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The Report of the Secretary of the Treasury is, next to the Message of the President, the most important document which the assembling of Congress calls forth. Even war times, the reports of the War and Navy Departments can hardly be said to take precedence of it,—for both armies and navies are created by, and depend upon, the Treasury. The result of long experience, extending through ages of the world's history, is doubtless embodied in the common proverb: "*Money is the sinews of war*" And as the people have to raise the money, the methods by which it may be done with the least inconvenience, are always deeply interesting subjects of discussion to them. Hence, the importance of this annual account of his stewardship, which the Secretary of the Treasury renders to the nation. The great length of the report, which occupies so large a portion of our space to-day, precludes us from entering into any examination of its recommendations, with regard to increasing the duties on certain commodities, in which our manufacturing friends are interested, such as distilled liquors, petroleum, etc. These, however, will speedily attract the attention, and call forth the views, of various portions of the business community.

Report of the Secretary of the Treasury.

In submitting to the consideration of Congress the report on the state of the finances, required of him by law at the commencement of each session, the Secretary of the Treasury has much satisfaction in being able to say, in general, that the operations of the department entrusted to his charge have been attended, during the last fiscal year, by a greater measure of success than he ventured to anticipate at its beginning.

REVIEW OF LAST FISCAL YEAR.

At the beginning of that year all demands on the treasury had indeed been discharged, and there remained a balance to the credit of the Treasurer of $18,043,546 61. But the large disbursements, constantly demanded by military and naval operations, reduced, by comparison, this seemingly considerable balance to almost inconsiderable proportions, and the practical operations of the restrictive provisions of the acts authorizing the negotiation of the bonds known as five-twenties, the most important loan acts not already fully availed of, made new negotiations for adequate amounts and on admissable terms quite impracticable. The reverses which befell our arms in June, July, and August, intensified the difficulties of the situation, so that, though the Secretary was enabled under existing legislation to provide largely for the increasing disbursements, there remained necessarily unpaid, on the first day of the last session of Congress, requisitions on the treasury, chiefly from the War and Navy Departments, amounting in the aggregate to the sumof $46,894,875 80.

To provide for these requisitions and for current demands, Congress, on the 17th of January, 1863, authorized an additional issue of United States notes to the amount of one hundred millions of dollars; but did not reach any definite conclusions in regard to loans in time to embody them in an act before the day on which the session closed.

On that day, March, 3, 1863, the act to provide ways and means for the support of the government, received the approval of the President, and became law. In addition to various provisions for loans, it contained clauses repealing the restrictions affecting the negotiation of the five-twenties, and thus disengaged that class of loans from the embarrassments which had previously rendered their negotiation unavailable.

A week earlier, on the 25th of February, an act, even more important to the credit of the government—the act to provide a national currency through a national banking system—had received the sanction of Congress and the President. The salutary effects of these two great acts were soon conspicuous.

Notwithstanding the aid afforded by the additional issue of the United States notes, under the joint resolution of January, the Secretary felt himself compelled to prevent a gradual increase, during the session of Congress, in the amount of unpaid requisitions. Those which were unsatisfied at the beginning of the session were indeed discharged, and large sums were applied to new demands for current disbursements. But the aggregate of disbursements, remaining necessarily unpaid, increased steadily, notwithstanding all efforts to prevent it, until it reached, at the close of the session, the sum of $72,171,189 41.

The loan act and the national banking act were followed by an immediate revival of public credit. Success quite beyond anticipation crowned the efforts of the Secretary to distribute the five-twenty loan in all parts of the country, as well as every other measure adopted by him for replenishing the treasury. The result was that within two months after the adjournment of Congress the whole mass of suspended requisitions had been satisfied, all current demands promptly met, and full provision made for the pay of the army and navy. During the remainder of the fiscal year no embarrassments attended the administration of the finances except those which are inseparable from vast expenditures. Notwithstanding these expenditures it is gratifying to be able to state that during the last year the total of disbursements did not greatly exceed, while the increase of the public debt did not equal, the estimates submitted to Congress by the Secretary at the last session. Thus, while it was then estimated that the public debt on the 30th of June, 1863, would reach the sum of $1,122,297,403 24, its actual amount on that day was $1,098,708,181 37; and while the disbursements for the year were estimated at $698,346,621 48, the real total was $714,709,995 58.

The aggregate receipts from all sources, including the balance from the preceding year, as shown by the books of the treasury, were, during the last fiscal year, $901,125,674 86, and the aggregate disbursements $895,796,630 05; leaving a balance on the 30th of June, 1863, of $5,329,044 21. But sums borrowed during the year, and applied during the same time in payment of debts, affect only nominally the total of receipts and of disbursements. The sums thus borrowed and applied during the last fiscal year amounted to $181,088,635 07. This aggregate, therefore, should be deducted from both sides of the statement, making the true amount of receipts, including the balance from last year, $720,036,039 79, and the true amount of disbursements $714,709,995 58. The balance, of course, remains the same.

