

retrenchment—a retrenchment of the actual amount reduced and a retrenchment of the usual increase.

The estimates submitted have no intentional exaggeration in them. If at any previous time there was shown a tendency to exaggerate estimates without an expectation of their full appropriation, the case is now quite different. While the final authority in appropriations rests with Congress, it is proper to present the estimates for the coming year as a careful measure of the actual and irreducible needs of the Government.

The estimates of receipts, with their very long look ahead, are always subject to many vicissitudes, and perhaps never more than now, when the revenue results of the new tariff law are still largely undetermined, when the new conditions affecting the internal revenue from distilled spirits and fermented liquors are still a factor, and when the corporation tax is yet unexecuted. The estimates must therefore be taken as the best under the circumstances.

For the fiscal year 1910, the ordinary receipts are estimated at \$648,000,000, and the ordinary disbursements at \$682,075,620.12, showing a deficit in ordinary receipts of \$34,075,620.12. When the payments on account of the Panama Canal and the public debt are added, the total deficit of the fiscal year 1910 is estimated at \$73,075,620.12.

The estimated ordinary receipts for 1911 are \$672,000,000, and the estimated ordinary appropriations \$636,068,672.51, or a surplus in ordinary receipts of \$35,931,327.49. When the Panama Canal estimates for 1911 are added the surplus is turned into a deficit of \$12,132,197.21.

Since the Treasury has not at present, either in the banks or in its vaults, materially more than a working balance, it will become necessary, in order to meet these deficits, to sell either bonds or certificates of indebtedness. In due course it would seem that it must be made practicable to both estimate receipts, with a close approximation to the actual, and to provide for their annual rise or fall by the introduction of some flexible factors in our annual taxation. The hard rigidity of the present revenue system, with its recurrent economical agitations and its long intervals of fixity, with no annual adjustment, can not always satisfy the Government or the nation.

ECONOMIES.

It is a favorable opportunity—partly created by the influence of the deficit—to consider the Government's outgo, not alone in its totals, but in its details, and to institute proper economies. The time is clearly ripe for wise and judicious savings in federal expenditure; and if this should be successfully accomplished there is a pros-

pect that the example would influence the overhauling of state and municipal expenditures, to the great advantage of the nation.

There are two classes of reductions in the present estimates. One class is of those economies which result from an improved handling of the Government work, and from cutting off expenditures which are discovered to be avoidable without injury to the service or to the people. These result from a close scrutiny, and this scrutiny of course has, as it were, just begun, and must be a continuous process to become completely effective. This class of economies is permanent and undeniably wholesome.

The other class consists of postponements of expenditures which can be delayed, in an effort to adjust immediate expenses and receipts. Such reductions are not wholly permanent; but even in these cases the more thorough scrutiny and consideration which they are receiving and the greater interest in proper saving and economy which marks the present period will tend to economies and reductions.

It would be a great mistake, however, as all will agree, to let this epoch of economy discredit itself and come to an untimely end by reason of losing the sense of difference between reductions of appropriations that we are better without and reductions of the appropriations that we are better with. Extravagance, waste, inefficiency, and poor administration on the one hand, and too hurried or too expensive development of governmental activities on the other hand, can afford savings to the advantage of everybody; but it would be unfortunate if the current impulses toward true and real economy should go further and seek to curtail any of the wise instruments of the Government which are or shall be demanded by the interests of the people.

There is a tendency at the same time to overestimate the possible reduction in appropriations through improved administration or other distinctively executive retrenchments, and the reductions in appropriations will be disappointing unless equal attention is given to other important savings.

The departments should undoubtedly scrutinize every opportunity for reduction of expenses of administration. It will be necessary, however, in order to effect full permanent reductions in appropriations to also take in hand every item of expenditure, and, among others, as instances, the following: The heavy losses to the Government on second-class mail matter which require a discrimination to be made between mail matter demanded by the interests of the people and that which merely promotes private gain; the excessive expenditures for public buildings which suggest the simple arrangement by which such buildings will be approved and ordered for the needs of the public service only; the expenditures for public works; and the expenditures for printing. In other words, in order to

effect a real revision of the expenditures of the Government, it must be a general revision, both of those appropriations which have their initiative in the executive departments and of those that have their initiative in the Congress.

THE EQUIVALENT OF A BUDGET.

The absence of anything like a budget in our Government has undoubtedly led to a great deal of extravagant appropriation. Originally, no doubt, it was contemplated that a budget should be presented by the Secretary of the Treasury. And Alexander Hamilton began in that way. But the complete plan of a budget was never fully realized, could not have lasted, and can not now be instituted. The elements of financial responsibility of such a system as the English have all been present, but the separation between the executive and legislative branches has prevented these elements from getting together. And, unfortunately, the responsibility for the adjustment of revenues and appropriations instead of drifting toward an efficient system of legislative and executive cooperation, devised as best it could be in our form of government, has drifted always toward an elimination of the responsibility of the executive branch. It finally came to the point where the executive had little or nothing to say about the revenues, and where the executive estimates of expenditures were constructed more or less for trading purposes with the appropriation committees. On the other hand, the Congress, into whose hands the control so largely came, was obliged to meet these economic and business responsibilities with an organization that made revenue questions necessarily political and partisan, and which turned over the separate appropriation bills to a series of unrelated committees which were obliged to deal with them in singular isolation. In neither house of Congress was there a correlation or cooperation of these committees.

In this way the Government arrived at the farthest extreme from a responsible budget. The demand for something better has undoubtedly arisen, and has already taken form in a marked attempt on the part of the Congress to organize these important responsibilities. In March last there was incorporated in the sundry civil appropriation bill the following provision:

Immediately upon the receipt of the regular annual estimates of appropriations needed for the various branches of the Government it shall be the duty of the Secretary of the Treasury to estimate as nearly as may be the revenues of the Government for the ensuing fiscal year, and if the estimates for appropriations, including the estimated amount necessary to meet all continuing and permanent appropriations, shall exceed the estimated revenues, the Secretary of the Treasury shall transmit the estimates to Congress as heretofore required by law and at once transmit a detailed statement of all of said estimates to