James Stanley Emery speeches

Section 17, Pages 481 - 510

Several addresses written and given by James Stanley Emery. He spoke to a number of audiences at Kansas universities and clubs on religion, history, and other similar topics. James Stanley Emery was born in Franklin County, Maine in 1826. Educated at Waterville College, he was admitted to the bar in New York in 1854. Involved with the New England Emigrant Aid Company, Emery came to Kansas with the second party of immigrants to ensure that it became an anti-slavery state when it entered the Union. He worked in numerous states for the cause through the following years. Emery was a member of the Leavenworth constitutional convention and served on the Kansas Legislature in 1862 and 1863. He was a lawyer and also worked as a journalist for the New York Daily Times. President Abraham Lincoln appointed Emery U.S. District Attorney for Kansas in 1864. In 1891 he was president of the Kansas State Historical Society. Emery died in Lawrence in 1899.

Creator: Emery, James S., 1826-1899

Date: 1876-1897

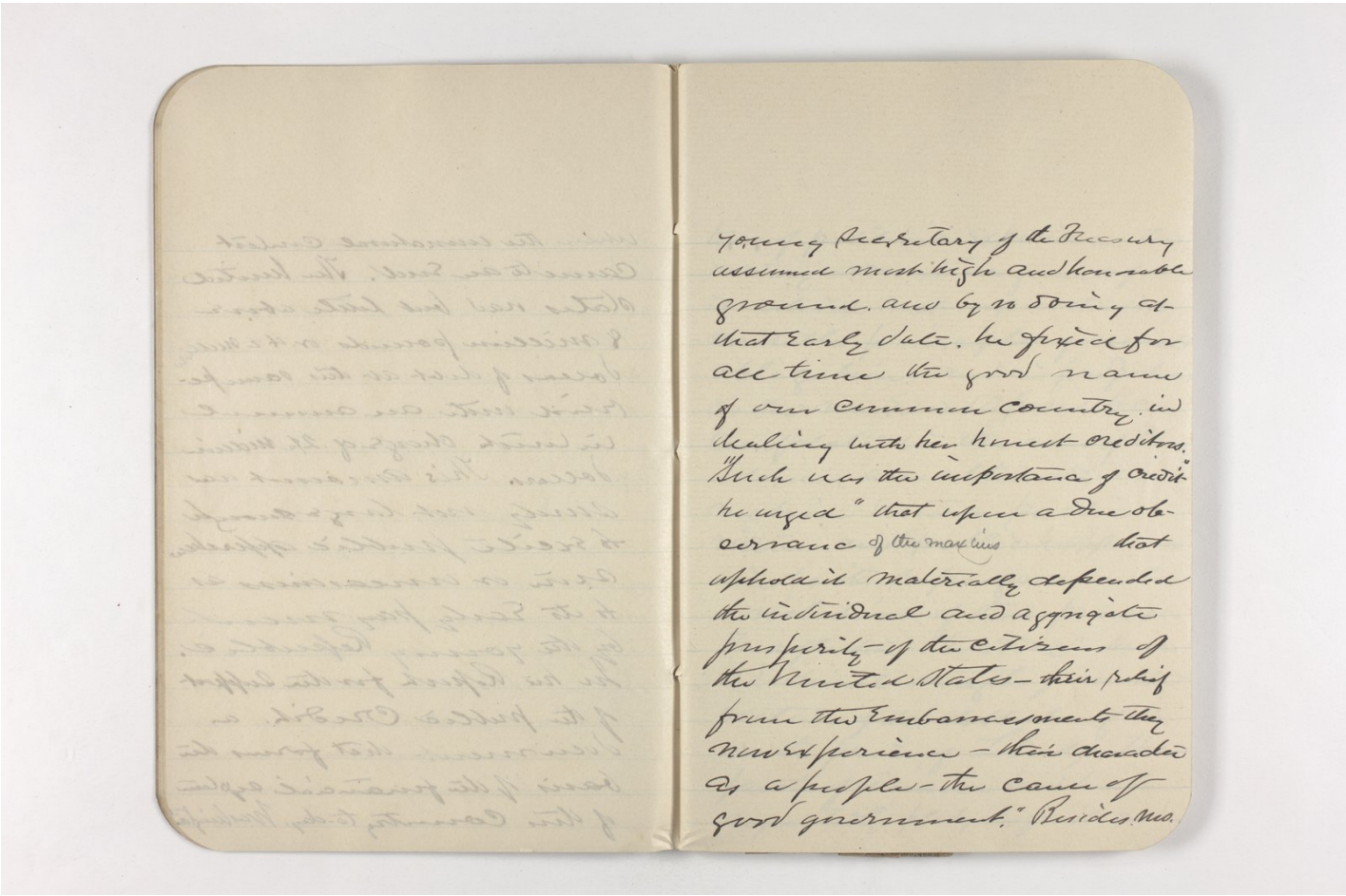
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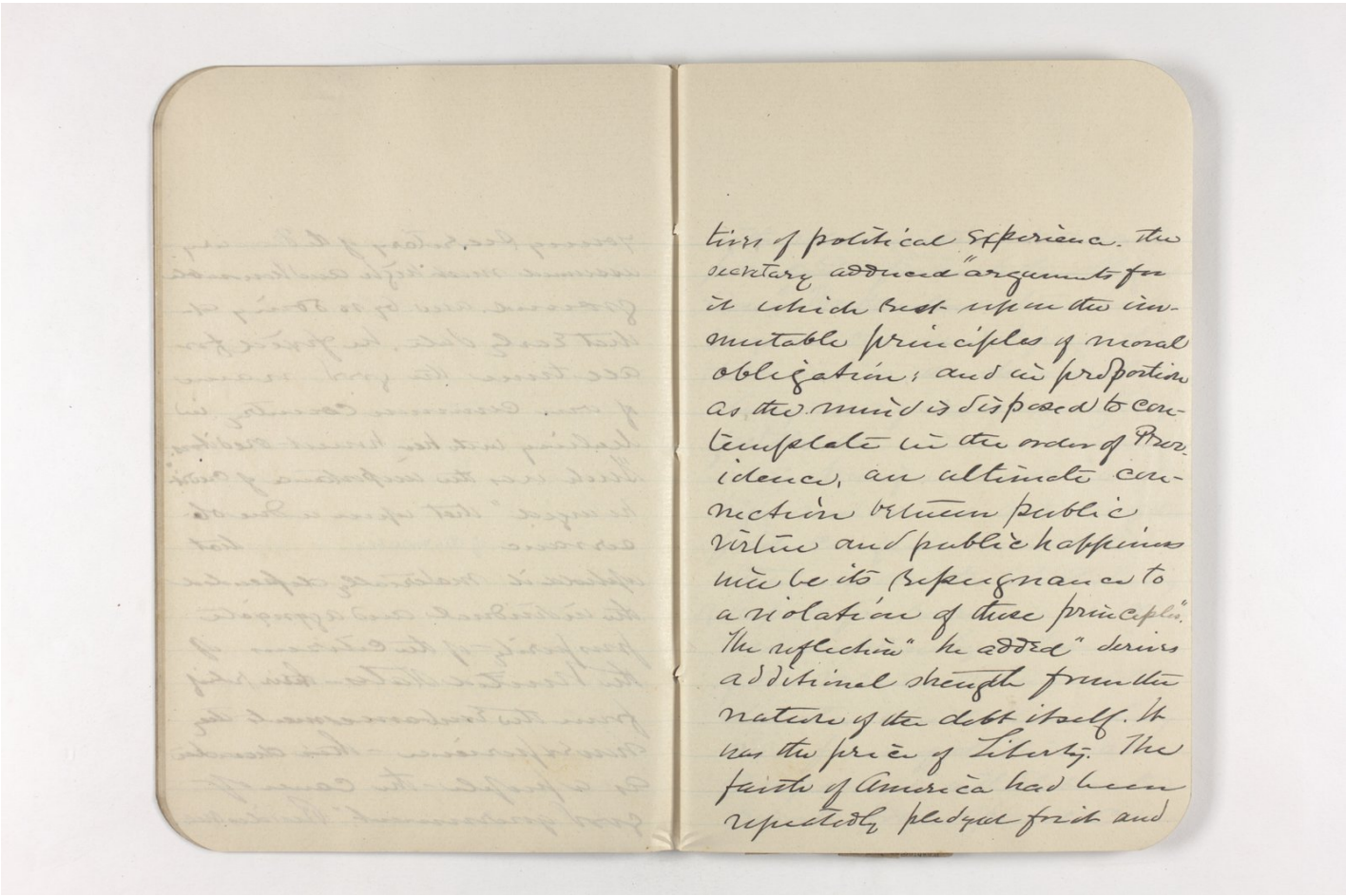
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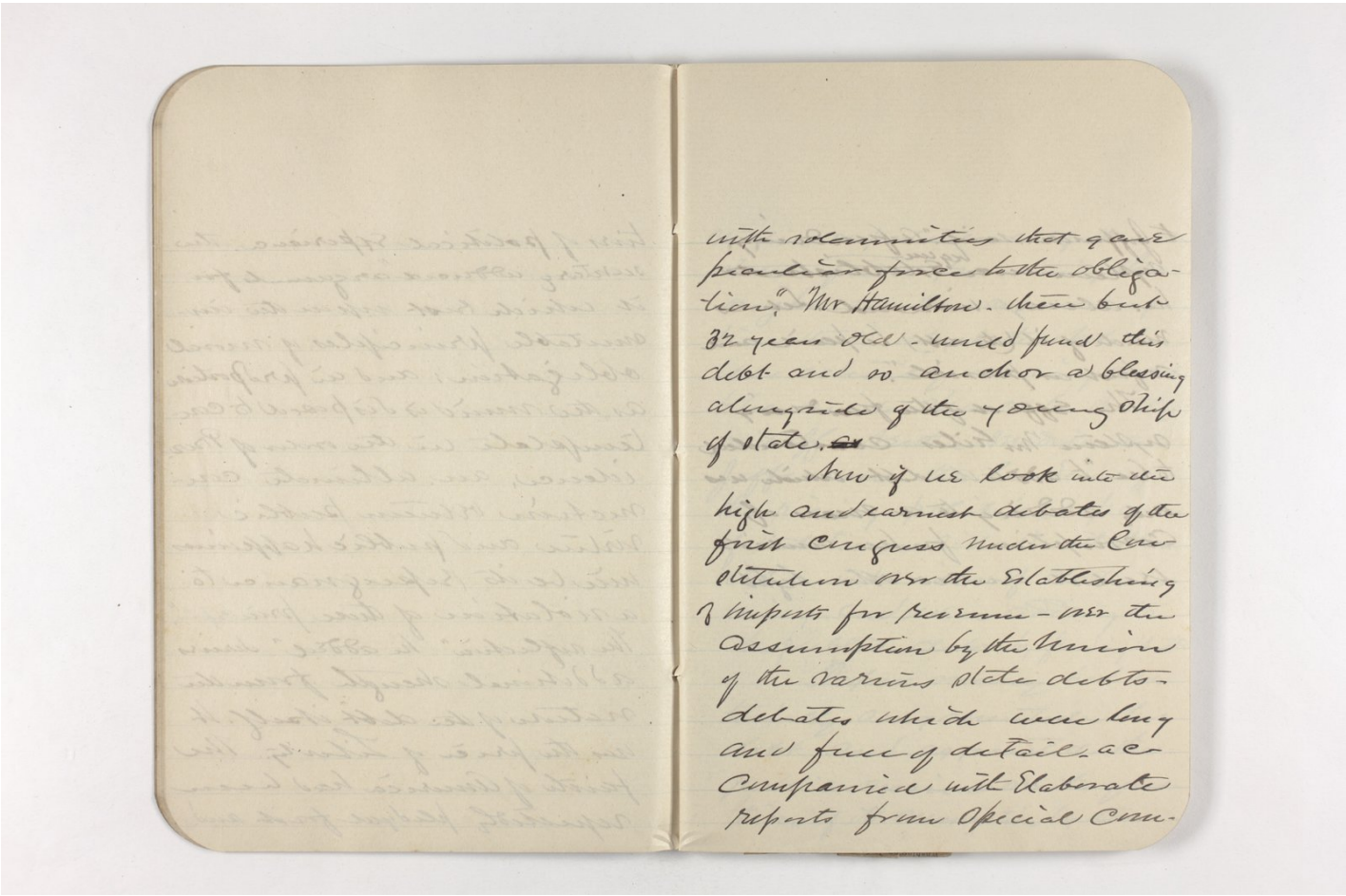
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young Secretary of the Treasury
assumed most high and honorable
ground. and by so doing at
that early date. he fixed for
all time the good name
of our common country in
dealing with her honest creditors.
"Such was the importance of credit"
he urged" that upon a due ob-
servance of the maxims that
upholds it materially depended
the individual and aggregate
prosperity of the citizens of
the United States - their relief
from the embarrassments they
now experience - their character
as a people - the cause of
good government." Besides me.