It is gratifying, also, to be able to state, that while debts did not reach the amount anticipated, the receipts from all sources of income, except internal revenue, exceeded the estimates. Thus the receipts from customs, estimated at $68,041,736 59, were actually $69,059,642 40; from lands, estimated at $88,724 16, were $167,617 17; and from miscellaneous sources, estimated at $2,244,316 32, were $3,046,615 35. Direct tax receipts were estimated at $11,620,737 99, and this amount, or nearly this amount, has been received in the form of taxes for military supplies and services for the States, for which they are entitled to credit beyond their several proportions of the tax. In consequence, however, of complete settlements, only the sum of $108 61 appears on the books as received into the treasury.

The receipts from other ordinary sources of revenue thus closely correspond with the estimates, or largely exceed them, as follows: Internal revenue, [illegible] The estimates of receipts from customs, however, were [illegible] necessarily important, and it was [illegible] that it was [illegible] truth. Under the instructions of the Commissioner, at the instance of the Secretary, a very competent gentleman was for some time employed in ascertaining, with the aid of practical men, conversant with business, the probable amount of revenue from each object of taxation. The result of his inquiries was the estimate which, sanctioned by the Commissioner, was believed to be correct by the Secretary, and therefore submitted to Congress.

Experience has demonstrated its error. The estimate was $85,456,203 73, while the actual receipts were $37,640,787 95. A part of the deficiency may be attributed to the imperfect execution of the law, and a part to the changes made in it by Congress after the estimate was made; but it is not probable, had neither cause operated to reduce receipts, that the revenue from this source would have exceeded half the estimated amount. It is clear that the law, unless materially amended, will not produce the revenue expected from it.

The whole of the receipts and disbursements for the last fiscal year may be more easily understood from a somewhat more formal statement.

The receipts, estimated and actual, then, for the last fiscal year, ending on the 30th of June, 1863, were, including balance from the preceding year, as follows:

	Estimated.	Actual.
From Customs.....	$68,041,736 59	$69,059,642 40
From lands.....	88,724 16	167,617 17
From miscellaneous....	2,244,316 32	3,046,615 35
From direct tax.....	11,620,737 99	*1,485,103 61
From internal revenue.	85,456,203 73	37,640,787 95
Balance from last year..	13,043,546 81	13,043,546 81
Total receipts from all ordinary sources.....	180,495,345 00	124,443,313 29

*See on last page explanation of difference between the apparent receipt and the actual, which nearly or quite equalled the estimate.

The additional sums, actual or estimated, necessary to meet disbursements, were, of course, derived, or estimated as derivable, from loans.

The disbursements, estimated and actual, were as follows:

	Estimated.	Actual.
The Civil Service.....	$32,811,543 23	$23,922,921 08
Pensions and Indians.	5,982,905 43	4,216,520 79
War Department.....	747,359,628 98	599,228,600 83
Navy Department.....	62,177,510 77	63,211,105 27
Interest on debt.....	25,014,332 07	24,729,848 61
Total gross estimate.	893,346,321 48	714,709,995 58
But this amount, it was supposed, would remain undrawn at end of year, and was therefore deducted from the gross estimate.....	200,000,000 00	
Making actual estimate.	693,346,321 48	

In his last report the Secretary stated that if the appropriations should equal the estimates, the balance unexpended at the end of the year would probably reach $200,000,000, and that this sum should therefore be deducted from the departmental estimates, to make the aggregate correspond will probable conditions. The above statement shows that the aggregate of estimates, thus reduced, was $693,346,321 48, while the expenditures were $714,709,995 58, exceeding the reduced estimates $21,363,674 10.

From the actual expenditures, $714,709,995 58, there must be deducted the actual receipts, $124,443,313 29, in order to show the amount derived from loans, $590,266,682 29, which sum, added to the amount of the debt on the 1st July, 1862, $508,526,499 08, (heretofore erroneously stated at $514,211,371 92), gives as the true amount of debt on the 1st July, 1863, $1,098,793,181 37.

ESTIMATES FOR 1864.

The estimates for the current fiscal year 1864 next claim attention. These are founded on actual receipts and disbursements for the first quarter, which ended September 30, 1863, and on opinions formed upon probable events and conditions as to other quarters.

