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Report of the Secretary of the Treasury.

This Report has just made its appearance. The Secretary alludes to the report of the 4th July last, wherein he asked from Congress provision for the expenditures amounting to \$318,519,581 87 during the coming fiscal year. Under the authority of Congress, which empowered him to raise two hundred and fifty millions in divers ways, the Secretary proceeded to realize as follows:

There were paid to creditors, or exchanged for coin at par, at different dates in July and August, six per cent. two years' notes, to the amount of \$14,019,034 66

There was borrowed, at the same months, upon sixty days' six per cent. notes, the sum of 12,877,750 00

There was borrowed, at par on the 19th of August, upon three year 7-30 bonds, issued for the most part to subscribers to the National Loan 50,000,000 00

There was borrowed, on the 1st of October, upon like securities 50,000,000 00

There was borrowed at par for seven per cent. on the 10th of November, upon 20 years' six per cent. bonds, reduced to the equivalent of sevens, including interest, 45,705,478 48

There have been issued, and were in circulation and on deposits with the treasurer, on the 30th of November, of United States notes, payable on demand, 24,550,325 00

Making an aggregate realized from loans in various forms, of \$197,242,588 14

While success thus complete has so far attended the measures relating to loans, the Secretary regrets to say that the receipts of revenue from duties have not, as yet, fulfilled the expectations indulged at the date of his July report.

At the date of his report, the Secretary counted on a revenue from customs, for the financial year 1862, of fifty-seven millions of dollars, but circumstances now constrain him to reduce this estimate to \$32,198,602 55.

The estimates of receipts from lands and miscellaneous sources must also be reduced from \$3,000,000 to \$2,254,062 89. The only other source of revenue which promises an addition to the resources of the year is the direct tax authorized by Congress, from which, if increased to the limit proposed by the Secretary, and assumed by the States, the further sum of \$20,000,000 may be expected.—The aggregate of revenue from all sources may, therefore, be estimated at \$54,552,665 44, which is less by \$25,447,836 45 than the estimate of July.

This reduction, however, though large, would not have compelled the Secretary to ask any additional powers for the negotiation of loans, beyond those asked for in his July report, had appropriations and expenditures been confined within the estimates then submitted.

These estimates, it will be remembered, contemplated expenditures in all departments, and for all objects, to the amount of \$318,519,581 87. The basis of the estimates was the understanding that it would be necessary to bring into the field, for the suppression of the rebellion, two hundred and fifty thousand volunteers, and to increase the regular army by the addition of eleven new regiments; making a total force, including the regular army already organized, of about three hundred thousand men. After estimates for this force had been furnished, the President thought it expedient, in order to make the contest short and decisive, to ask Congress to place at the control of the Government at least four hundred thousand men and four hundred millions of dollars. In the number thus called for the regulars were included. Congress animated by the same desire for a short and decisive contest, went beyond this recommendation of the President, and authorized the acceptance of volunteers in such numbers, not exceeding five hundred thousand, as he might deem necessary.

The Secretary enjoineth retrenchment and reform in all unnecessary expenses, thinks the property of the rebels should help to pay the cost of the war, and intimates that it ought to be confiscated and sold for this purpose.

He proposes an additional revenue of 2½ cents per pound on brown sugar, three cents on clayed sugar, twenty cents per pound on green tea, and five cents per pound on coffee, and that no other alterations of the tariff be made during the present session of Congress, unless further experience or changed circumstances shall demonstrate the necessity of expediency of them. All considerations of prudence and patriotism, he adds, seem to concur in favor of giving to the existing tariff a full and fair trial, and of reserving the work of revision, modification and

permanent settlement for more propitious days

In the judgment of the Secretary, it will be necessary to increase the direct tax so as to produce from the loyal States alone, a revenue of at least twenty millions of dollars, and to lay such duties on stills and distilled liquors, on tobacco, on bank notes, on carriages, on legacies, on paper evidences of debt and instruments for conveyance of property, and other like subjects of taxation, as will produce an equal additional sum. The existing provisions for an income tax will probably produce ten millions of dollars more.—The aggregate taxation will thus amount to fifty millions of dollars.

