expenditure of the people's money, might and ought to have been foreseen by those entrusted with the guardianship of the people's treasure and the State's credit. They had been warned by many, whose warning ought to have been heeded, but whose counsels were regarded as the promptings of imbecility.

Early in the history of our country, the immortal author of the Declaration of Independence, the sage and statesman, the friend of civil and religious liberty, Thomas Jefferson, called the attention of his countrymen to the subject, and solemnly warned them if they would preserve their independence, that they "must not let their rulers load them with perpetual debt." "We must make our election," says he, "between economy and liberty, or profusion and servitude. If we run into such debts as that, we must be taxed in our meat and in our drink, in our necessaries and in our comforts, in our labour and our amuse-

ments, for our callings and our creeds, as the people of England are; our people, like them, must come to labour sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their debts and daily expenses; and the sixteenth being insufficient to afford us bread, we must live as they now do, on oatmeal and potatoes; have no time to think, no means of calling the mismanager to account; but be glad to obtain subsistence by hiring ourselves to rivet their chains on the necks of our fellow sufferers."

This was the language of the apostle of American freedom, and has been the doctrine of the party who pride themselves on following in his footsteps. That sagacious statesman and incorruptible patriot, President Jackson, arrested so far as it was possible for him to do, by his veto on the Maysville Road Bill, the efforts of profligate demagogues and corrupt speculators, to introduce into Congress the same corrupting system of internal improvements that has engulfed the States in the depths of debt, if not degradation. For this bold stand by that virtuous man, against the systematic efforts of the speculators, he was loaded with abuse and denounced as one regardless of the character of his country and unmindful of its prosperity. So soon as the greedy expectants were disappointed in the success of their attack on the constitution of the United States, they turned upon the several States with an appetite sharpened by their recent disappointment, and by the aid of exaggerated statements, succeeded in duping the States not only into the support of their schemes but of the lavish expenditure of the people's treasure to aid them in their undertakings.

Had all the States adopted the policy indicated by President Jackson, they would now be in the same prosperous condition as are the States of Missouri and New Hampshire, that did. Those who were interested in keeping up the delusion which they had created, instead of answering argumentatively his views, preferred to denounce him in terms of harshness, which although at the time might, and doubtless were considered by some of his friends, as an injury done to his fame, those attacks will now however, demonstrate his wisdom and patriotism, and establish, to say the least of it, their unwarrantable character.

Had not the President arrested in the outset the system of internal improvements at the expense of the general govern-

ment of which the Maysville Road Bill was but the entering wedge, the general government would now be crippled in its resources and bankrupted in its treasury, as are many of the States. Thanks to the man who regardless of that ephemeral popularity, the reward of time-servers, preferred to adhere to the constitution of his country, instead of yielding to the importunities of those, who provided they are permitted to fatten on the industry of their fellow men, care not for law, morality or any thing else. Fame will do him justice, and his name will in after times be associated with that select band of worthies who have in all ages maintained the rights of the people in despite of the enemies of civil freedom.

Conscious of the inherent errors of the present system of internal improvements, its advocates have at various times represented the illustrious Father of his Country as being its advocate, if not its author. These assertions in effrontery, are only equalled by their fallacy. There is no opinion of General Washington that can be adduced to sustain the assertion.

The system of internal improvements of which he spoke, was the system as then understood in England—one conducted on private capital and by individual enterprize. By Sparks' life of Washington, we are informed, that in September, 1784, he made a tour over the Allegany mountains of 680 miles to examine his lands beyond the mountains. On his return he communicated to the Governor of Virginia the result of his observations, and suggested the improvement of the James and Potomac rivers. In compliance with his suggestion, two companies were incorporated by the legislature of that State; the one designated as the James River Company, and the other as the Potomac Company. Subsequently to this, whilst in the Western part of the State of New York, he was forcibly struck with the feasibility of forming a navigable connexion of the waters of the Mohawk and of Wood creek, which ran side by side in opposite directions, the one reaching the Ocean by the Hudson, and the other by the St. Lawrence. At the solicitations of a distinguished citizen of New York, (General Schuyler) and his associates, they were incorporated by the name of "The Western Inland Lock Navigation Company;" "The Northern Inland Lock Navigation Company," was also incorporated by the State of New York.

The design of "The Western Inland Lock Navigation Company," was to connect the second Lake Champlain and the

Western Lake with the Hudson river, and was completed, and in full operation before, to use the language of a forcible writer, "the new fangled system of internal improvements was hatched from its embryo." This destructive *system*, says the same author, "is wholly of modern growth. It owes its origin to the unchartered aspirations of political ambition, and has been sustained upon the mercenary and demoralizing principle, that sections of the State can be subsidized into political subservience by holding out as a bribe the plunder of the whole community—the local interests, like individual cupidity, the more nearly they are concentrated are the more intense, and consequently that attacks made by sections to fasten upon the property and rights of the whole, will be more vigorous than resistance—that aggression in such cases of drilled and disciplined combinations, will always be stronger than repulsion. Under this system, millions upon millions of the public wealth have been squandered and lost. No efforts have been able to shield the rights of the whole from the most wanton and ravenous aggressions. And the States with their sinking credit, may now be likened to a disabled and prostrate elephant, with a host of tigers, hyenas, jackalls, and vultures tearing its flesh, and growing more ferocious the more they are gorged in blood."

It is not difficult to perceive the truth of the picture here drawn:—it is exact in each feature, and a true description of the enfeebled condition of our good old State. In vain will it be for those who have urged this course, to attempt to shield themselves behind the justly impregnable fame of the immortal Washington. He held no opinion in common with them, and would, as his entire history establishes, have avoided such men, as he would an evil. His aim was to build up a nation of independent, industrious and happy freemen; and not to subjugate his fellow men into slavery—to burden them with taxes—to deprive them not only of the comforts but the very necessities of life, as will in the end, it is to be feared, be the effect of the pernicious and demoralizing *system* of internal improvements, that has effected such a strong grasp upon our country and its means.

The truth of the matter is, that the fame acquired by the late De Witt Clinton, in prosecuting to a successful completion a great work, so dazzled the minds of aspirants, as to induce them to emulate it. Their brains were frenzied by the inten-

sity of the desire to equal him by similar achievements, and they became the fit tools of the designing and intriguing. The history of the most prominent of them is a sufficient commentary to show the inutility of any of their suggestions or projects. They have generally wound themselves up in pecuniary matters, and terminated their career in either misery or want. They have however, succeeded in entailing upon the people of these States, a degree of servitude, which to those who by nature and education are free, will be far from pleasant.

