

# IX.—FINANCE AND COMMERCE.

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**Valuation.**—The true valuation of property in the United States on June 1, 1880, was \$43,642,000,000, or \$870 per capita of the population. The following are the principal items contributing to this total:

	VALUATION.
Farms. . . . .	\$10,197,000,000
Residence and business real estate. . . . .	9,881,000,000
Railroads and equipment. . . . .	5,536,000,000
Telegraphs, shipping and canals. . . . .	419,000,000
Live stock, farming tools and machinery. . . . .	2,406,000,000
Household furniture, paintings, books, clothing, jewelry, household supplies of food, fuel, etc., . . . . .	5,000,000,000
Mines, petroleum wells and quarries, with one-half the annual product estimated as the amount on hand. . . . .	781,000,000
Three-fourths of the annual products of agriculture and manufactures, and of the imports of foreign goods, estimated as the average supply on hand. . . . .	6,160,000,000
All real estate exempt from taxation. . . . .	2,000,000,000
Specie. . . . .	612,000,000

The remainder is made up of small miscellaneous items.

Accepting as correct Mr. Mulhall's figures regarding the wealth of other countries, the United States is, in absolute amount, the wealthiest nation upon the globe, its resources slightly exceeding those even of the mother country. The following are Mr. Mulhall's estimates:

	VALUATION, 1880.
Great Britain. . . . .	\$43,456,000,000
France . . . . .	35,972,000,000
Germany. . . . .	29,464,000,000
Russia. . . . .	17,169,000,000
Austria. . . . .	14,792,000,000
Italy. . . . .	902,000,000
Spain. . . . .	666,000,000
Holland . . . . .	548,000,000
Belgium . . . . .	456,000,000
Turkey . . . . .	369,000,000
Sweden and Norway. . . . .	359,000,000
Canada . . . . .	308,000,000
Australia. . . . .	238,000,000
Denmark . . . . .	170,000,000
Portugal. . . . .	132,000,000

The distribution of this vast wealth among the several states shows great variation, both in absolute amount and in valuation per capita. Generally speaking, the North has by far the greater proportion, while the South has now, and has had since the close of the Civil War, a comparatively small part of the total valuation. The following table shows the distribution by groups of states, of the true valuation, in the aggregate and per capita of the population:

GROUP.	VALUATION.	PERCENTAGE OF TOTAL.	VALUATION PER CAPITA.
North Atlantic. . . . .	\$19,630,000,000	45.0	\$1,353
South Atlantic. . . . .	3,621,000,000	8.3	477
Northern Central. . . . .	14,747,000,000	33.8	850
Southern Central. . . . .	3,641,000,000	8.3	408
Western. . . . .	2,003,000,000	4.6	1,133
TOTAL. . . . .	\$43,642,000,000	100.0	\$870

In 1880 the total assessed valuation was \$16,902,993,543, or  $38\frac{23}{100}$  per cent. of the true valuation. The ratio of assessed to true valuation differed widely in different states (and even among different counties in the same state), ranging from  $68\frac{11}{100}$  per cent. in Wyoming, to  $25\frac{44}{100}$  in Illinois. It appears to follow quite closely the ratio of urban to total population, illustrating the well-known fact that assessment is higher in cities than in the rural districts. Of the total assessed valuation,  $77\frac{23}{100}$  per cent. was classed as real estate, and  $22\frac{27}{100}$  as personal property. The low valuation of the latter illustrates the tendency of this class of property to escape taxation, through one means or another, as it is well known that, taking the country as a whole, the proportions of the two classes of property are in reality nearly equal.

In 1870 the true valuation was estimated at \$30,068,518,507, an average of \$780 to each inhabitant. The ratio of increase of absolute wealth from 1870 to 1880 was 45 per cent., and of wealth per capita,  $11\frac{5}{100}$  per cent. In other words, the increase of wealth was greater, in this proportion, than that of population. Indeed, the increase was greater even than this, owing to the fact that values were, in 1870, expressed in a currency depreciated to the extent of about one-fifth. The assessed valuation was \$14,178,986,732, showing an increase of 19 per cent. from 1870 to 1880, which, as will be noted, is very much less than in the case of the true valuation. The ratio which the assessed bore to the true valuation was much greater than in 1880, being no less than 47 per cent. The two constituents of the assessed valuation, real estate and personal property, stood in the relation of 70 and 30 per cent. respectively, the former being less and the latter greater, proportionally, than in 1880. Indeed, personal property showed a large absolute decrease in valuation from 1870 to 1880, being in the former year \$4,264,205,907, and in the latter but \$3,866,266,618. There is no doubt whatever, not only that there was, during the decade, no decrease of this species of property, but an increase comparable with that of real estate, which increased at the rate of 31 per cent. during the decade. The reason for this apparent decrease in personal estate is to be found in the large and increasing amounts of this class exempted by law, and in the ease with which assessment and taxation of this class of property may be evaded.

In 1860 the true valuation was reported as \$16,159,616,068, or \$514 per capita. The increase from 1860 to 1870 was at the rate of  $85\frac{5}{100}$  per cent., and the increase per capita 52 per

cent. These rates of increase are, however, swollen by the fact that the valuation of 1870 is, as was noted above, expressed in depreciated currency. The assessed valuation was in 1860 \$12,084,560,005, being nearly 75 per cent. of the true valuation, thus showing a continued increase of this ratio, as we trace our history backwards. Real estate at this date was assessed at \$6,973,006,049, and personal estate at \$5,111,553,956—the two having relative proportions of 58 and 42 per cent. respectively, showing a continued relative increase, as we go backward, in the element of personal estate.

The decade between 1860 and 1870 witnessed, as a result of the Civil War, a great financial revolution. By the ravages of war and the freeing of 4,000,000 slaves, which had a value, at the lowest estimate, of \$1,250,000,000, the states of the South were impoverished; and from holding a high rank in respect to wealth, in proportion to population, they fell to the bottom of the scale. During this decade the assessed valuation of the Northern and Western States increased 56 per cent., while that of the former slave states diminished  $33\frac{8}{100}$  per cent. In true valuation the Northern and Western States increased 159 per cent., while the South lost over 18 per cent. In South Carolina, Georgia, Alabama, Mississippi and Texas the estimated true valuation in 1870 was less than half that in 1860.

In 1850 the statistics of valuation were for the first time obtained. Two sets of figures have been published, each purporting to represent the true valuation at that date. The larger of these has been generally accepted as approximating more closely to the truth. It may be added, however, that this estimate is, in all probability, considerably less than the true valuation of the country. This estimate was \$7,135,780,228, or an average of \$308 per capita. The rate of increase between 1850 and 1860 was  $126\frac{5}{100}$  per cent., and the increase per capita 67 per cent.

The estimates of valuation prior to 1850 were deduced by me from such data as were accessible, which were indicative, more or less directly, of the progress of the country in wealth. Among these were exports, imports, customs duties, capital in banking, bank circulation, tonnage, and expenses of the government. A consideration of these data furnished rates of increase, by means of which the approximate valuation at these early periods was obtained from the more recent Census reports. A discussion of the method and results was published in the *International Review* for May, 1882.

**Taxation.**—The aggregate amount of direct taxes levied in 1880 for state, county, school-district and municipal purposes, was \$312,750,721—an average of \$6.23 per capita of the population. Taxation was  $1\frac{85}{100}$  per cent. of the total assessed valuation, and  $0\frac{70}{100}$  per cent. of the true valuation. As a rule, taxation, whether expressed absolutely, per capita of the population, or as a percentage of the assessed, or of the true valuation, was greatest where the urban population was largest. This is illustrated in the following table, showing, in each state, the ratio of urban to total population, the tax per capita and the ratio of tax to assessed and to true valuation:

	RATIO OF URBAN TO TOTAL POPULATION.	PER CAPITA TAX.	RATIO OF TAX TO ASSESSED VALUATION.	RATIO OF TAX TO TRUE VALUATION.
	PER CENT.		PER CENT.	PER CENT.
Maine.....	21	\$7.99	2.20	1.03
New Hampshire.....	26	7.77	1.64	0.82
Vermont.....	11	5.25	2.01	0.60
Massachusetts.....	66	13.64	1.53	0.87
Rhode Island.....	77	9.74	1.07	0.64
Connecticut.....	54	8.62	1.64	0.63
New York.....	54	11.09	2.13	0.74
New Jersey.....	52	7.92	1.56	0.63
Pennsylvania.....	39	6.68	1.70	0.53
Delaware.....	29	4.12	1.01	0.44
Maryland.....	39	5.82	1.09	0.63
District of Columbia.....	90	8.27	1.48	0.66
Virginia.....	12	3.07	1.50	0.67
West Virginia.....	8	3.33	1.47	0.67
North Carolina.....	3	1.37	1.23	0.43
South Carolina.....	7	1.85	1.37	0.62
Georgia.....	8	2.08	1.34	0.58
Florida.....	9	2.25	1.96	0.64
Alabama.....	5	1.63	1.68	0.55
Mississippi.....	3	2.11	2.16	0.74
Louisiana.....	24	4.68	2.74	1.04
Texas.....	7	2.87	1.43	0.63
Arkansas.....	2	2.29	2.13	0.75
Tennessee.....	7	1.81	1.32	0.42
Kentucky.....	14	3.15	1.48	0.59
Ohio.....	28	8.05	1.68	0.78
Indiana.....	17	6.24	1.70	0.82
Illinois.....	27	7.99	3.13	0.80
Michigan.....	22	5.27	1.67	0.63
Wisconsin.....	21	5.77	1.73	0.78
Minnesota.....	17	5.57	1.68	0.68
Iowa.....	12	6.81	2.77	0.78
Missouri.....	23	4.74	1.93	0.67
Kansas.....	8	5.00	3.10	0.87
Nebraska.....	11	6.17	3.08	0.96
Dakota.....	0	3.54	2.35	0.70
Montana.....	0	9.80	2.06	1.32
Wyoming.....	0	11.07	1.69	1.15
Colorado.....	31	11.07	2.89	1.44
New Mexico.....	6	1.06	1.12	0.42
Arizona.....	18	7.25	3.16	1.27
Utah.....	19	3.02	1.76	0.65
Nevada.....	39	14.00	2.98	1.26
Idaho.....	0	6.01	3.04	1.63
Washington.....	0	6.73	2.12	1.05
Oregon.....	10	6.37	2.12	0.88
California.....	40	14.60	2.16	0.88