The Secretary is aware that the sum is large; but seeing, as he does, no probability that the revenue from ordinary sources will exceed forty millions of dollars during the current year, and knowing, as he does, that to meet even economic disbursements, and pay the interest on the public debt, and provide a sinking fund for the gradual reduction of it, principal, the appropriation of ninety millions of dollars will be necessary, he feels that he must not shrink from a plain statement of the actual necessities of the situation.

But, if the sum is large, the means of the people are also large. The real property of the loyal States is valued, in round numbers, at seven and a half thousands of millions, the personal property at three and a half thousands of millions, and the annual surplus earnings of the loyal people are not less than three hundred millions of dollars. Four mills on each dollar, or two fifths of one per cent. on the real and personal property of the loyal States, will produce forty four millions of dollars, to which sum the proposed income tax will probably add ten millions. The whole sum will be little more than one sixth of the surplus earnings of the country.

The circulation of the bank of the United States, on the 1st day of January, 1861, was computed to be \$202,000 767. Of this circulation \$150,000,000, in round numbers, was in States now loyal including West Virginia, and \$50,000,000 in the rebellious States. The whole of this circulation constitutes a loan without interest from the people to the banks, costing them nothing except the expense of issue and redemption and the interest on the specie kept on hand for the latter purpose; and it deserves consideration whether sound policy does not require that the advantages of this loan be transferred, in part at least, from the banks, representing only the interests of the stockholders, to the Government, representing the aggregate interests of the whole people.

It has been well questioned by the most eminent statesmen, whether a currency of bank notes, issued by local institutions under State laws is not, in fact prohibited by the national Constitution.—Such emissions certainly fall within the spirit, if not within the letter, of the constitutional prohibition of the emission of bills of credit by the States, and of the making by them of anything except gold and silver coin tender in payment of debts.

However this may be, it is too clear to be reasonably disputed that Congress, under its constitutional power to lay taxes, to regulate commerce, and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transaction of commerce, and affects in so many ways the value of coin.

In the judgment of the Secretary, the time has arrived when Congress should exercise this authority. The value of the existing bank note circulation depends on the laws of thirty-four States and the character of some sixteen hundred private corporations. It is usually furnished in greatest proportion by institutions of least actual capital. Circulation, commonly, is in the inverse ratio of solvency. Well-founded institutions, of large and solid capital, have, in general, comparatively little circulation; while weak corporations almost invariably seek to sustain themselves by obtaining from the people the largest possible credit in this form.—Under such a system, or rather lack of system, great fluctuations, and heavy losses in discounts and exchanges, are inevitable; and not infrequently, through failures of the issuing institutions, considerable portions of the circulation become suddenly worthless in the hands of the people. The recent experience of several States in the valley of the Mississippi painfully illustrates the truth of these observations.

But the possible disasters which might befall the plan, so far weigh with the Secretary that he forbears to recommend its adoption.

The second plan suggested remains for examination. Its principal features are (1st) a circulation of notes bearing a common impression and authenticated by a common authority; (2d) the redemption of these notes by the associations and institutions to which they may be delivered for issue; and (3d) the security of that redemption by the pledge of United States stocks, and an adequate provision of specie.

In this plan the people, in their ordinary business, would find the advantages of uniformity in currency; of uniformity in security; of effectual safeguard, if effectual safeguard is possible against depreciations; and of protection from losses in discounts and exchanges; while in the op-

erations of the Government the people would find the further advantage of a large demand for Government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry through a diminution in the rate of interest, or a participation in the profit of circulation, without risking the perils of a great money monopoly.

A further and important advantage to the people may be reasonably expected in the increase of security of the Union, springing from the common interest in its preservation, created by the distribution of its stocks to associations throughout the country, as the basis of their circulation.

