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THOM J. LEMAY, EDITOR AND PROPRIETOR.

"NORTH CAROLINA—POWERFUL IN MORAL, INTELLECTUAL AND PHYSICAL RESOURCES—THE LAND OF OUR BIRTH AND THE HOME OF OUR AFFECTIONS."

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## MESSAGE OF THE PRESIDENT OF THE UNITED STATES.

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(concluded.)

The amount of the public debt remaining unpaid on the first of October last was seventeen millions seven hundred and forty five thousand four hundred and forty five dollars and fifty two cents. Further payments of the public debt would have been made, in anticipation of the period of its reimbursement under the authority conferred upon the Secretary of the Treasury by the acts of July twenty first, 1841, and of April fifteenth, 1842, and March third, 1843, had not the unsettled state of our relations with Mexico menaced hostile collision with that power. In view of such a contingency, it was deemed prudent to retain in the treasury an amount unusually large for ordinary purposes.

A few years ago, our whole national debt growing out of the Revolution and the war of 1812 with Great Britain was extinguished, and we presented to the world the rare and noble spectacle of a great and growing people who had fully discharged every obligation. Since that time, the existing debt has been contracted, and small as it is, in comparison with the similar burdens of most other nations, it should be extinguished at the earliest practicable period. Should the state of the country permit, and especially, if our foreign relations interpose no obstacle, it is contemplated to apply all the moneys in the treasury as they accrue beyond what is required for the appropriations by Congress, to its liquidation. I cherish the hope of soon being able to congratulate the country on its recovering once more the lofty position which it so recently occupied. Our country, which exhibits to the world the benefits of self-government, in developing all the sources of national prosperity, owes to mankind the permanent example of a nation free from the blighting influence of a public debt.

The attention of Congress is invited to the importance of making suitable modifications and reductions of the rates of duty imposed by our present tariff laws. The object of imposing duties on imports should be to raise revenue to pay the necessary expenses of government. Congress may, undoubtedly, in the exercise of a sound discretion, discriminate in arranging the rates of duty on different articles; but the discriminations should be within the revenue standard, and be made with the view to raise money for the support of government.

It becomes important to understand distinctly what is meant by a revenue standard, the maximum of which should not be exceeded in the rates of duty imposed. It is conceded, and experience proves, that duties may be laid so high as to diminish, or prohibit altogether, the importation of any given article, and thereby lessen or destroy the revenue which, at lower rates, would be derived from its importation. Such duties exceed the revenue rates, and are not imposed to raise money for the support of government. If Congress levy a duty for revenue, of one per cent. on a given article, it will produce a given amount of money to the treasury, and will incidentally and necessarily afford protection, or advantage, to the amount of one per cent. to the home manufacturer of a similar or like article over the importer. If the duty be raised to ten per cent., it will produce a greater amount of money, and afford greater protection. If it be still raised to twenty, twenty-five, or thirty per cent., and if, as it is raised, the revenue derived from it is found to be increased, the protection or advantage will also be increased; but if it be raised to thirty-one per cent., and it is found that the revenue produced at that rate is less than at thirty per cent., it ceases to be a revenue duty. The precise point in the ascending scale of duties at which it is ascertained from experience that the revenue is greatest, is the maximum rate of duty which can be laid for the bona fide purpose of collecting money for the support of government. To raise the duties higher than that point, and thereby diminish the amount collected, is to levy them for protection merely, and not for revenue. As long, then, as Congress may gradually increase the rate of duty on a given article, and the revenue is increased by such increase of duty, they are within the revenue standard. When they go beyond that point, and as they increase the duties, the revenue is diminished or destroyed, the act ceases to have for its object the raising of money to support government, but is for protection merely.

It does not follow that Congress should levy the highest duty on all articles of import which they will bear within the revenue standard; for such rates would probably produce a much larger amount than the economical administration of the government would require. Nor does it follow that the duties on all articles should be at the same, or a horizontal rate. Some articles will bear a much higher revenue duty than others. Below the maximum of the revenue standard Congress may and ought to discriminate in the rates imposed, taking care so to adjust them on different articles as to produce in the aggregate the amount which, when added to the proceeds of sales of public lands, may be needed to pay the economical expenses of the government.