It will be at once seen that the amount of taxation was greatest per capita of population in the states of the North Atlantic group, while, leaving out of consideration the Western group, which was sparsely peopled, the states of the Northern Central group were taxed to a secondary extent. The Southern States were, in proportion to population, the most lightly taxed. The greater wealth of the Northern States offsets

in a measure, this difference of per capita taxation, so that, in proportion to valuation, and especially to true valuation, the difference in taxation between the northern and southern parts of the country, although still existing, was not by any means as marked as in proportion to population. In proportion to assessed valuation, there were a number of notable exceptions to the above generalization. Excluding the territories, the highest ratio of taxation to assessed valuation was in the states of Illinois, Kansas and Nebraska, where it exceeded 3 per cent.; while among the Southern States, Louisiana, Mississippi and Arkansas occupied unenviable positions, having rates of taxation exceeding 2 per cent. of the assessed valuation. In nearly all these cases, however, it will be seen that the ratio of assessed to true valuation of property, was very low. The excess of taxation in the Northern States was mainly produced by municipal governments, which, as is well known, are expensive luxuries. Of the total amount of taxes levied in 1880, nearly one-half was for the support of municipalities, as shown below:

CLASS OF TAX.	AMOUNT OF TAX.	PERCENTAGE OF TOTAL TAX.
State.....	\$52,019,955	16.66
County.....	69,606,571	22.25
Municipal.....	180,574,168	48.60
School-District.....		12.49

Owing to the omission here of certain unclassified amounts, the total of the above table falls short of the total amount of taxes levied in 1880, as stated on the preceding page.

In the New England States the county tax is very light, as in those states the county has little except judicial functions to perform—most of the administrative functions being performed by the town and city organizations, for which the great bulk of the tax is levied. In New York, New Jersey and Pennsylvania, and generally in the Northern Central States, where the mixed or compromise system of local government prevails, the county taxes are, proportionally, much greater in amount; and in the Southern States, where the county is the unit of organization, the taxes for its support are, next to state taxes, the largest in amount.

Of the total amount raised by taxation  $22\frac{69}{100}$  per cent. was for school purposes. This proportion varied greatly in the different states, ranging from  $12\frac{3}{100}$  per cent. in Texas to  $37\frac{19}{100}$  in Iowa. Generally speaking, it was greater in the Northern Central States than

elsewhere, and smallest in the Southern States, with, however, certain notable exceptions, as West Virginia,  $36\frac{60}{100}$ ; Arkansas,  $30\frac{28}{100}$ ; and Tennessee,  $33\frac{30}{100}$  per cent.

**State Indebtedness.**—The total indebtedness of states in 1880 was \$260,179,723, the sinking fund \$25,743,462, and the net indebtedness \$234,436,261. The following table shows the condition of this class of indebtedness at the several periods named:

YEAR.	TOTAL DEBT.	PER CENT. OF INCREASE OR DECREASE.
1839	\$141,228,390	+ 34.3
1841	189,710,399	+ 1.7
1853	192,852,333	+ 33.5
1860	257,406,939	+ 36.5
1870	351,296,784	- 25.9
1880	260,179,723	

In 1790 an act was passed by Congress by virtue of which the state obligations were assumed by the General Government. The total amount of which the states were thus relieved was \$18,271,786, most, if not all, of which had been incurred in the prosecution of the Revolutionary War. From that time until 1820, but very few state debts were incurred. At that date may be said to have commenced the fever for internal improvements, which raged until the financial panic of 1837-8. Within this period stocks were issued by the several states amounting altogether to \$174,306,994, three-fifths of which were issued between 1835 and 1838. Most of these bonds were issued in aid of canals and railroads, to facilitate internal communication. The financial troubles of 1837 and succeeding years placed several of the states in a bad financial position. Several of them refused, or threatened to refuse, to pay their debts, among them Pennsylvania, Maryland, Mississippi, Michigan, Louisiana, Indiana and Illinois. The General Government was appealed to, to assume the state debts a second time, and the subject was greatly agitated in Congress, but without result, as the whole matter was indefinitely postponed.

Between 1841 and 1853 the amount of state debts increased but slightly, while from the latter date to 1860 a large increase was made. This was mainly in the Southern States, and was largely incurred in support of projects for railroad and other internal improvements. The great increase between 1860 and 1870 was, of course, due to the war, since which time the states have been engaged in paying off or otherwise disposing of the obligations thereby incurred.

The following table shows the total gross debt of the states at the periods named:

	1841.	1853.	1860.	1870.	1880.
Maine.....	\$1,734,861	\$471,500	\$699,500	\$8,067,900	\$5,848,900
New Hampshire.....	None.	74,899	50,087	2,817,869	3,501,100
Vermont.....	None.	None.	199,636	1,002,500	139,000
Massachusetts.....	5,424,137	6,445,000	7,132,627	28,270,881	33,029,824
Rhode Island.....	None.	None.	None.	2,913,500	2,534,500
Connecticut.....	None.	None.	None.	7,275,900	4,967,600
New York.....	21,797,267	24,323,838	33,570,238	32,409,144	8,988,360
New Jersey.....	None.	None.	None.	2,996,200	1,996,300
Pennsylvania.....	33,301,013	40,272,235	37,969,846	31,111,662	21,561,990
Delaware.....	None.	None.	None.	None.	880,750
Maryland.....	15,214,761	15,356,224	14,876,958	13,317,475	11,277,111
Virginia.....	4,037,200	12,089,382	33,248,141	47,390,839	29,345,226
West Virginia.....	None.	None.	None.	None.	None.
North Carolina.....	None.	2,224,000	9,129,505	29,900,000	5,706,616
South Carolina.....	3,691,234	1,925,893	4,046,540	7,665,909	6,639,171
Georgia.....	1,309,750	2,802,472	2,670,750	6,544,500	9,951,500
Florida.....	4,000,000	None.	383,000	1,288,697	1,284,980
Alabama.....	15,400,000	4,497,666	3,445,000	8,478,018	9,638,765
Mississippi.....	7,000,000	7,271,000	5,753,413	1,796,230	379,485
Louisiana.....	23,985,000	9,589,207	4,561,108	25,021,734	23,437,640
Texas.....	None.	5,341,528	None.	508,641	5,566,928
Arkansas.....	5,676,000	4,103,056	3,092,622	3,459,557	5,045,405
Tennessee.....	10,546,166	3,653,856	20,898,606	38,539,802	27,440,431
Kentucky.....	10,454,500	5,571,297	5,479,244	3,892,480	1,858,008
Ohio.....	10,924,123	15,542,549	16,927,834	9,732,078	6,474,305
Indiana.....	12,751,000	7,712,880	10,179,267	4,167,507	4,998,178
Illinois.....	13,527,292	17,000,000	10,277,161	4,890,937	*
Michigan.....	5,611,000	2,359,551	2,316,328	2,385,028	995,150
Wisconsin.....	None.	100,000	None.	68,200	2,252,057
Iowa.....	None.	55,000	351,932	534,498	370,435
Minnesota.....	None.	None.	318,636	350,000	2,565,000
Missouri.....	842,261	802,000	25,952,000	17,866,000	16,259,000
Kansas.....	None.	None.	None.	1,593,306	1,181,975
Nebraska.....	None.	None.	52,960	247,300	499,267
Colorado.....	None.	None.	None.	None.	212,814
Nevada.....	None.	None.	None.	642,894	75,396
Oregon.....	None.	None.	None.	106,583	511,376
California.....	None.	3,267,300	3,824,000	3,429,027	3,403,000

\* Not returned.

**Local Indebtedness.**—The local net debt of the United States, consisting of county, township, municipal and school-district indebtedness, amounted in 1880 to \$822,147,885, or \$16.39 for each man, woman and child in the country. In 1870 the local net debt was reported at \$515,810,060, or \$13.38 per capita. The increase between 1870 and 1880 was 59 per cent., which was at a rate nearly double that of the increase in population. This increase was entirely in the municipal, township and school-district debts, as shown in the following table:

	1870.		1880.		PER CENT. INCREASE.
	TOTAL.	PER CAPITA.	TOTAL.	PER CAPITA.	
County debt.....	\$187,565,540	\$4.86	\$123,877,686	\$2.47	* - 34
Municipal, township and school-district debt.....	328,244,520	8.51	698,270,199	13.92	113

\* The minus sign indicates a decrease.

