

ARGUMENT OF THE EXECUTIVE COMMITTEE OF THE BONDHOLDERS OF THE STATE OF NORTH CAROLINA.

To the Honorable the General Assembly of the State of North Carolina:

A meeting of the holders of the bonds of the State of North Carolina was held in the city of New York, on December 27th, 1876. Its object was to devise such a scheme or measure for funding the debt as would be acceptable to the people of that State.

The bonds represented at this meeting were chiefly those which the State has recognized as valid. None but the holders of these bonds were allowed to vote, and the committee represent no other.

In transactions with a commonwealth, it is advisable, in the outset, to define, clearly, the relations of the parties thereto. This is but a plain business proposition, which individuals and corporations alike recognize.

Between interests and views so diverse, the committee themselves interested parties, fully realize the difficulties of their task. They, therefore, bespeak the candid consideration of their views, both by the General Assembly and the holders of the bonds of the State of North Carolina.

It is not denied by the authorities of the State, that nearly all of the recognized debt was contracted to aid, directly or indirectly, in promoting internal improvements. The larger part of this indebtedness is represented by bonds issued more than twenty years ago, together with the issues under the Funding Laws of 1860 and 1869, whose objects were, first, to fund the interest which had accrued previous to and inclusive of the years named; and, second, to retire a portion of the anti-war bonds that had then matured.

When the original bonds were placed on the market, the credit of the State was rated very high. Its bonds, at one time, commanded a considerable premium, and were regarded as a safe investment by managers of trust funds, as well as by some of the wisest private capitalists.

Many savings institutions in the city of New York, and elsewhere in the Northern States, then became purchasers of these bonds and still hold them. It is also known to gentlemen of this committee, that many individuals who invested in them the savings of years, have been reduced to the most straitened circumstances, some of them almost to beggary, by the failure of the State to pay the coupons as they came due, and to make some adequate provision for the settlement of the principal.

At present, however, the public hangs over the State like a pall, crippling its industries, and reflecting discredit upon the individual citizen, as well as upon towns and cities, whose development is greatly retarded by their failure to secure, at fair rates of interest, the assistance of outside capital.

It is worth \$10,000,000. Its bonded debt is placed at only six per cent. of this sum, or \$600,000. Its bonds (gold) pay eight per cent. per annum, and should sell freely at a premium of not less than ten per cent. Instead of this they are selling at a discount of from twenty to twenty-five per cent. No doubt this is, in part, due to the character of the men who, for years past, have controlled the city government; but the chief reason is to be found in the uncertainty in the public mind regarding the debt of the State. In contrast with Wilmington, take the city of Richmond, Virginia. With a population estimated at 65,000, it has to pay about one-eighth of the taxes for all State purposes, its pro rata being nearly \$360,000 per annum. The municipal and county expenses amount to at least as much more; and in addition, it has to pay interest at an average rate of seven per cent. on a bonded debt of \$4,500,000. Yet, in spite of all these burdens, its eight per cent. currency bonds are sought after at a premium of fourteen per cent. Settle the debt of the State of North Carolina and the bonds of Wilmington, and other cities within its borders, would speedily advance to a level with those of Richmond.

* Those who invested in the anti-war bonds, and subsequent issues, did so in the belief that the State would never invalidate its promises by enacting laws in any wise repudiating its justly contracted debt, or that would impair the public credit. The traditions of the State, as well as statute law, justified this confidence on the part of its creditors. Section 41, chapter 82, of the laws of 1848-'49, declares, "That as security for the redemption of said certificates of debt, the public faith of the State of North Carolina is hereby pledged to the holders thereof." This wise provision was confirmed by the adoption of the Constitution of 1868, under which the State was re-admitted into the Union. Article I, section 6, of this instrument reads as follows: "To maintain the honor and good faith of the State unharmed, the public debt, contracted before and since the rebellion, shall be regarded as inviolable, and never to be questioned, &c." And that those might who, during the rebellion, had sold their bonds to the State, and who claim that it is able to pay in full. On the other hand, it is well-known to the committee that the people of the State, and many of their representatives, plead extreme poverty as the reason for the long delay in providing an honorable and equitable adjustment of the State's indebtedness.

