

July 4, 1861

A50  
u  
SENATE.

37TH CONGRESS, }  
1st Session. }

{ Ex. Doc.  
No. 2.

REPORT  
OF  
THE SECRETARY OF THE TREASURY,  
ON THE FINANCES,

*Containing estimates of the public revenue and public expenditures, and plans for improving and increasing the revenue.*

JULY 16, 1861.—*Resolved*, That five hundred copies of the report of the Secretary of the Treasury on the condition of the finances, with the accompanying documents, be printed for the use of the Treasury Department.

TREASURY DEPARTMENT,  
July 4, 1861.

SIR: The Secretary of the Treasury is required by law to prepare and lay before Congress, at the commencement of every session, a report on the subject of finance, containing estimates of the public revenue and public expenditures, and plans for improving and increasing the revenue.

This duty, always important and responsible, is now rendered doubly important and responsible by the peculiar circumstances under which the present session of Congress is held.

A vast conspiracy against the union of the States, and the very existence of the national government, which has been gathering strength and preparing hostilities in secret for many years, has at length broken out into flagrant violence, and has assumed proportions so serious that an extraordinary exertion of the public force, creating extraordinary demands upon the public resources, is required for its speedy and complete discomfiture and suppression.

In the judgment of the Secretary, the clearest understanding of the actual condition of the public finances, and of the measures demanded by its exigencies, will be obtained by considering the whole subject under the following general heads:

I. The balance arising from the receipts and expenditures of the fiscal year 1861, ending on the 30th of June.

II. The demands upon the treasury, arising under existing appropriations or created by the new exigencies for which provision is to be made during the fiscal year 1862.

III. The best ways of providing for these demands and the means available for that purpose.

355

## REPORT OF THE

## I. RECEIPTS AND EXPENDITURES.

The balance in the treasury on June 30, 1860, as shown by the last annual report to Congress, was \$3,629,206 71  
 The receipts for the year ending June 30, 1861, have been :

From customs :			
1st quarter	- - -	\$16,119,831	22
2d quarter	- - -	8,174,167	69
3d quarter	- - -	9,772,574	57
4th quarter (in part estimated)	- - -	5,527,246	33
Aggregate	- - - - -		39,593,819 81
Of this amount the sum of \$35,417,102 11 has been received in coin, and \$4,176,717 70 in treasury notes.			
From public lands :			
1st quarter	- - -	\$281,100	84
2d quarter	- - -	330,955	02
3d quarter	- - -	146,704	68
4th quarter (in part estimated)	- - -	65,927	26
Aggregate	- - - - -		824,687 80
From miscellaneous sources :			
1st quarter	- - -	318,857	98
2d quarter	- - -	148,037	09
3d quarter	- - -	269,989	90
4th quarter (in part estimated)	- - -	124,211	57
Aggregate	- - - - -		861,096 54
From loans and treasury notes :			
1st quarter	- - -	.....	
2d quarter	- - -	8,552,700	00
3d quarter	- - -	15,723,475	35
4th quarter	- - -	17,787,907	60
Aggregate	- - - - -		42,064,082 95
Aggregate receipts from all sources	- - -		86,972,893 81
The expenditures for the year ending June 30, 1861, have been—			
For civil list, foreign intercourse, and miscellaneous objects :			
1st quarter	- - -	\$6,440,003	77
2d quarter	- - -	5,917,832	20
3d quarter	- - -	7,359,151	34
4th quarter	- - -	3,471,215	88
Aggregate	- - - - -		23,188,203 19

## SECRETARY OF THE TREASURY.

3

## For Interior Department:

1st quarter	-	-	-	\$1,679,575	24
2d quarter	-	-	-	156,093	71
3d quarter	-	-	-	1,168,608	40
4th quarter	-	-	-	755,745	37

Aggregate	-	-	-	-	-	\$3,760,022	72
-----------	---	---	---	---	---	-------------	----

## For the War Department:

1st quarter	-	-	-	5,352,771	42
2d quarter	-	-	-	2,395,849	51
3d quarter	-	-	-	5,123,744	92
4th quarter	-	-	-	10,108,784	59

Aggregate	-	-	-	-	-	22,981,150	44
-----------	---	---	---	---	---	------------	----

## For the Navy Department:

1st quarter	-	-	-	2,578,678	88
2d quarter	-	-	-	1,885,079	17
3d quarter	-	-	-	3,369,994	52
4th quarter	-	-	-	4,594,779	52