It will be noticed that the large map in Plate 75 relates only to county, township, municipal and school-district debt, the state debt proper not being included, while upon the small map the latter is combined with the local debt.

Local indebtedness is distributed in much the same manner as local taxation. The great body of it, especially in the North Atlantic States, is made up of municipal debt. The county debt in New England is trifling in amount, while the town and city debt com-

prises nearly the whole amount of the local indebtedness. The case is very similar in New York, New Jersey and Pennsylvania, but the item of county debt becomes proportionally somewhat larger. Proceeding westward through the Northern Central States the item of municipal indebtedness decreases with the decrease in urban population, while the county debt becomes proportionally greater. In the Southern States the local indebtedness consists almost entirely of county debt, that of municipalities being very small. The total amount of local indebtedness in these states is decidedly less than in the Northern States.

**The National Debt.**—The indebtedness of the United States on July 1, 1880, was \$2,120,415,371. As a debtor this country stands high among the nations. In this respect it is excelled only by France (\$3,829,982,399), Great Britain (\$3,766,671,000), Russia (\$3,318,953,000), Spain (\$2,579,245,000) and Italy (\$2,540,313,000), while twelve civilized nations are reported as standing lower in the list. Of the aggregate national indebtedness of civilized nations (\$23,286,414,753), that of this country is  $9\frac{21}{100}$  per cent. In 1870 the United States stood second in this list, being excelled only by Great Britain, and the national debt at that time was  $14\frac{49}{100}$  per cent. of the aggregate indebtedness of the civilized world. During the decade between 1870 and 1880 the national debt has been reduced by the amount of \$360,257,057, or  $14\frac{5}{100}$  per cent. This reduction is unparalleled in the financial history of nations. The only other countries which have reduced their debts during the decade are Great Britain (\$66,796,000), Germany (\$670,924,402) and Denmark (\$13,599,500). That of Germany, indeed, is but an apparent reduction, produced by a distribution of the national debt among the several nations and states forming the federation. All other countries in the civilized world have increased their debts during the decade, several of them to a very great extent, even in some cases without more than the ordinary sources of expenditure. France, with the expenses of the Franco-Prussian war, increased her debt by more than \$1,500,000,000. Russia has increased its debt about \$2,200,000,000 by the war with Turkey, by keeping up, in time of peace, an immense military establishment, and by national aid to a vast system of railways. Spain, too, during a decade of peace, has added nearly \$1,200,000,000 to its load; Italy has added over \$600,000,000, and Turkey nearly \$700,000,000.

The net increase of national indebtedness of these nations was more than \$6,000,000,000, or 36 per cent. In this period Mulhall estimates that population has increased  $9\frac{26}{100}$  per cent., public wealth,  $10\frac{27}{100}$  per cent., and the earnings of nations,  $19\frac{24}{100}$  per cent. It is unnecessary to point out the apparent fact that the nations of the globe, considered collectively, are living beyond their income.

### Historical Sketch of the National Debt.

—At the time of the adoption of the Constitution, and the inception of the present form of government, it inherited from the old confederation, as a fruit of the Revolutionary war, a debt of \$75,400,000, in round numbers. For many years thereafter this proved a heavy load for its infantile resources, and it was not until 1805 that any material reduction was made. From that time until the opening of the war of 1812, the debt was steadily reduced, and in that year amounted to but \$45,200,000. This war swelled it rapidly, so that four years later it had risen to \$127,300,000. Under good financial management and the rapid growth of resources it was steadily reduced, until in 1835-6 there was not only no debt but a surplus in the treasury, which proved then, as now, a source of far greater concern, with politicians, than the former load of debt. The problem of disposing of the surplus funds was at that time solved by distributing them among the states; a process which had no sooner been completed than the country was overtaken by the financial difficulties of 1837, which swept away nearly all income from customs duties, and left the treasury to face a certain deficit. To meet it loans were authorized, and once more the Government appeared as a borrower. The debt grew slowly until the outbreak of the Mexican war, which increased it rapidly to \$68,300,000 in the year 1851. It was quite as rapidly reduced, and in 1857 when the great business depression occurred, it was but \$28,700,000. The reduction of the revenues accompanying this again forced the country to borrow, and the outbreak of the Civil War found the United States with a debt of \$90,600,000, and its credit in a very low condition. This was in part due to the fact that the revenue had for four years been far less than the expenses, and in part to the general feeling of uncertainty regarding the future action of the Government toward the seceding states. No sooner was the policy of the Government distinctly outlined by the calls for men and means for carrying on a great war, than the national credit improved very greatly at home, and was wonderfully

sustained, while a debt was accumulated which, had the interests at stake been less, would have staggered the nation by the mere contemplation of its amount. In 1866, at the close of the war, the indebtedness amounted to \$2,773,200,000, an amount nearly twenty-two times as great as the debt at the close of the war of 1812, and nearly thirty-seven times that caused by the Revolution.

Reduction commenced at once, and on July 1, 1876, the debt was but \$2,180,000,000. Then followed an increase, largely due to preparations for resumption and continuing until 1879, when the debt amounted to \$2,349,500,000. Since that time it has been reduced with still greater rapidity, while by refunding the several loans as they fell due, at lower rates of interest, the burden of the debt has been still further diminished. The annual interest amounted in 1865 to \$150,977,697.87. In 1880 it was but \$79,633,981.00, a decrease of 45 per cent., while the principal has been, in the same interval, diminished 24 per cent. The national debt in 1880 was \$42.28 per capita of the population, and the yearly interest, \$1.59.

### The National Debt in 1880.

—The following statement shows the composition of the principal of the public debt on June 30, 1880:

Interest-bearing debt:	
6 per cent. bonds .....	\$235,780,400
5 " " .....	484,864,900
4½ " " .....	250,000,000
4 " " .....	737,980,800
Refunding certificates .....	1,367,000
Navy pension fund .....	14,000,000
Total .....	\$1,723,993,100
Matured debt .....	\$7,621,455
Debt bearing no interest:	
Demand and legal tender notes .....	\$346,741,991
Certificates of deposit .....	14,465,000
Gold and silver certificates .....	20,378,870
Fractional currency .....	7,214,954
Total .....	\$388,800,815
Total principal of public debt .....	\$2,120,415,370

At that date the amount of cash in the treasury was \$201,088,623, against which there were current liabilities amounting to \$55,648,165, leaving a balance of \$155,440,458. The national debt, less the balance of cash in the treasury, was \$1,964,974,912.

### Distribution of the National Debt.

—The registered bonds are held almost entirely in this country, only \$27,894,350 out of the total amount of \$1,173,749,250, or  $2\frac{4}{100}$  per cent., being held abroad at the dates for which the investigation was made. These were, for the 4 per cents, June 1; for the 4½'s, July 1; and for the 5's, August 1, 1880. No attempt was made to determine the distribution of the 6 per cent. registered bonds further than to ascertain what portion of them was held

abroad. Of the 4, 4½ and 5's held in this country, 43 $\frac{3}{10}$  per cent. were held by individuals, 33 $\frac{2}{10}$  per cent. by national banks, and 23 $\frac{5}{10}$  by other banks, insurance and trust companies, etc.

Of the coupon bonds a much larger proportion, 41 $\frac{1}{10}$  per cent. was held abroad. The total amount of the national debt which was held by other than citizens of this country, was, in 1880, \$249,002,775, or 12 $\frac{3}{10}$  per cent.

The map and diagram upon Plate 78, showing the distribution per capita of the population, of the 4, 4½ and 5 per cent. registered bonds, proves unmistakably that the great body of this portion of the national debt is held in the North Atlantic group of states—and that in the South and in the West, excepting California and Colorado, the amount held is in comparison trifling. The great commercial and manufacturing states are those which give the principal financial support to the Government. These bonds are widely distributed, being in the hands of no fewer than 71,587 persons, besides those interested in savings banks, etc., which have invested largely in them. By its very existence and wide distribution, this bonded debt forms a powerful element of stability of the Government, and a guarantee of its financial soundness.

**National Loans.**—The national debt commenced with the existence of the nation. During the Revolution material assistance was received from France, at first in the form of gifts or subsidies from the Government, and later in that of loans. The subsidies amounted altogether to 10,000,000 livres (\$1,815,000).

The loan from the "Farmers-General of France" was negotiated secretly in 1777. As France was not then prepared to go to war with Great Britain, and therefore was afraid to aid us openly, our application for a loan of 1,000,000 livres (\$181,500), at 5 per cent., was referred by the Government to the "Farmers-General," a private corporation which had undertaken to collect the revenues of the country and pay the Government a fixed sum annually, by which the required amount was supplied. This loan was settled with the other French loans.

The French loan of 18,000,000 livres (\$3,267,000) was probably at first intended as a subsidy rather than a loan. The money was advanced at the rate of 750,000 livres per month, and in 1782, the total having reached 15,000,000 livres, 3,000,000 more were added, and the whole loan bore interest thereafter at 5 per cent. per annum. The greater part of this loan was repaid between 1791 and 1795, and for the balance, 4,186,776

livres, with other minor debts owing to France, 5½ per cent. stock was issued.

In 1781 a secret loan amounting to \$174,017 appears to have been obtained from Spain. This was repaid in 1792 and 1793.