The Secretary entertains the opinion that if a credit circulation in any form be desirable it is most desirable in this. The notes thus issued and secured would, in his judgment, form the safest currency which this country has ever enjoyed; while their receivability for all Government dues, except customs, would make them, wherever payable, of equal value, as a currency, in every part of the Union.—The large amount of specie now in the United States, reaching a total of not less than two hundred and seventy-five millions of dollars, will easily support payments of duties in coin, while these payments and ordinary demands will aid in retaining this specie in the country as a solid basis both of circulation and loans.

The whole circulation of the country, except a limited amount of foreign, would after the lapse of two or three years, bear the impress of the nation, whether in coin or notes; while the amount of the latter, always easily ascertainable, and of course, always generally known, would not be likely to be increased beyond the real want of business.

He expresses an opinion in favor of this plan with the greater confidence because it has the advantage of recommendation from experience. It is not an untried theory. In the State of New York, and in one or more of the other States, it has been subjected, in its most essential parts, to the test of experiment, and has been found practicable and useful.

The probabilities of success will be increased by its adoption under national sanction, and for the whole country.

The Secretary looks at the actual expenditures of the first quarter of the coming year, and the estimated expenditures of the year, as follows:

For the first quarter the actual expenditures were	\$98,239,733 09
For the second, third and fourth the estimated expenditures under appropriations already made for public service, including civil list, Interior, War and Navy Departments, and public debt and interest, are	302,035,761 21
And the estimated expenditures under the additional appropriations now asked for are:	
For civil service and increased interest,	\$5,166,438 99
And for the War and Navy Departments,	137,964,488 77
	143,130,927 76

Making a total of actual and estimated expenditures under existing and asked appropriations of \$443,406,422 06

From which deduct actual and estimated receipts 329,501,904 38

Making an apparent amount for which recourse must be had to loans of \$213,904,426 68

The whole amount likely to be required from loans, may be thus stated:

For the fiscal year 1861, under existing laws	\$75,449,675 00
Under laws to be enacted	200,000,000 00
For the fiscal year 1863, also under laws to be enacted	379,531,245 51

Making an aggregate of 654,980,920 51

On the 1st day of July, 1860 the public debt was	\$64,769,703 08
On the 1st day of July, 1861, the public debt was	90,867,828 68
On the 1st day of July, 1862, the public debt will be	517,372,802 93
On the 1st day of July, 1863, the public debt will be	697,372,802 93

The Secretary states that, believing the frankness is the wisest policy for nations as well as individuals, he has thought it his duty to submit to Congress this plain statement of the financial condition of the country. That it imposes considerable burdens is not to be denied or disguised. It is comforting to know that the energies and resources of the people are not insufficient for them. The amount of the public debt in the year 1866 was \$127,334,933 74, and in twenty years it was paid off by the people. The country, even if the loyal States only are regarded, can sustain and pay off in thirty years the debt to which rebellion now exposes us with hardly greater proportional contributions than increased and increasing resources than that debt more necessary.

The Secretary recommends a Custom-Lawyer in the city of New York, and makes other minor suggestions, after which he adverts to the operations of the Mint.

The operations of the Mint last year were large beyond precedent. The net amount of bullion received was \$72,146,671 01; the amount coined was \$3,693,767 58. Of the bullion, &c., deposited, \$74,285,672 83 were received at the As-

say Office in New York. Of \$799,923,362 14, the entire coinage since the establishment of the Mint, \$520,000,000 have been coined from bullion derived from mines of the United States.

Of the gold deposited during the last year \$34,216,999 52, and of the silver \$610,011 29, were from the mines of the United States; the remainder formed part of the unusually large receipts during the year from foreign countries.

The large and rapidly increasing production of gold in the Territory of Colorado suggests inquiry into the expediency of establishing an assay office or a branch mint at Denver. A private mint for the convenience of the people is now in operation at that place; and obvious considerations seem to require the substitution of national for private agencies in coinage.