The following statement exhibits what is actually known and what, after careful reflection, the Secretary thinks himself warranted in regarding as probable:

For the first quarter, ending September 30, 1863, the actual receipts were:

From customs.....	$22,562,018 [illegible]
From internal revenue.	17,060,713 [illegible]
From lands.....	126,182 00
From miscel's sources..	641,562 04
Total actual receipts for quarter.....	40,929,456 14
Add actual balance on hand, 1st July, 1863.....	5,329,044 21
Leaving total receipts of first quarter, except loans.....	$46,258,400 35

For the remaining quarters, ending on the month of June, 1864, it is estimated there will be received:

From customs.....	$50,000,000 00
From internal revenue	60,000,000 00
From lands.....	300,000 00
From miscellaneous sources.....	5,000,000 00
	115,300,000 00
Making a total of receipts from ordinary sources, actual and estimated, and including balance, of.....	$161,558,500 35
To which add the actual and estimated receipts from loans.....	594,000,000 00
Making a total of actual and estimated receipts from all sources for 1864.....	$755,558,500 35

The expenditures may be stated as follows:

For the first quarter, ending September 30, 1863, the actual disbursements have been:	
For the Civil Service...$	7,216,939 31
For Pensions and Indians.....	1,711,271 95
For War Department....	144,387,673 97
For Navy Department....	22,811,614 86
For interest on Public Debt.....	4,283,628 37
Actual expenditure for first quarter...	$176,110,923 46
For the remaining three quarters the estimates, founded on appropriations and estimated deficiencies, are as follows:	
For the Civil Service...$	27,050,872 21
For Pensions and Indians.....	6,129,042 86
For War Department.	741,092,037 14
For Navy Department	94,467,567 74
For interest on public debt.....	54,881,508 01
	923,621,027 96
Making a total aggregate of actual and estimated expenditures of....	$1,099,731,951 42
But as these estimates include all unexpended balances of appropriations from former years, they are necessarily much too large, and there may be safely deducted from their aggregate, as likely to remain unexpended at the close of the fiscal year, the sum of.....	350,000,000 00
Leaving the total actual expenditure for 1864.....	$749,731,951 42
The total of expenditures being deducted from the total of receipts, there will be an estimated balance on the 30th of June 1864, of.....	$5,826,539 93

From this statement it appears that the total receipts required for the probable disbursements of the year and including estimated balance at its close, will amount to..... $755,558,500 35

Of which there have been provided and applied during the first quarter..... 176,110,932 46

Leaving to be provided..... $579,447,567 89

Of which it is estimated there will be received from ordinary sources during the three other quarters..... 115,300,000 00

Leaving yet to be provided by loans $464,147,567 89

The amount of debt created during the quarter is ascertained by deducting from the total expenditures $176,110,932 46, the aggregate of ordinary receipts and balance from last year, amounting together to $46,258,400 35, which gives as the increase of debt $129,842,432 11. To this sum, if there be added the sum yet to be provided by loans, $464,147,567 89, the result will be $594,000,000, from which if there be deducted the estimated balance on the first of July, 1864, $5,826,539 93, the remainder will be $588,173,460 07, and will represent the total increase, on the basis of these estimates, of public debt during the year. The debt on the 1st of July, 1863, was $1,098,793,181 37; to which if this estimated increase be added the total debt on the first of July, 1864, will be $1,686,966,641 44; instead of $1,744,685,586 80, as estimated in the report of last December.

It is not certain, or perhaps probable, that the actual expenditures or actual debt, will quite reach the amounts now estimated. Indeed, if the expenditures for the first quarter, $176,110,932 46, and the ordinary receipts, $40,929,456 14 for the same quarter, be taken as the standard, the total expenditures of the year will be $704,443,729 84, and the total receipts $163,757,824 56. To these receipts, if the balance on the 1st of July, 1863, $5,329,044 21 be added, it will make the total ordinary resources 169,086,868 77; and the subtraction of this sum from the total expenditures will give the whole amount to be provided by loans during the year as $535,356,861 07. This sum will therefore be, on this hypothesis, the increase of debt for the year, and, added to the debt existing on the 1st July, 1863, will make the total amount on the 30th of June, 1864, $1,634,150,042 44.

It is not impossible that vigor in the prosecution of the war, and economy in every branch of expenditure, enforced by wise legislation, may reduce actual disbursements and consequent increase of debt even below these figures, and certainly few things can be more desirable than such reductions.

The action necessary to these results, is not, however, except as to the comparatively small expenditures of the Treasury Department, within the sphere assigned to the Secretary. He therefore prefers to accept the estimates of the several departments, and the actual appropriations by Congress based upon them, deducting only that proportion which experience has indicated as likely to remain as balances unexpended at the close of the year. He thinks, too, that sound prudence requires adherence to the rule he prescribed to himself from the first, of overstating rather than understating the burdens created by the war and the demands thence arising upon the resources of the country. He has sought to avoid exaggeration on both sides, but he has thought it more prudent to excite a little too much apprehension than to encourage too sanguine hopes. The real difficulties have been and are too serious, and the real burdens too great, not to warrant earnest demands on all the resolution, all the energy, all the energy, all the wisdom, and all the economy, which the strongest representations, sanctioned by reason, could or can bring into action.

ESTIMATES FOR 1865.

In addition to the estimates for the current year just stated, the Secretary is required to submit estimates of the receipts and expenditures of the next fiscal year. These estimates, always uncertain, must, in the present condition of the country, be even less reliable than usual.