The so-called French loan of 10,000,000 livres (\$1,815,000) was in reality obtained in Holland, the King of France making himself responsible for its repayment. This took place after the failure of repeated attempts to obtain loans in Holland on the credit of the United States. The conditions of this loan, which was obtained in 1781, were that it should bear 4 per cent. interest, and be repaid in ten annual installments, commencing November 5, 1787. The United States, however, found itself unable to commence the repayment until 1792, and in 1795 there remained due about \$176,000, which was paid in the 4½ per cent. stock issued that year.

The French loan of 6,000,000 livres (\$1,089,000) was obtained upon these conditions:—that it bear interest at the rate of 5 per cent., commencing January 1, 1784, and that it be repaid in six annual installments, beginning January 1, 1785. This debt, however, remained unpaid until 1795, when 5½ per cent. stock was issued in lieu thereof. This concluded the financial transactions with the French Government for the time being, as most of the loans contracted for a number of years thereafter were placed in Holland by private bankers. The first of these, or that of 1782, showed, what scarcely needed demonstration, that American credit was very low with the worthy burghers. Added to this difficulty was the fact that several European nations were in the Holland market endeavoring to place loans at the same time. This first loan was, however, finally taken up. It was for the sum of \$2,000,000, to bear interest at 5 per cent., and was to be redeemed in annual installments of \$400,000 each, to begin in 1792. In 1784 another loan was negotiated, but in order to place this it was necessary to resort to the extraordinary expedient of a lottery in connection with it. This loan was to bear interest at the rate of 4 per cent., to run seventeen years and then to be redeemed in annual payments, completed in six years thereafter. The loan of 1787 was apparently raised for the purpose of paying the interest on previous loans, and that of 1788 for current expenses of the Government at home and abroad.

The Government of the United States, which went into operation on April 30, 1789, found its financial affairs in all but a hopeless condition; the country impoverished, no means of raising revenue, and almost no sources

from which revenue could be raised; with what was at that time an enormous debt hanging over the country, like a black incubus, and the country flooded with a depreciated paper currency. The only relief could be but temporary, by incurring a still heavier load of debt for the future. It was to put off the evil day and to meet temporary necessities that the Holland loans of 1790 and 1791 were authorized. Bad as the condition of American finances was, it appears that their effect was little felt in the Holland money market, as these loans at 5 per cent. interest were readily taken. Indeed, it appears that American credit in Holland was, at that time, fully as high as that of any European nation. In the latter year a small loan was negotiated at Antwerp, with so little difficulty that a portion of it was withdrawn from the market and subsequently placed at more advantageous rates than before offered.

The Holland loan of 1792, which was at 4 per cent. interest and to run for eleven years, was obtained for the purpose of liquidating certain domestic debts of the Government. That of 1793 was merely a re-loan or continuation of the first installment, then due, of the Holland loan of 1782. That of 1794 was for the purpose of paying installments of matured debts and interest, and to provide for certain domestic debts. At this time Europe was in a blaze of war, and while this fact tended to increase American credit, it raised the price of money. The interest paid was 5 per cent. and the loan was for eleven years.

This was the last of the Holland loans. Their total amount was \$13,000,000, \$3,600,000 of which was borrowed under authority of the Continental Congress, and \$9,400,000 by the Federal Government. They have all been redeemed.

In 1789 and subsequent years, a number of temporary loans were effected, mainly for small amounts, to meet immediate pressing necessities. These loans were obtained mainly from the banks of New York, of North America, and of the United States, after the establishment of the latter in 1791.

The 4½ and 5½ per cent. stocks of 1795 were issued for the purpose of extinguishing the French debt, which was effected. It was proposed at the same time to extinguish the Holland debt by similar means, converting it from a foreign to a domestic debt, but the attempt failed, the private holders of the Holland debt proving less easy to deal with than the French Government.

The issue of the 6 per cent. stock of 1796 was an unsuccessful attempt to borrow \$5,000,000

for the purpose of repaying temporary loans made by the Bank of North America. The attempted loan was a failure, because the country was at that time flooded with Government securities, while money was commanding rates of interest considerably in excess of that offered.

The Navy 6 per cent. stock was issued in payment for vessels purchased for the navy in 1798.

The 8 per cent. loans of 1798 and 1800 were incurred for the purpose of providing against a possible war with France, which at that time appeared imminent.

The Louisiana 6 per cents were issued in 1803, in payment to France for the territory of Louisiana. The interest was to be paid semi-annually, and the stock redeemed in annual amounts of not less than \$3,000,000, beginning fifteen years after the treaty of cession.

The exchanged and converted 6 per cent. stocks of 1807 were issued in exchange for old 6 per cents, deferred stocks and 3 per cents, of which \$50,850,000 were at that time outstanding. Of these there were exchanged but \$9,153,901—showing that, in the majority of cases, the holders preferred the old stocks to the new.

In 1810 and 1812 loans were obtained, at 6 per cent., for meeting deficits in the income of the country. The former was payable within six years from January 1, 1811, and the latter, at the pleasure of the Government, at any time after the expiration of twelve years from January 1, 1813. The act of Congress authorized a loan of \$11,000,000, of which, however, only \$8,134,700 was obtained.

In 1812 treasury notes to the amount of \$5,000,000 were issued, in anticipation of a still further deficit in the treasury. These notes bore interest from the date of issue, at the rate of 5½ per cent., and were redeemable in one year from date of issue.

In the same year new 6 per cent. stock was issued to the amount of \$2,984,746.72, to replace old 6 per cent. and deferred stock.

During the next three years, owing to the war with Great Britain, comparatively large amounts were necessarily raised by loan and by the issue of treasury notes. In 1813 a loan of \$16,000,000 was authorized, without limit as to rate of interest to be given, nor was it stipulated that it should be floated at par. It was redeemable at the pleasure of the Government. The full amount was raised at the interest rate of 6 per cent. With a small portion of it an annuity, at 1½ per cent. per annum for thirteen years, was added. Treasury

notes, also, to the amount of \$5,000,000 were issued in the same year. Toward the close of the year, a deficit in the treasury appearing probable, a further loan of \$7,500,000 was ordered and negotiated at a discount of 11.75 per cent. It was redeemable in twelve years from January 1, 1814. Early in 1814 treasury notes, running one year from date of issue, to bear interest at the rate of 5½ per cent., were authorized, to the amount of \$10,000,000. A loan, at 6 per cent., of \$25,000,000 was also authorized. Under this act three loans were negotiated, the first for \$10,000,000, at 6 per cent., nearly all of which was obtained at a discount of 20 per cent.; a second of \$6,000,000, most of which was obtained at the same discount, and the smaller sum of \$746,403.31, for which was received in cash \$652,534.36.

The so-called Mississippi stock was issued in 1814, in satisfaction of certain claims of corporations and individuals to lands in the western part of Mississippi territory. This stock bore no interest, and was redeemable at the pleasure of the Government.

In December, 1814, a temporary loan was obtained from the banks, and a new issue of treasury notes, redeemable in one year, and bearing interest at the rate of 5½ per cent., was made. This issue amounted to \$8,318,400.

Early in 1815 an act authorizing a temporary loan, in anticipation of the amount to be raised by a direct tax, was passed, but news of the treaty of peace with Great Britain, which reached this country shortly after the passage of the act, rendered it unnecessary, and but about \$200,000 were raised under it. In the same year a temporary loan of \$225,000 was effected for the purpose of rebuilding the Capitol and White House, destroyed by the British during their occupation of Washington.

The estimated deficiency in the revenue for the year 1815 was over \$41,000,000. An act was passed February 24, providing for an issue of \$25,000,000 in treasury notes, under which \$4,969,400 were issued in denominations of \$100 and over, bearing interest at 5½ per cent., and \$3,392,994 in lesser denominations, without interest. These were redeemable in six and seven per cent. stocks respectively. At the close of the war, although expenses had been greatly reduced and the income of the Government had increased, the demand for money to meet loans falling due, and to redeem treasury notes which were daily coming in, rendered another loan a necessity. Accordingly an act was passed and approved March 3, 1815, providing for a loan of \$18,452,800, which was floated to the extent of \$12,288,147.56, for

which \$11,699,326.63 was received, showing an average discount of about 4¼ per cent. It was redeemed in the years between 1817 and 1835. Under this act a small temporary loan was also secured.

In 1820, to meet an anticipated deficit in the treasury, a loan of \$3,000,000 was authorized, which was obtained, one-third at 5 per cent. and two-thirds at 6 per cent. interest. In 1821, under a similar condition of affairs, a loan of \$5,000,000 was effected. The cause of these deficits appears to have been the financial panic and distress of 1819. At this time the ease with which money could be obtained with the ample security offered by the Government, was shown by the fact that the latter loan, bearing 5 per cent. interest, yielded a premium of over 5½ per cent.

In 1822 an attempt was made to exchange a stock bearing 5 per cent. interest for a part of the 6 and 7 per cent. stocks, maturing in the years 1825 and 1826. This attempt was a failure, only a trifling proportion of these stocks being exchanged.

In 1824 a 4½ per cent. loan was negotiated for the purpose of settling the title with Spain to that portion of Louisiana contested by that country. In the same year a loan at 4½ per cent. was effected for the purpose of redeeming a part of the 6 per cent. stock of 1812, and \$4,454,727.95 of the 6 per cents of 1813 were exchanged for 4½ per cents.

In 1825, in order to provide for the redemption of another portion of the 6 per cents of 1813, an act was passed authorizing a loan of \$12,000,000 at 4½ per cent. Owing to the low rate of interest offered, this loan was not a success, and the amount of 6 per cents of 1813 exchanged for it was but little over \$1,500,000.

