

HOUSE....No. 108.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, March 1, 1865.

The Committee on Finance, to whom was referred so much of the Annual Address of His Excellency the Governor as relates to the finances of the Commonwealth, have considered the same and

R E P O R T :

The legislature of 1864 provided for the funding of the indebtedness of the Commonwealth that might accrue from the payment of bounties, by establishing the Massachusetts Bounty Fund of ten millions of dollars. It authorized the issue of scrip upon terms of not less than twenty, nor more than thirty years, bearing interest at the rate of five per cent., the principal and interest payable in gold. When the long time the scrip would run before maturity, the large advance over par for which it would sell, and the low rate of interest to be paid, were all considered, it was believed that such provision would be the most judicious mode of funding the debt, notwithstanding the large premium that it might be necessary to pay for a few years in providing gold to meet the interest. It would seem that the phraseology of this Act made it imperative that no money should be used for the payment of bounties, unless raised in accordance with its provisions.

A portion of this scrip was sold during the year, at a premium of fifteen per cent. The whole could probably have been disposed of at nearly that price, and it would appear as if such a course would have been advisable. The interest upon the advance for which the scrip would have sold, and the saving of one per cent. in the interest, when compounded for twenty years, would have shown largely in favor of a gold loan at five per cent. over a currency loan at six per cent. Calculating that gold to pay the interest might, for the first five years, cost an average of fifty per cent. premium, and after that be at par, (while many shrewd financiers are of opinion that it will reach such point before that time,) and the saving to the State by an investment of the whole ten millions for twenty years, would not have been less, in round numbers, than A MILLION OF DOLLARS.

The governor and council, however, did not deem it advisable to dispose of the scrip, for reasons which are given in the annual address of his excellency, as follows:—

“The few weeks next following the adjournment of the legislature of 1864, on the last day of whose session, (May 14,) the ten million Act was passed, witnessed extraordinary fluctuations, and a surprising appreciation of gold, until on the first day of July it rose to the apparent market value of 185 per cent. premium: In fact the history of the year was a history of unexampled fluctuation, disturbing all monetary transactions. After the scrip was ready for issue, the prevailing premiums were too dear to leave it wise, in our judgment, to involve the State without necessity, until legislative re-examination, in the purchase of gold for the payment of interest on more bonds. And the high premiums were themselves too unsteady to render them a safe basis for the calculations of people having money to lend. The result was, that in selling new bonds, we should have incurred the risk of paying a rate of interest, which, when reckoned in currency, on the probable cost of gold, seemed excessive and disproportionate to the price for which the bonds could be sold. While we could borrow money at six per cent. interest, payable in currency, gold-bearing five per cent. bonds would not bring an excess above par, sufficient to reduce the apparent cost of the gold needed for their interest, to below twelve or fourteen per cent. Accord-

ingly the treasurer invited loans at call, under the provisions of section 7, of chapter 254 of the Acts of 1863; and the receipts from this source, with loans from the banks, under section 83, chapter 57 of the General Statutes, rendered it easy to suspend the sale of gold-bearing scrip."

The sale of scrip being entirely suspended till the month of February, when a small additional amount was disposed of, the floating debt has rapidly accumulated, till it now stands at the sum of \$9,131,774, which sum has been absorbed in the payment of bounties and monthly compensation of soldiers. The amount already expended for the former is \$9,961,526, and for the latter about \$1,424,693, making a total for both purposes of \$11,386,219. Of this amount, \$5,072,274 has been borrowed of individuals and corporations at six per cent., on a call of thirty days' notice. The remainder was drawn from banks in accordance with the provisions of chapter 57 of the General Statutes, which require, that when requested by the treasurer, they shall furnish a sum equal to ten per cent. of their authorized capital, at an interest of five per cent. Of this last class of loans, amounting to \$3,059,500, there is due to those which have passed from the control of the Commonwealth and have become national banks, the sum of nearly a million and a half of dollars. Believing that these loans, and particularly the latter, should be repaid at once, and that the treasury should be placed beyond the contingency of a sudden call for its temporary loans, the Committee concur in the recommendations of the governor, "that authority be given to issue bonds for the funding of the residue of our floating debt, expressed either in dollars or in pounds sterling, and payable either in gold or in the lawful tender of the United States, at the discretion of the executive department. Sterling bonds have an advantage in the markets of Europe, over those of the other denominations, and therefore invite European purchasers. Bonds bearing interest payable in currency, will possess the merit, in appealing to domestic lenders, of offering a remuneration in money of the same kind in which their loans are made. And while gold, in its present demonetized condition, continues subject to all the fluctuations of an article of both commercial and political speculation, it may be better for the Commonwealth, not having the control of the currency, to

conform to the familiar transactions of the home market, when it borrows money at home."