But the Secretary is encouraged to attempt them by the circumstance that the estimates for the fiscal year, 1864, submitted in his report of December, 1863, are less materially modified than might have been expected by the actual receipts of one quarter, and by the probabilities affecting those of the other three, and the general result is more favorable than was anticipated.

The aggregate receipts for 1864 were estimated in that report at $228,025,000, while the actual receipts, other than from loans for the first quarter, and the aggregate of expected like receipts for the remaining quarters, are now stated at only $161,558,500 35, in consequence of the large deficiency in the receipts of internal revenue. On the other hand, the aggregate expenditures were estimated last year at $845,413,183 56, and are now estimated, on the basis of actual returns for part and estimates for the remainder of the year, at $755,558,500 35. The subtraction of receipts from expenditures show the amount now estimated as required from loans for the year 1864 to be $594,000,000, instead of $622,388,183 56 as heretofore estimated. These figures show that the estimate of expenditures is now $89,854,683 21 less than the estimate of last year; so that, although the ordinary receipts as now estimated will be $61,456,499 45 less than was anticipated a year ago, still the increase of debt will be $28,388,183 56 less by the present than by the former estimate, which, it should be remembered, assumed the debt, on July 1, 1863, at $1,122,297,403 24, whereas, in fact, it only reached, at that date, the sum of $1,098,793,181 37.

With these illustrations of the uncertainty of estimates for a year which is to commence more than six months after the making of them, and without professing any sanguine expectations that the estimates now to be submitted will, when tested by experience, prove, like those of last year, less favorable to the country than the actual results of administration, the Secretary submits the required statement for the fiscal year 1865, founded on the estimates of their probable requirements furnished by the several departments, and on what seems to him plain conclusions concerning receipts from ordinary sources of revenue.

He estimates the probable receipts as follows:

Estimated balance, July 1, 1864.....	$4,826,539 93
From customs.....	70,000,000 00
From internal revenue	125,000,000 00
From lands.....	1,000,000 00
From miscellaneous sources.....	5,000,000 00
Making estimated aggregate receipts..	$206,826,539 93

And he estimates the expenditures as follows:

Estimated balance of former appropriations unexpended, July 1, 1864.....	$350,000,000 00
For the civil service.....	27,970,194 81
For Pensions and Indians.....	9,631,246 79
For the War Department.....	536,284,127 77
For the Navy Department.....	142,634,785 40
For interest on public debt.....	85,267,077 15
Making the aggregate of estimated expenditures.....	$1,151,813,085 86
But he estimates as likely to remain undrawn on the 30th June, 1865, and therefore to be deducted from this aggregate.....	400,000,000 00
Making the real estimate of expenditures for the year.....	$761,815,085 86
From which deduct estimated receipts from ordinary sources, as before stated	206,826,539 93
Leaving to be provided by loans.....	$544,978,548 93

The sum to be provided by loans represents the increase of debt during the year. Assuming, therefore, the correctness of the estimate which puts the debt on the 1st of July, 1864, at $1,686,956,641 44, it will result from these estimates that the whole debt will have reached on the 30th of June, 1865, the sum of $2,231,935,190 37.

It has been already seen that the amount required for general disbursements, exclusive of payments on account of public debt, for the three last quarters of the current fiscal year, was, on the 1st of October last, $679,457,567 89, of which sum, $115,300,000 were expected from ordinary sources, and the remainder, $464,157,567 89, was expected from loans.

The receipts and expenditures during October and November, other than on account of principal of debt, amounted each, so far as has been ascertained, to $147,060,731 16, without balance. Of these receipts, $35,529,703 18 were from ordinary sources, and $111,531,027 98 from loans, either temporary or permanent, leaving to be obtained during the remaining seven months from ordinary sources $79,970,296 82, and from loans, $352,226,539 82. On the basis of these two months, the receipts and expenditures for the remaining months of the last three quarters of the year will respectively exceed the general estimates by $43,038,664 81, and 39,532,257 72, making a difference in favor of the country of $3,501,406 59.

The Secretary admits, therefore, no apprehension of deficiency on comparison with estimates, in any of the ordinary sources of income, except, perhaps, the internal revenue; nor does he anticipate any formidable difficulty in providing the amount to be obtained from loans; especially if successes now so safely hoped for by a gracious Providence to our armies during the last nine months shall continue to attend them.

But no one can be more profoundly convinced than himself of the very great importance of providing even a larger amount than is now estimated from revenue. To check the increase of debt must be, in our circumstances, a prominent object of patriotic solicitude. The Secretary, therefore, while submitting estimates which require large loans, and while he thinks it not very difficult to negotiate them, feels himself bound by a prudent regard to possible contingencies, to urge on Congress efficient measures for the increase of revenue.

WAYS AND MEANS—MODIFICATION OF DUTIES.