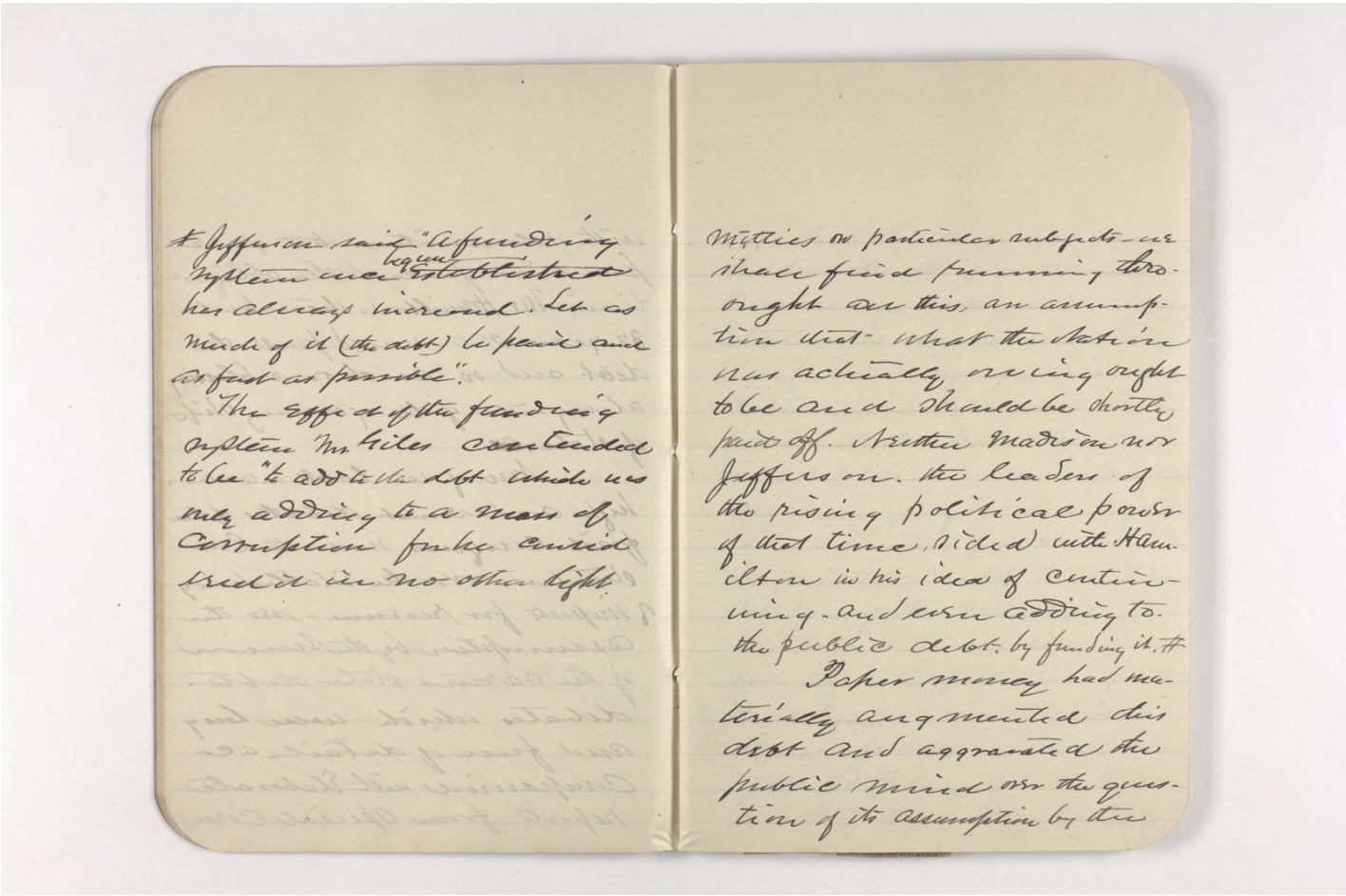
tion of political experience. the secretary adduced "arguments for it which rest upon the immutable principles of moral obligation; and in proportion as the mind is disposed to contemplate in the order of Providence, an altitude connection between public virtue and public happiness will be its repugnance to a violation of those principles." The reflection" he added" derives additional strength from the nature of the debt itself. It was the price of Liberty. The faith of America had been repeatedly pledged for it and



with volunteers that q are
peculiar force to the obliga-
tion. Mr Hamilton. then but
32 years old. would fund this
debt and so anchor a blessing
alongside of the young Ship
of State. ~~&~~

Now if we look into the
high and earnest debates of the
first Congress under the Con-
stitution over the Establishing
of Imposts for Revenue - over the
Assumption by the Union
of the various State debts -
debates which were long
and full of detail. ac-
companied with Elaborate
reports from Special Com-

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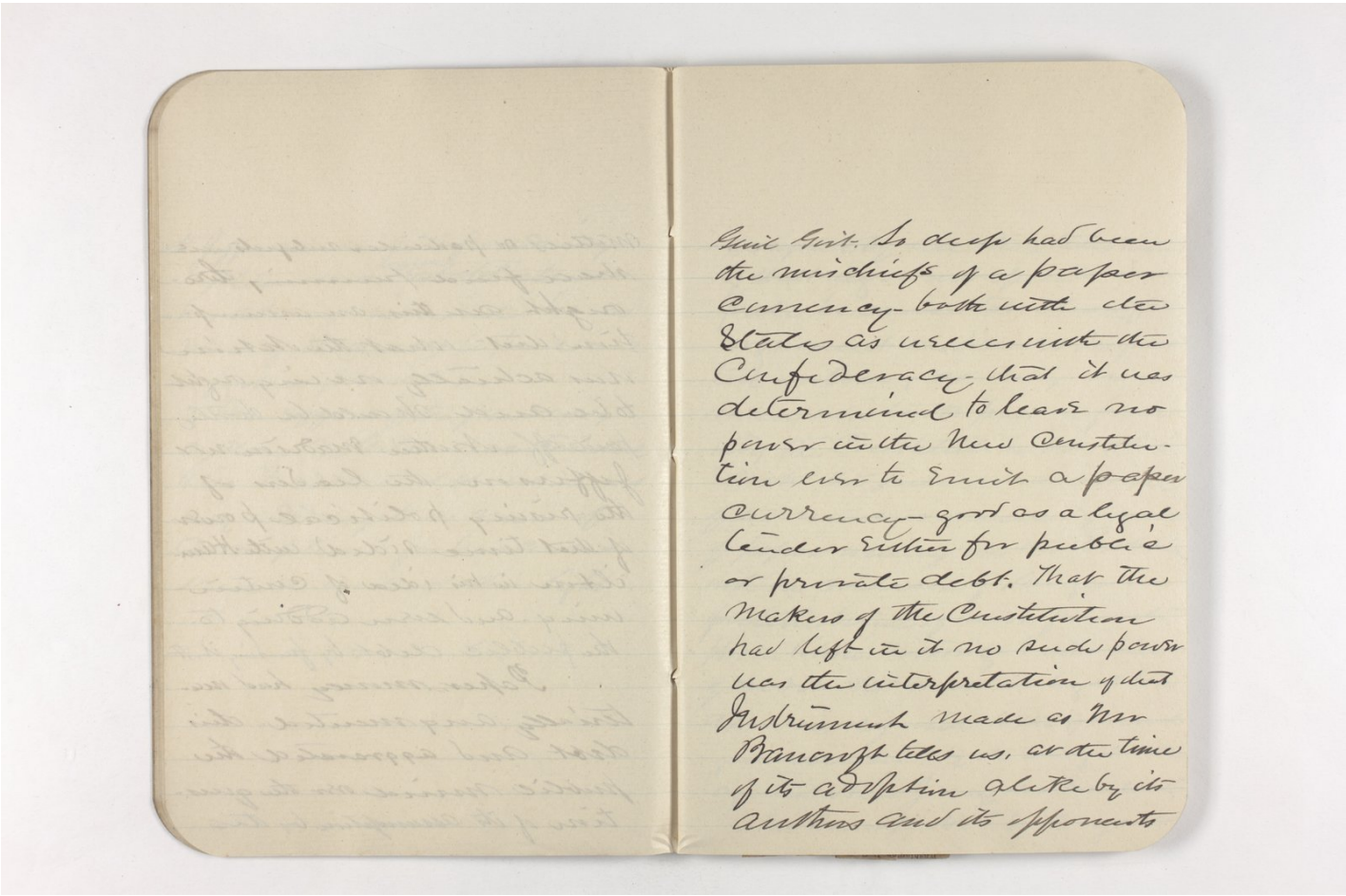
Mr Jefferson said "A funding system once established has always increased. Let as much of it (the debt) be paid and as fast as possible".

The effect of the funding system Mr Giles contended to be "to add to the debt which was only adding to a mass of corruption for he could regard it in no other light.

Politics on particular subjects - we shall find running throughout on this, an assumption that what the nation was actually owing ought to be and should be shortly paid off. Neither Madison nor Jefferson or the leaders of the rising political power of that time, sided with Hamilton in his idea of continuing - and even adding to the public debt by funding it.

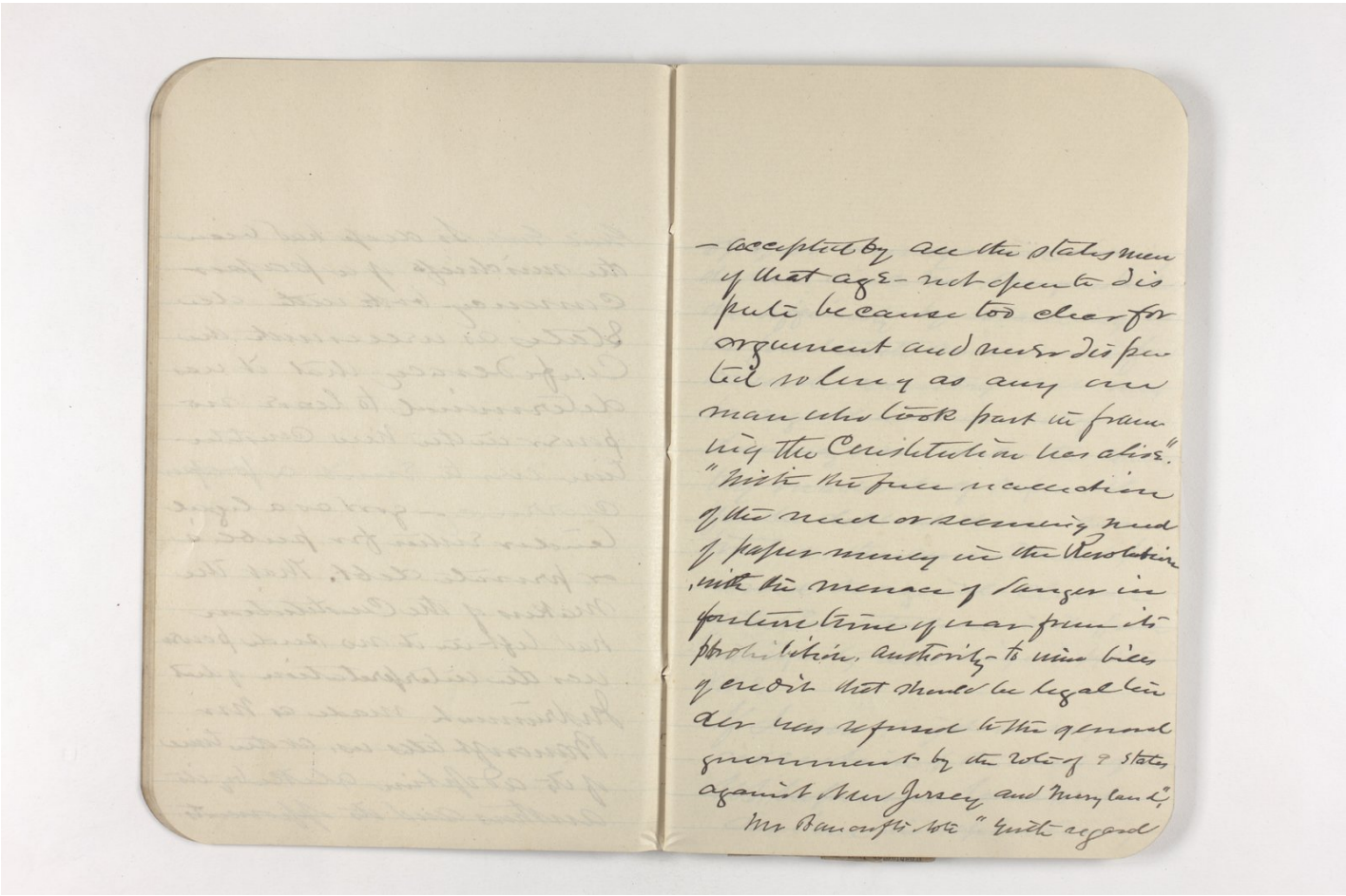
Paper money had materially augmented this debt and aggravated the public mind on the question of its assumption by the