In levying a tariff of duties, Congress

exercise the taxing power, and for purposes of revenue may select the objects of taxation. They may exempt certain articles altogether, and permit their importation free of duty. On others they may impose free duties. In these classes should be embraced such articles of necessity as are in general use, and especially such as are consumed by the laborer and the poor, as well as by the wealthy citizen. Care should be taken that all the great interests of the country, including manufactures, agriculture, commerce, navigation, and the mechanic arts, should, as far as may be practicable, derive equal advantages from the incidental protection which a just system of revenue duties may afford. Taxation, direct or indirect, is a burden, and it should be so imposed as to operate as equally as may be, on all classes, in the proportion of their ability to bear it. To make the taxing power an actual benefit to one class, necessarily increases the burden of the others beyond their proportion, and would be manifestly unjust. The terms "protection to domestic industry," are of popular import; but they should apply under a just system to all the various branches of industry in our country. The farmer or planter who toils yearly in his fields, is engaged in "domestic industry," and is as much entitled to have his labor "protected," as the manufacturer, the man of commerce, the navigator, or the mechanic, who are engaged also in "domestic industry" in their different pursuits. The joint labors of all these classes constitute the aggregate of the "domestic industry" of the nation, and they are equally entitled to the nation's "protection." No one of them can justly claim to be the exclusive recipients of "protection," which can only be afforded by increasing burdens on the "domestic industry" of the others.

If these views be correct, it remains to inquire how far the tariff act of 1842 is consistent with them. That many of the provisions of that act are in violation of the cardinal principles here laid down, all must concede. The rates of duty imposed by it on some articles are prohibitory, and on others so high as greatly to diminish importations, and to produce a less amount of revenue than would be derived from lower rates. They operate as "protection merely," to one branch of "domestic industry," by taxing other branches.

By the introduction of minimums, or assumed and false values, and by the imposition of specific duties, the injustice and inequality of the act of 1842, in its practical operations on different classes and pursuits, are seen and felt. Many of the oppressive duties imposed by it under the operation of these principles, range from one per cent. to more than two hundred per cent. They are prohibitory on some articles, and partially so on others, and bear most heavily on articles of common necessity, and but lightly on articles of luxury. It is so framed that much the greatest burden which it imposes is thrown on labor and the poorer classes who are least able to bear it, while it protects capital and exempts the rich from paying their just proportion of the taxation required for the support of government. While it protects the capital of the wealthy manufacturer, and increases his profits, it does not benefit the operatives or laborers in his employment, whose wages have not been increased by it. Articles of prime necessity or of coarse quality and low price, used by the masses of the people, are, in many instances, subjected by it to heavy taxes, while articles of finer quality and higher price, or of luxury, which can be used only by the opulent, are lightly taxed. It imposes heavy and unjust burdens on the farmer, the planter, the commercial man, and those of all other pursuits except the capitalist who has made his investments in manufactures. All the great interests of the country are not, as nearly as may be practicable, equally protected by it.

The government in theory knows no distinction of persons or classes, and should not bestow upon some favors and privileges which all others may not enjoy. It was the purpose of its illustrious founders to base the institutions which they reared upon the great and unchanging principles of justice and equity, conscious that if administered in the spirit in which they were conceived, they would be felt only by the benefits which they diffused, and would secure for themselves a defence in the hearts of the people, more powerful than standing armies, and all the means and appliances invented to sustain governments founded in injustice and oppression.

The well-known fact that the tariff act of 1842 was passed by a majority of one vote in the Senate, and two in the House of Representatives, and that some of those who felt themselves constrained, under the peculiar circumstances existing at the time, to vote in its favor, proclaimed its defects, and expressed their determination to aid in its modification on the first opportunity, affords strong and conclusive evidence that it was not intended to be permanent, and of the expediency and necessity of its thorough revision.