Aggregate	-	-	-	-	-	12,428,532	09
-----------	---	---	---	---	---	------------	----

## For payment of Texas creditors:

1st quarter	-	-	-	1,282	81
2d quarter	-	-	-	5,831	51
3d quarter	-	-	-	1,972	35
4th quarter	-	-	-	69,720	60

Aggregate	-	-	-	-	-	78,807	27
-----------	---	---	---	---	---	--------	----

For redemption of the loan of 1846	-	-	-	-	-	1,000	00
------------------------------------	---	---	---	---	---	-------	----

## For redemption of Treasury notes:

1st quarter	-	-	-	\$375,400	00
2d quarter	-	-	-	6,976,150	00
3d quarter	-	-	-	8,087,450	00
4th quarter	-	-	-	2,200,400	00

Aggregate (the last week of the 4th quarter estimated)	-	-	-	-	-	18,139,400	00
--	---	---	---	---	---	------------	----

## For interest of public debt:

1st quarter	-	-	-	\$115,560	47
2d quarter	-	-	-	1,712,286	08

## REPORT OF THE

3d quarter	-	-	-	\$417,452 54
4th quarter	-	-	-	<u>1,754,843 80</u>
Aggregate (the last week of the 4th quarter estimated)	-	-	-	<u>\$4,000,142 89</u>
The aggregate of expenditures for the year was	-	-	-	84,577,258 60
The balance and aggregate of receipts, as already stated, were	-	-	-	<u>86,972,893 81</u>
Leaving a balance in the treasury at the close of the fiscal year 1861 of	-	-	-	<u><u>2,355,635 21</u></u>

## II. APPROPRIATIONS MADE AND REQUIRED.

The balances of appropriations for the fiscal year ending June 30, 1860, remaining undrawn at its close, and therefore to be paid from the revenues of the fiscal year ending June 30, 1861, were; in the aggregate	-	-	-	20,166,870 81
The amount appropriated for the service of the government (including permanent and indefinite appropriations) for the fiscal year ending June 30, 1861, was	-	-	-	<u>78,233,408 53</u>
Making a total of appropriations for the year ending June 30, 1861, and of liabilities for appropriations of the preceding year, of	-	-	-	98,400,279 34
Of the appropriations intended for expenditure during the fiscal year ending June 30, 1862, there has necessarily been applied to the service of the year just closed the sum of	-	-	-	<u>6,298,859 96</u>
Showing an aggregate of appropriations made or applied for the year ending June 30, 1861, of	-	-	-	104,699,139 30
The actual disbursements from the treasury for the same year (the 4th quarter being in small part estimated) were, as already stated	-	-	-	<u>84,577,258 60</u>
Leaving already appropriated and to be paid from the balance in the treasury and revenues of the fiscal year ending June 30, 1862	-	-	-	20,121,880 70

## SECRETARY OF THE TREASURY.

5

Brought forward - - -	\$20,121,880 70
The appropriations (including permanent and indefinite appropriations amounting to \$10,719,697 48) already made for the fiscal year ending June 30, 1862, are - - - -	\$65,887,849 34
Of which sum, after deducting - - - -	<u>6,298,859 96</u>
applied, as above stated, to the service of 1861, there remain - - - -	<u>59,588,989 33</u>
Forming an aggregate of appropriations already made of - - - -	<u><u>79,710,870 08</u></u>

The additional estimates from the several departments, herewith submitted, for the service of the fiscal year ending June 30, 1862, including the deficiency caused by the application of \$6,298,859 96 to the service of the preceding year, will require additional appropriations,

For civil list, foreign intercourse, and miscellaneous objects - - - -	\$831,406 90
For the Interior Department - - - -	431,525 77
For the War Department - - - -	185,296,397 19
For the Navy Department - - - -	<u>30,609,520 29</u>
In the aggregate - - - -	<u><u>217,168,850 15</u></u>

In addition to these demands upon the treasury, it will be necessary to provide for the redemption of treasury notes due and maturing to the amount of \$12,639,861 64, and for the payment of interest on the public debt, to be created during the year, which, computed for the average of six months, may be estimated at \$9,000,000.