“The very essence of slavery” says Mr. Jefferson, “consists in the exercise of arbitrary power by one portion of the human race over another, in controlling their labor and appropriating the avails of their industry.” This has been the effect of “the wild system of internal improvements” of the present day;—it has been substantially, the arbitrary appropriation of the avails of industry to the private interests of others.

To the undersigned, it is a source of great satisfaction, that those with whom he is politically associated, have ever been as a party, uncompromisingly opposed to the *system* and have uniformly opposed the extension of its influence. The exceptions to this rule of conduct, are but examples of a departure from their cardinal principles, and will serve to illustrate the corrupting influence of the system, in being capable of successfully appealing to the local prejudices and jealousies of particular sections.

The undersigned wishes to be distinctly understood, not as the enemy of internal improvements, but as their friend. It is the *system* on which they have been conducted that he opposes. Some of the works which the State has aided, he most heartily approves of, and anxiously looks forward to the day when they will be completed.

The action of the Legislature, founded on the principles indicated, has resulted in, as is well known, the serious embarrassments of the State. It now remains to be shown what circumstances have materially contributed to increase the embarrassment, particularly those connected with the past management of the Chesapeake and Ohio canal company, and to explain the present condition of its finances, and to point out, in some degree, the erroneous views entertained as to the amount required to complete the canal to Cumberland,—to pay its debts, and provide for the payment of the interest on the loan proposed.

With a view to the better understanding of these subjects, they will be examined in the following order:

First.—The condition of the company, and the amount of appropriation required.

Second.—The condition of the affairs of the company when the present board came to its management, and their proceedings.

The undersigned states as a preliminary, that it is not his design to consider the questions which have been raised by the old clerks, engineers, &c., as to the propriety of their action. On this point he deems it advisable to let the testimony alone speak.

By the communication of the President of the canal to the Governor, dated 8th January 1841, it appears, that the work paid for up to 1st January 1840, was	\$2,030,128
To that sum the estimate for work done in December, 1839, not then paid for, is to be added	53,162
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And we have work done on the 50 miles, on the 1st January, 1840	\$2,083,290
In the report of the chief engineer, the work done on the 50 miles, from 1st January to the 31st December, 1840, is stated to be	531,160
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	\$2,614,458

Deducting this sum from the amount which according to Mr. Fisk's revised estimate of December, 1839, the 50 miles of canal are to cost	4,440,350
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And there is required on this calculation, to complete the canal to Cumberland.	\$1,825,892
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“In addition to the amount required to finish the canal, the company will need, to redeem evidences of its debts issued, and to pay for work done, if the State bonds unsold command their nominal value \$500,000; and if the State bonds unsold are disposed of, as it is probable they will be, at 80 in the 100, the company will need for the purposes above named \$700,000. In this statement no estimate is made for the payment of interest to accrue hereafter on the \$2,000,000 loan, or on the bonds issued under acts of General Assembly of Maryland, ch. 386 and 396, passed December session 1833, or for the re-payment to the State of the interest advanced to the canal company on the last named bonds during

the past year. If it is the design of the legislature to furnish to the canal company the means to pay its debts to the State, in the mode heretofore adopted, it will be necessary to add to the appropriation made to redeem the scrip of the company and complete the canal, an amount of bonds sufficient to accomplish that purpose."

Supposing that the estimate of Mr. Fisk to be correct, it would require to pay for work yet to be done,	\$1,825,892 00
Supposing that the bonds yet held by the company be sold at 80, as it is more than probable they will, it would require to redeem scrip and to pay for work already done, at least	700,000 00
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	\$2,525,892 00

If provision be made for the payment of interest, it would require to pay the interest on \$1,825,892 for three years, supposing the bonds to sell at 70, the rate of last sales,	356,048 94
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	\$2,881,940 94

In this sum is not embraced the interest already due the State on its advances, or is there any provision made for the payment of the interest accruing.

Amount of interest advanced by the State	\$409,487 50
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Amount required to enable the company to pay annually the interest on the State loans already made, supposing the bonds to sell at 100 cents, is \$392,555, ascertained in this way.

5 per cent debt incurred for payment of 1st subscription	\$497,000
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5 per cent debt incurred for payment of 2d subscription	125,000
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622,000 int't 31,100



6 per cent loan per ch. 241, of 1834, 2,000,000	“ 120,000	
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	151,100	
Add for equiv- alent to coin say 5 per ct.	7,555	
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	158,655	
Int. on the two last subscrip- tions, amount- ing to 4,575,- 000, sterling 5 per ct. &c., payble in Lon don, say	265,000	
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	423,655	
Deduct inter- est which the State is un- der no obli- gation to pay,	51,000	
	<hr/>	
	392,655	
Multiply by 3 supposing 3 years to be necessary to complete the ca'l to Cum- berland and to open it for navigation,	3	
	<hr/>	
	977,665	
	<hr/>	
		1,407,152 50
And we have		<hr/>
The amount required to complete the canal to Cumberland,		£4,288,643 44

if the estimate of Mr. Fisk be correct, and the bonds required to pay the interest be sold at par. This statement is necessarily hypothetical in some degree, because the amount payable in London depends upon the rates of exchange; the rate last year, as ascertained on inquiry at the Treasury department, was on an average 5 per cent. If the bonds be issued for the purpose of paying the interest hereafter to accrue, the amount would be increased as the bonds could not be expected to sell at par, and if taxation be resorted to, the amount would be swelled in proportion to the expenses of assessment and collection. It may be fairly presumed, supposing the statements of the late and present chief engineer to be correct, that \$5,000,000 will be required to put the canal in a condition for thorough navigation from Cumberland to Georgetown.

The undersigned is not, however, prepared to repose implicit confidence in the correctness of the estimates. Past experience has conclusively shown what credit they are entitled to. At the session of 1834, the Legislature was confidently assured that "an expenditure of only two millions more would complete the eastern section—make this a productive source of revenue, and develop inexhaustible elements of boundless power, and bring into circulation, annually, productions of the mines, in value, at once exceeding the moiety of its whole cost." The legislature was also informed at the same session, that "if she were but to use her credit for the purpose, she could finish the canal to the coal region near Cumberland, without being conscious of, or feeling that she was making any effort, much less that she was bearing any burthen." On these assurances, the State did by act of Assembly, chap. 241, appropriate \$2,000,000 to complete the canal to Cumberland, and make it "a productive source of revenue, and develop inexhaustible elements of boundless power." What was the result of this appropriation? Did it complete the canal as promised? The action of the Legislature at the very next session will answer. The committee of Ways and Means of that session, (1835) say in their report, that "in approaching the consideration of the financial concerns of the State at the present session, the object towering above all others, and compelling alarmed attention, was the disclosure, that the estimates of the cost of completing the Chesapeake and Ohio Canal to Cumberland, have proved largely inadequate." Thus, it then appears, that the statements which were so confidently relied upon at the session

of 1834, were shown at that of '35 to be fallacious and not to be depended upon.