In recommending to Congress a reduction of the present rates of duty, and a revision and modification of the act of 1842, I am far from entertaining opinions unfriendly to the manufacturers. On the contrary, I desire to see them prosperous, as far as they can be so, without imposing unequal burdens on other interests. The advantage under any system of indirect taxation, even within the revenue standard, must be in

favor of the manufacturing interest; and of this no other interest will complain.

I recommend to Congress the abolition of the minimum principle, or assumed, arbitrary, and false values, and of specific duties, and the substitution in their place of *ad valorem* duties, as the fairest and most equitable indirect tax which can be imposed. By the *ad valorem* principle, all articles are taxed according to their cost or value, and those which are of inferior quality, or of small cost, bear only the just proportion of the tax with those which are of superior quality or greater cost. The articles consumed by all are taxed at the same rate. A system of *ad valorem* revenue duties, with proper discriminations and proper guards against frauds in collecting them, it is not doubted, will afford ample incidental advantages to the manufacturers, and enable them to derive as great profits as can be derived from any other regular business. It is believed that such a system, strictly within the revenue standard, will place the manufacturing interests on a stable footing, and inure to their permanent advantage; while it will, as nearly as may be practicable, extend to all the great interests of the country the incidental protection which can be afforded by our revenue laws. Such a system, when once firmly established, would be permanent, and not be subject to the constant complaints, agitations, and changes which must ever occur, when duties are not laid for revenue, but for the "protection merely" of a favored interest.

In the deliberations of Congress on this subject, it is hoped that a spirit of mutual concession and compromise between conflicting interests may prevail, and that the result of their labors may be crowned with the happiest consequences.

By the constitution of the United States it is provided, that "no money shall be drawn from the treasury but in consequence of appropriations made by law." A public treasury was undoubtedly contemplated and intended to be created, in which the public money should be kept from the period of collection until needed for public uses. In the collection and disbursement of the public money no agencies have ever been employed by law, except such as were appointed by the government, directly responsible to it, and under its control. The safe keeping of the public money should be confided to a public treasury created by law, and under like responsibility and control. It is not to be imagined that the framers of the constitution could have intended that a treasury should be created as a place of deposit and safekeeping of the public money which was irresponsible to the government. The first Congress under the constitution, by the act of the second September, 1789, "to establish the Treasury Department," provided for the appointment of a treasurer, and made it his duty "to receive and keep the moneys of the United States," and "at all times to submit to the Secretary of the Treasury and the Comptroller, or either of them, the inspection of the moneys in his hands."

That banks, national or state, could not have been intended to be used as a substitute for the treasury spoken of in the constitution, as keepers of the public money, is manifest from the fact, that at that time there was no national bank, and but three or four State banks of limited capital existed in the country. Their employment as depositories was at first restricted, to a limited extent, but with no avowed intention of continuing them permanently, in place of the treasury of the constitution. When they were afterwards from time to time employed, it was from motives of supposed convenience.

Our experience has shown, that when banking corporations have been the keepers of the public money, and been thereby made in effect the treasury, the government can have no guaranty that it can command the use of its own money for public purposes. The late Bank of the United States proved to be faithless. The State banks which were afterwards employed, were faithless. But few years ago, with millions of public money in their keeping, the government was brought almost to bankruptcy, and the public credit seriously impaired, because of their inability or indisposition to pay, on demand, to the public creditors, in the only currency recognized by the constitution. Their failure occurred in a period of peace, and great inconvenience and loss were suffered by the public from it. Had the country been involved in a foreign war, that inconvenience and loss would have been much greater, and might have resulted in extreme public calamity. The public money should not be mingled with the private funds of banks or individuals, or be used for private purposes. When it is placed in banks for safe keeping, it is in effect loaned to them without interest, and is loaned by them upon interest to the borrowers from them. The public money is converted into banking capital, and is used and loaned out for the private profit of bank stockholders; and when called for, (as was the case in 1837,) it may be in the pockets of the borrowers from the banks, instead of being in the public treasury contemplated by the constitution. The framers of the constitution could never have intended that the money paid into the treasury should be thus converted to private use, and placed beyond the control of the government.