The silver mines of Nevada and Arizona have also yielded large returns, and the protection of the citizens, engaged in extracting their treasures, from insurrectionary and savage violence, demands the earnest consideration of Congress.

No means exist of ascertaining, with absolute certainty, the quantity of coin now in the United States; but the best accessible data lead the Secretary to concur in the judgment of the Director of the Mint, that the amount is between two hundred and seventy-five millions and three hundred millions of dollars.

The Secretary has disbursed to the several States, in payment for their expenses of equipping troops for the war, the sum of \$4,514,078 51. The Secretary adverts to an issue of bonds, authorized by the last Congress, for the payment of the Oregon war debt, and recommends that no claims be paid in the manner, as private soldiers of United States bonds then come upon the market, and, by necessity of realizing on them, depreciate the national credit.

The number of revenue cutters in the service is 29, of which about one-half are unfit for use and will be sold. Five more are constructing.

The Secretary closes with remarks in favor of a uniform system and a uniform nomenclature of weights and measures throughout the commercial world, and adds that the wisest of our statesmen have regarded the attainment of this end, so desirable in itself, as by no means impossible. The combination of the decimal system with appropriate denominations in a scheme of weights, measures, and coins, for the international uses of commerce, leaving, if need be, the separate systems of nations untouched, is certainly not beyond the reach of the daring genius and patient endeavor which gave the steam engine and the telegraph to the service of mankind. The Secretary suggests the expediency of a small appropriation, to be used in promoting interchange of opinions between our own and foreign countries on this subject.

Abstract of the Report of the Secretary of the Navy.

The duties of the navy during the past summer have been threefold. To guard the in-urgent ports and a coast line of nearly three thousand miles; to protect our maritime commerce and cruise in pursuit of piratical vessels sent out by the Confederates; and to take part in combined naval and military expeditions against North and South Carolina, and the ports of the infected districts. The report of the Secretary of the Navy gives detailed information of the manner in which these arduous duties have been performed.

Vessels have been sunk in Ocracoke Inlet, on the North Carolina coast, and others are about to be sunk in the harbors of Charleston and Savannah.

One hundred and fifty-three vessels, of various sizes, have been captured since the institution of the blockade, most of them in attempting to run the blockade.

The naval expeditions were, it seems, planned after receiving the reports of a board of officers, who deliberated on the best points to be attacked and seized.—The board consisted of Captains J. F. Dupont and Charles H. Davis, of the navy; Major John C. Barnard, of the army; and Professor Alexander Bacho, of the coast-guard.

The Secretary reports that Flag officer A. H. Foote, of the navy, has organized an efficient naval force in the Mississippi, auxiliary to the army.

Of privateers, the report states that "such of these cruisers as eluded the blockade and capture were soon wrecked, beached, or sunk, with the exception of one, the steamer Sumpter, which, by some fatality, was permitted to pass the Brooklyn, then blockading one of the passes of the Mississippi and after a brief and feeble chase by the latter was allowed to proceed on her piratical voyage. An investigation of this whole occurrence has been ordered by the Department.

The Secretary fully sustains the act of Captain Wilke in capturing Mason and Sidel. He says admirably:

"The prompt and decisive action of Capt. Wilke on this occasion merited and receive the emphatic approval of the Department; and if a too generous forbearance was exhibited by him in not capturing the vessel which had these rebel emissaries on board, it may, in view of the special circumstances, and of its patriotic motives, be excused. But must by no means be permitted to constitute a precedent hereafter for the treatment of any case of similar infraction of neutral obligation by foreign vessels engaged in

commerce of the carrying trade."

There were, on the 4th of March last, in commission and at the service of the Secretary of the Navy, only 42 vessels, carrying 535 guns, and 7,000 men.—There are, to-day, in commission 264 vessels, carrying 2,557 guns, and over 22,000 men! This is an immense work to do in little more than eight months.—Besides this, there will be ready, very shortly, fifty-two new steamers, "peculiarly adapted to coast-guard duty," three of which are iron-clad.