Between interests and views so diverse, the committee themselves interested parties, fully realize the difficulties of their task. They, therefore, bespeak the candid consideration of their views, both by the General Assembly and the holders of the bonds of the State of North Carolina.

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Many savings institutions in the city of New York, and elsewhere in the Northern States, then became purchasers of these bonds and still hold them. It is also known to gentlemen of this committee, that many individuals who invested in them the savings of years, have been reduced to the most straitened circumstances, some of them almost to beggary, by the failure of the State to pay the coupons as they came due, and to make some adequate provision for the settlement of the principal.

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bonds were sold and re-sold by brokers. Bond holders have not parted with their bonds, for the reason that they believed the State would, ultimately, redeem its promises.

Not including the bonds issued to the North Carolina Railroad Company, the holders of which look to that corporation for payment, the debt on October 1, 1876, was as follows:

Table with 3 columns: Description of Bonds, Amount, and Interest. Includes items like Anti-War Bonds, Funding Bonds, and various interest rates.

To settle this indebtedness, the funding scheme of 1874-'75 provided for the issue of new bonds having thirty years of interest, the average being less than four and one-half per cent. per annum. This rate of interest was, undoubtedly, objectionable to many creditors of the State; but the failure of its proposition resulted almost wholly from the insufficiency of the compromise offered. Ignoring the accrued interest, the State proposed to fund the debt on the basis following:

Ante-war of '61-'65, at 40 pr. et. \$2,311,540. All later issues, at 25 pr. et. 2,218,786. Total, \$4,530,326. This is less than thirty and eight-tenths per cent. of the principal only. Taking the principal and interest together, the per cent. is only twenty and

These figures explain themselves, and clearly indicate the cause of the failure of the present funding scheme. The sum offered by the State is, in proportion to the debt, so small, that a majority of the bond-holders have preferred risking the loss of the whole, rather than accede to this plan of settlement. At the same time, as stated by the committee in the outset, the bond-holders are generally inclined, and ready to close with the State officials upon the basis of a fair and equitable proposition. It is not to their interest to ask more than the State is able to pay, and they will accept such a compromise as it should be willing to concede. Hence, at the meeting previously referred to, resolutions were adopted setting forth the basis of such a settlement as would be acceptable to the bond-holders.

The first of these resolutions provided that in any compromise between the State and its creditors, the bonds to be issued in settlement of the present debt, should pay interest at the rate of six per cent. per annum, the coupons being made payable in January and July, at New York and Raleigh, and to be receivable for taxes and all State dues. The next resolution states that a just and reasonable compromise, one that would be to the advantage of the State and acceptable to the bond-holders, would be fifty per cent. of the principal and interest of the acknowledged debt. In the opinion of the committee, this proposition is as fair as the State has any reason to expect, or should exact from its creditors. Funded upon this basis, the debt would, nominally, amount to \$10,704,091 50. It is probable, however, that even more than the excess over \$10,000,000 would accrue to the State, because of the loss or destruction of an equivalent amount of the bonds heretofore issued. The committee, therefore, deem it perfectly safe to say that the recognized debt, funded as proposed, would not exceed \$10,000,000. Is the State able to pay the interest on this sum, and provide a sinking fund sufficient to cancel the principal within a period of thirty years? This question, the committee will endeavor to answer by a careful analysis of the taxable value of the property and resources of the State.

Heretofore, the railroads of the State have not borne their legitimate share of the taxes. Discrimination in their favor is unjust, first, to the people of the State who have already been called upon to contribute many millions of dollars toward their construction; and, second, to the creditors of the State, their money having gone to enrich these corporations. The committee, therefore, would respectfully suggest, that where no charter or other legal obstacles are in the way, the railroads be assessed in the same manner, and pay the same rate of tax, as the other real and personal property of the State.