The whole amount required for the fiscal year 1862 may therefore be thus stated :

To satisfy appropriations for former years yet unpaid - - - -	\$20,121,880 70
To satisfy appropriations already made for the fiscal year 1862 - - - -	59,588,989 38
To satisfy appropriations required by new exigencies	217,168,850 15
To pay treasury notes due and becoming due - - - -	12,639,861 64
To pay interest on proposed new debt - - - -	<u>9,000,000 00</u>
Making a total sum required by existing appropriations and new exigencies of - - - -	<u><u>318,519,591 87</u></u>

## III. WAYS AND MEANS.

To provide the large sums required for ordinary expenditure and by the existing emergency, it is quite apparent that duties on imports, the chief resource for ordinary disbursements, will not be adequate.

The deficiencies of revenue, whether from imports or other sources, must necessarily be supplied from loans; and the problem to be solved is that of so proportioning the former to the latter, and so adjusting the details of both, that the whole amount needed may be obtained with certainty, with due economy, with the least possible inconvenience, and with the greatest possible incidental benefit to the people.

The Secretary has given to this important subject the best consideration which the urgency of varied public duties has allowed, and now submits to the consideration of Congress, with great deference and no little distrust of his own judgment, the conclusions to which he has arrived.

He is of the opinion that not less than eighty millions of dollars should be provided by taxation, and that two hundred and forty millions should be sought through loans.

It will hardly be disputed that in every sound system of finance, adequate provision by taxation for the prompt discharge of all ordinary demands, for the punctual payment of the interest on loans, and for the creation of a gradually increasing fund for the redemption of the principal, is indispensable. Public credit can only be supported by public faith, and public faith can only be maintained by an economical, energetic, and prudent administration of public affairs, and by the prompt and punctual fulfilment of every public obligation.

It has been already stated that the appropriations for the ordinary expenditures of the fiscal year 1862, including the permanent and indefinite descriptions, amount to \$65,887,849 34, and the interest to be paid on the debt to be incurred during the year, has been estimated at \$9,000,000; making an aggregate of ordinary expenditures of \$74,887,849 34. If to these sums be added \$5,000,000, as a provision for the reduction and final extinguishment of the public debt, the total will be \$79,887,849 34. To provide for these payments, at least, it is proposed, in accordance with the principle just stated, to raise by taxation the sum of not less than \$80,000,000.

In considering the choice of means to insure a revenue adequate to the purposes just indicated, the attention of the Secretary has been necessarily drawn to the different modes of taxation authorized by the Constitution.

The choice is limited to duties on imports, direct taxes, and internal duties or excises.

Duties on imports constitute the chief form of indirect taxation. Direct taxes include capitation taxes, taxes on real estate, and probably general taxes on personal property included in lists embracing all descriptions and valued by a uniform rule; while under the head of internal duties or excises may be included all taxes on consumption, and taxes on particular descriptions of personal property, with reference to use rather than value.

The principal advantages of a system of direct taxes are found in the sensibility with which they are felt and observed; in the motives thence arising for economy and fidelity in administration; and in the manifest equity of distributing burdens in proportion to means, rather than in proportion to consumption. On the other hand, the advan-

tages of indirect taxation, by duties on imports, are found in economy of collection, in facility of payment, in adaptability to the encouragement of industry, and, above all, in the avoidance of federal interference with the finances of the States, whose main reliance for revenue for all objects of State administration must, necessarily, be upon levies on property.

These considerations have doubtless determined the preference which has always been evinced by the people of the United States, as well as by their legislature and Executive, for duties on imports, as the chief source of national revenue. Only on occasions of special exigency has resort been had to direct taxation, or to internal duties or excises.

No departure is proposed by the Secretary from the line of policy thus sanctioned. He ventures to recommend only such modifications of the existing tariff as will produce the principal part of the needed revenue, and such resort to direct taxes or internal duties or excises as circumstances may require, in order to make good whatever deficiency may be found to exist.

That the present tariff of duties will not produce the revenue required by sound principles of finance, under existing circumstances, is a proposition which will command general assent. It was framed, indeed, with reference to a very different condition of affairs. The receipts for the last quarter of the fiscal year, just closed, were only \$5,527,246 33; and, though a very considerable improvement in the revenue may be confidently anticipated during the current fiscal year, should no change be made in the rates of duties, it will be inadequate, beyond doubt, to the demands of the treasury, which should be provided for without resort to loans.

These demands, as has been already stated, will reach the sum of \$79,887,849 34—a sum not greater perhaps than may be reasonably expected in more prosperous years from a well-adjusted tariff of duties with the aid of the revenue from lands and from miscellaneous sources, though greater than can now be expected from any tariff.

The disorders of business incident to the disturbed condition of political affairs will be gradually redressed, as new channels open to receive the trade obstructed in former courses, and new employments engage the industry displaced from former pursuits. With this revival of trade and industry, the revenue will improve, even though the restoration of peace may be delayed beyond our present hope.

