

HOUSE....No. 307.

Commonwealth of Massachusetts.

TREASURY DEPARTMENT, BOSTON, April 19, 1871.

To Hon. HARVEY JEWELL, *Speaker of the House of Representatives.*

SIR:—In obedience to the Order of the Honorable House of Representatives, dated the 17th inst., “That the Treasurer be requested to report to the House the amount of interest paid in currency on Massachusetts bonds held by the School Fund, since the passage by Congress of the Legal Tender Act of Feb. 25, 1862; and what the amount would have been if paid in gold with the premium added; and why said interest was not paid as it accrued, in gold or its equivalent, agreeably to the conditions in said bonds, and the provisions of chapter 82 of the Acts of the year 1862;” I beg leave to submit the following Report:—

The amount of interest on Massachusetts bonds held by the Massachusetts School Fund, since the passage of the Legal Currency Act of Congress, Feb. 25, 1862, paid to said fund in currency is \$211,550 00

If said interest had been paid in gold, with the premium on the same added, the amount would have been 321,349 15

Making a difference of \$109,799 15

which, according to law, is undoubtedly due from the treasury to the fund.

The reasons why the interest, as it accrued, was not paid in gold by this department, in accordance with the conditions of the bonds and the provisions of law, are substantially stated in a report of the Committee on Finance for the year 1867, accepted by the House March 16. (House Document, No. 189, 1867.) The reasons seem to be predicated upon the view then taken of the origin and history of the fund, the condition of the currency and of the finances of the Commonwealth at that time. The Massachusetts School Fund was established in the year 1834, when it was provided that one-half the proceeds of the sales of Maine lands thereafter, should be added to the amount (of \$281,000) received from the United States, for military services rendered in the last war with Great Britain, to constitute this fund; provided the aggregate should not exceed one million of dollars. In 1854 the fund was further increased by the transfer to it at par of 2,944 shares of Western Railroad stock. In 1859 a still further increase was provided, from the sales of Back Bay lands, until the fund should amount to two millions of dollars. (See Acts of 1864, chap. 314.) It had previously been provided by law (General Statutes, chap. 15, sect. 18) that the Treasurer, under the direction of the governor and council, should invest the moneys belonging to this fund, in the stocks of the New England States, and of the cities and towns thereof. The governor and council gave the preference to the securities of Massachusetts, and in pursuance of this policy the fund soon became largely invested in them; the amount at the date of that report being \$733,000. During the first year of the Southern rebellion, Massachusetts, notwithstanding the Legal Currency Act of Congress, volunteered to pay her debt, principal and interest, in gold. (Acts 1862, chap. 82.) This undoubtedly was a wise policy, intended, and well calculated, to strengthen the credit of the Commonwealth at home and abroad,—particularly abroad, where we should very probably soon be in the market for additional loans. From that time, as before, the interest on all the debt of the Commonwealth was paid in gold, with the exception of that on the bonds held by this fund, which was thenceforward, until 1870, paid in currency. It seems to have been assumed that inasmuch as this fund was established, enlarged and maintained without any tax upon the people, to an amount ample, not only for the purposes

of its establishment, but producing, even during the years when the gold premium was withheld, an annual addition to the principal of the fund, from unexpended income; that inasmuch also, as the purchase of gold at the exorbitant premiums to which it attained, for payment of interest on the public debt, together with other expenses of the war, had become a burdensome tax upon the people, it was thought that the fund could afford and ought in equity to forego for awhile the premium on gold, rather than that it should be paid by an addition to the already very onerous tax.

The amounts added to the principal of the fund from unexpended income in the years when the payment of premium was omitted, were as follows:—

In 1863,	\$6,310 00
1864,	10,538 91
1865,	8,982 45
1866,	753 53
1867,	5,666 48
1868,	10,693 50
1869,	14,932 36
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		\$57,877 23

I have thus endeavored to give the reasons, as I understand them, why the interest was not paid in gold from 1863 to 1869, both inclusive. And whether right or wrong, expedient or otherwise, my predecessors in this department seem to have acted in accordance with the opinions and advice of several successive Committees of Finance, and under the sanction of the House of 1867, by which the report of the committee of that year was accepted.

In the year 1870 the premium on gold had so far diminished that it was deemed expedient to resume the payment of this interest in gold, which has been continued to the present time, and I need not add, will, without further legislation, be continued in the future.

Respectfully submitted,

CHAS. ADAMS, JR., *Treasurer.*

Commonwealth of Massachusetts.

TREASURY DEPARTMENT, BOSTON, April 19, 1871.

TO HON. HARVEY JEWELL, *Speaker of the House of Representatives.*

SIR:—In compliance with the Order passed by the Honorable House of Representatives on the 12th inst., “That the Treasurer of the Commonwealth be requested to report to the House what arrears, if any, are due from the treasury to the School Fund, on account of the premiums on gold received for interest on securities held by the fund,” I have the honor to report, that all the premiums on gold received for interest on securities held by the School Fund, have been credited, when received, to said fund.

Very respectfully, your obedient servant,

CHAS. ADAMS, JR., *Treasurer.*