It is possible that a limited additional amount of income may be derived from judicious modification of some provisions of the laws imposing duties on foreign imports; but the chief reliance for any substantial increase, and even for the prevention of possible decrease, must be on internal duties.

The Commissioner of Internal Revenue recommends an increase of the tax on bank note circulation to two and two-fifths per cent; an increase of the duty on distilled spirits to sixty cents per gallon; an increase of the duty on tobacco to twenty cents per pound on leaf, and from five to twelve cents, according to quality, on manufactured; a duty of ten cents per gallon on crude petroleum; a duty of two cents per pound on cotton; the repeal of the tobacco and petroleum drawbacks, and various other changes of the internal revenue laws, designed to augment the receipts from this source. In the particular recommendations just mentioned the Secretary fully concurs, and commends all his suggestions to careful attention. The enactment of such laws as will secure an increase of the internal revenue to the amount originally estimated, of one hundred and fifty millions a year, is required by the strongest considerations of public policy.

LOANS.

Hitherto the expenses of the war have been defrayed by loans to an extent which nothing but the expectation of its speedy termination could fully warrant.

In his first report, submitted at the special session in July, 1861, the Secretary stated his conviction that, to a sound financial condition, a system of taxation certain to produce a sufficient revenue to pay the whole ordinary expenses of the government in times of peace, and the entire interest on the public debt, and to create a gradually increasing fund for the redemption of its principal, was indispensable. It was not important, so long as it seemed highly probable that the war would be speedily brought to a successful close, that the revenue should largely exceed the ordinary expenditures and the interest. On the contrary, it seemed wisest to obtain the means for nearly the whole of the extraordinary expenditures by loans, and thus avoid the necessity of any considerable increase of the burdens of the people at a time when the sudden outbreak of flagitious rebellion had deranged their business, and temporarily diminished their incomes.

The financial administration of the first fiscal year after the outbreak of the rebellion was conducted upon these ideas. The acts of Congress at the extra session of July, 1861, were framed with the intention of supplying the full amount of revenue demanded by them. But receipts disappointed expectation, and it soon became obvious that a much larger proportion of the means needed for the fiscal year 1862, than the principle adopted would allow, must be derived from loans.

When, therefore, Congress assembled in regular session on the first Monday of December, 1861, the Secretary directed attention to the necessity of increased taxation. The responsibility was promptly assumed by Congress and the internal revenue law was enacted, and such modifications of the tariff act were made that ample provision for the desired objects was now supposed to have been certainly secured. It was not expected, however, that the influence of this legislation would affect the results of the then current year. Nor did it affect them. The total receipts from ordinary sources to the close of that year, June 30, 1862, were insufficient for the payments expected to be made from them. The receipts were $51,935,720 76, while the disbursements for the civil service, for Pensions and Indians, and for interest, were $37,701,801 11; leaving only $14,233,919 65 for the War and Navy Departments, the expenditures of which in the last year of peace had been $27,922,917 24, and nothing at all for extraordinary expenditures of a sinking fund.

In his report at the December session, 1862, the Secretary, considering this deficiency and assuming the correctness of the estimate of $150,000,000 as the amount of receipts from internal duties, and taking double the expenses of the War and Navy Departments in the last year of peace, as the amount likely to be annually required during the suppression of the rebellion, expressed the opinion that the probable receipts under the legislation of the preceding session would meet all ordinary expenditures for the fiscal year 1863, and interest, and leave a large surplus to be applied, for the present, to the extraordinary disbursements of the war, or, after its close, to the reduction of debt. In that report, therefore, and in his subsequent communications to the proper committees, the Secretary suggested no other general measure than such as his recommendations to other measures for the improvement of the public credit, among which those relating to loans and to uniformity of currency held the foremost place.

Congress gave effect to these recommendations by the loan act and the national banking act, but at the same time somewhat diminished the expectation of income by modifications of the internal revenue act.

Notwithstanding this diminution, however, and notwithstanding the much larger diminution which has taken place in the amounts sufficient for prompt payment of the army and navy, and for the satisfaction of the just claims of public creditors generally, without serious loss to the country determined to employ a general agent, under adequate bonds, and confide the whole work of distribution, except so far as it could be effected by the Treasurer, Assistant Treasurers, and Designated Depositories, to him and to sub-agents designated by him and responsible immediately to him. Under this plan, and chiefly through the indefatigable efforts of the general agent and his sub-agents, five-twenty bonds to the amount of nearly four hundred millions of dollars, in denominations of fifty, one hundred, five hundred, and one thousand dollars, were distributed throughout the whole country, not controlled by the rebellion, and among all classes of our countrymen. The history of the world may be searched in vain for a parallel case of popular financing in a time of the disappearance of government. The Secretary is unable to perceive in what better or more effectual mode the important object of distribution could be accomplished, and he proposes no departure from it, except such as considerations of economy, harmonized with efficiency, may suggest.