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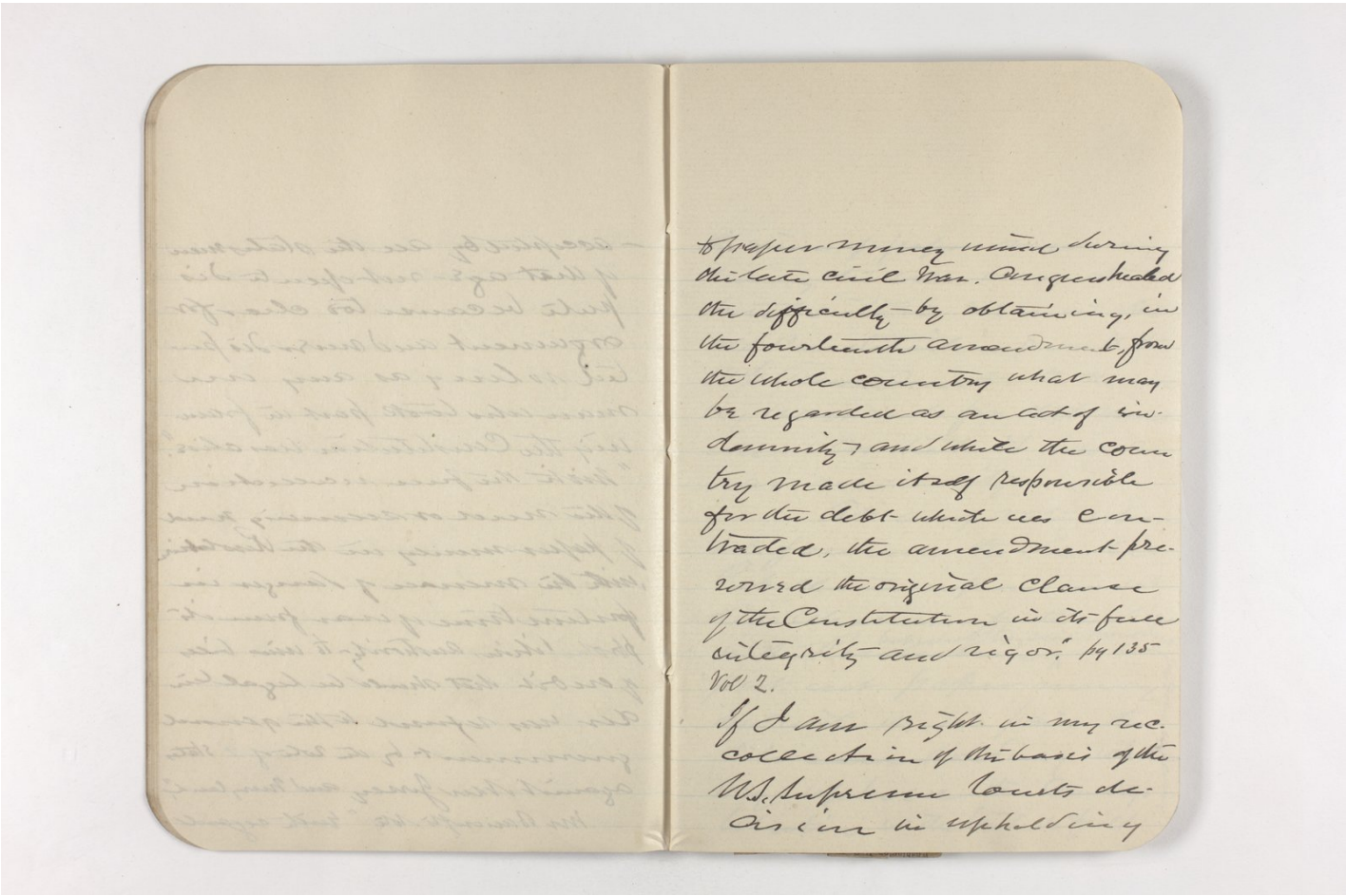
Gentlemen. So deep had been the mischiefs of a paper currency both with the States as unions with the Confederacy that it was determined to leave no power in the new Constitution ever to emit a paper currency good as a legal tender either for public or private debt. That the makers of the Constitution had left in it no such power was the interpretation of that Instrument made as Mr Bancroft tells us, at the time of its adoption alike by its authors and its opponents

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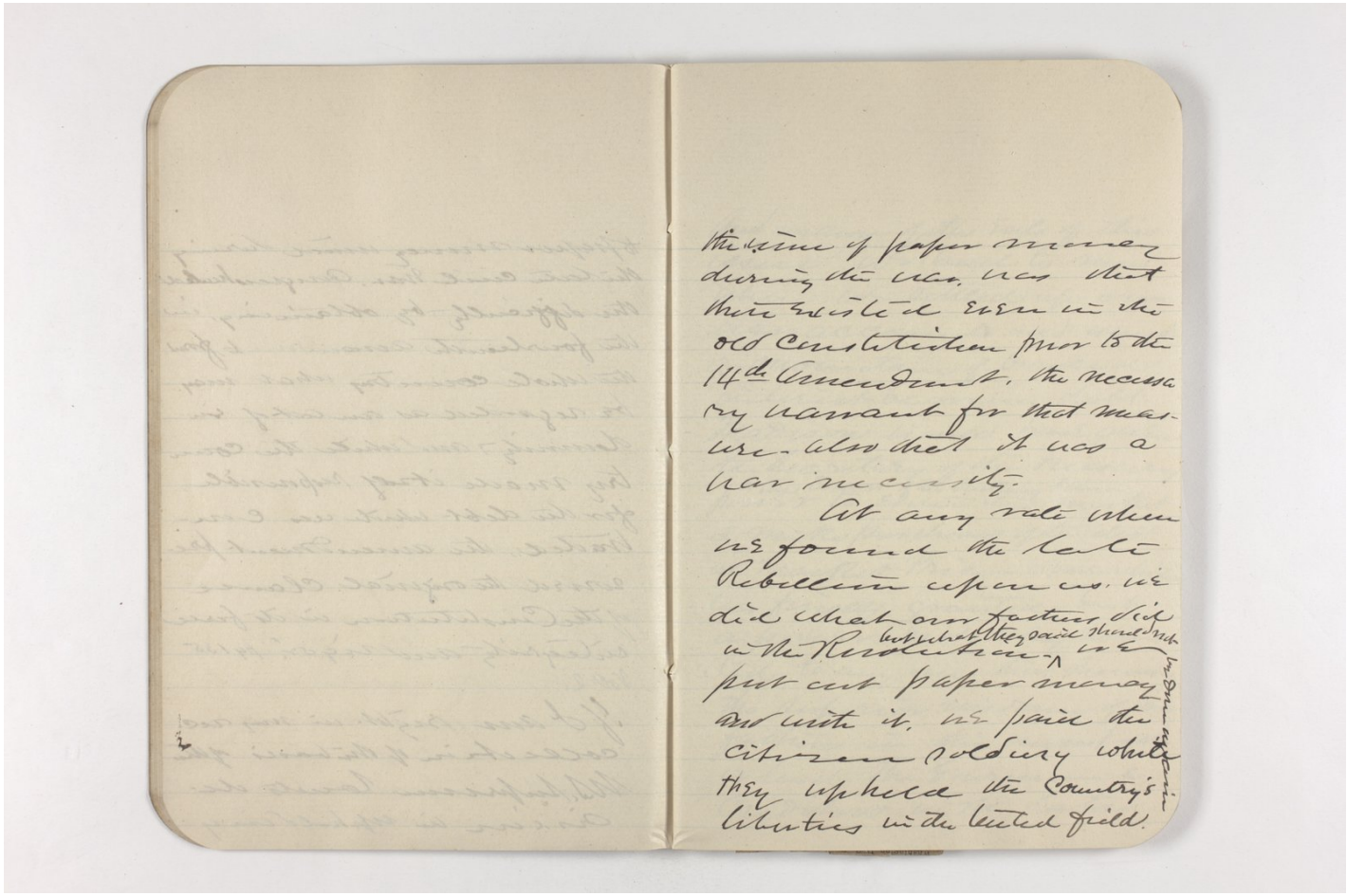
– accepted by all the statesmen of that age – not open to dispute because too clear for argument and never disputed so long as any one man who took part in framing the Constitution was alive."
"With the free discussion of the most exciting kind of paper money in the Revolution, with the menace of danger in fortune time of war from the prohibition, authority to issue bills of credit that should be legal tender was refused to the general government by the votes of 9 states against those of New Jersey and Maryland."
Mr Bancroft's note "with regard

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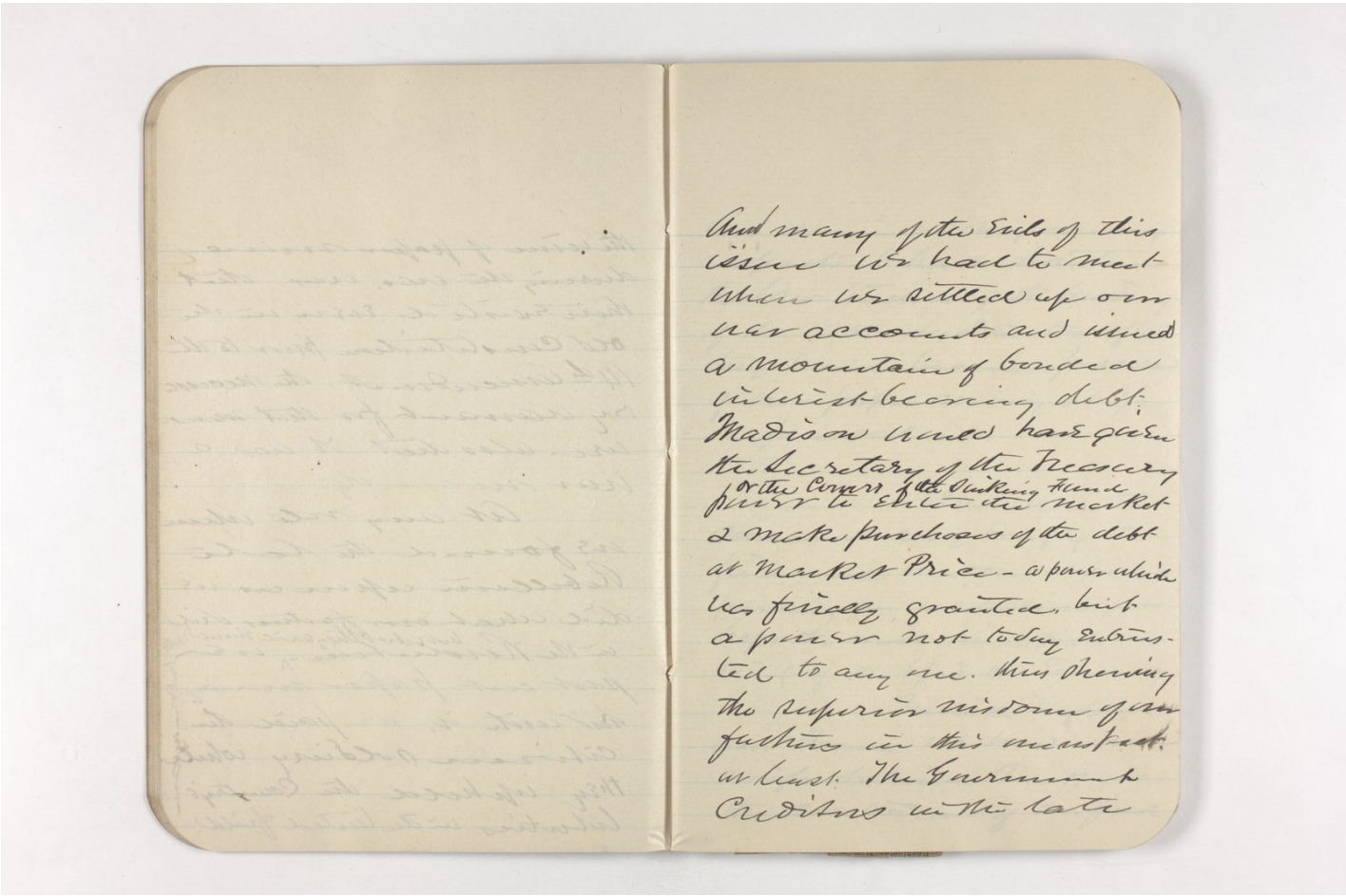
of paper money issued during the late civil war. Unquestioned the difficulty by obtaining, in the fourteenth amendment, from the whole country what may be regarded as an act of indemnity; and while the country made itself responsible for the debt which was contracted, the amendment preserved the original clause of the Constitution in its full integrity and rigor. 64 135 Vol 2.

If I am right in my recollection of the basis of the U.S. Supreme Court decision in upholding

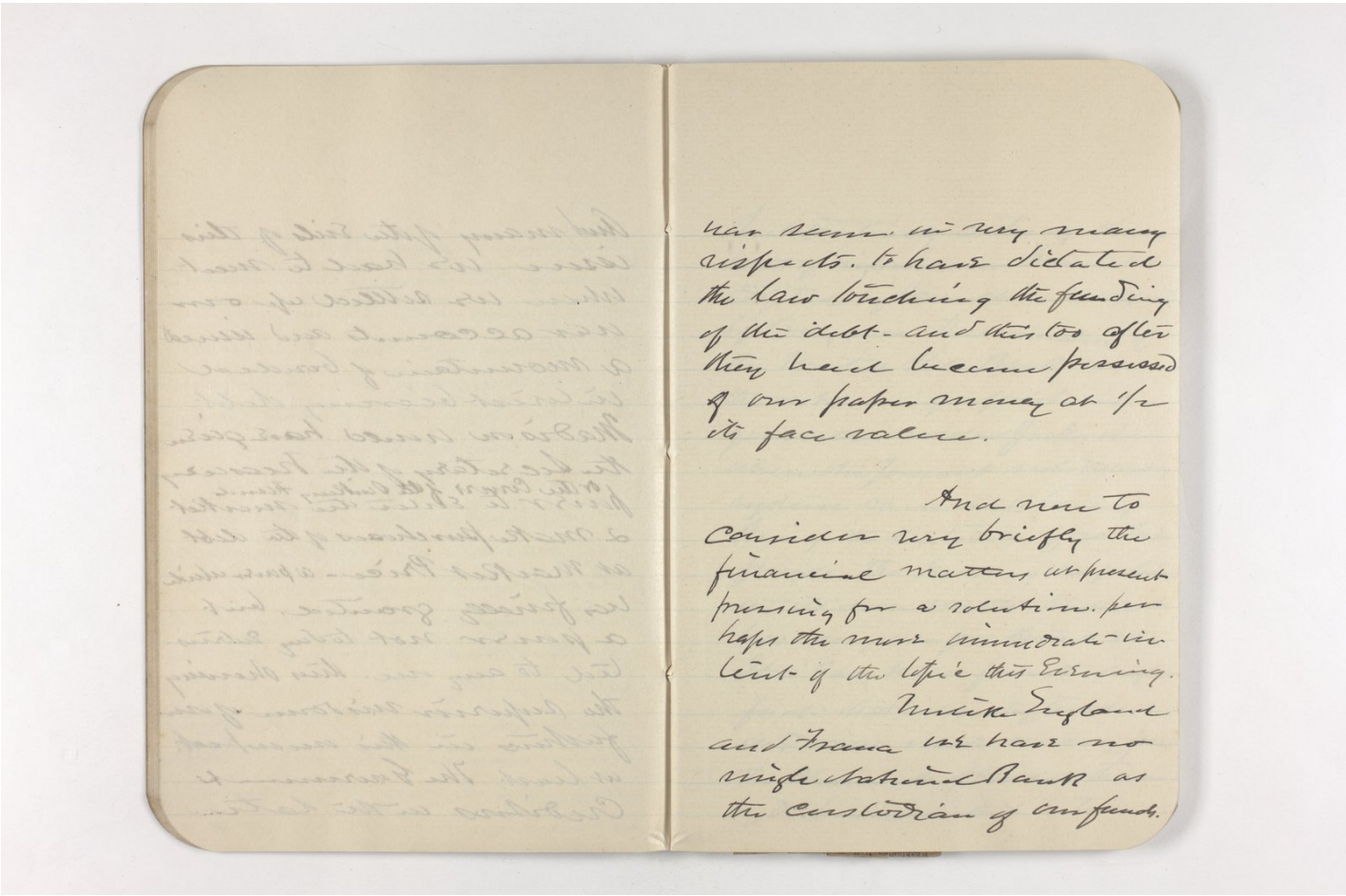


the issue of paper money during the war was that there existed even in the old Constitution prior to the 14th Amendment, the necessary warrant for that measure. also that it was a war necessity.