In 1836 the country was, for the first time in its history, out of debt, and with a revenue greatly in excess of its requirements. In the following year, however, the financial crash induced a different aspect of affairs. The great diminution in customs duties left a deficit in the treasury, which was relieved by the issue of treasury notes to the amount of \$10,000,000. These were received in payment of customs duties, and, under the law, could not be reissued, hence, during the three following years, the income of the Government was very much reduced. To provide for deficits in the years 1839, 1840 and 1841, acts were passed authorizing the reissue of these notes and an increase in the amount. These were merely temporary expedients, and in 1841 a loan of \$12,000,000 was authorized at 6 per cent., payable three years after January 1, 1842.

Under this act \$5,672,976.88 was obtained. Owing to the small amount realized from this loan a deficiency was still apprehended, and to meet it the treasury notes were reissued, and an additional loan of \$5,000,000, having a longer time to run, was authorized, while the time of the former loan was extended. By these means the sum of \$8,301,468.23 was obtained. In August, 1842, and again in 1843, authority to reissue treasury notes was given, and in the latter year a loan to the amount of \$7,004,231.35 was effected for the purpose of cancelling these treasury notes.

In 1846, in consequence of the war with Mexico, there was an impending deficit in the treasury. To prevent this, treasury notes to the amount of \$7,687,800 were issued, and a loan amounting to \$4,999,149.15 was negotiated. In the same year a small amount of 5 per cent. stock, known as the Mexican Indemnity stock, was issued in payment of certain claims of American citizens against Mexico, which had been assumed by this country.

In 1847 treasury notes to the amount of \$26,122,100 were issued to meet an expected deficit in the treasury, and, later in the same year, stock to the amount of \$28,230,350 was issued, most of it at a small premium, in part to prevent a deficit, and in part for the redemption of these treasury notes.

In order to encourage the enlistment of men during the Mexican war, an act was passed in 1847 offering as a bounty, to all who served for a year or more, a warrant for one hundred and sixty acres of land or treasury scrip for \$100, and to those who served less than one year, a warrant for forty acres or treasury scrip for \$25, as each man might elect. It is unnecessary to say that the latter alternatives were chosen by but few, and the amount of treasury scrip issued under this act was only \$233,075.

The war with Mexico still continuing, it became necessary during 1848 to take extraordinary means to supply the needs of the army. For this purpose a loan of \$16,000,000, at 6 per cent., was ordered and negotiated at a small premium.

The Texas indemnity stock was issued in 1850, in order to pay the state of Texas for the territory surrendered by her to the United States.

In 1857 the great decrease in the revenue from customs duties, produced by the financial panic, threatened a deficit in the treasury, and, to meet this, treasury notes to the amount of \$52,778,900, including reissues, were issued. In the following year, the issue of treasury

notes not having proved sufficient to prevent a deficiency, a loan of \$20,000,000 was negotiated at a small premium, ranging from 2 to 7 per cent. The stock bore interest at 5 per cent. In 1860 it became necessary to provide for the redemption of a large amount of treasury notes, and accordingly an act was passed providing for a loan of \$21,000,000. Of this amount \$10,000,000 was put upon the market at 5 per cent., and subscribed for at once, but before the delivery of the bonds the outbreak of the rebellion induced a large proportion of the subscribers to withdraw their subscriptions, even at the cost of forfeiting their deposits. This necessitated the reissue of the treasury notes, which was done to the extent of \$10,010,900, at various rates of interest, from 6 to 12 per cent.

The Oregon war debt consisted of bonds at 6 per cent., issued in payment for services and for expenses incurred in Indian wars in Oregon between 1855 and 1858.

At this time, owing to internal troubles, the credit of the Government was very low. The loan of February, 1861, necessitated by an expected deficit in the treasury, which bore interest at the rate of 6 per cent., was negotiated only at a discount which netted \$89.03 for each \$100. In the same year, and for the same reason, authority was given to issue treasury notes, the amount of which was not definitely limited. Under this authority notes to the amount of \$35,364,450 were issued, an amount greatly in excess of that contemplated by the act, although not in excess of its literal rendering. This large amount was rendered necessary by the outbreak of the rebellion. This epoch in our history found the country with an empty treasury, a debt of \$90,000,000, which at that time seemed enormous, and with its credit in a very low condition. The financial outlook, with an impending war of great magnitude, was not promising. At the meeting of the extra session of Congress, in July, 1861, the Secretary of the Treasury submitted an estimate of the probable expenses of the year as \$318,519,581, a sum which, large as it seemed, was \$240,000,000 less than the actual expenditures. To meet this exigency an act was passed authorizing a loan to the amount of \$250,000,000, either in the form of bonds, at a rate of interest not greater than 7 per cent., and redeemable after twenty years, or in the form of treasury notes, payable in three years, with interest at 7 $\frac{3}{4}$  per cent. Authority was also given to issue treasury notes, payable on demand, or in one year with interest at 3 $\frac{5}{8}$  per cent., to an amount not exceeding \$50,000,000, and to the additional amount of

\$20,000,000, at 6 per cent. interest. An act of February 12, 1862, authorized \$10,000,000 more of treasury notes. Under these acts, bonds and treasury notes were issued to the amount of \$389,351,100—the bonds bearing interest at but 6 per cent., although 7 per cent. was authorized by the act.

The act authorizing the issue of the "fifties" of 1862 provided for a loan of \$500,000,000, redeemable after five years and payable after twenty years. The bonds bore interest at 6 per cent. and were free from taxation. This loan was so freely taken, that when the subscription books were closed, it was found that \$11,000,000 above the amount asked had been subscribed, and additional legislation was had to authorize its issue. It was an extremely popular loan, as it was issued in bonds of small denominations, and great care was taken to distribute it widely among the people. Further legislation slightly increased the amount of this loan, so that the total amount issued was \$514,771,600. The act authorizing this loan also made provision for a temporary loan of \$25,000,000 at 5 per cent. This provision was subsequently extended by legislation, repeatedly, and under it temporary loans were effected, amounting in the aggregate to \$716,099,247.16.

In February, 1862, authority was given to issue legal tender notes to the amount of \$150,000,000, and in July of that year, additional legislation increased the amount to \$300,000,000. Subsequent legislation authorized repeated reissues to a total amount of \$1,640,559,947. An act approved on March 1, 1862, provided that certificates of indebtedness bearing 5 per cent. might be issued in payment of audited accounts. These "certificates of indebtedness" thus issued amounted to \$561,753,241.65.

The act authorizing the issue of fractional currency was passed March 3, 1863. It provided that the total amount issued should not exceed \$50,000,000. Under this act and subsequent legislation, fractional currency was issued amounting to \$368,720,079.51, including reissues.

The act of March 3, 1863, provided for the issue of bonds to the amount of \$300,000,000 for the current fiscal year and \$600,000,000 for the next year, at 6 per cent., not taxable, and redeemable at any time after ten years, the interest to cease after forty years. These were the "ten-forties." This act also authorized the issue of \$400,000,000 in treasury notes. These bore interest at 5 per cent. and ran one or two years. Compound interest notes and coin certificates were authorized by the

same act. The former were legal tender, and payable at any time after three years from date of issue, with interest compounded at 6 per cent., payable at maturity. The amount authorized was \$400,000,000. The latter were simply, as the name indicates, certificates of the deposit of coin in the treasury. They were payable on demand and bore no interest.

The ten-forties of 1864 were redeemable after ten years, and were payable in forty years from date of issue. They bore interest at 5 per cent., and were sold at rates varying from par to 7 per cent. premium. The five-twenties of March, in the same year, were redeemable in five years and payable in twenty years from date. The interest was at 6 per cent. and they were sold at par. The amount issued was but a very small proportion of that authorized. The five-twenties authorized in June of the same year were very similar, having the same time and rate of interest. They were sold at an average premium of  $2\frac{521}{1000}$  per cent., and the amount authorized was fully taken.

The seven-thirties of 1864 and 1865 ran for three years and bore interest at the rate of  $7\frac{3}{8}$  per cent. The amount issued, including reissues, was \$829,992,500, which was sold at an average premium of  $0\frac{38}{1000}$  per cent.

The Navy Pension Fund represents the share of the United States in the receipts from the sale of prizes, the interest on which was, by the act of April 23, 1800, devoted to the payment of naval pensions. The principal of this fund amounted on July 1, 1864, to about \$14,000,000. On this date an act was passed to invest this fund in U. S. securities, bearing interest at 3 per cent. annually.

Of the five-twenties of 1865, the amount issued was \$203,327,250, at an average premium of  $2\frac{547}{1000}$  per cent. These bonds might be redeemed in five years, and they matured in twenty years. The rate of interest was 6 per cent. The consols of the same year, of 1867, and 1868, ran the same length of time and bore the same rate of interest. The amounts issued and the average premium of these loans were respectively, \$332,998,950, at  $3\frac{591}{1000}$  per cent. premium; \$379,618,000, at  $1\frac{62}{1000}$  per cent.; and \$42,539,350, at  $0\frac{45}{1000}$  per cent.

In 1867 three-per-cent. certificates to the amount of \$85,155,000 were issued, including reissues, at par. This was a temporary loan, payable on demand.

In 1870 certificates of deposit, running five years and bearing 4 per cent. interest, were sold at par.