It is hardly to be doubted, moreover, that the great body of the citizens of the States, now involved in the calamities of insurrection, will, ere long, become satisfied that order and peace, and security for all rights of property and for all personal and political rights, in the Union and under the Constitution, are preferable to the disorder and conflict and insecurity necessarily incident to attempts to subvert government, break up institutions, and to destroy nationality by force and violence. When, under the influence of this reasonable conviction, the people of the several States, now constrained by the criminal folly of political partisans into civil war against the Union, shall, in their turn, constrain these partisans to loyalty to law and obedience to the Constitution, it is not unreasonable to expect that with restored Union will come,

not merely renewed prosperity, but prosperity renewed in a degree and measure without parallel in the past experience of our country.

While recommending the changes in the existing tariff and the other revenue measures which seem to him necessary, the Secretary indulges, therefore, a confident expectation that they will ultimately prove wholly adequate to all reasonable demands for ordinary expenditures, for payment of interest, and for reduction of debt; and that they will, moreover, by establishing national credit on sure foundations, contribute in no inconsiderable degree to that revival of trade and industry which, by its healthful reaction, will, in turn, essentially promote the increase and security of the revenue.

The sources of revenue, most promptly to be made available, must be sought, doubtless, in the articles now exempt from duty, or but lightly taxed. Nearly all these articles have heretofore contributed in full measure to the national income. It was only when the debts contracted in former wars for the establishment of our national independence, or the vindication of our national rights, had been fully paid, and the revenue had increased largely beyond any legitimate uses of the government, that it was thought proper to remove the duties on some of them, and largely reduce the duties on others. That intelligent patriotism which cheerfully sustained the former charges will even more cheerfully sustain those made necessary now for the preservation of our national Union and the maintenance of the sovereignty of the people.

Of the articles now lightly taxed, sugar, and of those wholly exempt from duty, tea and coffee, are the most important. The Secretary most respectfully proposes to Congress that a duty of two and a half cents per pound be laid on brown sugar; of three cents per pound on clayed sugar; of four cents per pound on loaf and other refined sugar; of two and one-half cents per pound on syrup of sugar cane; of six cents per pound on candy; of six cents per gallon on molasses, and of four cents per gallon on sour molasses; and it is also proposed that a duty of five cents per pound be imposed on coffee; fifteen cents per pound on black tea, and twenty cents per pound on green tea. From these duties it is estimated that an additional revenue of not less than twenty millions of dollars annually may be raised; while the burden of this revenue upon our own people will be, in some considerable degree, mitigated by participation on the part of the foreign producers.

Without going here into other details of less importance, the Secretary thinks it proper to add, in general, that from proposed duties on articles now exempt, and from changed duties on articles now either lightly burdened or so heavily taxed that the tax amounts to a prohibition, a further increase of revenue to the amount of seven millions of dollars may be anticipated; and that the improving condition of trade and industry warrant a just expectation that the revenue from the duties of the present tariff, not affected by the proposed changes, will not fall short for the current year of thirty millions of dollars. He estimates therefore the total revenue from imports during the present year at fifty-seven millions of dollars, to which may be added the sum of three millions to be derived from sales of public lands and miscellaneous sources; making the total revenue for the year sixty millions of dollars.

While, therefore, there is every reason to believe that under a modified tariff, when the prosperity of the country shall be fully restored, an annual revenue of not less than eighty millions of dollars, and probably more, may be realized, it will be necessary, in order to sustain fully the public credit, to provide for raising the sum of twenty millions of dollars, for the current year at least, by direct taxes, or from internal duties or excises, or from both. The Constitution requires that the former be apportioned among the States, in the ratio of federal population; the latter need only be uniform throughout the United States. Taxes on real estate, and perhaps general taxes on personal property, must therefore be apportioned. Taxes on distilled liquors, on bank notes, on carriages, and similar descriptions of property, must not be higher in one State than taxes on the same articles in another State.

The Secretary submits to the superior wisdom of Congress the determination of the question whether resort shall be made to direct taxes or to internal duties, or to both, for the supply of the probable deficiency of that portion of the public resources which, upon the principles already explained, must be furnished by taxation.