The Secretary advises the creation of more grades in the naval service, as likely to add to the efficiency of the work, by making the rewards more frequent.—Also, he recommends a rule that officers be retired with a sufficient allowance, after forty-five years' service. Twenty-five acting lieutenants, four hundred and thirty-three acting masters, and two hundred and nine masters' mates have been appointed, in order to have officers enough for the so largely increased navy. There have also been acting engineers and surveyors appointed.

The Secretary asks Congress to foster the Naval School to such a degree that at least double the usual number of cadets may be instructed.

On the slavery question the Secretary says nothing, but the following, "on the employment of fugitives," will show that he proposes to protect loyal men, and arrest insurgents, without asking if they be black or white. He says:

"In the coastwise and blockading duties of the navy it has not been unrequited that fugitives from insurrectionary places have sought our ships for refuge and protection, and our naval commanders have applied to me for instruction as to the proper disposition which should be made of such refugees. My answer has been that, if insurgents, they should be handed over to the custody of the Government; but if, on the contrary, they were free from any voluntary participation in the rebellion and sought the shelter and protection of our flag, then they should be cared for and employed in some useful manner, and might be enlisted to serve on our public vessels or in our navy yards, receiving wages for their labor.—If such employment could not be furnished to all by the navy, they might be referred to the army, and if no employment could be found for them in public service, they should be allowed to proceed freely and peaceably, without restraint, to seek a livelihood in any loyal portion of the country. This I have considered to be the whole required duty in the premises, of our naval officers.

The naval estimates for the year ending June 30, 1860, amount to \$14,625,665; and besides this, the Secretary reports a deficit of \$18,530,000 needed for current expenses to pay for vessels purchased, and for necessary alterations incurred in fitting them for naval purposes, for the purchase of additional vessels, and for the construction and completion of twenty iron-clad vessels.

Synopsis of the Report of the Postmaster General.

It appears that the whole number of post offices in the United States on the 30th of June, 1861, was 28,586; and that the entire number of cases acted upon during the same period was 10,628, including appointments made by the President of the United States. The whole number of appointments made by the Postmaster General, 9,235, and the number by the President during the same period, 337.

The aggregate earnings of the different transatlantic steamship lines during the year ending June 30, 1861, were \$392,887 63.

The expenditures of the department in the fiscal year ending June 30, 1861, amounted to \$13,606,759 11.

The expenditures were \$14,874,772 89, showing a decrease, in 1861, of \$1,268,013 78.

The gross revenue for the year 1861, including receipts from letter carriers and from foreign postages, amounted to \$8,349,296 40.

The estimated deficiency of means for 1861, as presented in the annual report from this Department, December 3, 1859, was \$5,983,424 04. Deduct the actual deficiency, \$4,551,966 98, and there is an excess of estimated deficiency over actual deficiencies of \$1,436,457 06.

The revenue from all sources during the year 1860, amounted to \$9,218,067 40. The revenue from all sources during the year 1861, amounted 9,049,296 40.

Decrease of revenue for 1861 \$168,771 00. The net proceeds from post offices in the loyal States for the fiscal years ending June 30, 1860, \$3,688,690 56, and in 1861, \$3,862,487 08—showing an increase in 1861, of \$172,796 52.

And in the disloyal States, in 1860, \$820,516 51, and in 1861, \$677,706 70—showing a decrease in 1861, of \$142,809 81.

The decrease in 1861 from the net proceeds of 1860, in all the States, appears, to be \$30,043 29.