Banks which hold the public money are often tempted, by a desire of gain, to extend their loans, increase their circulation, and thus stimulate, if not produce a spirit of

speculation and extravagance, which sooner or later must result in ruin to thousands.— If the public money be not permitted to be thus used, but be kept in treasury and paid out to the public creditors in gold and silver, the temptation afforded by its deposit with banks to an undue expansion of their business would be checked, while the amount of the constitutional currency left in circulation would be enlarged, by its employment in the public collections and disbursements, and the banks themselves would, in consequence, be found in a safer and sounder condition.

At present, State banks are employed as depositories, but without adequate regulation of law, whereby the public money can be secured against the casualties and excesses, revolutions, suspensions, and defalcations, to which, from overissues, overtrading, an inordinate desire for gain, or other causes, they are constantly exposed. The Secretary of the Treasury has in all cases, when it was practicable, taken collateral security for the amount which they hold, by the pledge of stocks of the United States, or such of the States as were in good credit.— Some of the deposite banks have given this description of security, and others have declined to do so.

Entertaining the opinion that "the separation of the moneys of the government from banking institutions is indispensable for the safety of the funds of the government and the rights of the people,"—I recommend to Congress that provision be made by law for such separation, and that a constitutional treasury be created for the safe-keeping of the public money. The constitutional treasury recommended is designed as a secure depository for the public money, with out any power to make loans or discounts, or to issue any paper whatever as a currency or circulation. I cannot doubt that such a treasury as was contemplated by the constitution, should be independent of all banking corporations. The money of the people should be kept in the treasury of the people created by law, and be in the custody of agents of the people chosen by themselves, according to the forms of the constitution; agents who are directly responsible to the government, who are under adequate bonds and oaths, and who are subject to severe punishments for any embezzlement, private use, or misapplication of the public funds, and for any failure in other respects to perform their duties. To say that the people or their government are incompetent, or not to be trusted with the custody of their own money in their own treasury, provided by themselves, but must rely on the presidents, cashiers, and stockholders of banking corporations, not appointed by them, nor responsible to them, would be to concede that they are incompetent for self-government.

In recommending the establishment of a constitutional treasury, in which the public money shall be kept, I desire that adequate provision be made by law for its safety, and that all executive discretion or control over it shall be removed, except such as may be necessary in directing its disbursement in pursuance of appropriations made by law.

Under our present land system, limiting the minimum price at which the public lands can be entered to one dollar and twenty-five cents per acre, large quantities of lands of inferior quality remain unsold, because they will not command that price. From the records of the General Land Office it appears, that of the public lands remaining unsold in the several States and Territories in which they are situated, thirty-nine millions one hundred and fifty thousand five hundred and seventy-seven acres have been in the market, subject to entry more than twenty years; forty-nine millions six hundred and thirty-eight thousand six hundred and forty-four acres for more than fifteen years; seventy-three millions seventy-four thousand and six hundred acres for more than ten years; and one hundred and six millions one hundred and seventy-six thousand nine hundred and sixty-one acres for more than five years. Much the larger portion of these lands will continue to be unsaleable at the minimum price at which they are permitted to be sold, so long as large territories of lands from which the more valuable portions have not been selected are annually brought into market by the government. With the view to the sale and settlement of these inferior lands, I recommend that the price be graduated and reduced below the present minimum rate, confining the sales at the reduced prices to settlers and cultivators, in limited quantities. If graduated and reduced in price for a limited term to one dollar per acre, and, after the expiration of that period for a second and third term to lower rates, a large portion of these lands would be purchased, and many worthy citizens, who are unable to pay higher rates, could purchase homes for themselves and their families. By adopting the policy of graduation and reduction of price, these inferior lands will be sold for their real value, while the States in which they lie will be freed from the inconvenience, if not injustice, to which they are subjected, in consequence of the United States continuing to own large quantities of public lands within their borders, not liable to taxation for the support their local governments.