3.—The object of future controllability has also had a prominent place in the regards of the Secretary. Under the conditions which existed at the outbreak of the rebellion, he acquiesced in the necessity which seemed to dictate the negotiation of loans payable after twenty years; but he acquiesced with reluctance, as it has soon as permitted by circumstances, recommended the enactment of laws authorizing the issue of bonds payable after shorter periods, as well as the creation of temporary debt in other forms. In harmony with these views Congress provided for the issue of the bonds known as the five-twenties; and also for the issue of treasury notes payable three years from date; for certificates of indebtedness payable in one year; and for temporary loans by deposits, payable at short or long days' notice. At the last session Congress repealed some embarassing restrictions of former acts, and authorized the issue of bonds payable after ten years, and of treasury notes payable at pleasure or three years from date. These treasury notes were made legal tenders for face value or convertible for amount and interest into United States notes.

The Secretary availed himself of this legislation by placing with the people as large an amount as possible of five-twenty bonds, and by using the other powers so as to put the whole debt, except the long loans first negotiated, in such a shape that prompt advantage can be taken of favorable circumstances to diminish the burdens it imposes on industry. Whenever the constitutional supremacy of the nation shall be established over all its parts, it will be completely within the power of Congress and the Secretary to fund the whole or any part of the temporary debt in bonds bearing a very moderate interest and redeemable at the pleasure of the government, after very brief periods, or, perhaps, at any time after their issue. Nothing further seems desirable on the score of controllability.

The final object of the Secretary was to extract from the unavoidable evil of debt as much incidental benefit as possible.

To this end, he desired authority to receive temporary loans in the form of deposits reimbursable after a few days' notice. This measure was regarded by many with something less than favor at first; but Congress, after full consideration, authorized the receipt of such deposits at an interest not exceeding five per cent. to the amount of twenty-five millions of dollars; then raised the limit to fifty millions, and then to an hundred millions; and provided a reserve of fifty millions of United States notes to meet demands for reimbursements beyond other convenient means of satisfaction. It was not long before these deposits reached the highest limit, and, before the flow could be well checked, somewhat exceeded it. The utility of the measure was very conspicuous on the recent occasion of great stringency in New York, when the Secretary was able to reimburse over fifty millions of these deposits during the last weeks of the year; by which action the pressure was sensibly alleviated, with a use of only a fifth of the reserve.

In former reports the Secretary has stated his convictions and the grounds of them, respecting the necessity and the utility of putting a large part of the debt in the form of United States notes, without interest, and adapted to circulation as money. These convictions remain unchanged, and seem now to be shared by the people. For the first time in our history has a real approach to a uniform currency been made; and the benefits of it, though still far from the best attainable condition, are felt by all. The circulation has been distributed throughout the country, and is everywhere acceptable. It is a gratification to know that a tribunal so distinguished by the learning and virtues of its members as the Supreme Court of New York has given the sanction of its judgments to the constitutional validity of the law.

So, too, real and great advantages are derived from the wide diffusion of the debt among the people, through business transactions, and through the exertions of the officers of the department and the agents for loans already noticed.

It is impossible to estimate the advantages to national unity and national strength secured by this distribution. Every holder of a note or bond, from a five cent fractional note to a five thousand dollar bond, has a direct interest in the security of national institutions and in the stability of national administration. And it is another and no small advantage of the distribution that the burdens of debt always heaviest when loans are held by few, and especially by foreigners, diminish in proportion as the receivers of interests become identified with the payer of taxes.

Another incidental good growing from the bitter root of debt, has been fully explained in observations heretofore submitted on the national banking system. Except through such a system no sure way is seen to the complete and permanent establishment of a uniform currency; and a system of national banking, fair to all and secure for all, can only be safely and firmly established by making use of a portion of the national debt as security for the national currency.

In these several ways may even such great evils as are brought upon us by rebellion be transmuted, by a wise alchemy, into various forms of utility. The Secretary has endeavored to use this alchemy, with what success the country will judge when time and trial shall have applied to his work their unfailing tests.

Meantime additional loans are required, and, as legislation now stands, several modes are open.

MODE OF RAISING ADDITIONAL LOANS.

The limits of deposits for temporary loan are fixed at one hundred millions of dollars. The amount of this deposit on the first day of December had been reduced to $45,506,120 01, and payments of $10,000,000 had been made from the reserve. The additional payments will be confined within the narrowest possible limits, and can hardly exceed twenty-five millions. The reflow of deposits has already begun, and will probably soon exceed reimbursements, and so arrest payments from the reserve. The whole reflow beyond the amount of these payments will be available as part of the additional loan required, and may be stated, without much risk of mistake, at twenty-five millions of dollars. The Secretary perceives no solid reason for retaining the restriction on loans, in this form to one hundred millions it may, as he thinks, be usefully removed. As these advantages of these deposits become better and more generally understood, the loan in this form will doubtless, in the absence of restriction, be largely increased, and the possibility of demands for reimbursement, beyond means to meet them, can be fully provided for by an increase of the existing proportion between deposits and reserve. Such an arrangement, the Secretary inclines to think, would operate beneficially by increasing the amount of currency which unusual stringency shall require increase, and reducing its amount when returning ease shall allow reduction.