Under the refunding acts of July 14, 1870, and January 20, 1871, several loans were

effected at comparatively low rates of interest, to replace those which matured about that time. The first of these was the 5 per cent. loan of 1881. The amount of this loan was \$517,994,150, which was issued at par. The second was the  $4\frac{1}{2}$ -per-cent. loan of 1891. The amount issued of this was \$250,000,000, which was also sold at par. Of the 4-per-cent. loan of 1907 there was issued \$739,480,800, which sold from par to  $\frac{1}{2}$  per cent. premium. In 1879 and 1880 refunding certificates were issued to the amount of \$40,012,750. These bore interest at the rate of 4 per cent., were sold at par, and were convertible, with accrued interest, into 4-per-cent. bonds of 1907.

The act of February 28, 1878, authorized the exchange of silver for certificates of deposit. These certificates were redeemable on demand and bore no interest. The amount issued was \$21,018,000.

Thus it appears that the loans negotiated for the purpose of carrying on the Revolutionary War were contracted, with one exception, with or by the aid of the King of France. From the close of the Revolution up to 1794 the loans were taken by the Dutch, with the single exception of the Antwerp loan, while since that date the loans have been taken almost exclusively in this country.

**Revenues of the General Government.**—In these latter days, when the Government is receiving and expending hundreds of millions annually, it is interesting to look backward down the long vista of nearly 100 years, and see from what small beginnings this immense and complicated governmental machinery has grown. In 1880, when the population numbered about fifty millions, the net receipts amounted to \$333,500,000, or \$6.65 to each inhabitant. On the other hand, during the thirty-two months between May 4, 1789, and December 31, 1791, the aggregate receipts were but \$4,400,000, or at the average rate of about \$1,700,000 annually. The population in 1790 was a little less than four millions, and the income of the Government was but \$0.42 per capita of population. This was derived almost entirely from customs duties, as has been the case during most of our career as a nation. In 1792, an attempt was made to eke out our scanty revenues from customs by an internal revenue tax, which, from that time until 1802, continued to yield a small amount. The Government derived from its investment in the first Bank of the United States a notable amount of income in those days of small things. In 1800 a direct tax also was levied for the

support of the general government, which returned a small amount to the public coffers during that and the three following years. The income in the year 1800 was \$10,800,000, an average per inhabitant of a little over \$2.00. From this date until 1809 the income continued to grow at a rate considerably greater than that of population, when the great depression in the business interests of the infantile republic suddenly reduced it more than one-half. In 1810, when the revenues had but slightly recovered, they amounted to but \$9,400,000, nearly all of which was derived from customs, and nine-tenths of the balance from the sale of public lands. Then followed, immediately upon this period of financial distress, the war with Great Britain, which largely increased the expenditures and rendered necessary not only the contraction of heavy loans, but an increase, by all available means, of income. With this in view, internal revenue taxes and direct taxation were again resorted to. These sources of revenue, with the proceeds from the sale of public lands, rapidly increased the income, so that in 1816, after the close of the war, it amounted to \$47,700,000. Internal revenue and direct taxes continued to form appreciable portions of the receipts until 1820, when the aggregate income, derived almost entirely from customs and sales of public land, was \$17,800,000, or about \$1.85 per capita of population.

Then followed a long series of years of profound peace, during which the income grew slowly but steadily at a rate very little greater than that of population, and was derived in the main from customs, with small reinforcements from sales of public lands, and profits from stock in the second Bank of the United States. In 1830 the income was \$24,800,000, or \$1.93 per head of population. Then for a few years it increased rapidly. In 1836, when the tide of speculation was at its height, the revenue amounted to \$50,800,000, nearly half of which was from the sale of public lands. Then it was that the national debt, for the first and perhaps the last time, was extinguished, and the Government, from its abundance, made donations to the state treasuries. The depression which followed reduced the revenues very greatly, and in 1840 they amounted only to \$19,500,000, or \$1.14 per capita.

They reached their lowest point in the following year, at \$16,900,000, after which they increased gradually. In 1850 they amounted to \$43,600,000, or \$1.88 per capita. This increase continued almost uninterruptedly until 1856, when the income amounted to \$74,100,000. The succeeding business depres-

sion reduced it very greatly, and in 1860 it was but \$56,100,000, or \$1.78 per capita.

In 1862 a direct income tax was levied. In 1863 internal revenue taxes were again laid, and from these, with customs, the amount of income was multiplied many times during the years of the war. In 1866 the Government had a larger income than during any other year in its history. From internal revenue taxes, from customs, and from miscellaneous sources, and mainly from the first of these, there was raised the enormous sum of \$558,000,000,<sup>a</sup> or an average of about \$17.00 from every man, woman and child in the country.

From that time the receipts gradually decreased, as the internal revenue taxes and customs duties were diminished, and as the imports became less. In 1870 the income was \$411,300,000,<sup>a</sup> which was nearly all derived from duties and internal revenue, in nearly equal proportions, and in 1880 it was still further diminished to \$333,500,000, and this was much greater than in any year subsequent to 1872.

The total net receipts of the General Government, exclusive of loans, from its organization to 1880, have been \$7,758,000,000. The principal part of this enormous amount has been drawn from the following sources:

	AMOUNT.	PERCENTAGE OF TOTAL.
Customs.....	\$4,439,000,000	57
Internal Revenue.....	2,672,000,000	34
Sales of Public Lands.....	206,000,000	3
Premiums on Loans.....	204,000,000	3

**Expenditures of the General Government.**—The aggregate ordinary expenses of the General Government, from the time of the adoption of the constitution to June 30, 1880, were \$7,576,000,000. Of this there have been expended for civil and miscellaneous purposes \$1,515,000,000, or 20 per cent. of the total amount; for the support of the army, \$4,314,000,000, or 57 per cent.; of the navy, \$1,013,000,000 or 13 per cent.; for pensions, \$548,000,000, or 7 per cent., and for the support of Indians, \$187,000,000, or between 2 and 3 per cent. These figures do not include interest on the public debt, which, during this period of nine-tenths of a century, amounts to the enormous sum of \$2,105,000,000, an amount greatly in excess of any other item, excepting that of the support of the army.

The ordinary expenditures in 1880 were \$169,100,000, or \$3.37 per capita, to which should be added the interest and premiums on loans, viz., \$98,600,000, making the

total \$267,700,000. This amount was distributed among the several items as follows:

	AMOUNT.	PERCENTAGE OF TOTAL.
Civil and Miscellaneous Expenses. <sup>a</sup>	\$57,500,000	21.5
War.....	38,100,000	14.2
Navy.....	13,500,000	5.1
Pensions.....	56,800,000	21.2
Indians.....	5,900,000	2.2
Interest.....	95,800,000	35.8

During the decade immediately following the adoption of the constitution, the yearly expenditures averaged but a little over four millions, about one-third of which was for civil and miscellaneous expenses, one-third for the support of the army, and the remainder for the navy, pensions and Indians. The population at the middle of this period was about four and one-half millions, and the average cost of the government to each inhabitant only \$0.92.

Since the beginning the annual expenses of the Government have gone on increasing, at a rate somewhat greater than that of the increase in population. Each war has, of course, temporarily increased them very greatly, while at its close the ordinary expenses have, in no case, returned to the amount which they would probably have reached had no war intervened, but have always been in excess of that amount. Thus, at the opening of the second war with Great Britain, the annual expenses were between five and six millions. This was rapidly increased, so that in 1814 the whole establishment cost over \$30,000,000. After the war, expenses were reduced very slowly. In 1817 they were nearly \$15,500,000, and it was not until 1823 that they reached their lowest point, \$9,800,000, and commenced thereafter to increase. In 1820 the expenses were \$13,100,000. The average annual expenses during the decade between 1800 and 1810 were \$5,400,000, showing a ratio of increase of about 30 per cent. This ratio, carried forward from 1810 to 1820, would show that in that year the actual expenses were six millions in excess of what they should have been, on the assumption that they increased regularly in accordance with the above ratio. This is still more strongly brought out in the case of the late Civil War. In 1860 the expenses were \$60,100,000. The average rate of increase per decade prevailing in those "piping times of peace" was 85 per cent. Supposing the expenses to continue to increase at this ratio, in 1870 they would have amounted to \$111,200,000, whereas the actual expenses in that year were \$164,400,000. Examining the history of the several items of expense, it is seen that the army has

increased in cost in times of peace from between one and two millions up to about forty millions, while in the year 1865, the closing year of the war, there was expended upon it the huge amount of \$1,030,700,000. The navy, too, has increased in cost from an amount to be reckoned in hundreds of thousands, to about \$15,000,000. Pensions have grown from a trifling amount to a sum which would give each inhabitant more than one dollar annually. Of all the items, the civil and miscellaneous list has grown with the greatest steadiness. In the earlier years of the nation's history this item ranged between one and two millions. In 1880 it was \$57,500,000, the population having, in the meantime, increased from about four millions to fifty millions.