I recommend the continuance of its policy of granting preemptions, in the most liberal extent, to all those who have settled, or may hereafter settle, on the public lands, whether surveyed or unsurveyed, to which the Indian title may have been extinguished at the time of settlement.—

It has been found by experience that in consequence of combinations of purchasers and other causes, a very small quantity of the public lands, when sold at public auction, commands a higher price than the minimum rate established by law.— The settlers on the public lands are, however, but rarely able to secure their homes and improvements at the public sales at that rate; because these combinations, by means of the capital they command, and their superior ability to purchase, render it impossible for the settler to compete with them in the market. By putting down all competition, these combinations of capitalists and speculators are usually enabled to purchase the lands, including the improvements of the settlers, at the minimum price of the government, and either turn them out of their homes, or extort from them, according to their ability to pay, double or quadruple the amount paid for them to the government. It is to the enterprise and perseverance of the hardy pioneers of the West, who penetrate the wilderness with their families, suffer the dangers, the privations, and hardships attending the settlement of a new country, and prepare the way for the body of emigrants who, in the course of a few years, usually follow them, that we are, in a great degree, indebted for the rapid extension and aggrandizement of our country.

Experience has proved that no portion of our population are more patriotic than the hardy and brave men of the frontier, or more ready to obey the call of their country, and to defend her rights and her honor, whenever and by whatever enemy assailed. They should be protected from the grasping speculator, and secured, at the minimum price of the public lands, in the humble homes which they have improved by their labor. With this end in view, all vexatious or unnecessary restrictions imposed upon them by the existing pre-emption laws should be repealed or modified. It is the true policy of the government to afford facilities to its citizens to become the owners of small portions of our vast public domain at low and moderate rates.

The present system of managing the mineral lands of the United States is believed to be radically defective. More than a million of acres of the public lands, supposed to contain lead and other minerals, have been reserved from sale, and numerous leases upon them have been granted to individuals upon a stipulated rent. The system of granting leases has proved to be not only unprofitable to the government, but unsatisfactory to the citizens who have gone upon the lands, and, if continued, lay the foundation of much future difficulty between the government and the lessees. According to the official records, the amount of rents received by the government for the years 1841, 1842, 1843, and 1844, was \$5,354-74, while the expenses of the system during the same period, including salaries of superintendents, agents, clerks, and incidental expenses, were twenty-six thousand one hundred and eleven dollars and eleven cents—the income being less than one-fourth of the expenses. To this pecuniary loss may be added the injury sustained by the public in consequence of the destruction of timber, and the careless and wasteful manner of working the mines. The system has given rise to much litigation between the United States and individual citizens, producing irritation and excitement in the mineral region, and involving the government in heavy additional expenditures. It is believed that similar losses and embarrassments will continue to occur, while the present system of leasing these lands remains unchanged. These lands are now under the superintendence and care of the War Department, with the ordinary duties of which they have no proper or natural connexion. I recommend the repeal of the present system, and that these lands be placed under the superintendence and management of the General Land Office, as other public lands, and be brought into market and sold upon such terms as Congress in their wisdom may prescribe, reserving to the government an equitable per centage of the gross amount of mineral product, and that the pre-emption principle be extended to resident miners and settlers upon them, at the minimum price which may be established by Congress.

I refer you to the accompanying report of the Secretary of War, for information respecting the present situation of the army, and its operations during the past year; the state of our defences, the condition of the public works; and our relations with the various Indian tribes within our limits or upon our borders. I invite your attention to the suggestions contained in that report, in relation to these prominent objects of national interest.