The committee, however, observe that "whatever may have been the vagueness and uncertainty of the estimates of 1835, those furnished to the present Legislature, may, it is believed, be certainly relied upon; and they fix the amount that may be required, at something less than three millions of dollars." The State, upon the statements presented at the session of 1835, was induced to appropriate three millions of dollars more to the Chesapeake and Ohio Canal, and since then, at the session of 1838, additional appropriations were made;—the whole of which has proved to be inadequate to the accomplishment of the object which the Legislature was assured at the session of 1834 two millions of dollars could accomplish.

These facts from the Legislative history of our State are not given with a view to prejudice the House against the canal, but merely to call its attention to the importance of examining, without too much confidence, the estimates submitted by that company. It has been shown, that near five millions of dollars will be required, admitting the accuracy of the statement of the engineer, to carry the canal to Cumberland, and to relieve the company from its liabilities; if, however, we make a calculation, warranted by past disclosures, we are justified in saying, that twice the amount asked will be necessary for merely the work to be done.

This being the case, it is for the Legislature to determine what ought to be done at this time. The enormous amount of money which the State has invested in that work, seriously embarrasses deliberate consideration. We are surrounded with difficulties on all sides. If the State at this time should refuse to make an additional appropriation to the canal, great injury, it is apprehended by some, would result not only to the work finished, but seriously embarrass the company and spread throughout the Western part of this State a degree of suffering which could not fail to be afflicting to the heart of every one who can feel for another's woe; whilst on the other hand, if an appropriation be made at this time, great loss both to the State and company must be sustained. If the bonds cannot be sold at less than their par value by the provisions of the act of appropriation, it would be impossible, in the present deranged state of the monetary affairs of the world, to sell them at all, and in that event, all the evils apprehended from a refusal to

extend additional aid at this time, would be as severely felt as in case of refusal. If there be no restrictions on the sale of the bonds, they would be forced, by the necessities of the company, on the market at a sacrifice equal to any that has as yet been sustained.

Whether in the present crippled condition of the finances of the State, prudence would dictate a further exercise of the State's credit, is a question of paramount importance. The undersigned freely confesses, that were it designed for the benefit of a work of purely Maryland character, he would have some difficulty in determining the proper course to pursue, but when it is asked to aid a work which cannot be pretended is of a State character, he has no difficulty in making up his mind to withhold the aid desired.

Apart from the embarrassed condition of the Treasury of the State and the business of the commercial world, the fact that the obvious tendency of the Chesapeake and Ohio Canal is to withdraw from the State that trade, which by her geographical position, she is entitled to, at once relieves the undersigned from all embarrassment as to the course he ought to pursue. Believing as he does, that the commercial metropolis of the State is seriously affected now, and will be to a greater extent, if the canal be completed, he is forced to the conclusion, that sound policy would dictate, to say the least, the withholding of aid at this time.

The City of Baltimore may be considered the heart of our State; cripple her in her resources, embarrass her business, and every avenue leading from that city will be the conductor of corresponding injury and embarrassment to every section of the State. To the enterprize and business of that city must the State now look for succour. Impede her growth, and the healthy tone which has heretofore characterized the business of the State, will forsake it, and the enfeebling effects of the wound inflicted on her, will be visited on the other portions of the State with harshness and severity. As regards the great profits expected to be realised by the trade of the canal, the undersigned thinks that they are liable to large reductions before they will reach the reality.

It is said by those who are familiar with the character of the mineral region, that there are inexhaustible quantities both of coal and iron. Admitting the truth of this, yet the fact of the canal ever being made productive, yet remains to be shown.

All the estimates show the capacity of the canal to be sufficient to pass a million tons of coal annually, and that the tolls on this quantity would be sufficient to pay, not only the interest on the advances of the State, but yield a handsome return to the stockholders. The capacity of the canal may be what it is represented, and yet there might be a want of capital to work the mines to the extent proposed, or if there should be capital enough, there will not be, in the opinion of the undersigned, for many years, if ever, a demand proportionate to the amount of coal expected to be transported on the line of the canal, and in that event, it would be useless to disembowel coal, if there was no demand for it. But of the demand, the undersigned does not speak positively, but merely gives his impressions.

Secondly: *As to the condition of the affairs of the company in June, 1839, and the conduct of the present President and Board.* It is due to Mr. Thomas and the Board associated with him in the management of the canal, to state, that since they became the managers of the affairs of the canal, no appropriation has been made in aid of the prosecution of the work, and that no contracts to any great extent, if any contracts at all for work, have been entered into by either him or the Board. This being the case, it cannot be justly said, that either he, or they, are answerable for the contracts, to the compliance of which the company is now held. They came into the company under circumstances of an exceedingly embarrassing character, overwhelmed by contracts entered into by their predecessors, and found themselves in the peculiar attitude of men called upon to meet engagements without the available means to do so. They discovered on the very threshold, that the former President and Board had entered into a system of hypothecation of the State's Bonds, which to say the least of it, was calculated to bring about embarrassments, and eventuate in, not only loss to the company, but the depression in the money market of the securities of the State. Thus circumstanced, their duty necessarily was other than pleasant.

To understand the true character of the proceedings of Mr. Thomas and the Board of Directors associated with him, recurrence must be had to the state of the canal's affairs when they came into power.

A careful examination of the report made to the House, by Col. Wootton, Chairman of the Committee on Internal Improvements, at the session of 1838, has satisfied the undersigned

that the opinions expressed by him are just and true, and as in the opinion of the undersigned, the testimony taken before the committee on internal improvements at this session, incontestibly establishes the truth of the facts detailed in his report, it is thought advisable to show what was the opinion of that gentleman, (confessed by all to be an honorable and highminded man,) as regards the conduct of the former President and Directors of the Company, and the consequences likely to follow therefrom. The propriety of this course cannot be questioned, when it is remembered that the high position which Mr. Thomas holds in the estimation of his political friends, has to some extent induced, if not unjustifiable censure, at least on the part of some, a disposition to hold him responsible for acts and consequences for which, on a proper examination of the facts, he should be considered wholly irresponsible. He, and those associated with him, have been represented as having sacrificed the State's credit by a most profligate use of its bonds. He denies the truth of the imputation, and has appealed to the history of his, and his predecessor's management of the canal as a sufficient vindication. He alleges that when he became President of the canal, he found its affairs so embarrassed, its means so encumbered, as to defy the most skilful to extricate the company from what he states to be its crippled condition, without great loss, and insists that so far from contributing by any act of his to bring about the present disastrous state of affairs, that he contributed, by his prudence and unwearied attention to the affairs of the company, to shield it in some degree from the destructive wave which was rolling over its interests and prospects.