At any rate when we found the last Rebellion upon us, we did what our fathers did in the Revolution. we put out paper money and with it we paid the citizen soldiery who by they upheld the Country's liberties in the United field.

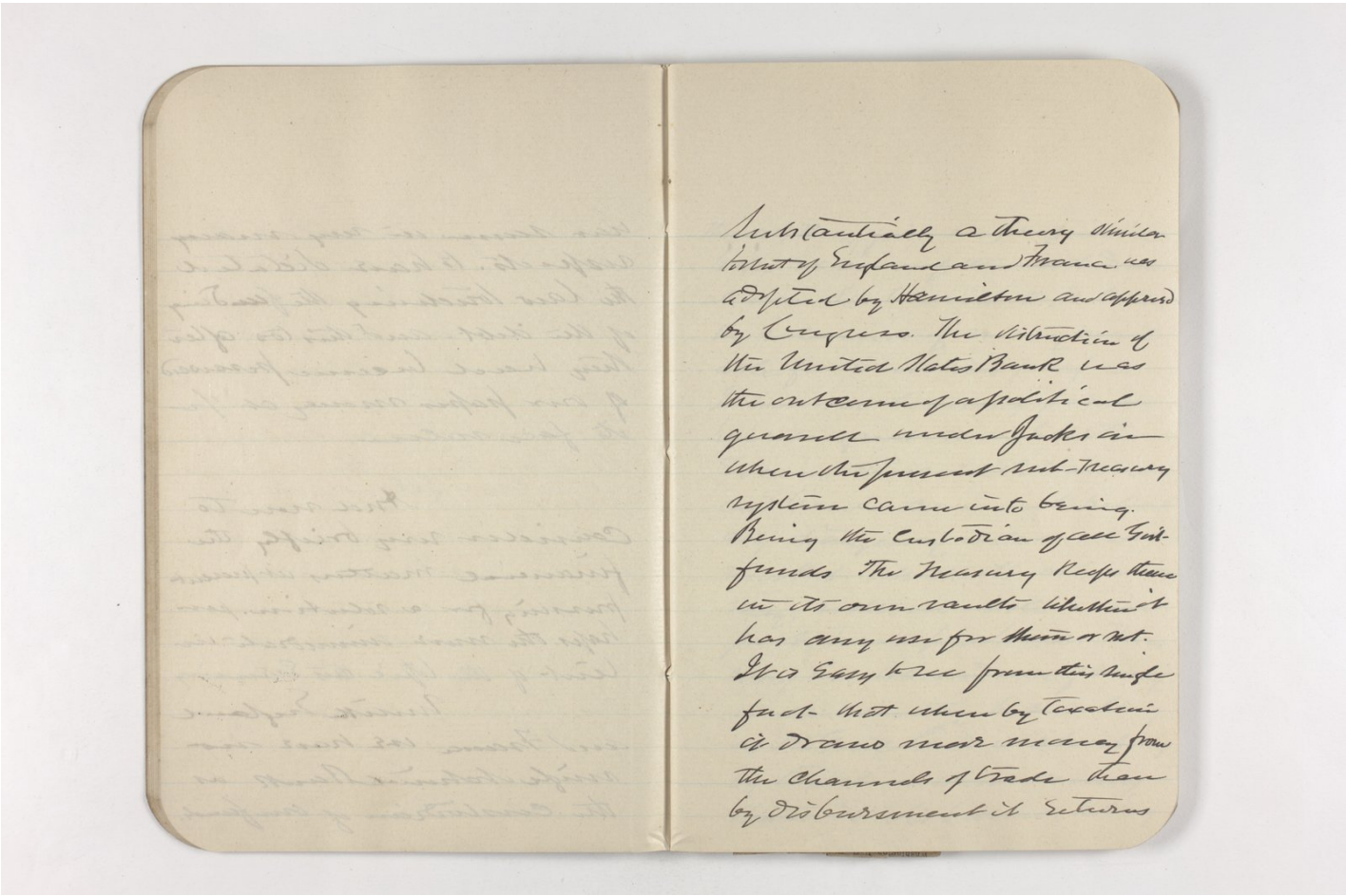


And many of the evils of this issue we had to meet when we settled up our war accounts and issued a mountain of bonded interest bearing debt. Madison would have given the Secretary of the Treasury power to enter the market & make purchases of the debt at Market Price - a power which was finally granted, but a power not to day entrusted to any one. Thus showing the superior wisdom of our fathers in this respect. or last. The Government Creditors in the late

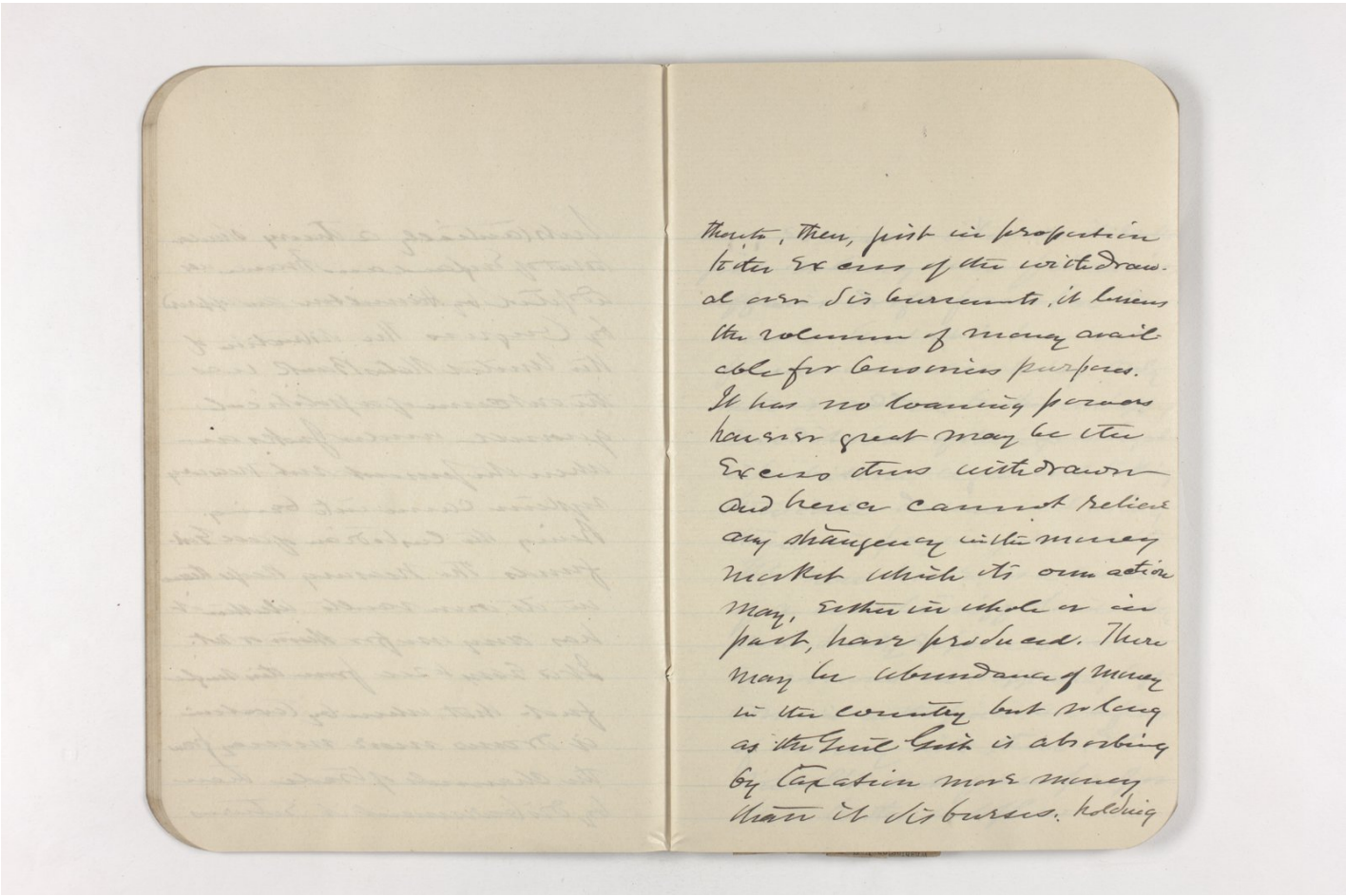


has been in very many respects. to have dictated the law touching the funding of the debt - and this too after they had become possessed of our paper money at 1/2 its face value.

And now to consider very briefly the financial matters at present pressing for a solution. perhaps the most immediate interest of the hour is this Evening. Inside England and France we have no single National Bank as the custodian of our funds.

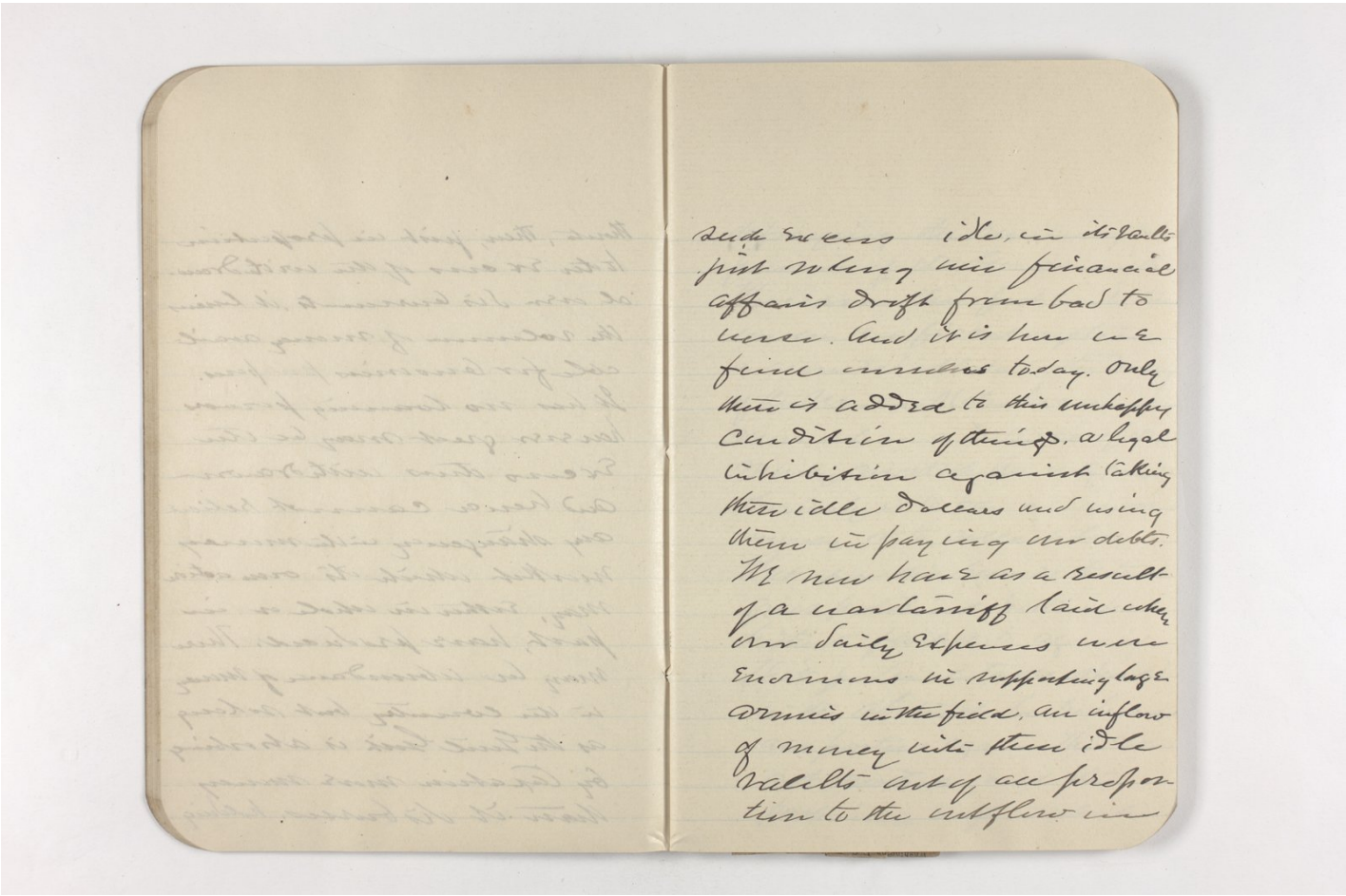


Substantially a theory similar to that of England and France was adopted by Hamilton and opposed by Congress. The abrogation of the United States Bank was the outcome of a political quarrel under Jackson when the present sub-treasury system came into being. Being the custodian of all Government funds the Treasury Department has in its own vaults whether it has any use for them or not. It is easy to see from this single fact that when by taxation it draws more money from the channels of trade than by disbursement it returns