Statement of the receipts and expenditures of the disloyal States, and amount actually paid to contractors from July 1, 1860, to May 31, 1861:

Total expenditures	\$3,609,150 57
Total gross receipts	1,241,220 05

Excess of expenditures over receipts \$2,457,930 40. Amount alleged to be due to

contractors for transportation	3,135,637 40
Amount actually paid for transportation	3,135,627 12

Leaving amount alleged to be due and unpaid \$812,575 49

The estimate of the total expenditures for 1863 is somewhat less than those of previous years, heretofore submitted.—This difference arises from the fact that only partial estimates are made for the coast of postal service in States where it is now suspended.

The appropriation for deficiencies in 1862 was \$5,301,350 63, while the amount to be required from the Treasury, for 1863, is \$3,645,000.

The whole number of ordinary dead letters received and examined during the year was about 2,550,000.

The number of these letters containing money, which were registered and sent out during the year ending June 30, 1861, was 10,560.

The number of dead letters returned unopened to foreign countries during the fiscal year was 111,147, which added to the number of domestic letters (103,886) sent out as above, gives the whole number sent out from the Dead Letter office for the year, 215,033.

The result of successful investigation in 7,560 cases confirms the past experience of the Department that the failure of a letter to reach its destination is, in the vast majority of instances, the fault alone of the writer or sender.

Out of the above 7,560 valuable dead letters, 3,095 were directed to wrong officers, 467 were imperfectly addressed, 612 were directed to transient persons, 257 to parties who had changed their residence, 821 were addressed to fictitious persons or firms, 83 were unrecalled for, 10 without any direction, 2,136 were not mailed for want of postage stamps, 79 were mis-sent, and, for the failure of postmaster to deliver, 133 no satisfactory reason was assigned. The Department, therefore, can justly be held responsible for the non delivery of but 212 of these letters.

Much other valuable data is given on this subject, and it is worthy of remark that out of 96,769 letters, before alluded to, originating in the loyal States, 40,000 could not be returned, either because of the signature of the writer was incomplete, or because the letter contained no clue to his residence. The experience of the Department shows that a large portion of domestic letters, written by educated persons, and particularly by women, are deficient in one or both of these respects.

In view of these and other facts, the Postmaster General suggests that valuable dead letters, when returned to their owners, should be charged with treble the ordinary rate of postage; comprising one rate for return transportation to the writers or owners.

A treaty with Mexico has been concluded, awaiting the ratification by Mexico, establishing a common international rate of twenty-five cents on letters, with other useful provisions.

The Postmaster General has accepted the offer made in 1857 by Great Britain, for a reduction of the international rate between the two countries from twenty-four to twelve cents, which, however, has not yet gone into operation, as it awaits the response of the British office.

The above abstract presents merely a few of the points of the important report. The Postmaster General gives at length his reasons for the change of contracts for disloyalty. Not only was it unsafe, he says, to entrust the transportation of the mails to a person who refused or failed to recognize the sanctity of an oath, but to continue payment of public money to the enemies of the Government and their allies was to give direct aid and comfort to treason in arms. We could not thus permit this branch of the Government to contribute to its own overthrow.

The Postmaster General also gives his reasons for excluding disloyal publications from the mails. To await the results of slow judicial prosecution was to allow crime to be consummated, with the expectation of subsequent punishment, instead of preventing its accomplishment by prompt and direct interference. Of the cases presented for his action, upon the principle which he names, he has, by order, excluded from the mails twelve of these treasonable publications, of which several had been previously presented by the Grand Jury as incendiary and hostile to constitutional authority.

While the Postmaster General did not claim the authority to suppress any newspaper, however disloyal and treasonable contents, the Department could not be called upon to give them circulation. "It could not, and would not, interfere with the freedom secured by law; but it could, and did, obstruct the dissemination of that license which was without the pale of the Constitution and law. The mails established by the United States Government could not, upon any known principles of law or public right, be used for its destruction. As well could the common carrier be required to transport a machine designed for the destruction of the vehicles conveying it, or an unkeper be compelled to entertain a traveller whom he knew to be intending to commit a robbery in his house."

He finds these views supported by the high authority of the late Chief Justice Story, of the Supreme Court of the United States, whose opinion he quotes.