Another portion of the additional loan required may be obtained through the sale of the remainder of the bonds known as five-twenties. The amount of these bonds unsubscribed for on the first of December was $101,000,000. It will not be difficult to dispose of these at par, and it is possible that a small premium may be obtained on a part.

In a former report the Secretary placed the limit, to which the loan in the form of certificates of indebtedness could be carried at one hundred millions of dollars. Experience has shown that it can be carried to one hundred and fifty millions, and that its natural limit is about that sum. On the first of December the amount of these certificates was $145,720,000. It would be unsafe, therefore, to rely on any substantial increase of loan in that form.

The limit prescribed by law to the issue of United States notes has been reached, and the Secretary thinks it clearly inexpedient to increase the amount. When circulation exceeds the legitimate requirements for real payments and exchanges, no addition to its volume will increase its value. On the contrary, such addition tends inevitably to depreciation; and depreciation, if addition be continued, will find its only practical limit in the utter worthlessness of the augmented mass.

When Congress authorized the creation of debt, to a certain extent, in the form of United States notes, and impressed on these notes the qualities of a circulating medium, its action was justified by the disappearance of coin in consequence of the suspension of specie payments; by the necessity of providing a medium in which taxes could be collected, and payments for the army and navy, and by the obvious expediency of providing that medium in the form of national issues instead of resorting to the paper of banks. Under these circumstances its action was wise and necessary: but it was equally wise and necessary to limit the extent of the issues by the necessity which demanded them. They were issued to fill the vacuum caused by the disappearance of coin and to supply the additional demands created by the increased number and variety of money payments. Congress believed that four hundred millions would meet these purposes, and therefore limited issues to that sum.

The Secretary proposes no change of this limitation, and places no reliance, therefore, on any increase of resources from increase of circulation. Additional loans in this mode would, indeed, almost certainly prove illusory; for diminished value could hardly fail to neutralize increased amount.

Sufficient circulation having been already provided, the Government must now borrow like any other employer of capital temporarily requiring more than income will supply, and rely for the credit which will secure advantageous loans upon good faith, industrial activity, accumulated though not immediately available capital, and satisfactory provision for punctual payment of accruing interest and ultimate reimbursement of principal.

To subscriptions for the remaining five-twenties and deposits for temporary loan, therefore, must be directed all reasonable expectation of means for the service of the current year, except from negotiations under the act of last session. The sums to be looked for from these two sources have already been stated, and amount to $126,059,600. If this aggregate be deducted from the amount to be provided by loans for the last seven months of the current year, already shown to be $352,226,539, there will remain the sum of $226,166,939 to be provided by negotiations under the act of last session; and, under some like act, must be provided in like manner, if the continuance of the war shall make it necessary, the sum of $544,978,548 93, estimated as likely to be required from loans for the fiscal year 1865.

The act of last session authorized the loans supposed to be required for the fiscal years 1863 and 1864: and, of the amount required for the service of these two years to the first of December now current, one hundred and fifty millions in United States notes, and fifty millions by a loan for two years five per cent. treasury notes have already been provided under that legislation. The act is so well conceived and expressed that little other legislation for the loans of 1864 and 1865 will be required than the application to those years of its leading provisions. It will doubtless be thought expedient this session, as last session, to authorize the borrowing, in some form, of three hundred millions for the current, and six hundred millions for the next, fiscal year. Indeed, the only modifications of the act of last session necessary to adapt it to the requirements of the current and coming year seem to be: (1) the omission of all reference to United States notes beyond the giving a simple authority to the Secretary to ascertain from time to time the amounts destroyed or lost, and to replace them by new issues; (2) the repeal of the existing limitation of the deposit loan to one hundred millions of dollars, and the substitution of a provision for a reserve equal in amount to half the deposit; (3) the permission of the negotiation of loans redeemable absolutely at pleasure, or at pleasure after a time fixed, not more remote than forty years; and (4) the omission, perhaps, of the clause taxing circulation and deposits, as being more appropriate to an internal revenue bill. It is hoped that the other provisions of the last may be retained in the new loan act.

Under such legislation, the Secretary entertains little doubt of being able to obtain whatever funds will be needed, through loans, at reasonable rates of interest, for bonds or treasury notes.

THE NATIONAL BANKING SYSTEM.

For a warrant of this confidence, however, he must not omit to say that he relies much on the support to be given to the public credit by the national banking system and by the nationalization of the currency. There is, as he thinks, no possibility of a permanently successful administration of the finances, under circumstances involving the creation of large debts, unless loans can be negotiated at a medium of general and equal [illegible] country, and not liable to variation in quantity or in value except under the operation of national legislation and the general laws of trade.