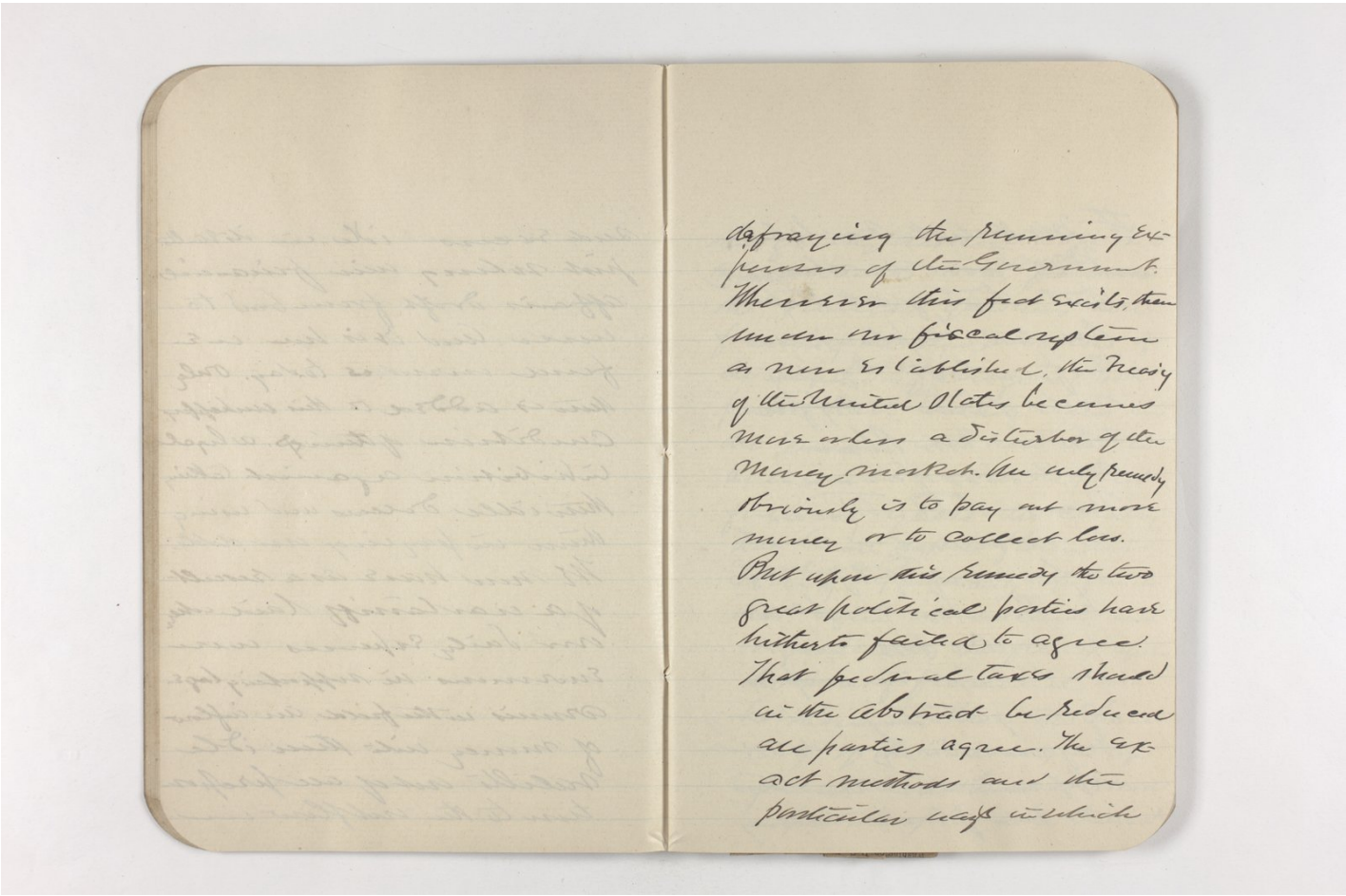
thereto, then, just in proportion
to the excess of the withdrawals
over deposits, it leaves
the volume of money avail-
able for business purposes.
It has no loaning power
however great may be the
excess thus withdrawn
and hence cannot relieve
any stringency in the money
market which its operation
may, either in whole or in
part, have produced. There
may be abundance of money
in the country, but so long
as the Govt. is absorbing
by taxation more money
than it disburses, holding

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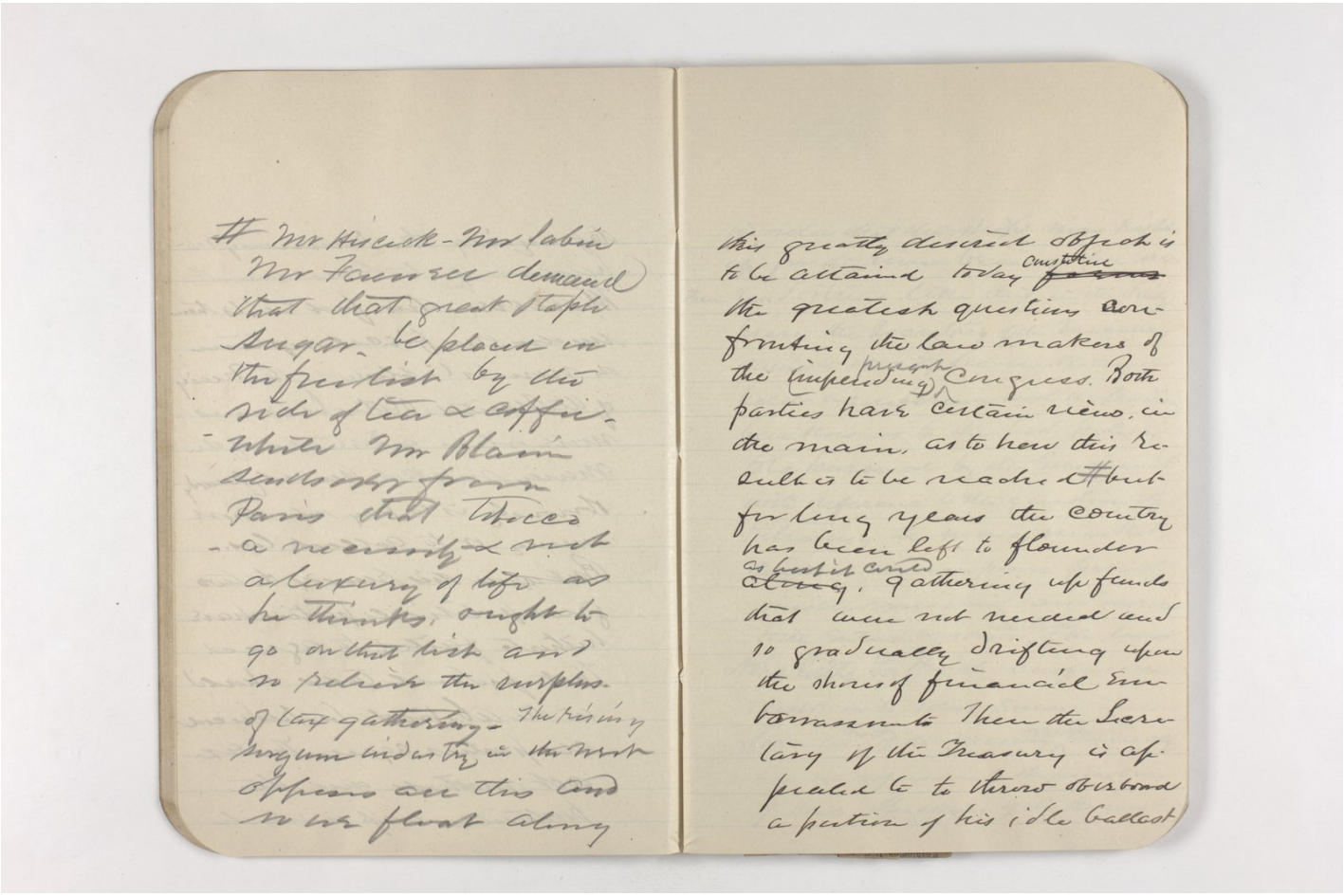
such seems idle, in its halts just now my financial affairs drift from bad to worse. And it is how we find ourselves today. Only thing is addrd to this unhappy condition of things, a legal inhibition against taking them idle dollars and using them in paying our debts. We now have as a result of a partial halt our daily expenses were enormous in supporting large armies in the field, an inflow of money into them idle valuelt out of all proportion to the outflow in

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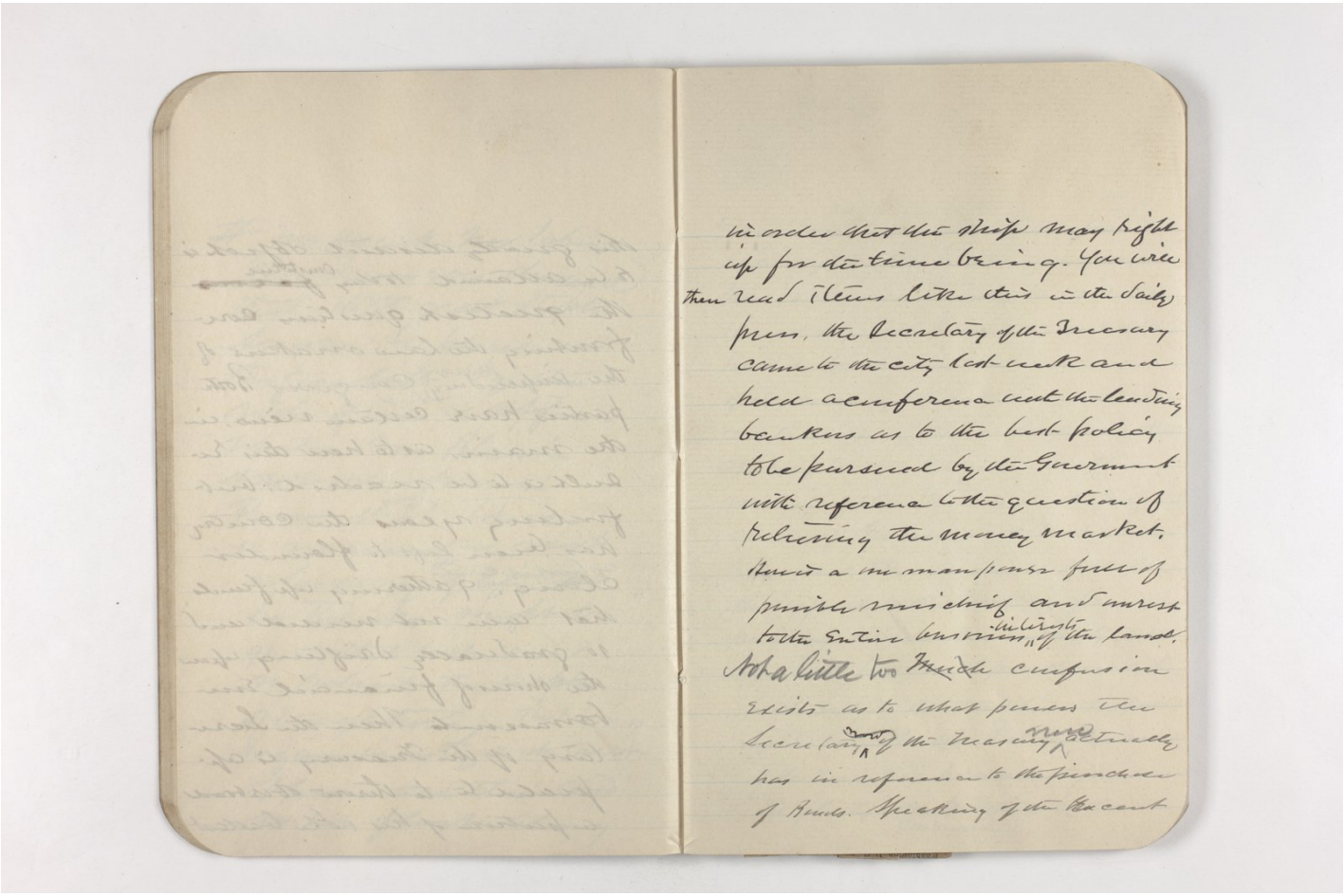
defraying the running Expenses of the Government. Whenever this fact excites them under our fiscal system as now established, the Treasury of the United States becomes more or less a Disturber of the Money market. The only remedy obviously is to pay out more money or to collect less. But upon this remedy the two great political parties have hitherto failed to agree. That federal taxes should in the abstract be reduced all parties agree. The exact methods and the particular ways in which