In the report of Col. Wootton, (made before Mr. Thomas became President of the canal,) is the following language employed to show the character of the system of hypothecation adopted by the predecessors of Mr. Thomas:—"Under this contract (a contract of hypothecation,) in default of the payment of either principal or interest, the lender is authorized to sell, either at public or private sale, and the agent bound to make good any deficiency. Such contracts leave the company no alternative—they must sell, or subject themselves to risks which they are not warranted in running. A thousand causes may depress the money market. At such a moment it is not to be expected that the parties with whom they have contracted will forego the opportunity of enriching themselves at the ex-

pense of the company, by causing an immediate sale of the bonds. The low rates at which the hypothecations have been made by Mr. Peabody, rarely exceeding eighty-five cents in the dollar, and the short dates at which they have been effected, (many at 30, 60, and 90 days,) present to the foreign capitalists the alluring prospect of future profit, and the almost certain means of attaining it. The slightest pressure in the money market, and those very bonds which cost the company 120 cts. the dollar, may be sold at 80. The legislature certainly never imagined at the moment of ratifying the ill-fated sale of the commissioners, that such a sacrifice could by possibility ever be made. The committee are unable to account for the conduct of the company in relation to these very bonds. In the first place, they gave more for them than they would have brought in the market at the time they purchased them. In the second, they proceeded to hypothecate them at once on terms so disadvantageous, as rendered their retention of them utterly impossible. Did they intend to procure the means of carrying on their work at any sacrifice, and did they adopt the hypothecating process as the one most likely to conceal their intentions? To have sold the bonds at once, much as they wanted money, would have been too palpable. They hypothecate them however, on terms which *may* bring them into the market, and thus, what was the product of design, may seem to be the result of accident. The committee desire to be distinctly understood—not as censuring the company for endeavoring to raise money on the bonds—but for doing it at such rates, and on such terms as it has been done. Had these hypothecations been made at longer dates it would have been infinitely better, by affording the company more time to make their arrangements, for a renewal of their contracts, and left them less to apprehend from the fluctuations of the money market.”

By the testimony of Mr. John P. Ingle, late Chief Clerk of the company, it appears, that it must be considered that the amount of \$2,777,777 of the 5 per cent sterling bonds had been hypothecated before the first day of June 1839, and of course before Mr. Thomas became President of the canal company. It cannot be pretended that either the present President or Directors, are liable either for these hypothecations, or the terms on which they were made. These hypothecations had been made as was properly remarked by the committee on internal

improvements, at the session of 1838. on terms which left *“the company no alternative—they must sell, or subject themselves to risks which they are not warranted in running.”*

In every instance it is believed the parties with whom these bonds had been hypothecated, had power to sell at public auction or at private sale whichever mode best suited their views to secure the payment of the money advanced on them, and as justly observed by the committee above referred to, it was not to be expected that the parties with whom they were hypothecated, would *“forego the opportunity of enriching themselves at the expense of the company, by causing an immediate sale of the bonds,”* particularly when they presented *“to the foreign capitalists the alluring prospect of future profit, and the almost certain means of attaining it.”* This was the condition of the bonds of the company when its management passed into the hands of its present managers. They found the means provided for the company by the munificence of the State, so situated as to ensure but little else than loss and embarrassment. They were called upon to meet the heavy liabilities growing out of contracts entered into by their predecessors, and to enable them to do so successfully, they were compelled to exert the utmost prudence and financial skill. Never, it may safely be said, were men called upon to discharge so important a duty, under such harrassing and painful circumstances. They had to incur the responsibility of providing the ways and means to carry on a work in which the State had invested so much of its means, and promptly to meet the heavy liabilities which had been imposed upon the company by contracts which they had no agency in creating. Under such circumstances it might reasonably be expected that their proceedings would be viewed with a less strict scrutiny than those of persons differently situated. But, to the mind of the undersigned it seems that notwithstanding the difficulties which beset them at every step, they have discharged the onerous duty imposed upon them in a manner which cannot fail to give them sincere pleasure, being able to congratulate themselves upon the fact of having been able to carry on the great work under their charge, and at the same time to meet the engagements of the company with a punctuality which challenges high commendation.

Whatever may be thought of the sales of bonds made by the present President and Directors, as regards the amount received, it cannot be denied that the history of the canal de-



monstrates the want of power on their part, to prevent the sales, unless to use the language of the committee of 1838, they subjected *“themselves to risks which they were not warranted in running.”* They were compelled, in compliance with the act of Assembly 1838, chapter 396, which granted \$3,200,000 five per cent sterling bonds, to be exchanged for the \$3,000,000 six per cent currency bonds, previously issued for the use of the canal company, to relieve the amount of sixes hypothecated, which required, according to the estimate of Mr. Ingle, the use or sale of \$2,777,777 of the five per cent sterling bonds. The difficulties attending the exchange contemplated and designed to be secured by the act of 1838, chap. 396, will be readily seen by reference to the correspondence had with the Banks and Bankers, with whom the sixes had been hypothecated. The holders of the currency bonds, peremptorily refused to allow the company time to pay the amount borrowed on the bonds hypothecated, and insisted on immediate payment with the declaration, that if it was not made, the bonds so hypothecated would be exposed to sale,—some of them going so far as to advertize the sale of them in the public newspapers. Whether the course of conduct in this matter pursued by the banks grew out of a desire to injure the President, or whether they were compelled to it by a proper sense of their obligations to their creditors to convert their funds into such means as to allow of their appropriation to the liquidation of their own liabilities, the undersigned is not prepared to say. Certain it is, however, that one of these motives must have governed them, and not being able to perceive what good they could promise to themselves by destroying the character of the President for financial skill, it is reasonable to suppose, that looking to their own responsibilities, the course pursued by them was dictated by a proper sense of duty to their own interests, which required, in the then embarrassed state of the monetary affairs of the country, the exertion of all their skill and prudence, to ensure their own stability.

That the House may distinctly understand the character of the refusals of the several Banks, with whom the currency bonds were hypothecated, it is thought advisable to exhibit their own language, as best calculated to explain their conduct and motives. These letters were written in reply to letters addressed to them, beseeching a farther allowance of time.