The following table, abstracted from Mulhall's "Balance Sheet of the World," is interesting in this connection as showing the position of this country among foreign nations, in respect of expenditures for its war and naval establishments in 1880. Amounts are given in pounds sterling:

	COST OF ARMY.	COST OF NAVY.	RATIO OF ARMY & NAVY TO TOTAL EXPENDITURE.
Russia.....	£29,000,000	£4,100,000	34.80
France.....	22,500,000	6,300,000	23.76
Germany.....	17,500,000	2,900,000	23.72
Great Britain.....	15,600,000	10,400,000	30.95
Austria.....	12,400,000	800,000	20.68
Italy.....	8,800,000	2,200,000	20.02
United States.....	8,000,000	2,800,000	19.28
Spain.....	4,900,000	1,100,000	20.03
Holland.....	2,000,000	1,200,000	32.20
Turkey.....	2,000,000	500,000	....
Belgium.....	1,900,000	.....	19.10
Sweden and Norway....	1,400,000	400,000	....
Portugal.....	800,000	300,000	18.40
Denmark.....	500,000	300,000	....
Greece.....	300,000	100,000	....

It will be seen that the expenses for these purposes, both absolutely and relatively to the total expenses of the Government, fall far short of those of the leading European countries.

**Postal Business.**—The first provision made in this country for the public transmission of mails, was by the colonies individually. As early as 1639 Massachusetts established a mail service within her limits, and Virginia made a similar provision in 1657. Other colonies followed, and in 1672 there was a regular monthly mail between New York and Boston. In 1692, under a royal patent, a colonial post-office system was established. It was necessarily of a very imperfect and limited character, owing to the scattered condition of the population. Under this system, says Bancroft, letters could be forwarded eight times a year from Philadelphia to Virginia. In 1710, under a general act of Parliament for

<sup>a</sup> Including premiums on loans.

establishing a post-office throughout the dominion of Great Britain, a postal service was inaugurated, extending along the coast from Maine to Philadelphia, and thence, subsequently, southward into Virginia and the Carolinas. The mail service, especially in the South, was extremely scanty and poor. In 1753 Benjamin Franklin was appointed deputy postmaster-general for America, and held this office until 1774.

Upon the outbreak of hostilities with Great Britain in 1775, the colonies were thrown upon their own resources for the maintenance of communication. In that year the Continental Congress appointed Franklin postmaster-general, and provided for a line of mail transportation from Falmouth, Maine, to Savannah, Georgia, with certain cross lines. No statistics relating to the post-office under the Continental Congress have been preserved, and the earliest authentic information regarding this branch of the Government bears date 1790. The service had been organized as a department of the United States Government on September 22 of the year preceding.

The department during the first year of its existence comprised seventy-five post-offices and carried on 1,875 miles of post routes. The revenue was \$37,935, and the expenditures \$32,140, of which \$22,081 was paid for transportation of mails, and \$8,198 for salaries of postmasters. The postal revenue was, on an average, barely one cent for each man, woman and child of the population—presenting a marked contrast with the business done by the department in 1880. At that date the number of post-offices was 42,989; mail was carried over 343,888 miles of post routes; the receipts were \$33,315,479, and the expenditures \$36,542,804, of which \$22,255,984 was for transmission of mails and \$7,701,418 for salaries of postmasters. The receipts per capita of the population had increased to 66½ cents.

The following table shows the ratio of the revenue of the department to the population of the country, expressed in cents per capita, at each decennial period:

DECADE.	REVENUE PER CAPITA. CENTS.	DECADE.	REVENUE PER CAPITA. CENTS.
1790.	1.0	1840.	26.6
1800.	5.3	1850.	24.0
1810.	7.6	1860.	27.1
1820.	11.5	1870.	51.1
1830.	14.4	1880.	66.4

The leading diagram upon Plate 86 shows the rates of postage upon letters from the time of the establishment of the present department up to 1880. Prior to 1845 these rates, which

were proportioned to distance as well as weight of parcels, were so high as to make correspondence a luxury to be indulged in only by the wealthy. In spite of these exorbitant rates, the business of the department, as shown by the amount of its revenues, increased at a very rapid rate, much more rapidly, indeed, than the population. The maximum distances given in these statements of rates, viz., 300, 400, 450 and 500 miles, are very suggestive of the comparatively small extent of the settled portion of the country at the time when these rates were in force.

In consequence of the great reduction in letter postage in 1845, the income of the department was at first very much lessened. To meet this reduction in receipts, the expenses of the department, both for salaries and transportation of mails, were greatly cut down. The increase in the volume of business consequent upon the reduction in rates, however, soon brought the receipts far above their former amount, and made the department again very nearly self-supporting. The spread of settlement to the Pacific coast necessitated, in 1851, a readjustment of postal rates. Besides the reduction in letter rates effected gradually between 1845 and 1855, the rates on books and other printed matter were, for the first time, made less than those on letters. The lowering of rates was followed by an immense extension of postal routes in sparsely settled sections of the country, especially in the South and West, which naturally resulted in a deficit each year. This deficit grew larger year by year until the breaking out of the Civil War relieved the Government from the necessity of maintaining the unprofitable routes in the Southern States. This reduced the expenditures in 1863-4-5 to about the same amount as the receipts.

A further lowering of the postal rate on letters in 1863, with the resumption in 1865 of the routes in the Southern States, again increased the expenditures considerably above the receipts, a condition of things which has continued to the present day.

A glance at the map upon Plate 86 shows that in but twelve states does the postal service pay expenses. These states, comprising the whole North Atlantic group, with the exception of Vermont, and only Illinois, Michigan and Wisconsin, of the Northern Central group, pay a profit to the General Government on their postal service, while in the other thirty-five states and territories the service is carried on at a loss. This loss is proportionally greatest in the territories and in the Western and Pacific states.

The registration of letters commenced in 1855. In 1864 the money-order system was introduced, and was received with great favor. The growth of this institution has been remarkable—in the year 1880 money orders amounting to more than \$100,000,000 having been sold. Postal cards were introduced in 1872, and the free delivery system in 1863. The latter had in 1880 been extended to no less than 104 cities of the country; and, owing to the immense increase which it has caused in the number of drop-letters, it is said to be self-sustaining.

In 1874, at the invitation of Germany, a postal convention of all the leading countries of Europe, with the United States, was held, and uniform rates of letter postage of five cents per half ounce between all these countries agreed upon. Since that date many other countries, including nearly all upon this side of the Atlantic, have joined the "Postal Union."

### Coinage of the United States.

—The mint was established in 1793. Prior to 1850, when Californian gold began to pour over the country, its operations were on a comparatively small scale. For a supply of the precious metals the United States was dependent upon the mines of gold in Virginia, the Carolinas, and Georgia, with the small amount imported. Prior to the discoveries in California and Australia, when the supply of gold in the world was, relatively to that at present, extremely limited, its purchasing power was far greater, and proportionally less was required for the transaction of business.

Upon Plate 87 the result of the discovery of gold in California in 1848 is boldly marked by the lines of gold coinage, which, beginning to ascend in 1849, reach in 1851 a height indicating a coinage in that single year of over \$62,000,000. The gradual decrease in the yield of the California placers is shown in succeeding years, followed by a second maximum in 1861, nearly as great, indicating the enormous production of gold from the Comstock lode. The maxima in 1873 and in 1878 indicate the opening of bonanzas upon the Comstock, and the production from vein and hydraulic mining in California.

The coinage of silver, too, was small in amount, and dependent mainly upon imports of that metal until the discovery of the Comstock lode in 1859. Even with the enormous supply of silver which this and other mines supplied, but little found its way to the mint. Indeed, it is only in very recent years, since the adoption of the bi-metallic standard, that the coinage of silver has assumed great

proportions, the mines of Colorado and Nevada furnishing the greater part of the supply of that metal.

The following table taken from the report of the director of the mint for 1880, shows the weight in grains of the different coins current at that time in the country:

COIN.	LEGAL TENDER.	WEIGHT, (GRAINS.)
<b>Gold.</b>		
Double Eagle.....	In all amounts.	516.00
Eagle.....	"	258.00
Half Eagle.....	"	129.00
Three Dollar Piece.....	"	77.40
Quarter Eagle.....	"	64.50
One Dollar Piece.....	"	25.80
<b>Silver.</b>		
Trade Dollar.....	Not a legal tender.	420.00
Dollar.....	In all amounts not above \$10.00.	412.50
Half Dollar.....	"	192.90
Quarter Dollar.....	"	96.45
Dime.....	"	38.58
<b>Copper and Nickel.</b>		
Five Cent Piece.....	Not above 25 cents.	77.16
Three Cent Piece.....	"	30.00
<b>Bronze.</b>		
One Cent Piece.....	"	48.00

All gold and silver coins consist of nine-tenths pure metal and one-tenth alloy.

The following table shows the amount of specie in the country in the years named, as estimated by the director of the mint, the amount per inhabitant and the ratio of specie in circulation to wealth:

	SPECIE.	AMOUNT PER INHABITANT.	RATIO OF SPECIE TO WEALTH.
1830	\$25,000,000	\$1.90	.00053
1840	88,000,000	5.10	.00144
1850	134,000,000	5.80	.00188
1860	280,000,000	8.90	.00173
1870	159,000,000	4.10	.00053
1880	502,000,000	10.00	.00115

The amount of specie in circulation has steadily increased, excepting during the suspension of specie payments, at a rate considerably greater than population. This increase has not, however, kept pace with the gain in wealth, the ratio of specie to valuation being less in 1880 than in 1860, 1850 or 1840. On the other hand, the deficiency of specie is more than counterbalanced by the increased amount of paper currency which has been in circulation since 1861.