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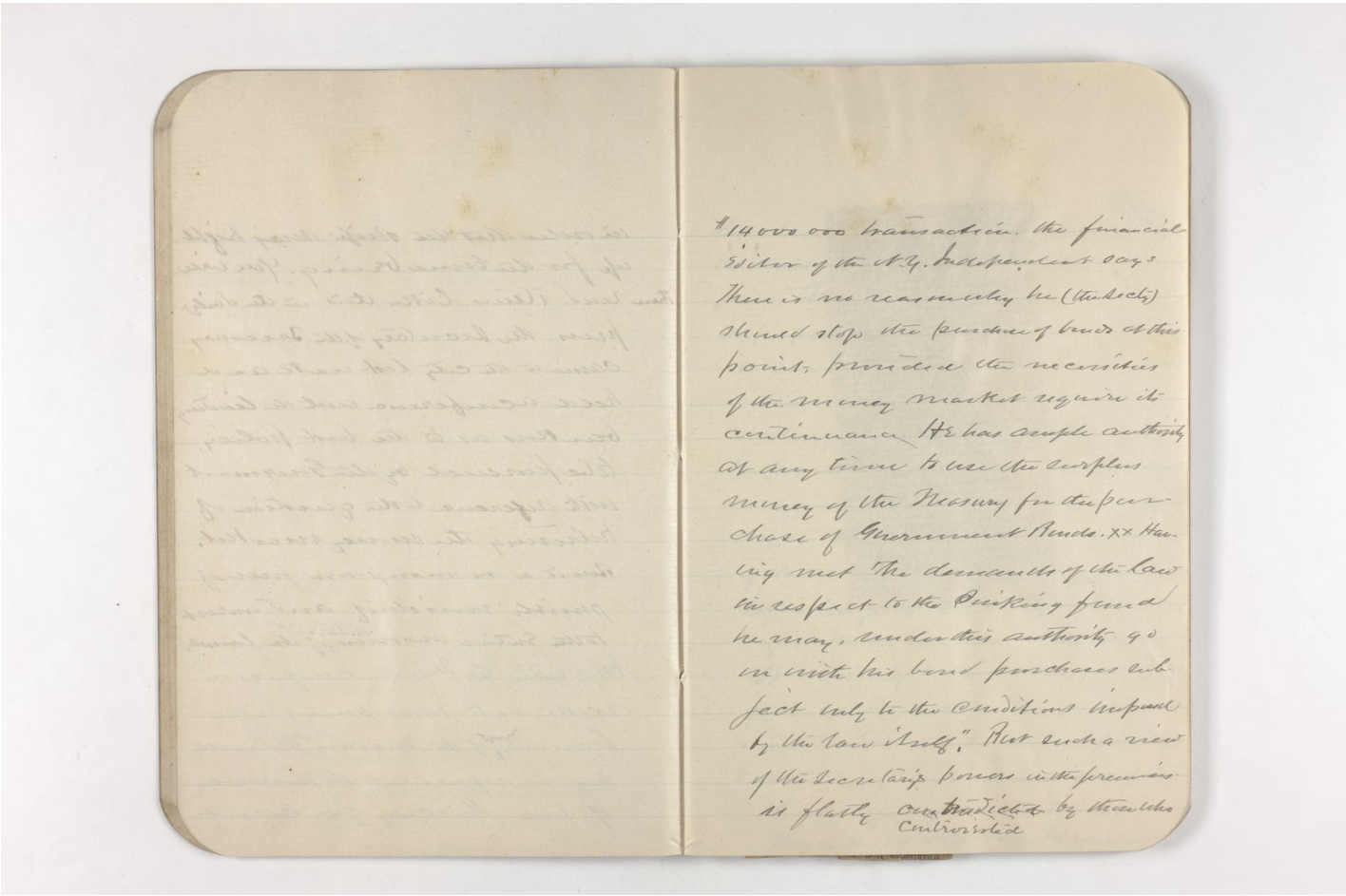
If Mr Hiscock - Mr Sabin Mr Power demand that that great staple Sugar be placed on the free list by the side of tea & coffee - while Mr Blaine sends word from Paris that these - a necessity & not a luxury of life as he thinks, ought to go on that list and so relieve the surplus of tax gathering - The rising Sorgum industry in the West & Texas are this cond we float along this greatly desired object is to be attained today on the ~~former~~ the greatest questions confronting the law makers of the impending (present) Congress. Both parties have certain views, in the main, as to how this result is to be reached but for long years the country has been left to flounder as best it could, gathering up funds that were not needed and so gradually drifting upon the shores of financial embarrassment Then the Secretary of the Treasury is appealed to to throw overboard a portion of his idle ballast

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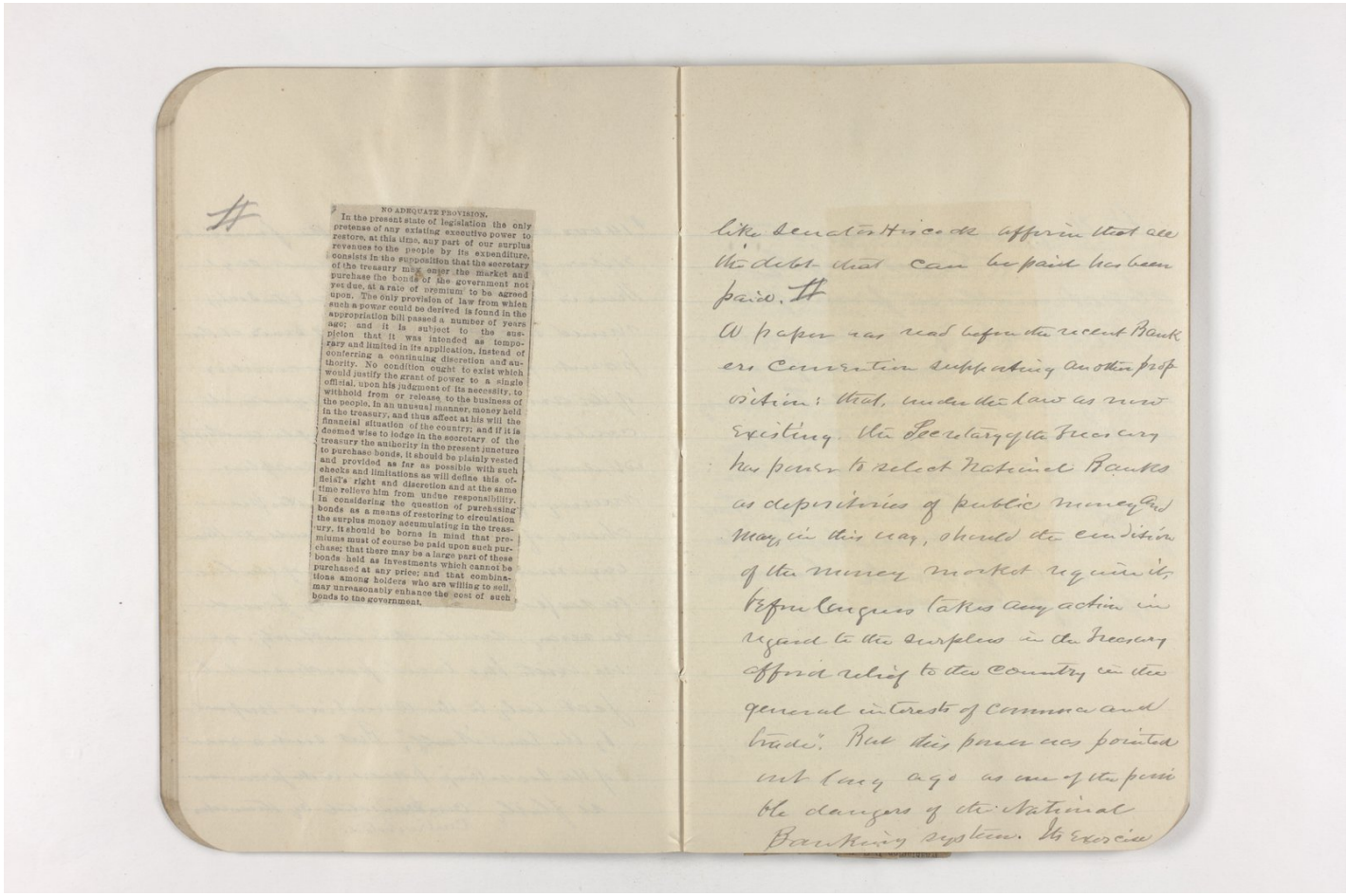


in order that the ship may right
up for the time being. You will
then read items like this in the daily
press, the Secretary of the Treasury
came to the city last week and
held a conference with the leading
bankers as to the best policy
to be pursued by the Government
with reference to the question of
relieving the money market.
Here a one man power full of
pernicious mischief and unrest
to the entire business interests of the land.
Not a little too much confusion
exists as to what powers the
Secretary of the Treasury now actually
has in reference to the purchase
of Bonds. Speaking of the Recent

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$14 000 000 transaction. the financial
editor of the N.Y. Independent says
There is no reason why he (the Secty)
should stop the purchase of bonds at this
point; provided the necessities
of the money market require its
continuance. He has ample authority
at any time to use the surplus
money of the Treasury for the pur-
chase of Government Bonds. xx Hav-
ing met the demands of the law
in respect to the Sinking fund
he may, under this authority go
on with his bond purchases sub-
ject only to the conditions imposed
by the law itself." But under a view
of the Secretary's powers in the premises
as flatly contradicted by those who
Controverted



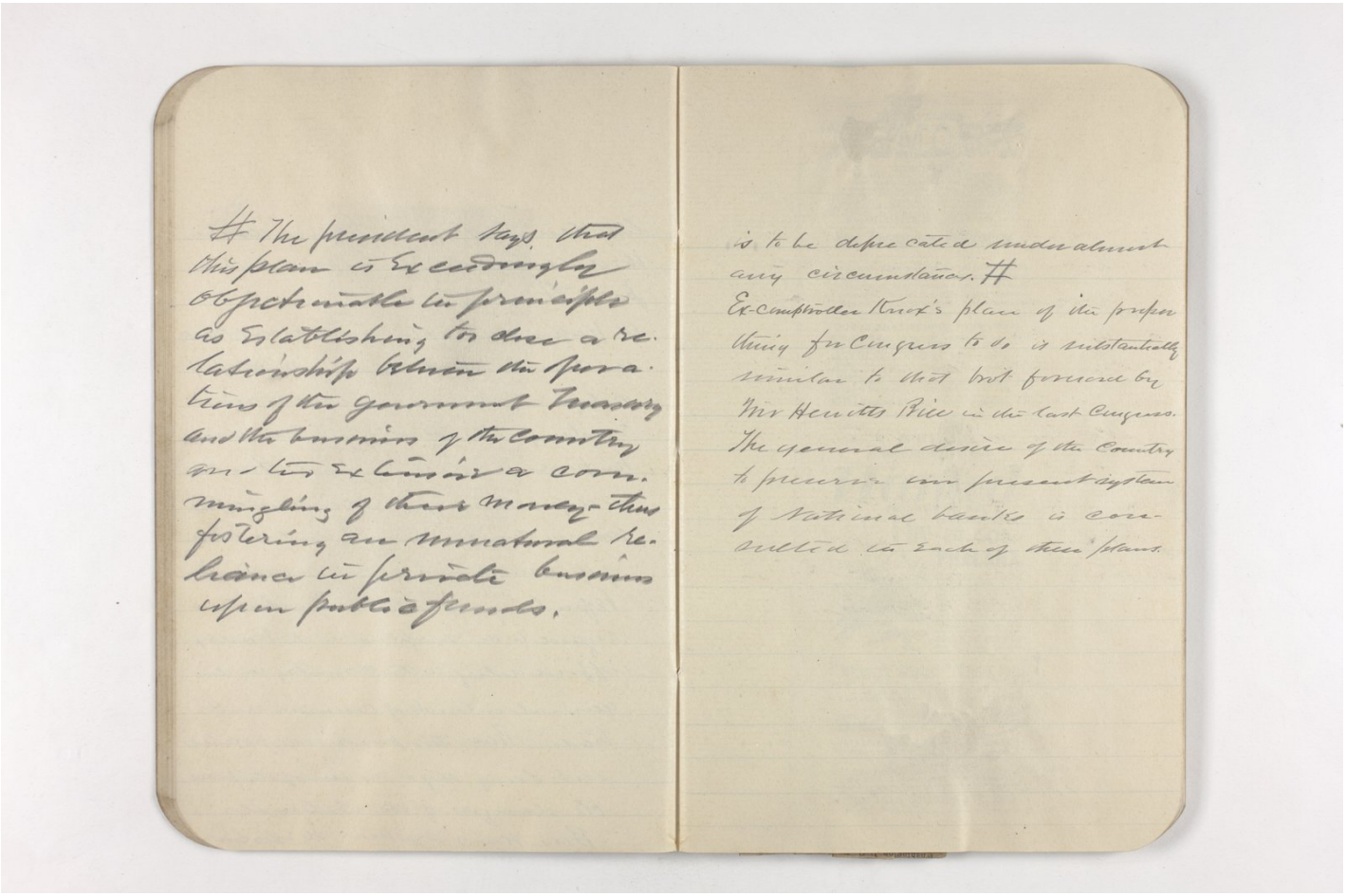
NO ADEQUATE PROVISION.