The value of the real and personal property of the people of the United States, according to the census of 1860, is \$16,102,924,116, or, omitting fractions, sixteen thousand millions of dollars. The value of the real property is estimated at \$11,272,053,881, and the value of the personal property at \$4,830,880,235. The proportion of the property of both descriptions in the United States, excluding those at present under insurrection, is \$10,900,758,009, of which sum \$7,630,530,605 represents, according to the best estimates, the value of the real, and \$3,270,227,404 the value of the personal property. A rate of one-eighth of one per cent. *ad valorem* on the whole real and personal property of the country would produce a sum of \$20,128,667; a rate of one-fifth of one per cent. on the real and personal property of the States not under insurrection would produce the sum of \$21,800,516; and a rate of three-tenths of one per cent. on the real property alone, in these States, would produce \$22,891,590; either sum being largely in excess of the amount required.

In some of the States the revenue for all purposes of State, county, and municipal expenditure is raised in this manner, and the assessments of real and personal property, levied on valuations made under State authority, form a certain and convenient method of collection. If such valuations existed in all the States it would not be difficult, through the assumption and payment by the several States of their several proportions of the tax, or through the co-operation of the State authorities in its collection, or through federal agencies created for the purpose, but using the State valuations to assess and collect the levy for national purposes.

It is the absence of such valuations in some of the States, and the uncertainty of effective co-operation in all, which make the employment of an extensive and complicated federal machinery for the collection of direct taxes necessary, and supply the basis of the most serious objections against that mode of levying internal revenue.

It has been objected also, and not without apparent reason, to a resort to direct taxes at this time, that, in consequence of the disturbed condition of the country, the apportionment required by the Constitution cannot be made. The Secretary, however, adopts the opinion that the constitutional requirement will be satisfied if Congress, in the act levying the tax, shall apportion it among the several States in the required manner. The tax cannot become unconstitutional because it may be difficult, or even temporarily impossible, to collect it as apportioned. If it were otherwise, the objection would be fatal to internal duties as well as to direct taxes; for in the present condition of the country it is impossible, whatever uniformity may be observed in the law imposing such duties, to make them uniform in collection.

Internal duties may be collected more cheaply than direct taxes, by fewer agents, and with less interference with the finances of the States. They may also be made to bear mainly upon articles of luxury, and thus diminish, to a certain extent, the burden imposed by duties on imports upon the classes of the people least able to bear them.

It has been already shown that a light direct tax, from which, the Secretary ventures to suggest, very small properties may be properly and advantageously exempted, will produce the sum needed for revenue. In the judgment of the Secretary the needed sum may also be obtained from moderate charges on stills and distilled liquors, on ale and beer, on tobacco, on bank notes, on spring carriages, on silver ware and jewelry, and on legacies. If both sources of revenue be resorted to, to the extent suggested, the amount required from loans will be proportionally diminished, and the basis of the public credit proportionally enlarged and strengthened.

Whether both these modes of taxation be resorted to under present emergencies, or only one of them, the Secretary will but illy perform his duty to Congress or the people if he omits to urge the great importance—the absolute necessity indeed—of such full provision of annual revenue as will manifest to the world a fixed purpose to maintain inviolate the public faith by the strictest fidelity to all public engagements.

It will not, perhaps, be thought out of place if the Secretary suggests here that the property of those engaged in insurrection, or in giving aid and comfort to insurgents, may properly be made to contribute to the expenditures, made necessary by their criminal misconduct, as a part of the punishment due to the guilt of involving the nation in the calamities of civil war, and thereby bringing distress upon so many innocent citizens. Congress may justly provide for the forfeiture of the whole or part of the estates of offenders and for the payment of the proceeds into the public treasury.

Before dismissing the subject of the proper provision for ordinary expenditures, including interest on public debt and a proper amount for a sinking fund, the Secretary respectfully asks the consideration of Congress for the question whether the current disbursements of government may not be themselves diminished? He ventures to suggest that a considerable saving may be judiciously effected by a reduction, for the time at least, of ten per centum upon salaries and wages paid by the federal government, in cases where such reduction

will not interfere with existing contracts ; and that a further saving, perhaps not less considerable, may be effected by the abolition of the franking privilege and the reduction of postal expenses. Retrenchment in other directions will doubtless suggest itself to the reflection of Congress ; and it is most respectfully recommended that every retrenchment, compatible with the vigor and efficiency of the public service, be promptly and effectively made.

The Secretary has already said that on the supposition that eighty millions of dollars may be raised by taxation in the modes proposed, or derived from sales of public lands and miscellaneous sources, it will still be necessary, in order to meet the extraordinary demands of the present crisis, to raise the sum of two hundred and forty millions of dollars by loans.