The Bank of the United States, says “we are compelled to

ask for the punctual payment of your note at maturity. Every favorable disposition to your company, but the performance of your contract has been counted upon with certainty:" the Bank of America, says by its President, "I have to inform you in reply, that we must decline to renew the loan of \$200,000, which will become due from the Chesapeake and Ohio canal company on the 28th instant, and we shall certainly expect the company will make the necessary arrangements to pay off the loan at maturity of their bonds, in conformity with the special agreement and understanding, when the loan was last renewed."

This loan has now continued for more than six months, having been twice renewed, at the urgent solicitations of the company; and when last renewed, it was expressly stipulated, that it should be paid at the maturity of the bond. *We must therefore require it to be paid in conformity.*" The Commercial and Farmers' Bank of Baltimore, replies as follows: "A note of the Chesapeake and Ohio canal company, for \$20,000, which was discounted by this Bank, became due on the 18th instant, payable in New York, when it was protested for non-payment, and now, this day, laid before our board of directors, by whom I have been directed to inform you, that *should the note not be paid within thirty days from this date, the stock pledged for its redemption will then be sold to meet its payment.*" The President of the Western Bank of Baltimore, in reply to the application of the company for time, says: "I have only to say that the loan cannot be renewed, and that *the state stock will be sold at any sacrifice to pay the debts, unless it be paid by the company at maturity.*"

These extracts from the correspondence had with some of the banks, will, it is hoped, satisfactorily explain to the House the condition of the bonds hypothecated with them, and their indisposition to allow additional time to the company, so that a sacrifice of the bonds might have been in some degree avoided. There is no design to complain of the course pursued by the Banks. Those who were entrusted with the management of their concerns, doubtless considered, that the duty which they owed to the commercial community, and their own credit required, that they should pursue the course they did. Indeed, we have the testimony of Samuel Jones, Jr., President of the Western Bank of Baltimore on this point. He says, in reply to certain interrogatories of the committee, "I know nothing

of the continuation of any of the Banks mentioned, or of their ability to extend the time of payment of the loans to the canal company, except in regard to the Western Bank of Baltimore."

"In relation to this Bank, (the Western Bank,) it became necessary for it to curtail its discount line, as much as possible, and to call in its loans, in order to prepare for the resumption of specie payments, which was expected and did take place, on the 15th January last, in Philadelphia, and on the 1st February in Baltimore. And in order to accomplish this object, it was deemed right to endeavor to secure the payment especially of such loans as were made outside of the commercial community; the reason of this policy will be obvious to the committee, as a course which would have favored the canal company at the expense of the commercial interest, would scarcely have been considered just or proper."

"I suppose similar reasons would have prevailed with the various other institutions named in the interrogatory, and, therefore, conclude that they could not have given indulgence to the canal company until now."

The reasons assigned by Mr. Jones for the refusal of the Western Bank to allow additional time, are the same in all probability which suggested the line of conduct pursued by the other Banks. Self preservation demanded the strictest curtailment on the part of all the Banks, to save them from utter bankruptcy. The profligate proceedings of that mammoth of corruption, the Bank of the United States, together with the action of the banking institutions subject to its will, had the tendency in the first instance to engender a ravenous spirit of speculation in public lands and cotton, and of course to produce a diminution of the capital which had been previously employed in legitimate commerce; and in the second instance, to produce not only their own insolvency, but the misery of thousands of their confiding victims. The collapse which the great bank bubble underwent in the month of May, 1837, entailed upon the people a degree of suffering almost unparalleled in this country, and induced the resort on the part of the Bank of the United States to all those miserable tricks to prolong its existence and credit, which at the time, embarrassed legitimate trade in its operations, and have now to the ruin of thousands, terminated in its utter, if not acknowledged, bankruptcy.

To the imprudent, or rather it should be said, profligate management of the affairs of the Bank of the United States, are

the people to look for the derangement of not only their currency; but the depreciation in the value of their property, the embarrassment of trade, and the exacting and harsh conduct of those Banks and Bankers with whom our several internal improvement companies had been involved. That institution now lies prostrate before an outraged and swindled people;—whether in defiance of justice it shall be permitted to continue its capacity for evil, remains to be seen. It is to be hoped that there will be found virtue enough among the representatives of the people to withstand the seductive arts which it has heretofore so successfully employed to prolong its existence.

This being the state of the monetary affairs of the country at the time, the debts due by the company to various Banks and Bankers became due, it may be considered that the creditors of the company had *some* reason for their peremptory refusal to extend the time of payment. The undersigned does not wish to be understood as approving of the proceedings of the banks, but as merely presenting in a proper light their embarrassed condition at the time alluded to, with a view of according to them the fullest opportunity to justify their proceedings by a statement of the circumstances which surrounded them.

But whether or not the Banks can justify their conduct towards the canal company, certain it is, that neither Mr. Thomas or his associates in the board, are responsible either for the hypothecations, or the terms on which they were made; nor can they be charged with propriety of not having exerted themselves as they were bound to do, to extricate the bonds from the awkward position in which they had been placed. The published documents of the last session, fully establish their vigilance and constant attention to this matter, as well as to all others involving the interest of the company.

The condition of the money market forbid the possibility of the company procuring means on better terms than they did. What the condition of things was in 1839, is too well known to require particular notice. It must be well recollected, that so great was the demand for money, that it could be loaned in many cases at from 2 to 3 per cent per month. The best houses in the country were compelled to bend before the pressure of the times, some of them with great difficulty and exertion being saved, whilst others were prostrated. It could not be reasonably expected that the company could procure money on better terms than others, nor can it, with aught of justice, be

said, that the company was answerable for the current of things which it was called upon to stem. The wild system of speculation so extensively engaged in, in this country and in Europe, superinduced a pressing demand for money, and of course as the demand increased, the value of it increased in the same ratio. Few were disposed to make investments in public securities, when they had every facility to realise much larger sums for the use of their money, by loaning it to those whose pressing wants made them an easy prey to the wealthy.