corporations, and in lieu thereof, require them to pay into the treasury of the State, for the next thirty years, one per cent. of their gross earnings? Taking on a basis, the published returns for four years, ending December, 1875, the earnings of the Wilmington and Weldon, the Raleigh and Gaston and Seaboard and Roanoke railroads amounted to \$1,700 per mile. These are, probably, the best roads in the State, and should not be taken to determine the earnings of the remainder. It is, however, safe to assume that all the roads now average about \$1,000 a mile per annum. As there are now 1,500 miles of road in operation, this rate would make the gross earnings for the first year \$1,500,000. Starting at this point and adding five per cent. per annum for increase, a figure by no means extravagant, the fund thus created, if compounded at six per cent. per annum, would, at the end of thirty years, amount to more than \$10,000,000 or the entire public debt funded as proposed. It is possible this suggestion will meet opposition on the part of the officers and stock and bond-holders of the railroads. When, however, the matter is fairly explained, they could not reasonably object: first, because of the assistance heretofore given them by the State, and the surrender by it of their securities; and, second, because of the smallness of the tax. That the companies should be compelled, in some way, to reimburse the State for a portion, at least, of what it has given them, is a proposition needing no argument to enforce. Whether or not the plan suggested is the right one and can be legally carried out, is not for the committee to say; and they are satisfied with having brought it to the attention of the General Assembly.

Compare with other Southern States, a large measure of property has been enjoyed since the war, by the people of North Carolina. Its income for the year 1870, probably amounted to over \$90,000,000, of which were taken from the soil at least \$70,000,000. A glance at the returns of the products of that year, is full of instruction.

Table titled 'PRODUCTS OF NORTH CAROLINA, FOR THE YEAR 1870, AS PER CENSUS RETURNS.' Lists various agricultural products and their values.

The entire recognized debt, including interest, is now only eight per cent of this sum. On the basis of the State Auditor's figures, it is fourteen per cent. To pay interest even on this percentage should not occasion any trouble to the State. Funded as proposed by the committee, the debt would represent only four per cent. on a valuation of \$250,000,000, or less than seven per cent. on the State Auditor's valuation of \$152,540,923. It will hardly be denied that a conservative appraisal for purposes of taxation would be \$100,000,000. A tax on this sum of seven and one-half mills, or seventy-five cents on one hundred dollars would yield \$1,200,000, which is ample to pay the interest at six per cent. on a debt of \$10,000,000, and leave for educational and State purposes, \$900,000. Justly distributed, this tax could not possibly oppress the poorest person in the State, yet would suffice to re-establish its credit and restore its westerly prosperity. To plead inability to meet so reasonable a demand, clearly indicate unwillingness on the part of the State to deal fairly with its creditors.

The rate of taxation, for State purposes, during the past fiscal year amounted to less than thirty-eight cents on \$100 of the appraisement of 1875. Taken together, the municipal, county and State taxes aggregated about one and one-fifth per cent. On a taxable valuation of \$220,000,000 the rate was about eighty-five cents, and for State uses but a trifle over twenty-five cents on \$100. This valuation may appear too high, but impartial and well-informed statisticians regard it as only about seventy-three per cent. of the true value. What ever difference of opinion there may be in this respect, there can be no room to doubt that the taxes, for many years past, paid by the people of North Carolina, have been lower than in any adjacent State, or even in the Union. Nor is any argument necessary to prove their ability to meet any, and all demands, in the matter of taxation, which may be imposed to pay the interest on the recognized debt of the State.

Has the State gained or lost, advanced or retrograded during the past six years? Residents, many of them natives, and all tax-payers, admit a tendency to improvement, and great progress in the healthy re-establishment of all kinds of industry, and in the development of the natural resources of the State. Its productivity has been greatly enhanced since 1870; the people have gained in education and intelligence, but not materially in prosperity by the failure of the General Assembly to provide for

the levying of taxes to pay the interest on the public debt. The truth of these propositions is apparent to every one at all conversant with the affairs of North Carolina, and is confirmed by information in possession of the committee. Not including improvements of, or additions to the real and personal property, it is safe to place the income for the year 1876 at \$75,000,000. The Treasurer's report shows that he received from all sources during the year only \$566,274.77, or about three-quarters of one per cent. of \$75,000,000.

horses, \$56.80; mules, \$67.34; jacks, \$55.75; jennets, \$20.20; milch cows, working oxen and other cattle, \$6.63; hogs, \$1.47; and sheep, \$1.03.