When orders were given during the past summer for concentrating a military force on the western frontier of Texas, our troops were widely dispersed, and in small detachments, occupying posts remote from each other. The prompt and expeditious manner in which an army, embracing more than half our peace establishment, was drawn together, in an emergency so sudden, reflects great credit on the officers who were entrusted with the execution of these orders, as well as upon the discipline of the army itself. To be in strength to protect and defend her people and territory of Texas, in the event Mexico should commence hostilities, or invade her territories with a large army, which

she threatened, I authorized the general assigned to the command of the army of occupation to make requisitions for additional forces from several of the States nearest the Texas territory, and which could most expeditiously furnish men, if, in his opinion, a larger force than that under his command, and the auxiliary aid which, under like circumstances, he was authorized to receive from Texas, should be required. The contingency upon which the exercise of this authority depended, has not occurred. The circumstances under which two companies of State artillery, from the city of New Orleans, were sent into Texas, and mustered into the service of the United States, are fully stated in the report of the Secretary of War. I recommend to Congress that provision be made for the payment of these troops, as well as a small number of Texan volunteers, whom the commanding general thought it necessary to receive or muster into our service.

During the last summer, the first regiment of dragoons made extensive excursions through the Indian country on our borders, a part of them advancing nearly to the possession of the Hudson's Bay Company in the north, and a part as far as the South Pass of the Rocky mountains, and the head waters of the tributary streams of the Colorado of the West. The exhibition of this military force among the Indian tribes in those distant regions, and the councils held with them by the commanders of the expeditions, it is believed, will have a salutary influence in restraining them from hostilities among themselves, and maintaining friendly relations between them and the United States. An interesting account of one of these excursions accompanies the report of the Secretary of War. Under the directions of the War Department, Brevet Captain Fremont, of the corps of topographical engineers, has been employed since 1842 in exploring the country west of the Mississippi, and beyond the Rocky mountains. Two expeditions have already been brought to a close, and the reports of that scientific and enterprising officer have furnished much interesting and valuable information. He is now engaged in a third expedition; but it is not expected that this arduous service will be completed in season to enable me to communicate the result to Congress at the present session.

Our relations with the Indian tribes are of a favorable character. The policy of removing them to a country designed for their permanent residence, west of the Mississippi and without the limits of the organized States and Territories, is better appreciated by them than it was a few years ago; while education is now attended to, and the habits of civilized life are gaining ground among them.

Serious difficulties of long standing continue to distract the several parties into which the Cherokees are unhappily divided. The efforts of the government to adjust the difficulties between them have heretofore proved unsuccessful; and there remains no probability that this desirable object can be accomplished without the aid of further legislation by Congress. I will, at an early period of your session, present the subject for your consideration, accompanied with an exposition of the complaints and claims of the several parties into which the nation is divided, with a view to the adoption of such measures by Congress as may enable the Executive to do justice to them respectively, and to put an end, if possible, to the dissensions which have long prevailed, and still prevail, among them.

I refer you to the report of the Secretary of the Navy for the present condition of that branch of the national defence; and for grave suggestions, having for their object the increase of its efficiency, and a greater economy in its management. During the past year the officers and men have performed their duty in a satisfactory manner. The orders which have been given, have been executed with promptness and fidelity. A larger force than has often formed one squadron under our flag was readily concentrated in the Gulf of Mexico, and apparently, without unusual effort. It is especially to be observed, that notwithstanding the union of so considerable a force, no act was committed that even the jealousy of an irritated power could construe as an act of aggression; and that the commander of the squadron, and his officers, in strict conformity with their instructions, holding themselves ever ready for the most active duty, have achieved the still purer glory of contributing to the preservation of peace. It is believed that at all our foreign stations the honor of our flag has been maintained, and that, generally, our ships of war have been distinguished for their good discipline and order. I am happy to add, that the display of maritime force which was required by the events of the summer, has been made wholly within the usual appropriations for the service of the year, so that no additional appropriations are required.

The commerce of the United States and with it the navigating interests have steadily and rapidly increased since the organization of our government, until it is believed we are now second to but one Power in the world, and at no distant day we shall probably be inferior to none.— Exposed as they must be, it has been a wise policy to afford to these important interests protection with our ships of war, distributed in the great highways of trade throughout