The committee have had before them the testimony of gentlemen competent from their position and means of knowledge, to state accurately the state of the money market in July and August 1839. Mr. Swan, the President of the Merchant's Bank of Baltimore, and Director in the Baltimore and Ohio Rail Road Company, testifies that the usual rate of interest given in New York in the months of August, September and October, 1839, "was very high—say from 1 to 2 per cent per month;" Mr. Jones, President of the Western Bank of Baltimore, referring to the sale of the bonds hypothecated with that institution, says, "about the time of this sale, the Bank had determined to send a portion of the bonds to New York for sale; but after our agent had left for that city, the President of the canal company called and stated that he would greatly prefer to have money borrowed upon the bonds, even at one per cent per month, than to have them sold in the then condition of the money market, and requested that an effort might be made to this effect. The agent of the bank was instructed to act in accordance with this request, and was making an effort to fulfil it, when the suspension of specie payments by the Banks of Philadelphia and New York, rendered any further negotiation, in relation to the matter for the time being, unnecessary." He further states, "that the usual rates of interest and commission charged by Talbot Jones & Co., of which house I am the senior partner, for the loan of money at any period, is six per cent per annum for the former, and two and a half for the latter. It may be proper for me further to say, that looking at the extreme embarrassment of the money market, at the period indicated, I have no doubt that much higher rates, upon both items, were demanded by moneyed men; which rates were no doubt often regulated according to the necessity of the borrower and the nature of the securities." John S. Gittings, Esq. President of the Chesapeake Bank and Commissioner of Loans

states, "that he has no knowledge of the rate of commission in New York in 1839: the rate of interest was from 1 to 2 per cent, when the loans were secured by the hypothecation of State stocks, other than stocks of the State of New York."

The committee had the testimony of other well-informed gentlemen on this point, all of which tended to the establishment of the same state of facts as the testimony quoted. It is for the house to determine whether under this state of circumstances it was possible for the company to have acted in the premises on better terms than they did. That the company did the best that could be done under the circumstances, is fully proved by the willingness of the Merchant's Bank of Baltimore to sell to the State at the same price at which it purchased the bonds, as is shown by the letter of Mr. Sprigg, the Cashier of that institution.

The money market of Europe was in the same condition, as is shown by the letters of George Peabody, Esq. the agent in London, of the company. In a letter addressed to the Hon. George C. Washington, the former President of the canal company, dated London, 16th May, 1839, to be found among the documents of the last session, he holds the following language: "there have been no large sales of American securities; the great scarcity of money rather operating to prevent forced sales than otherwise. Could purchasers be found, there is a very large amount of stocks that would be sold far below the present nominal quotations."

"The late comparatively favorable accounts carried out by the "Great Western," induced several persons to come out in that vessel for the purpose of making money negotiations, one from Ohio, one from Illinois, and one from New York, are now here; but they cannot effect sales, unless at very low prices indeed. In fact, capitalists show no disposition to purchase American securities to any extent, *at the present time, on any terms.* This feeling has rendered hypothecations almost impracticable; and for the loans I have contracted for you falling due, I am called upon in every case, as the wants of parties here induce them to offer at the rate of 9 and 10 per cent for moneys for short periods, pledging stocks, say equally as Maryland, and with a margin of 20 to 30 per cent." In his letter of the 12th June, nine days after Mr. Thomas became President of the canal company, he says, "I have now to confirm all I expressed in the enclosed, and it is a source of much anxiety

and regret that it is not in my power, to inform you of any favorable change, either in the money or stock markets; and from the great number of gentlemen from different States of our country who have come in the "Great Western" and "Liverpool," and are now here endeavoring to sell bonds, or borrow money on them. the prospect of any material improvement appears more remote than ever." Alluding to the sales of Ohio stock, he observes in the same letter, "Ohio has been a favorite stock in this country, and so large a sum having been put into the market, through Messrs. Baring & Brothers, at so low a price, has made a most unfavorable effect on all others, *and capitalists seem to have lost all confidence in the prices of our best stocks, being maintained,* and I think with reason, for during the last year, they have no sooner made investments at what they considered low prices, than the same stock has been offered still lower; and this feeling has become so strong that nearly all operations have ceased."

In justice to Mr. Thomas and his associates, it ought to be borne in mind, that this was the state of the money market when they were called upon to take the management of the canal company; and it ought also to be recollected, that the pecuniary engagements of the company at that time, amounted to about five million, two hundred thousand dollars. Thus circumstanced, they had no option; they had to meet things as they then were, and not to swim smoothly on an unruffled current; capitalists had, to use the language of Mr. Peabody, "*lost all confidence in the prices of our best stocks being maintained,*" and they had to pay the debts of the company by the conversion of the bonds into money. They were compelled to sell, or, to use the language of the committee of 1838, "*subject themselves to risks which they were not warranted in running.*"

Before proceeding to show the character of the sales, a matter alluded to in the testimony of Mr. Barnard, late treasurer, requires some notice. It appears from the testimony of that gentleman, that he refused to sign, as Treasurer, the table showing the disposition made of the State bonds, to be found among the accompanying documents to the President's communication to the Governor, dated the 10th Feb. 1840, because as he alleges, the caption given to that statement, was not true. It seems that he had prepared the statement with the following heading, viz:—"statement showing what the 5 per cent bonds of the State of Maryland, might have produced in Baltimore

funds at respective dates of sales, if the exchanges between New York and London, and between Baltimore and New York had been realised." The President explains the matter in this way,—that he suggested to Mr. Barnard to alter the caption, so as to make it read as it now appears among the printed documents, because in his opinion it was not true as to all the columns below, it being entirely hypothetical in its character, whilst some of the columns represented facts ascertained; and that he suggested the caption which it now has, and which is in these words; "statement showing the disposition which has been made by the Chesapeake and Ohio Canal Company of the 5 per cent sterling bonds, issued to it by the State of Maryland, exhibiting the proceeds of such as has been sold in *specie*, and the equivalent value of it in Baltimore current Bank notes at the several dates of the various sales made of the same." By reference to the statement it will be found that the caption of Mr. Barnard was unsuited to at least five of the columns. The five referred to as those showing, "date of sales;" "place of sale;" "amount sold;" "rate per cent of sale," and "gross proceeds at place of sale." These five columns are clearly designed to represent ascertained facts, and as the entire caption proposed by Mr. Barnard was hypothetical, it could not be explanatory of them. That suggested by the President, is not only descriptive of the hypothetical part of the statement, but of the parts which represented ascertained facts, and for this reason, was obviously better calculated to explain the entire statement. The testimony of Mr. Barnard on this point, might possibly, unless explained, create wrong impressions as to the character and design of the statement; by the explanation all doubts must at once be removed.

*Of the amount realized by the company from the sales of bonds in 1839.* On reference to the statement showing the disposition made of the bonds, appended to the communication of the President of the 10th February 1840, a column will be found headed "value in New York," and footed £553,636, which shows the sum actually received by the company. It should be observed that all the bonds sold in London by Mr. Peabody, were disposed of to pay bills of exchange, drawn upon him by the canal company, and sold in New York.