Only two kinds of currency fulfil these conditions: the first, a circulation of coin; the other, a circulation of notes of uniform description and value, issued by the Government, and either paid directly to Government creditors, or supplied to banking associations to be employed in general business.

The circulation new generally used in this country, except so far as it consists of bank notes, is of the latter sort; and no circulation, not immediately convertible into coin, can be better.

It is an error to suppose that the increase of prices is attributable wholly or in very large measure to the circulation. Had it been possible to borrow coin enough, and fast enough, for the disbursements of the war, almost if not altogether the same effects on prices would have been wrought. Such disbursements made in coin would have enriched fortunate contractors, stimulated lavish expenditures, and so inflated prices in the same way and nearly to the same extent as when made in notes. Prices, too, would have risen from other causes. The withdrawal from mechanical and agricultural occupations of thousands of our best, strongest, and most active workers, in obedience to their country's summons to the field, would, under any system of currency, have increased the price of labor, and, by consequence, the price of the products of labor, while the prices of many things would have risen, in part from other causes, as for example, the price of railroad bonds from vast increase of income, through payments for military transportation; and the price of cotton from deficient supply.

Much the greater part of the rise of prices not accounted for by the causes just stated, as well as much the greater part of the difference between notes and gold, is attributed to the large amount of bank notes yet in circulation. Were these notes withdrawn from use, it is believed that much of the now very considerable difference between coin and United States notes would disappear. Certainly there ought to be no difference in favor of coin, when it is remembered that United States bonds bearing six or even five per centum coin interest are intrinsically worth, unless the theory of nations had faith or national insolvency is to be admitted, more than their amount in coin; and yet such bonds can now be had for their amount in United States notes.

Our can o condition of affairs in which excessive prices prevail, or national notes command less than par in coin, be regarded as of permanent duration. While it lasts, it must be borne with patience, and made tolerable by economy. No useful remedy will be found in extravagant increse of salaries and disbursements, but an aggravation rather of the evil. All proper measures should be adopted to hasten the return to the normal condition of prices and business: the patriotism and intelligence of the people must be relied on for the rest.

The Secretary has heretofore expressed the opinion that whatever may be the true degree in which the currency of the country is affected by a bank-note circulation, issued without national sanction and by corporations independent of national authority, and not receivable for national dues, it cannot be questioned that in some similar degree, the negotiation of national loans must be prejudiced and their value to the national finances diminished. This opinion is confirmed by observation and experience.

Impelled, therefore, by a profound sense of the present necessity of a national currency to the successful prosecution of the war against rebellion, and of its utility at all times in protecting labor, cheapening exchanges, facilitating travel, and increasing the safety of all business transactions: and at the same time convinced, by large experience, that such necessary reforms in such a way as needlessly to disturb existing conditions or impair the value of existing investments of capital, the Secretary recommended, in two successive reports, the authorization of national banking associations, to which the capital of the corporations now issuing notes for circulation might be transferred, with advantage to the parties in interest as well as to the general public.

The sanction of Congress was given to these views at the last session; and the simple assurance thus given that, henceforth, it would be safe for a national currency secured by a pledge of national bonds, and the belief that this currency will at no distant day take the place of the heterogeneous corporate currency which has hitherto filled the channels of circulation, at once inspired faith in the securities of the government, and more than any other one cause enabled the Secretary to provide for the prompt payment of the soldiers and the public creditors.

If the policy thus indicated shall be fairly and judiciously pursued, and proper measures adopted to induce the conversion, at the earliest practicable period, of the bank corporations, of the States into national banking associations, and of the corporate circulation into national currency, the Secretary believes, and as he thinks, not without good grounds, that all the money needed for prompt payment of troops, and for the most vigorous prosecution of the war, can be obtained, but not on reasonable terms; while all interest on debt, and all ordinary expenditures, and a considerable part also of the extraordinary expenditures caused by the war, will be met by the ordinary resources. Nor does that debt, through wise legislation, sustained by intelligent popular will, and supported by prudence and energy in civil and military administration, national currency can be so approximated in recognized value to coin, that a resumption of payments in specie can be brought about much sooner than even sanguine persons now permit themselves to hope.

The Secretary has already referred in general terms to the reports of the heads of the various bureaus and branches of administration in behalf. A peculiar interest is felt at this time in their operations, and especially in the operation of those most recently brought into existence.

The Comptroller of the Currency reports the organization under the national banking act, prior to the 29th of November, of one hundred and thirty-four associations; all which, upon the suggestion of the Secretary, have adopted the name of National Banks, distinguished by order of organization and by locality. These Banking Associations have been formed in twenty-six States, and the District of Columbia, and have an aggregate capital of $15,081,200. The great care and labor required for the preparation of suitable notes for the new national currency has delayed its issue beyond expectation; but the printing is now begun, and the several associations will be supplied with the amounts to which they are respectively entitled within a few weeks. Besides the associations reported as