In the present state of legislation the only pretense of any existing executive power to restore, at this time, any part of our surplus revenues to the people by its expenditure, consists in the supposition that the secretary of the treasury may enter the market and purchase the bonds of the government not yet due, at a rate of premium to be agreed upon. The only provision of law from which such a power could be derived is found in the appropriation bill passed a number of years ago; and it is subject to the suspicion that it was intended as temporary and limited in its application, instead of conferring a continuing discretion and authority. No condition ought to exist which would justify the grant of power to a single official, upon his judgment of its necessity, to withhold from or release to the business of the people, in an unusual manner, money held in the treasury, and thus affect at his will the financial situation of the country; and if it is deemed wise to lodge in the secretary of the treasury the authority in the present juncture to purchase bonds, it should be plainly vested and provided as far as possible with such checks and limitations as will define this official's right and discretion and at the same time relieve him from undue responsibility. In considering the question of purchasing bonds as a means of restoring to circulation the surplus money accumulating in the treasury, it should be borne in mind that premiums must of course be paid upon such purchase; that there may be a large part of these bonds held as investments which cannot be purchased at any price; and that combinations among holders who are willing to sell, may unreasonably enhance the cost of such bonds to the government.

like Secretaries advise that all the debt that can be paid has been paid. It

A paper was read before the recent Bankers Convention supporting another proposition: that, under the law as now existing, the Secretary of the Treasury has power to select National Banks as depositories of public money and may in this way, should the condition of the money market require it, before Congress takes any action in regard to the surplus in the Treasury afford relief to the country in the general interests of commerce and trade. But this power was pointed out long ago as one of the possible dangers of the National Banking system. Its exercise

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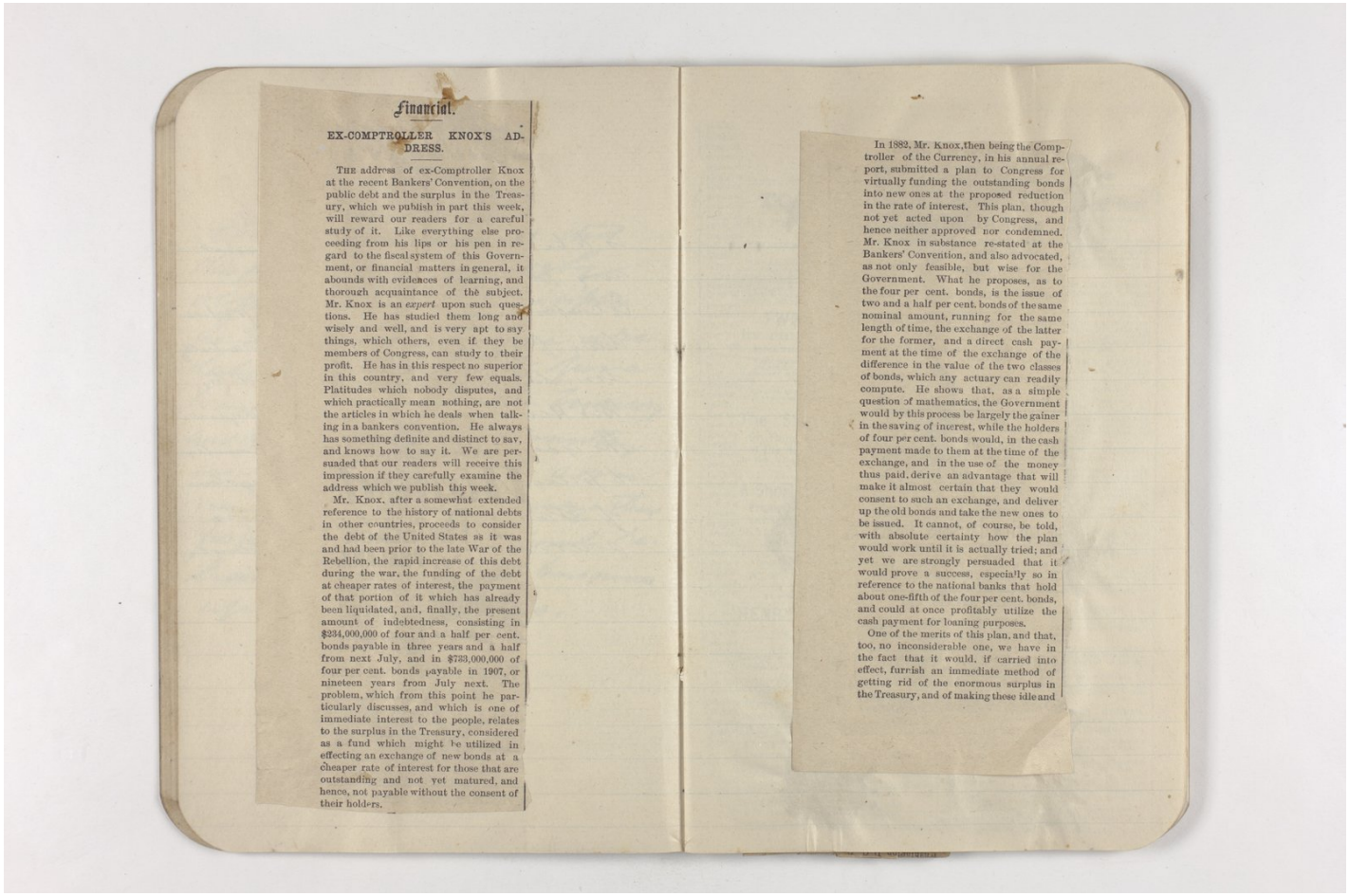


The president says that this plan is exceedingly objectionable in principle as establishing to that extent a relationship between the operations of the government Treasury and the business of the country and thus tending to a commingling of these moneys thus fostering an unnatural reliance in private business upon public funds.

is to be deprecated under almost any circumstances. #

Ex-Comptroller Knox's plan of the postponing for Congress to do is substantially similar to that bill framed by Mr Hewitt's Bill in the last Congress. The general desire of the Country to preserve our present system of National banks is conceded to each of these plans.

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Financial.

EX-COMPTROLLER KNOX'S ADDRESS.

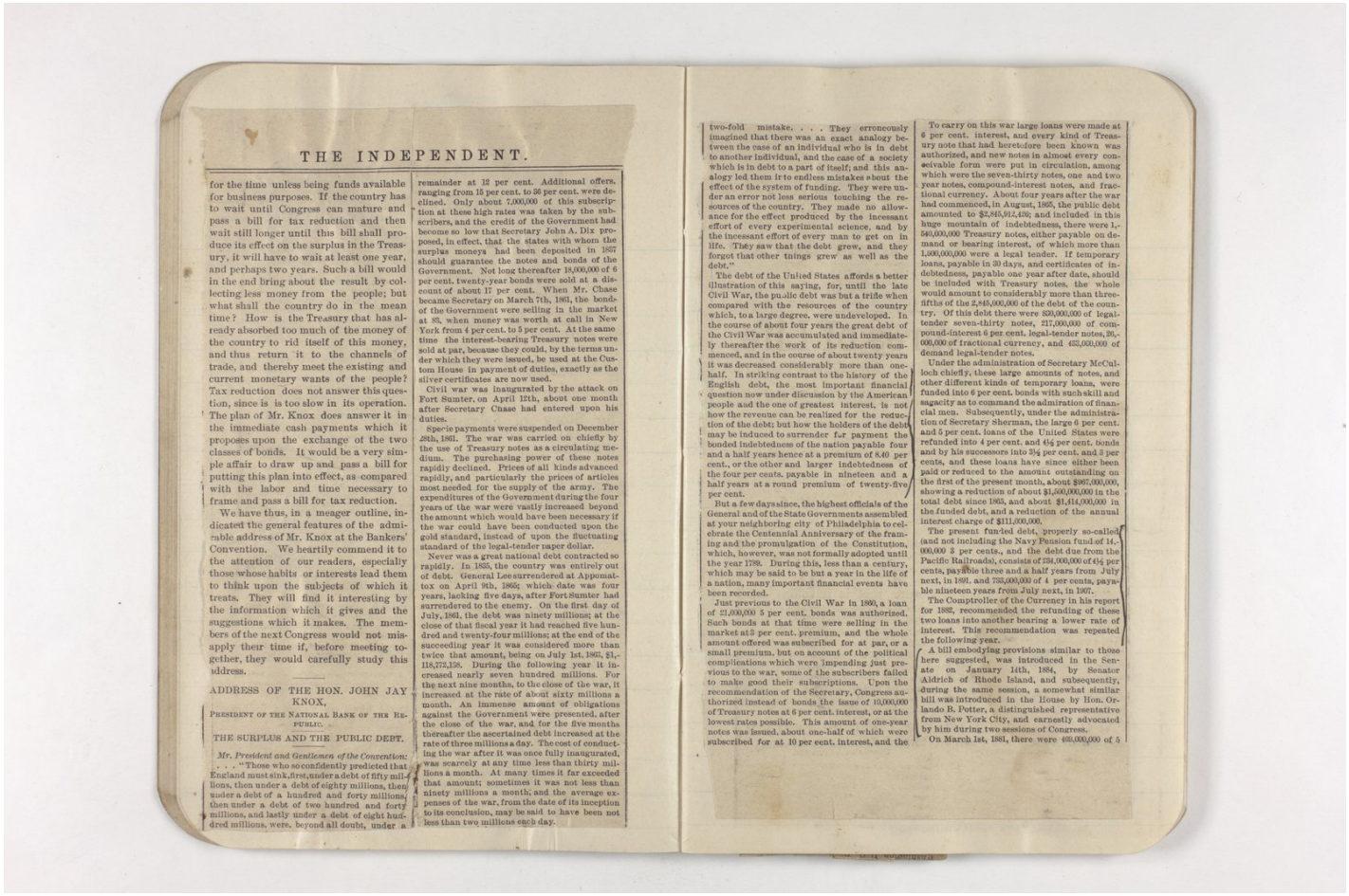
THE address of ex-Comptroller Knox at the recent Bankers' Convention, on the public debt and the surplus in the Treasury, which we publish in part this week, will reward our readers for a careful study of it. Like everything else proceeding from his lips or his pen in regard to the fiscal system of this Government, or financial matters in general, it abounds with evidences of learning, and thorough acquaintance of the subject. Mr. Knox is an *expert* upon such questions. He has studied them long and wisely and well, and is very apt to say things, which others, even if they be members of Congress, can study to their profit. He has in this respect no superior in this country, and very few equals. Platitudes which nobody disputes, and which practically mean nothing, are not the articles in which he deals when talking in a bankers convention. He always has something definite and distinct to say, and knows how to say it. We are persuaded that our readers will receive this impression if they carefully examine the address which we publish this week.

Mr. Knox, after a somewhat extended reference to the history of national debts in other countries, proceeds to consider the debt of the United States as it was and had been prior to the late War of the Rebellion, the rapid increase of this debt during the war, the funding of the debt at cheaper rates of interest, the payment of that portion of it which has already been liquidated, and, finally, the present amount of indebtedness, consisting in $234,000,000 of four and a half per cent. bonds payable in three years and a half from next July, and in $733,000,000 of four per cent. bonds payable in 1907, or nineteen years from July next. The problem, which from this point he particularly discusses, and which is one of immediate interest to the people, relates to the surplus in the Treasury, considered as a fund which might be utilized in effecting an exchange of new bonds at a cheaper rate of interest for those that are outstanding and not yet matured, and hence, not payable without the consent of their holders.

In 1882, Mr. Knox, then being the Comptroller of the Currency, in his annual report, submitted a plan to Congress for virtually funding the outstanding bonds into new ones at the proposed reduction in the rate of interest. This plan, though not yet acted upon by Congress, and hence neither approved nor condemned, Mr. Knox in substance re-stated at the Bankers' Convention, and also advocated, as not only feasible, but wise for the Government. What he proposes, as to the four per cent. bonds, is the issue of two and a half per cent. bonds of the same nominal amount, running for the same length of time, the exchange of the latter for the former, and a direct cash payment at the time of the exchange of the difference in the value of the two classes of bonds, which any actuary can readily compute. He shows that, as a simple question of mathematics, the Government would by this process be largely the gainer in the saving of interest, while the holders of four per cent. bonds would, in the cash payment made to them at the time of the exchange, and in the use of the money thus paid, derive an advantage that will make it almost certain that they would consent to such an exchange, and deliver up the old bonds and take the new ones to be issued. It cannot, of course, be told, with absolute certainty how the plan would work until it is actually tried; and yet we are strongly persuaded that it would prove a success, especially so in reference to the national banks that hold about one-fifth of the four per cent. bonds, and could at once profitably utilize the cash payment for loaning purposes.

One of the merits of this plan, and that, too, no inconsiderable one, we have in the fact that it would, if carried into effect, furnish an immediate method of getting rid of the enormous surplus in the Treasury, and of making these idle and

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THE INDEPENDENT.

for the time unless being funds available for business purposes. If the country has to wait until Congress can mature and pass a bill for tax reduction and then wait still longer until this bill shall produce its effect on the surplus in the Treasury, it will have to wait at least one year, and perhaps two years. Such a bill would in the end bring about the result by collecting less money from the people; but what shall the country do in the mean time? How is the Treasury that has already absorbed too much of the money of the country to rid itself of this money, and thus return it to the channels of trade, and thereby meet the existing and current monetary wants of the people? Tax reduction does not answer this question, since is is too slow in its operation. The plan of Mr. Knox does answer it in the immediate cash payments which it proposes upon the exchange of the two classes of bonds. It would be a very simple affair to draw up and pass a bill for putting this plan into effect, as compared with the labor and time necessary to frame and pass a bill for tax reduction.

We have thus, in a meager outline, indicated the general features of the admirable address of Mr. Knox at the Bankers' Convention. We heartily commend it to the attention of our readers, especially those whose habits or interests lead them to think upon the subjects of which it treats. They will find it interesting by the information which it gives and the suggestions which it makes. The members of the next Congress would not misapply their time if, before meeting together, they would carefully study this address.

ADDRESS OF THE HON. JOHN JAY KNOX,

PRESIDENT OF THE NATIONAL BANK OF THE REPUBLIC.

THE SURPLUS AND THE PUBLIC DEBT.

Mr. President and Gentlemen of the Convention:

. . . . "Those who so confidently predicted that England must sink, first, under a debt of fifty millions, then under a debt of eighty millions, then under a debt of a hundred and forty millions, then under a debt of two hundred and forty millions, and lastly under a debt of eight hundred millions, were, beyond all doubt, under a

remainder at 12 per cent. Additional offers, ranging from 15 per cent. to 36 per cent. were declined. Only about 7,000,000 of this subscription at these high rates was taken by the subscribers, and the credit of the Government had become so low that Secretary John A. Dix proposed, in effect, that the states with whom the surplus moneys had been deposited in 1837 should guarantee the notes and bonds of the Government. Not long thereafter 18,000,000 of 6 per cent. twenty-year bonds were sold at a discount of about 17 per cent. When Mr. Chase became Secretary on March 7th, 1861, the bonds of the Government were selling in the market at 83, when money was worth at call in New York from 4 per cent. to 5 per cent. At the same time the interest-bearing Treasury notes were sold at par, because they could, by the terms under which they were issued, be used at the Custom House in payment of duties, exactly as the silver certificates are now used.