**Banks.**—The first organized bank in the country, and also "the first one that had any direct relation to the Government of the United States," was the Bank of North America, in Philadelphia, chartered by Congress in December, 1781, and by the state of Pennsylvania in April, 1782. Its operation under its charter from the United States, and under successive renewals of the charter from the state, as well as since its reorganization, in 1864, as a national bank, has been highly successful,

the yearly dividends during this long existence having averaged very nearly eleven per cent.

The Massachusetts Bank, the first strictly local institution of this kind, was chartered by the legislature in 1784, with a capital of \$300,000. This also has had remarkable success, having passed, during the eighty years of its existence as a state bank, but two dividends. It became a national bank in 1864, and is still prosperous.

After strenuous opposition in Congress the first Bank of the United States was chartered in 1791, and for twenty years was the fiscal agent of the Government. The capital of this bank was \$10,000,000, of which one-fifth was subscribed by the Government. One-fourth of all private subscriptions were paid in gold or silver, the balance in United States stocks bearing 6 per cent. interest. This bank was ably managed, and was highly successful. The Government realized upon its interest a net profit of \$1,137,152, or nearly 52 per cent. The charter expired by limitation in 1811, and Congress, by a very close vote, decided not to renew it, in the belief that the state banks were able to supply all monetary requirements of the Government, and of the business of the country. Immediately after the expiration of its charter, state banks sprang up in great numbers. Between the years 1811 and 1815 no fewer than 120 new banks were chartered, with a capital of \$40,000,000. The war with Great Britain, which followed shortly after, proved that the confidence of Congress in state banks was unfounded. In 1814 all the state banks outside of New England suspended specie payments, and as about one hundred of them, in the absence of a national bank, had been used by the Government as depositaries, the loss and inconvenience were very great. Moreover, they poured out a flood of paper currency, resulting in a great depreciation of its value. The Government was thereby greatly hampered, its loans being negotiated only with the utmost difficulty and by making large discounts.

This experience rendered possible the formation of the second Bank of the United States, which was chartered by Congress in 1816. The charter was limited to twenty years. The capital was \$35,000,000, \$7,000,000 of which was subscribed by the United States and the balance by individuals, one-fourth being payable in coin and three-fourths in the funded debt of the United States. The bank went into existence at the beginning of 1817, in the midst of a great financial depression, and for two or three years had great difficulty in maintaining itself. With

the reappearance of financial prosperity, in 1820, the bank acquired stability and the stock soon commanded a premium. In spite of its prosperity President Jackson waged a deadly warfare against it. In 1832 he vetoed a bill granting a renewal of its charter, and in the following year removed the public moneys from it and deposited them in state banks. The state banks, among which the public moneys were distributed in 1833, at once expanded their issues of paper currency, followed by other banks, so that the volume of circulating notes rose from \$61,000,000 in 1830 to \$149,000,000 in 1837. Then followed naturally a general crash, led by the great Bank of the United States, which, upon the termination of its charter from the General Government, had been re-chartered by the state of Pennsylvania. From the resulting depression, however, the banking interest recovered rapidly, and in 1843 again stood on a firm basis.

Prior to the year 1838 legislation in regard to banking had been confined to such provisions as might be incorporated in the charters of individual banks, no general laws having been enacted. In that year, the State of New York passed an act authorizing the free banking system. This provided that banking associations should, upon the deposit of certain stocks or mortgages, receive from the Comptroller of the State an equal amount of circulating notes, and a state officer was charged with the supervision of banks. This law, after having been amended in many of its details, was found to work admirably, and was, subsequent to 1850, adopted in its essential features by a number of other states. It disposed of most of the evils incident to the earlier system, or want of system, of state banks.

The national banking act was passed in 1863. Under it each banking organization is required to deposit in the treasury a certain amount of United States bonds, to secure its circulation, which may be issued to an amount equal to 90 per cent. of the face value of the deposit. No banking organizations, other than national banks, are allowed to issue circulating notes. The circulation of the national banks being guaranteed by the General Government, is independent of the financial condition of the bank which issued it.

The system commended itself at once to the banking interest and the people generally, and was very rapidly adopted.

**Foreign Commerce.**—Other conditions remaining the same, the financial and commercial prosperity of a nation is measured

by the amount of its foreign commerce and the relative proportions of its exports and imports, as they vary from year to year.

From the diagrams showing the extent of the nation's foreign commerce, from its origin to 1880, the industrial history of the United States may be traced in general terms. The net imports, including coin and bullion, have increased from \$22,500,000 in 1790 to \$741,500,000 in ninety years; and the exports from \$19,700,000 to \$776,700,000 in the same period. The increase of imports has been nearly 3,300 per cent., and exports 3,950 per cent. In the same time population has increased but 1,278 per cent., and the wealth of the country about 3,300 per cent., estimating the latter to have been, in 1790, about \$1,300,000,000. The following table shows the average imports and exports of ten-year periods, set opposite the middle year of each period, with the rates of increase, and, for comparison, the rates of increase of the population. The amounts of exports and imports are given in millions and tenths of millions of dollars:

MIDDLE DATE.	IMPORTS.		EXPORTS.		INCREASE OF POPULATION. (PER CENT.)
	AMOUNT.	INCREASE. (PER CENT.)	AMOUNT.	INCREASE. (PER CENT.)	
1800	49.7		37.4		
1810	53.6	8	32.6	-13	36
1820	70.8	32	56.8	74	33
1830	77.9	10	65.4	15	34
1840	108.0	39	99.2	52	33
1850	183.4	70	175.8	77	36
1860	279.6	52	277.9	58	35
1870	489.1	75	465.2	67	23
1880	741.5	52	833.3	79	30

The figures set opposite 1880, relate to that year only. The minus sign indicates a decrease.

The imports and exports per capita of the population, are given in the following table:

MIDDLE DATE.	IMPORTS, PER CAPITA.	EXPORTS, PER CAPITA.
1800.	\$9.36	\$7.04
1810.	7.40	4.50
1820.	7.56	5.89
1830.	6.05	5.08
1840.	6.32	5.80
1850.	7.90	7.58
1860.	8.89	8.84
1870.	12.68	12.06
1880.	14.78	16.61

The figures set opposite 1880, relate to that year only.

These tables show that the foreign commerce at the beginning of the century, while

trifling in absolute amount, was larger in proportion to the population than at any other time prior to 1860. The rate of increase in foreign commerce has not been by any means a uniform one. Changes in the tariff, wars and rumors of wars, business depressions and short crops, all have affected it, and one sees, accordingly, the amounts rising and falling alternately, but always with a marked tendency toward increase. The amounts of imports, when freed from accidental variations, show a gain during each period.

The balance of trade, including merchandise, coin and bullion, has been against the United States during most of its history. Indeed, prior to 1874 it was in favor of this country during only ten out of seventy-nine years. Since 1874, however, it has been continuously and very largely in this country's favor.

It is only since 1821 that merchandise has been distinguished from coin and bullion in the returns of imports and exports. Since that date the balance of trade, as regards merchandise alone, has been in favor of this country for eighteen years, including those between 1876 and 1880 inclusive, during which it has been largely in its favor. It has been against this country during forty-two years, and the total amount of imports has exceeded the exports by nearly \$800,000,000.

Agricultural products form over four-fifths of the total exports. Manufactured products are exported to only a very limited extent. Indeed, with the exception of iron and steel, the value of exports of this class does not reach one per cent. of all exports. The exportation of living animals for food has acquired prominence only within two or three years. The exports of breadstuffs have almost quadrupled during the past ten years, while those of iron and steel have diminished one-third, and those of mineral oil appear to be now diminishing, having reached a maximum in 1877, when the export was valued at \$57,715,354. Of provisions this country is exporting a larger amount each year, the value in 1880 being three times that spared from the surplus in 1871. The export of tobacco, like that of cotton, is dependent upon the abundance of the crop, and the value of the exportation shows wide oscillations during the decade.

The export of wood and its manufactures shows great variations during the decade, with a slight increase as the net result.

The principal market for surplus products is Great Britain, which country receives much more than half of all exports. To the mother-country little is sent besides breadstuffs, meat, cotton and tobacco. The next largest market is France, to which less than one-eighth of all exports is sent. These two countries lead also in supplying the imports, which, from them, consist mainly of manufactured goods.

**Carrying Trade of the United States.**—Nothing could illustrate in more forcible terms the decadence of the American carrying trade, than the diagrams upon Plate 95. Up to 1861 American bottoms carried two-thirds or more of the foreign commerce of the country. Since that date, which marked the opening of the Civil War, the larger proportion of the foreign commerce has been carried in foreign bottoms. Further, the diagrams show, what is not so generally known, that this loss of the carrying trade was not purely a result of the war, but had been progressing gradually ever since 1826. The war merely hastened the process of decadence.

Several causes have combined to bring about this decrease in the American carrying trade. The most obvious and important one is the protection afforded by the tariff to the lumber and iron interests, whereby the prices of all, or nearly all, articles used in shipbuilding, are made much higher than in the countries which compete with the United States for the carrying trade. Hence the building of ships, whether of wood or iron, costs more on this side of the water than abroad, while the laws prohibit their importation. Investments in shipping in this country, therefore, pay lower rates of interest than foreign shipping, the margin of profit being reduced to little or nothing. Add to this the fact that on this side of the water capitalists are not content with the low rates of interest which satisfy the English investor; add, also, the American navigation laws, which have aided in the destruction of our merchant marine, and there would seem to be ample reason for the withdrawal of capital from this class of investments.