Authority has already been given that the scrip authorized by the Massachusetts Bounty Fund Act may be expressed in sterling, and the Committee now submit a Bill providing for an issue of scrip payable in the legal money of the United States. They believe the loan will be a popular one, and that it will be readily taken up by our own people, as the Bill provides that small pieces may be issued, so that all may avail themselves of the opportunity for permanent and safe investment.

MOSES KIMBALL,
Chairman.

Commonwealth of Massachusetts.

In the Year One Thousand Eight Hundred and Sixty-Five.

AN ACT

To establish the Massachusetts War Fund, and to create a Sinking Fund for its Redemption.

Be it enacted by the Senate and House of Representatives, in General Court assembled, and by the authority of the same, as follows:—

1 SECT. 1. For the purpose of providing for the
2 unfunded indebtedness of the Commonwealth now
3 existing, or that may be incurred, by the payment of
4 bounties or other expenses on account of the war, a
5 fund, additional to the "Massachusetts Bounty Fund"
6 authorized by chapter three hundred and thirteen of
7 the acts of eighteen hundred and sixty-four, is hereby
8 established, to be called the "Massachusetts War
9 Fund," in either of which funds, as the governor and
10 council may determine, the aforesaid indebtedness, not
11 otherwise provided for, may be funded.

1 SECT. 2. For the purposes of this act, the treas-
2 urer and receiver-general is hereby authorized to issue
3 scrip or certificates of debt, in the name and on the
4 behalf of the Commonwealth, and under his signa-
5 ture and the seal of the Commonwealth, to an amount
6 not exceeding ten millions of dollars, for a term not
7 less than five years nor more than ten years, with
8 interest coupons attached: *provided, however,* that
9 scrip issued for a longer term than five years shall be
10 redeemable at any time after the expiration of five
11 years, at the option of the Commonwealth. Said
12 scrip or certificates of debt shall bear interest not
13 exceeding six per cent., payable in the lawful money
14 of the United States, annually, upon the first day of
15 March in each year, upon all pieces of one hundred
16 dollars and less, and semi-annually, on the first days
17 of March and September in each year, upon all pieces
18 of a larger amount. Such scrip or certificates of
19 debt shall be countersigned by the governor, and
20 shall be deemed a pledge of the faith and credit of
21 the Commonwealth, redeemable at the time specified,
22 in the lawful money of the United States; and shall
23 be sold and disposed of at public auction, or in such
24 other mode, and at such times and in such pieces and
25 amounts as the governor and council shall deem for
26 the best interest of the Commonwealth.

1 SECT. 3. For the payment of the scrip or certifi-
2 cates of debt issued under authority of this act, a
3 sinking fund is hereby established, for which there
4 shall annually be raised, by taxation, a sum equal to
5 ten per cent. of the amount of the scrip or certificates
6 of debt issued under this act; and the sum so raised

7 from year to year, together with its accumulations of
8 interest, shall be pledged and held as the sinking fund
9 hereby established, to be invested as is now or may
10 be provided by law for the investment of trust funds,
11 and used for the redemption and payment of said scrip
12 or certificates of debt.

1 SECT. 4. This act shall take effect upon its
2 passage.

The first part of the year was spent in the
field, and the second part in the
city. The weather was very warm
and the crops were very good.

The second part of the year was spent
in the city, and the weather was
very warm.

The third part of the year was spent
in the field, and the weather was
very warm.

The fourth part of the year was spent
in the city, and the weather was
very warm.

The fifth part of the year was spent
in the field, and the weather was
very warm.