On these bills, the company always received the difference of exchange between New York and London, which is to be added, as will be seen is done in the statement under the head



of 'net proceeds at place of sale,' to ascertain the sum realised by the company. Keeping in view these facts, a statement can readily be made, showing the loss of the canal company on the whole sales in 1839,—viz:

Amount sold,	£740,000
Amount received by the canal company,	553,636

Showing a loss of	£186,364
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This is estimating a five per cent bond at its nominal value. If we however, consider a five per cent bond, worth only 85 in the one hundred, then the par value of the £740,000 of 5 per cent bonds, is

From which deduct proceeds of sale,	£629,200
	553,636

And we have	£75,364
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or \$334,951. as the sum total of the losses on the sales.

At this time, Indiana bonds (six per cents) are selling at 60; Illinois six per cents at 51, and Maryland 5 per cents at 70, with no prospect of an improvement in the market; and if the Maryland bonds were now unsold, the whole £740,000 could not be by possibility, disposed of for more than 70 in the 100, or £513,000, which would be less than their nominal value £740,000, or \$986,666.

And if as above estimated, the five per cents be only 85 in the 100, we have as stated,

From which deduct the sum for which the bonds would sell,	£629,200
	513,000

And we have	£111,200
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or \$494,222, as the sum that would be lost by the company.

It will be perceived then, that by selling in 1839, the company saved, according to one mode of calculation, the difference between £222,000 and £186,364; and according to the other mode of calculation, the company saved, by selling in 1839 instead of postponing until now, the difference between £111,200 and £75,364, or between \$494,222 and \$334,951. By one mode of calculation, they saved £35,636, or \$158,383 22, and by the other mode of calculation, the company saved £35,836 or \$159,271.

The undersigned will give a passing consideration to the only question touching the sales made, that need he thinks, be mooted in forming an opinion, as to the conduct of those who

have had the management of the canal company since June, 1859.

Admitting that the debts were to be paid, and for that purpose the bonds were to be sold, did the Board of Directors make choice of good agents to make the sale? And did those agents get for the Bonds, their market value?

The names of all the agents employed, have been communicated to the committee, and to the House of Delegates.

Mr. Peabody was employed in London. He had been selected by Governor Veazey, as one of the commissioners to act with Judge Buchanan and General Emory, to make sale of the eight millions of Maryland Bonds, authorised to be issued at the extra session of the Legislature in 1856. He was afterwards appointed by the President and Directors, the agent of the canal company, and in that capacity, had borrowed for the company more than a million of dollars, in London, when a change took place in the canal direction. These circumstances assuredly ought to exempt the board from all blame in continuing his agency, and trusting to his skill to make the sales in Europe. He could not, in fact, with any safety to the interests of the canal company have been dismissed, unless the company were prepared to pay the European debt for which he was responsible, and to secure the payment of which, the Legislature in 1838, directed the Treasurer of Maryland to send him \$1,600,000 in sterling bonds of the State.

Messrs. Davies and White, two of the Directors of the company were made agents to sell the bonds, sold in Baltimore. They are men of business, familiar with the condition of the monied concerns of that city, and were certainly competent to transact the business confided to them. The President of the canal company acted as agent for the sale made to the North American Trust and Banking Company. And in proof of the judgment and skill he displayed, and of the propriety of his being selected, the undersigned will only refer to the fact, that he obtained for the bonds sold, a price above that for which similar bonds of other States, were then selling, and much beyond that which the President and Directors of the North American Trust and Banking Company could afterwards obtain for them.

Messrs. Christman, Livingston and Prime, and Mr. E. Riggs were also agents to make other sales in New York. They are known to be eminently qualified for the task, and if

they too failed to get a liberal price for the bonds, it is an additional proof that the President was not culpable for the terms of his sale, and justified the conclusion that the terms on which the bonds were sold are to be ascertained by looking not to the want of judgment in the Directors in making choice of agents, or to the want of skill in those agents, but to causes over which neither the agents employed nor those who selected them, had the slightest control.

Besides the persons named, Mr. Ingle was authorized to make sale of a small amount of the bonds to a Bank in Frederick, and other bonds were sold by other parties to a small amount in the District of Columbia. All of which sales were for prices as good as the times authorised, and such as seem to show that confidence in those who sold was not misplaced.

The undersigned is sensible that it may be said that the measures adopted by the President and Directors, in themselves affected injuriously the price of the bonds. It may be said that it was injudicious to draw a large amount of bills on Mr. Peabody, and that by so doing the London market for the bonds was overstocked. If this be granted still it must be conceded that the Board had no alternative to be taken better than the one adopted. They had nothing but a choice of evils. If, instead, of sending the bonds to London, to be sold, and giving Mr. Peabody, by drawing bills upon him, the opportunity to make all the sales himself, the Board had made sales in this country, the pressure upon the London market would have been still more unfortunate. The purchasers in this country would have sent forward the bonds to the market for which they were designed, and Mr. Peabody would then have had a hopeless prospect indeed before him. He with a debt of more than a million to pay, could not have postponed selling, and must have gone into the market in competition with numerous sellers, each willing to undersell the other, if there were no other means by which to dispose of a too abundant article.

On this point however we need not speculate. We have facts for our guide. We have the authority of one of Mr. Peabody's own letters to the President of the canal company in which he states, that £50,000 of the bonds could not be sold in London, in July 1839, when no bills, or bonds of the canal company had gone out to produce that state of things. And in other letters he attributes the low price of

the bonds to their true cause, to wit. the very large amount issued by the various States of this Union beyond the demand of the whole world. Yes the fatal delusion under which the advocates of an expanded credit system have acted, leading them to imagine that there is no limit to public credit is the fruitful source of all the evils now afflicting not only Maryland, but other debtor States of the confederacy. And no shallow device, or expedients of the authors of the doctrines and measures which have cursed the States with the alternations of enormous debts, or Statebankruptcy can shift the responsibility to which the country will hold them, from their own to the shoulders of others. There is in this very case, the undersigned is now considering, an aggravating instance of an attempt of this character.

Of the scrip issued by the company as evidence of debt. It appears by a statement prepared by the chief clerk of the company, that since June 1840, the total issue of scrip of 5, 10 and 20 dollar notes, was to the 1st January, 1841, \$492,360 00	
Of which sum there remained on hand that day,	
never paid out,	\$16,264 03
In the hands of commissioners, also	
unexpended,	8,629 05
Returned in payment of toll by the	
collectors, and in office,	14,060 00
	<hr/>
	38,953 08

Leaving in circulation on the 18th of January,	\$453,406 92
Scrip issued prior to June 1839, now in circulation,	11,427 25
	<hr/>

Making in all,	\$464,834 17
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Of the scrip issued since June 1839, and prior to June 1840, there are in circulation, and in the hands of Trustees \$299,875 00. For the redemption of this amount of scrip there were transferred to Trustees £90,625 of the Maryland 5 per cent bonds which it is believed will be amply sufficient to redeem it. This being the case there are then \$464,834 17 to be redeemed. The company is without the means to do this.