The last published report of the State Auditor is for the year ending September 30, 1875. It shows an increase, during the year, in the taxable value of the property of the State, amounting to \$12,592,662. Of this sum \$9,345,212 appears to have been added to the personal estate, other than live-stock. This is the value of:

Table listing property values: Land (26,000,000 acres) \$75,309,799; Town property 17,047,321; Horses, mules, cattle, &c. 16,684,096; Farming utensils, money on hand, or on deposit, solvent credits, &c. 43,505,897. Total \$152,540,923.

The advance in land was two and one-half cents per acre; but the live-stock were rated far below 1874. The increase in twelve months was 542,476 head, of all kinds. To keep the aggregate value as nearly as possible to that of the previous year, it became necessary to reduce the prices. Hence the horses were returned as worth only \$52.30 per head; mules, \$60.85; jacks, \$50.30; jennets, \$17.42; goats, 88 cents; milch cows, working oxen and other cattle, \$6.74; hogs, \$1.03; sheep, 96 cents. It is needless to observe that these figures do not even approximately represent the real value, either of the land or the live-stock. Taking the latter at the prices upon which taxes are levied in Virginia, the aggregate would be \$48,757,865, or \$17,074,709 in excess of the valuation in North Carolina. To guard against misunderstanding on this point, it is well to give, in detail, in parallel columns, the prices both in Virginia and North Carolina:

Table comparing prices in Virginia (Va.) and North Carolina (N.C.): Horses, average per head (\$75.92 vs \$52.30); Mules (103.83 vs 60.85); Milch cows, oxen and other cattle, average per head (18.95 vs 6.74); Hogs (3.50 vs 1.03); Sheep, average per head (2.90 vs 0.96).

As appears above, the value of property liable for taxes increased \$9,574,739 between 1870 and 1874, and \$12,592,662 for the year ending September 30, 1875. It is not to be wondered at, that the State should, today, be placed as high as \$300,000,000. A careful examination of the reports of the State Auditor, and other sources of information, justify the committee in making the appraisement following:

Improved farms, 5,500,000 acres, at \$10 per acre, \$55,000,000. Other lands, including timber and unproductive tracts, 20,500,000 acres at \$2.50 per acre, 51,250,000. Town property, including mills and machinery, 45,000,000. Live stock, farming utensils and machinery, 35,000,000. Cash on deposit, or in hand, stocks, bonds, solvent credits and other personal estate, 50,000,000. Railroad property, 30,000,000. Total, \$265,250,000.

actively small percentage, so as to satisfy the interest on but one-half of the debt recognized by the State? To adopt measures to this end, and faithfully abide by their provisions, is the initial of renewed prosperity, and re-establishment of the public credit of the commonwealth. Until 1830, it ranked fourth among the States of the Union. That its resources are capable of such development as shall restore its old rank, can not be doubted by any one familiar with its climate, the varied products of its soil, and its inexhaustible mineral riches. Nature has, indeed, contributed her choicest gifts with lavish hand. The soil yields abundantly. Wheat, corn, rye and other cereals, with various kinds of root crops, grow in luxuriance. Tobacco, cotton, rice and flax also thrive; while in cattle and sheep raising the State is second to but few in the Union. Its territory embraces more than twelve million acres of the finest timber in the world. Hickory, oak, maple, ash, walnut, lime, pine and spruce are the natural growths of its forests, whose timber products are unexcelled. Its water power is in itself a staple source of wealth, and abounds in all parts of the State, except the coast division. Of the 3,642 manufacturing establishments in operation in 1870, it was estimated that more than 26,000 of the 33 1/2 horse power requisite, was furnished by water; and this represents but a small fraction of what the State is capable of doing in that direction. Its mountains and valleys abound in iron, coal, copper, lead, zinc, mica, silver and gold. To develop these resources, and place North Carolina in the front rank of the States of the Union, it is necessary that its finances shall be readjusted and reduced to a system commensurate in scope to the needs of the State.