A comparison of the acts by which loans have been already authorized and of the loans actually made, will show what resources of this description are available under existing laws.

The act of June 22, 1860, authorized the borrowing of \$21,000,000 at an interest not above six per cent. Under this authority Mr. Secretary Cobb, in October, 1860, negotiated a loan of \$10,000,000 ; but from causes not necessary to be here specified, the takers of \$2,978,000 failed to make good their offers. The amount realized was, therefore, only \$7,022,000 ; leaving for future negotiation, under the act, the sum of \$13,978,000.

The act of the 8th of February, 1861, authorized another loan of \$25,000,000, on bonds at six per cent, and permitted the acceptance of the best bids, whether above or below par. Under this act, in February, 1861, Mr. Secretary Dix disposed of bonds to the amount of \$8,006,000, at rates varying from 90.15 to 96.10 for each \$100, and realizing the sum of \$7,243,500 35, leaving to be negotiated the sum of \$16,994,000.

The act of March 2, 1861, commonly called the tariff act, authorized another loan of \$10,000,000, at an interest not exceeding six per cent., and also authorized the Secretary of the Treasury to issue treasury notes in exchange for coin, or in payment of debts, for the amount of any bids not accepted under the act of February 3, 1861, and for the amount of any loans restricted to par not taken under proposals authorized by the act of January, 1860, or by the tariff act itself.

Under the acts of February and March, 1861, the present Secretary in April, 1861, disposed of \$3,099,000 in bonds, at rates varying from ninety-four per cent. to par, and \$4,901,000 in treasury notes, at and above par, realizing for the \$8,000,000 offered the sum of \$7,814,809 80 to the treasury ; and in May, 1861, he further disposed of \$7,310,000 in bonds, at rates varying from eighty-five to ninety-three per cent., and \$1,684,000 in treasury notes, at par, realizing for the \$8,994,000 offered the sum of \$7,922,553 45.

The present Secretary also invited proposals, at par, for \$13,978,000, being the balance of the loan authorized by the act of June, 1860. No bids were received, except three for \$12,000 in the aggregate, which, having been made under misapprehension, were permitted to be withdrawn or applied as offers for treasury notes at par, or for bonds under

the act of February, 1861, at eighty-five per cent. The Secretary has since, under the authority of the act of March, 1861, issued treasury notes to offerers at par, and in payment to public creditors, to the amount of \$2,584,550.

The only authority now existing for obtaining money by loans is, therefore, found in the act of March 2, 1861, which authorizes the issuing of bonds, bearing an interest of 6 per cent., or, in default of offers at par for such bonds, the issue or payment of treasury notes, bearing the same rate of interest, at par, to the amount of \$10,000,000; and in the act of June 22, 1860, as modified by the act of March 2, 1861, under which treasury notes at 6 per cent. may be issued or paid to creditors at par, to the amount of \$11,393,450; making an aggregate of loans, authorized in some form, of \$21,393,450. This authority, under existing circumstances, is no further available than as creditors may desire to accept payment in treasury notes at 6 per cent.; which is not to be expected, except, perhaps, as an alternative to delays, of which a just or prudent government will not, unless under extreme necessity, permit the occurrence.

It needs no argument to work the conviction that, under the existing laws, a very small part only of the required sum can be realized. The magnitude of the occasion requires other measures.

As the contest in which the government is now engaged is a contest for national existence and the sovereignty of the people, it is eminently proper that the appeal for the means of prosecuting it with energy to a speedy and successful issue should be made in the first instance, at least, to the people themselves. And it is highly desirable, in order that the circle of contribution may be widely extended, to make the burden press as lightly as practicable upon each individual contributor, and, if possible, to transmute the burden into a benefit.

To attain these desirable objects, the Secretary submits to Congress the expediency of opening subscriptions for a NATIONAL LOAN of not less than one hundred millions of dollars, to be issued in the form of treasury notes, or exchequer bills, bearing a yearly interest of seven and three-tenths per centum, to be paid half-yearly, and redeemable at the pleasure of the United States after three years from date.

The sum of one hundred millions is named as the amount for which it now seems expedient to rely on a subscription of this kind; but it is not intended to restrict loans in this form to any precise limit short of the entire sum which may be required, in addition to the sums to be realized from other sources, for all the purposes of the year.

The interest of seven and three-tenths is suggested, because it is liberal to the subscriber, convenient for calculation, and, under existing circumstances, a fair rate for the government.