As to the policy of issuing scrip by our internal improvement companies in any case, the undersigned wishes to be understood as disapproving of it. His objection does not however grow out of the belief that the company had no legal right to do so, nor that in its character it is obnoxious to the objections

which have been properly urged against a small note currency. The undersigned is clear in the opinion, that the company had the legal right to issue in that form evidence of its debts, and he is equally satisfied as to the denomination of the notes relieving them from the character of what are generally termed small notes. He is however of the opinion that the notes should not have been issued. It is but just however to the company, that the reasons which induced the issue, should be known.

It appears from the proceedings, that the contractors on the line of the canal, "men belonging to both of the great political parties," earnestly invited the attention of "the stockholders of the Chesapeake and Ohio Canal Company in meeting at Washington," to what, in their opinion, would be "the ruinous and destructful consequences that must (would) inevitably ensue to us, (them) if the work we have on hand should be retarded or suspended for want of funds to carry it to final completion." They use the following language in representing their respective situations: "Our jobs are very heavy and important portions of the work, some of us have been engaged in them for three or four years; we have been at great cost in making roads, building our houses, fixing our families, building our shops, store houses, stables and the machinery, &c. necessary for the convenience of the work. A great number of our hands have built their shanties, fenced in their gardens, and have been at considerable expense, and would be literally ruined if the works were to stop. We have thus far continued to prosecute our work at great cost and through great difficulties. In the first place laborers were exceedingly scarce—some of us were under the necessity of sending our agents to Europe and elsewhere, at great cost, for the purpose of obtaining them; and we have been compelled to pay extravagant wages for years past. The cost of provisions rose to nearly double what they were when we made our contracts. Under all these disadvantages, we have not been able to realise the smallest reward for our labor, and the difficulties we have encountered and the investments we have made; some of us have invested our whole capital in our jobs, and should we be kept agoing as circumstances have changed, we entertain a hope that we should be able to remunerate ourselves to some degree for past trials and difficulties." In another communication, they

urge the issue of the scrip, and in this request they were seconded by the merchants and others, citizens of Cumberland.

The stockholders acting upon the urgent appeals of the contractors and other persons engaged in business, adopted the following resolution:

*“Resolved, That the President and Directors of the Canal Company be, and they are hereby authorised and recommended to continue in progress, the work now under contract on the line of the canal, and to issue their scrip in payment for the same, bearing interest of 6 per centum per annum, and redeemable at any time not exceeding twelve months, when money for that purpose cannot be readily raised by a sale of Maryland State Bonds at a reasonable rate.”*

This resolution was the authority on which the scrip was issued. The evils which would have resulted inevitably from an entire suspension of the work, were presented in all their force to the stockholders, and no doubt apart from the deep interest which they felt in the early completion of the work, were, in their opinion, sufficient to induce the policy which they authorised. They no doubt considered that the degree of suffering which would follow a suspension, together with the heavy damages to which the company would be subjected, both as to the work and as growing out of a non-compliance with their contracts, would justify the proceeding which they authorised. That the issues have been applied to legitimate and proper purposes, is not denied. The proper appropriation of the scrip, in the opinion of the undersigned, imposes upon the State a just obligation to redeem it. The company have received the benefit of it, and the only question is, whether the labor of men is to be received by a sovereign State, without any disposition manifested by it, to pay for the same. It is in the opinion of the undersigned, perfectly clear, that the State is bound in honor to redeem the scrip. It was issued under peculiar circumstances, and whatever may be the reasonable objections of persons to such issues, it ought not to be contended that value should be received without proper remuneration. Entertaining these views, it is recommended that proceedings be had for its payment.

Among other facts connected with the history of the canal, it should not be forgotten, that there were, when a change was made by the stockholders in the direction in June, 1839, in the employment of the canal company, 118 officers, whose annual

compensation amounted to \$70,635 75, and that there are now in the employment of the company but 61 officers, at an annual compensation of \$36,500 00; an annual saving of \$34,135 75. This fact speaks well for the system of retrenchment and reform brought about by the present direction. The fact also, that no extra allowances have been made to either the president or other officer of the company, stands in bold contrast with the old system. The system of extra allowance is wrong in principle, and should not have been tolerated. Many of the officers received extra allowances under the old direction, the amount of which, however, received by some of the officers was not probably more, taken together with their annual salary, than would have been a fair compensation for their labor, at least it has been so represented.

As already stated, it is not the design of the undersigned to enter into the controversy going on between the present and old officers of the company. He prefers that these matters should be settled by the testimony, without comment from him; and this preference he hopes will be acquiesced in by the House.

In conclusion however, he will observe, that without intending to impugn the motives of any one, that it appears to him singular, that the Chesapeake and Ohio canal company should be selected from all the internal improvement companies of the State, and have its affairs alone examined. At the last session of the Legislature, the company was subjected to a most searching scrutiny, and as no appropriation was then made to its funds, he could readily foresee, that very little had been done to change its condition essentially. At the present session, an order was adopted by the House, calling upon the President and Directors to report generally upon their proceedings. In compliance with that order, a very full report was made, which taken with the report of the last session, and the report of the general committee of stockholders, made in June last, contained information enough to enable the committee and the House, to judge of the past, and to decide upon the future. The committee however, thought otherwise, and an investigation was commenced.

The undersigned thinks too, that the witnesses selected by the committee, were not the persons who ought to have been solely relied upon.

Few transactions of importance have taken place in the company, since Messrs. Fisk, Ingle, Barnard, and Fillebrown ceas-

ed to be officers. In all that occurred while they were connected with the company, it was reasonable to conjecture, that they were as much interested and implicated as any other person; and how could the committee know otherwise but by their assurances? And if by their assurances they were to be judged innocent, and then made examiners and judges of those who held offices above them in the canal company, was it not easy to foresee that every thing would be concealed which they had done amiss? Instead of calling upon the dismissed officers, it seems to the undersigned, that the present officers of the company ought, in the first instance, to have been called upon to exhibit; if necessary, their books, and to answer such questions as the committee might propound to them. By so proceeding, there would have been no good cause furnished for the allegation, that the whole investigation looked very much like a proceeding intended to ascertain whether any possible fault could be found in the President of the company, while all others connected with its management were to be treated blameless.

In the hope that the history given of the proceedings of the canal company may prove satisfactory, the undersigned submits the entire subject to the disposal of the House.

JOHN C. LE GRAND.