Speaking of the public debt and in support of a measure looking to a partial adjustment of it, some six years ago, the Hon. J. W. Graham truthfully and eloquently summed up the case in the manner following: "We often hear the cry now, 'Why not repudiate the whole concern?' Under the constitution of the United States, we are bound by the obligations of the

State claim that it has not gained at all since the last census. The population cannot, certainly, now exceed 1,300,000. Upon this basis the per capita tax amounts to over four dollars and sixty-one cents, which is more than three times the sum per head, raised by the people of North Carolina. The population of North Carolina was, in 1870, 923,447, and now numbers, probably, 1,000,000. In this respect, it is fully fifteen per cent. behind North Carolina; while, as regards the natural resources of the two States, North Carolina is incomparably the stronger. The property of South Carolina was assessed in 1874, upon an appraisement of \$141,624,925, and the receipts from taxes in that year, amounted to \$1,712,268. Hereafter, even under the wisest and most economical management of its best citizens, the tax levy for State uses will exceed \$1,500,000, annually. This is about \$300,000 more than, or one and a quarter times, the amount which the committee suggests shall be raised by the people of North Carolina.

Alabama will not compare either in climate, in situation, or in natural resources, with North Carolina. Yet, with a property assessed at \$160,000,000, its true value being perhaps \$200,000,000, and a population numbering, possibly, 1,050,000, it has to raise annually more than would be necessary in North Carolina, to meet current expenses and pay interest on a debt of \$10,000,000.

The taxable value of the property of Louisiana is placed at about \$250,000,000. The population in 1870, was 725,915, and can not possibly exceed 800,000 at the present time. The receipts for State purposes only, from taxes, licenses, &c., amounted, in 1873, to over \$4,000,000, and will, probably, reach at least \$3,000,000 for the current fiscal year. This necessitates a tax of one and one-fifth per cent. on the valuation given above, or three dollars and seventy-five cents per head of total population, which is about three and three-quarter times the tax which the committee suggest shall be raised by the people of North Carolina.

Extravagance and utter disregard of the welfare of the people have, for years past, characterized the legislatures and officials of South Carolina, Alabama and Louisiana. North Carolina, also, has suffered in this regard, but very lightly, indeed, in comparison with the other States named. The committee can, and do, sympathize with the people of these States. Several members have had to share with them the losses entailed by corrupt legislation and dishonest officials. But, while they denounce both the wrong and the wrongdoers, the Committee are justified in directing attention to the fact, previously stated, that, compared with either of the States mentioned above, the people of North Carolina have been singularly, if not unjustifiably, exempt from taxation, in view of the obligations resting upon them in the matter of the public debt. Speaking for themselves, and in behalf of the holders of the recognized bonds of the State, the committee show their appreciation of the circumstances of the people, and sympathy for them, by voluntarily agreeing to accept in full settlement of their claims one-half of the sum which the State admits is justly due them.

It is, then, unreasonable to ask that the tax levy shall be increased by a rel-

atively small percentage, so as to satisfy the interest on but one-half of the debt recognized by the State? To adopt measures to this end, and faithfully abide by their provisions, is the initial of renewed prosperity, and re-establishment of the public credit of the commonwealth. Until 1830, it ranked fourth among the States of the Union. That its resources are capable of such development as shall restore its old rank, can not be doubted by any one familiar with its climate, the varied products of its soil, and its inexhaustible mineral riches. Nature has, indeed, contributed her choicest gifts with lavish hand. The soil yields abundantly. Wheat, corn, rye and other cereals, with various kinds of root crops, grow in luxuriance. Tobacco, cotton, rice and flax also thrive; while in cattle and sheep raising the State is second to but few in the Union. Its territory embraces more than twelve million acres of the finest timber in the world. Hickory, oak, maple, ash, walnut, lime, pine and spruce are the natural growths of its forests, whose timber products are unexcelled. Its water power is in itself a staple source of wealth, and abounds in all parts of the State, except the coast division. Of the 3,642 manufacturing establishments in operation in 1870, it was estimated that more than 26,000 of the 33 1/2 horse power requisite, was furnished by water; and this represents but a small fraction of what the State is capable of doing in that direction. Its mountains and valleys abound in iron, coal, copper, lead, zinc, mica, silver and gold. To develop these resources, and place North Carolina in the front rank of the States of the Union, it is necessary that its finances shall be readjusted and reduced to a system commensurate in scope to the needs of the State.

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