It is beneficial to the whole people that a loan distributed among themselves should be made so advantageous to the takers as to inspire satisfaction and hopes of profit rather than annoyance and fears of loss; and, if the rate of interest proposed be somewhat higher than that allowed in ordinary times, it will not be grudged to the subscribers when it is remembered that the interest on the loan will go into the channels of home circulation, and is to reward those who come

forward in the hour of peril to place their means at the disposal of their country.

The convenience of calculation incident to the rate proposed is quite obvious ; for, the interest being equal to one cent a day on fifty dollars, it is only necessary to know the number of days since the date of a note or of the last payment of interest, to determine, at a glance, the amount due upon it. To increase still further this facility of calculation it is proposed also to issue the treasury notes of this loan in sums of fifty, one hundred, five hundred, one thousand, and five thousand dollars, with the amount of interest for specified periods engraved on the back of each note. The facility thus secured to the holder of determining the exact amount of the note and interest, without any trouble of computation, will materially enhance its value for all purposes of investment and payment.

While the rate proposed is thus liberal and convenient, the Secretary regards it also as, under existing circumstances, fair and equitable to the government. The bonds of the United States, bearing an interest of six per cent. and redeemable twenty years after date, cannot be disposed of at current market rates, so that the interest on the amount realized will not exceed seven and three-tenths per cent.; nor is there any reason to believe that treasury notes, bearing an interest of six per cent, receivable for public dues and convertible into twenty years' six per cent. bonds, can be disposed of in any large amounts, so that the interest on the sum realized will fall much, if at all, short of the rate proposed. For the difference of interest, if any, between such notes and those of the proposed national loan, the Secretary thinks that the absence of the feature of receivability for public dues in the latter is a sufficient compensation.

To secure the widest possible circle of contribution, the Secretary proposes, in addition to the inducements just mentioned, that books be opened at the office of the Treasurer of the United States in Washington; at the offices of the assistant treasurers and depositories of public moneys, and at the offices of such postmasters and other selected persons in such cities and towns of the Union as may be designated; that subscriptions be received for fifty dollars or any sum being the multiple of fifty dollars; that the sums subscribed be paid in cash, or, if the subscriber prefer, in instalments of one-tenth at the time of subscription and one-tenth on the first and fifteenth days of each month thereafter, the first instalment to be forfeited in case of non-payment of subsequent instalments; that interest accrue and be paid as it becomes due on all sums paid in from the day of payment; and that treasury notes be issued, if required, for all payments except first instalments, and for these on final payment.

The Secretary cannot doubt that for a loan so beneficial and so advantageous, secured both as to interest and principal, by adequate provisions of revenue, an appeal to the people will be answered with promptitude and liberality.

In addition to the sums to be raised by national loan, the Secretary proposes, in case it shall be found inexpedient to provide the whole amount needed in that mode, that bonds or certificates of debt of the United States be issued to lenders in this country or in any foreign

country, at rates not lower than par, for sums of five hundred, one thousand, and five thousand dollars, or of one hundred, five hundred, and one thousand pounds sterling, not exceeding in the aggregate one hundred millions of dollars, or, if expressed in the currency of Great Britain not exceeding twenty millions of pounds sterling. He proposes further that these bonds or certificates be made redeemable at the pleasure of the government after a period not exceeding thirty years after a common date, not later than the first day of January, 1862, and bear an interest not exceeding seven per cent., payable in London, or at the treasury of the United States, with exchange at such rate as will make the payment equivalent to payment in London.

If the ample provision already recommended for the punctual payment of interest and final redemption of the principal be made by Congress, the Secretary entertains a very confident expectation that it will be found practicable to negotiate a very considerable part of this loan, if not the whole, in our own country at favorable rates, and that whatever part, if any, may be wanted from capitalists in other countries will be readily obtained.

For whatever sums may be needed to supply the full amount required for the service of the fiscal year, and as an auxiliary measure to those already proposed, the Secretary recommends that provision be made for the issue of treasury notes for ten, twenty, and twenty-five dollars each, payable one year after date, to an amount not exceeding in the aggregate fifty millions of dollars. These notes should bear interest at the rate of three and sixty-five hundredths per cent., and be exchangeable, at the will of the holder, for treasury notes or exchequer bills, payable after three years, bearing seven and three-tenths per cent. interest; or, should it be found more convenient, they may be made redeemable on demand in coin, and issued without interest. In either form, treasury notes of these smaller denominations may prove very useful, if prudently used in anticipation of revenue certain to be received.

The greatest care will, however, be requisite to prevent the degradation of such issues into an irredeemable paper currency, than which no more certainly fatal expedient for impoverishing the masses and discrediting the government of any country can well be devised.

In connexion with the general subject of revenue, the Secretary thinks it his duty to invite the attention of Congress to the condition of foreign commerce, and of the commerce between the States as affected by the existing insurrection.

At the ports of several States of the Union the collection of lawful duties on imports has been forcibly obstructed and prevented for several months. This condition of affairs, and the admission of foreign merchandise into those ports without payment of duties to the United States, have given opportunity to many frauds on the revenue; and must, necessarily, occasion great and harmful disturbance of the regular commerce of the country.

It is the province of Congress to apply the proper remedies for these evils; and the Secretary begs leave to suggest that proper remedies may be found in closing the ports where the collection of duties is so disturbed, or by providing for such collection on shipboard, or elsewhere beyond the reach of such obstructions. Every independent

nation exercises the right of determining what ports within its territorial limits shall be, and what ports shall not be, open to foreign commerce; and nothing can be clearer, where one or more ports may be temporarily in the possession of insurgents against the government, than that suitable regulations may be prescribed by the proper authority to guard the revenue against diminution, by adequate provision for its collection elsewhere than within the port, or for depriving the port itself of its character as a port of entry or delivery until the insurrection shall be suppressed.

Great inconvenience and damage to the commerce among the States have also arisen from the same general cause. To mitigate these evils, and to prevent, as far as possible, the perversion of commerce between the States into an agency for the supply of the insurgents with means for maintaining and extending the insurrection, the Secretary issued the two circular orders to collectors, of which copies are herewith submitted to Congress.

In framing these orders, the Secretary was necessarily much embarrassed by the absence of any law regulating commerce among the States, and by the necessity of conforming them to conditions of hostility created by the insurrection. These conditions, under certain circumstances, would make all commerce illegal; while, under other circumstances, they would only make unlawful the commerce carried on directly with insurgents. To remove embarrassment, legislation is required; and the Secretary respectfully recommends a suitable enactment giving to the President the power to determine by proclamation or other notification within what limits an insurrection has obtained, for the time, controlling ascendancy, and must, therefore, be regarded as attended by the effects of civil war in the total suspension of commerce, and to establish by license such exceptions to that suspension as he may deem expedient and practicable. Such an enactment should also provide suitable penalties and forfeitures for attempts to carry on unlicensed commerce with insurgents or places declared to be in a state of insurrection.

With a view to a clearer understanding of the views expressed in this report, and for the purpose of promoting the despatch of the public business, so important at this juncture, the Secretary has caused to be prepared, and begs leave most respectfully to submit to the consideration of Congress, as plans which seem to him judicious for improving and increasing the revenue, the draughts of three bills: one to provide revenue from imports, and for other purposes; another, further to provide for the collection of duties on imports, and other purposes; and another, to authorize a national loan, and for other purposes.

In compliance with the law on that subject, he also transmits detailed statements of the several negotiations for loans since the last annual report from the Treasury Department, and also a statement showing the gradual increase and present condition of the public debt.

The Secretary is fully and painfully aware that in preparing and submitting this report he has labored under great and peculiar disadvantages. He has but recently assumed the charge of the vast and complicated concerns of his department, and he is deeply conscious

how imperfectly he is qualified by experience, by talents, or by special acquirements, for such a charge. He understands, also, better, perhaps, than any one outside can understand, the difficulties incident to the task of which he has attempted the performance—difficulties always considerable, but now augmented and multiplied beyond measure by the criminal insurrection which deranges commerce, accumulates expenditures, necessitates taxes, embarrasses industry, depreciates property, cripples enterprise, and frustrates progress. He has simply endeavored, under these perplexing circumstances, to meet the case just as it is; to set forth plainly the actual condition of the public finances; and to explain the means and measures by which, in his humble judgment, the evils of the existing situation may be mitigated and finally removed. The energies of a great people will, as he firmly believes, surmount all the troubles and calamities of the present time, and, under the good hand of the God of our fathers, out of these very troubles and difficulties build a future which shall surpass the whole glorious past in the richness of its blessings and benefits.

All which he respectfully submits to the indulgent consideration of Congress.

S. P. CHASE,  
*Secretary of the Treasury.*

HON. HANNIBAL HAMLIN,  
*Vice-President of the United States,  
and President of the Senate.*