Civil war was inaugurated by the attack on Fort Sumter, on April 12th, about one month after Secretary Chase had entered upon his duties.

Specie payments were suspended on December 28th, 1861. The war was carried on chiefly by the use of Treasury notes as a circulating medium. The purchasing power of these notes rapidly declined. Prices of all kinds advanced rapidly, and particularly the prices of articles most needed for the supply of the army. The expenditures of the Government during the four years of the war were vastly increased beyond the amount which would have been necessary if the war could have been conducted upon the gold standard, instead of upon the fluctuating standard of the legal-tender paper dollar.

Never was a great national debt contracted so rapidly. In 1865, the country was entirely out of debt. General Lee surrendered at Appomattox on April 9th, 1865; which date was four years, lacking five days, after Fort Sumter had surrendered to the enemy. On the first day of July, 1861, the debt was ninety millions; at the close of that fiscal year it had reached five hundred and twenty-four millions; at the end of the succeeding year it was considered more than twice that amount, being on July 1st, 1863, $1,-118,772,138. During the following year it increased nearly seven hundred millions. For the next nine months, to the close of the war, it increased at the rate of about sixty millions a month. An immense amount of obligations against the Government were presented, after the close of the war, and for the five months thereafter the ascertained debt increased at the rate of three millions a day. The cost of conducting the war after it was once fully inaugurated, was scarcely at any time less than thirty millions a month. At many times it far exceeded that amount; sometimes it was not less than ninety millions a month; and the average expenses of the war, from the date of its inception to its conclusion, may be said to have been not less than two millions each day.

two-fold mistake. . . . They erroneously imagined that there was an exact analogy between the case of an individual who is in debt to another individual, and the case of a society which is in debt to a part of itself; and this analogy led them ir to endless mistakes about the effect of the system of funding. They were under an error not less serious touching the resources of the country. They made no allowance for the effect produced by the incessant effort of every experimental science, and by the incessant effort of every man to get on in life. They saw that the debt grew, and they forgot that other things grew as well as the debt."

The debt of the United States affords a better illustration of this saying, for, until the late Civil War, the public debt was but a trifle when compared with the resources of the country which, to a large degree, were undeveloped. In the course of about four years the great debt of the Civil War was accumulated and immediately thereafter the work of its reduction commenced, and in the course of about twenty years it was decreased considerably more than one-half. In striking contrast to the history of the English debt, the most important financial question now under discussion by the American people and the one of greatest interest, is not how the revenue can be realized for the reduction of the debt; but how the holders of the debt may be induced to surrender for payment the bonded indebtedness of the nation payable four and a half years hence at a premium of 8.40 per cent., or the other and larger indebtedness of the four per cents, payable in nineteen and a half years at a round premium of twenty-five per cent.

But a few days since, the highest officials of the General and of the State Governments assembled at your neighboring city of Philadelphia to celebrate the Centennial Anniversary of the framing and the promulgation of the Constitution, which, however, was not formally adopted until the year 1789. During this, less than a century, which may be said to be but a year in the life of a nation, many important financial events have been recorded.

Just previous to the Civil War in 1860, a loan of 21,000,000 5 per cent. bonds was authorized. Such bonds at that time were selling in the market at 5 per cent. premium, and the whole amount offered was subscribed for at par, or a small premium, but on account of the political complications which were impending just previous to the war, some of the subscribers failed to make good their subscriptions. Upon the recommendation of the Secretary, Congress authorized instead of bonds the issue of 10,000,000 of Treasury notes at 6 per cent. interest, or at the lowest rates possible. This amount of one-year notes was issued, about one-half of which were subscribed for at 10 per cent. interest, and the

To carry on this war large loans were made at 6 per cent. interest, and every kind of Treasury note that had heretofore been known was authorized, and new notes in almost every conceivable form were put in circulation, among which were the seven-thirty notes, one and two year notes, compound-interest notes, and fractional currency. About four years after the war had commenced, in August, 1865, the public debt amounted to $2,845,912,439; and included in this huge mountain of indebtedness, there were 1,-540,000,000 Treasury notes, either payable on demand or bearing interest, of which more than 1,000,000,000 were a legal tender. If temporary loans, payable in 30 days, and certificates of indebtedness, payable one year after date, should be included with Treasury notes, the whole would amount to considerably more than three-fifths of the $2,845,000,000 of the debt of the country. Of this debt there were 830,000,000 of legal-tender seven-thirty notes, 217,000,000 of compound-interest 6 per cent. legal-tender notes, 20,-000,000 of fractional currency, and 432,000,000 of demand legal-tender notes.

Under the administration of Secretary McCulloch chiefly, these large amounts of notes, and other different kinds of temporary loans, were funded into 6 per cent. bonds with such skill and sagacity as to command the admiration of financial men. Subsequently, under the administration of Secretary Sherman, the large 6 per cent. and 5 per cent. loans of the United States were refunded into 4 per cent. and 4½ per cent. bonds and by his successors into 3½ per cent. and 3 per cents, and these loans have since either been paid or reduced to the amount outstanding on the first of the present month, about $967,000,000, showing a reduction of about $1,500,000,000 in the total debt since 1865, and about $1,414,000,000 in the funded debt, and a reduction of the annual interest charge of $111,000,000.

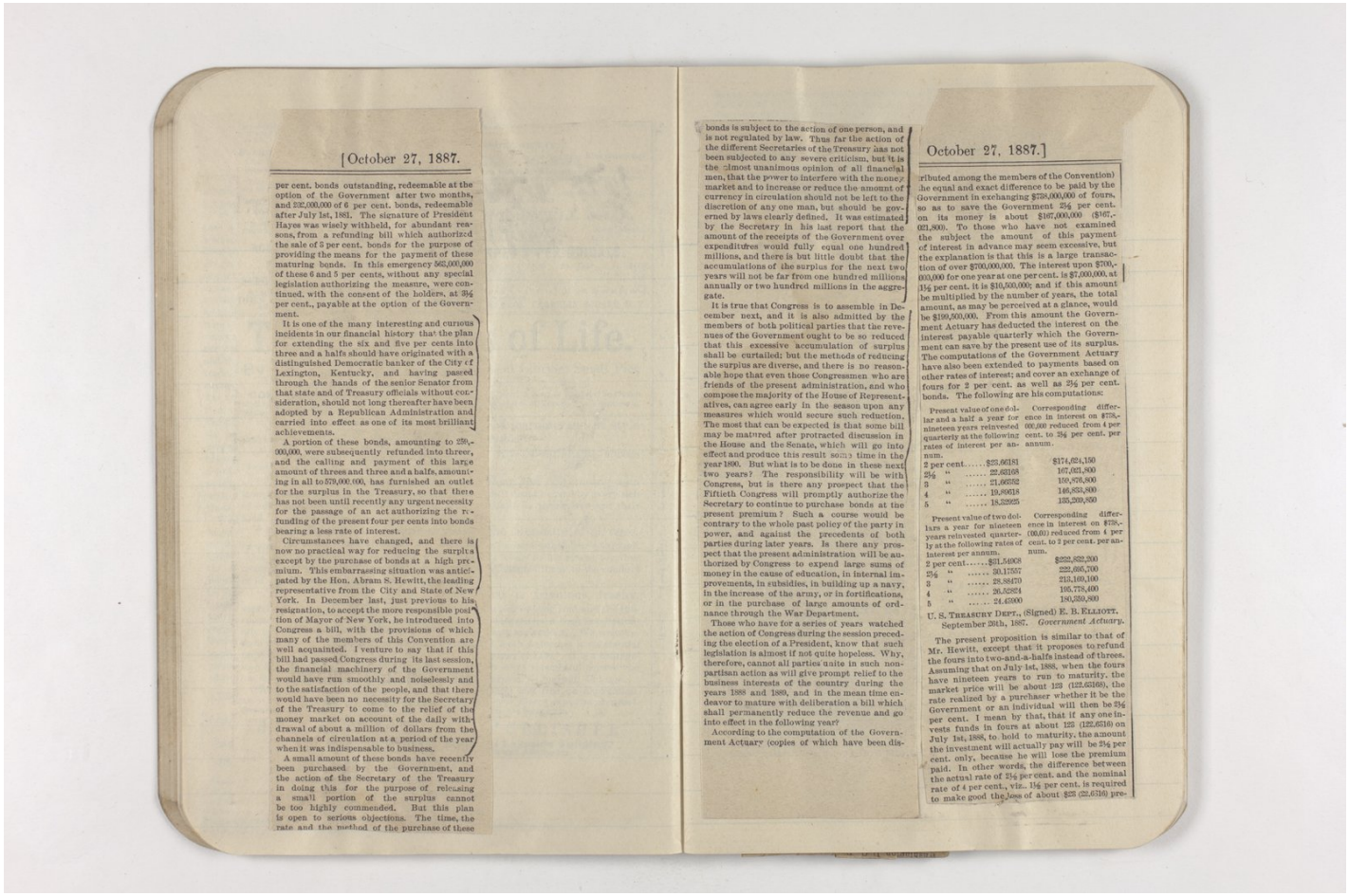
The present funded debt, properly so-called (and not including the Navy Pension fund of 14,-000,000 3 per cents., and the debt due from the Pacific Railroads), consists of 734,000,000 of 4½ per cents, payable three and a half years from July next, in 1891, and 733,000,000 of 4 per cents, payable nineteen years from July next, in 1907.

The Comptroller of the Currency in his report for 1882, recommended the refunding of these two loans into another bearing a lower rate of interest. This recommendation was repeated the following year.

A bill embodying provisions similar to those here suggested, was introduced in the Senate on January 14th, 1884, by Senator Aldrich of Rhode Island, and subsequently, during the same session, a somewhat similar bill was introduced in the House by Hon. Orlando B. Potter, a distinguished representative from New York City, and earnestly advocated by him during two sessions of Congress.

On March 1st, 1881, there were 400,000,000 of 5

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[October 27, 1887.

per cent. bonds outstanding, redeemable at the option of the Government after two months, and 232,000,000 of 6 per cent. bonds, redeemable after July 1st, 1881. The signature of President Hayes was wisely withheld, for abundant reasons, from a refunding bill which authorized the sale of 3 per cent. bonds for the purpose of providing the means for the payment of these maturing bonds. In this emergency $62,000,000 of these 6 and 5 per cents, without any special legislation authorizing the measure, were continued, with the consent of the holders, at 3½ per cent., payable at the option of the Government.

It is one of the many interesting and curious incidents in our financial history that the plan for extending the six and five per cents into three and a half's should have originated with a distinguished Democratic banker of the City of Lexington, Kentucky, and having passed through the hands of the senior Senator from that state and of Treasury officials without consideration, should not long thereafter have been adopted by a Republican Administration and carried into effect as one of its most brilliant achievements.

A portion of these bonds, amounting to 250,000,000, were subsequently refunded into three's, and the calling and payment of this large amount of three's and three and a half's, amounting in all to $79,000,000, has furnished an outlet for the surplus in the Treasury, so that there has not been until recently any urgent necessity for the passage of an act authorizing the refunding of the present four per cents into bonds bearing a less rate of interest.

Circumstances have changed, and there is now no practical way for reducing the surplus except by the purchase of bonds at a high premium. This embarrassing situation was anticipated by the Hon. Abram S. Hewitt, the leading representative from the City and State of New York. In December last, just previous to his resignation, to accept the more responsible position of Mayor of New York, he introduced into Congress a bill, with the provisions of which many of the members of this Convention are well acquainted. I venture to say that if this bill had passed Congress during its last session, the financial machinery of the Government would have run smoothly and noiselessly and to the satisfaction of the people, and that there would have been no necessity for the Secretary of the Treasury to come to the relief of the money market on account of the daily withdrawal of about a million of dollars from the channels of circulation at a period of the year when it was indispensable to business.

A small amount of these bonds have recently been purchased by the Government, and the action of the Secretary of the Treasury in doing this for the purpose of releasing a small portion of the surplus cannot be too highly commended. But this plan is open to serious objections. The time, the rate and the method of the purchase of these bonds is subject to the action of one person, and is not regulated by law. Thus far the action of the different Secretaries of the Treasury has not been subjected to any severe criticism, but it is the almost unanimous opinion of all financial men, that the power to interfere with the money market and to increase or reduce the amount of currency in circulation should not be left to the discretion of any one man, but should be governed by laws clearly defined. It was estimated by the Secretary in his last report that the amount of the receipts of the Government over expenditures would fully equal one hundred millions, and there is but little doubt that the accumulations of the surplus for the next two years will not be far from one hundred millions annually or two hundred millions in the aggregate.

It is true that Congress is to assemble in December next, and it is also admitted by the members of both political parties that the revenues of the Government ought to be so reduced that this excessive accumulation of surplus shall be curtailed; but the methods of reducing the surplus are diverse, and there is no reasonable hope that even those Congressmen who are friends of the present administration, and who compose the majority of the House of Representatives, can agree early in the season upon any measures which would secure such reduction. The most that can be expected is that some bill may be matured after protracted discussion in the House and the Senate, which will go into effect and produce this result some time in the year 1890. But what is to be done in these next two years? The responsibility will be with Congress, but is there any prospect that the Fiftieth Congress will promptly authorize the Secretary to continue to purchase bonds at the present premium? Such a course would be contrary to the whole past policy of the party in power, and against the precedents of both parties during later years. Is there any prospect that the present administration will be authorized by Congress to expend large sums of money in the cause of education, in internal improvements, in subsidies, in building up a navy, in the increase of the army, or in fortifications, or in the purchase of large amounts of ordnance through the War Department.

Those who have for a series of years watched the action of Congress during the session preceding the election of a President, know that such legislation is almost if not quite hopeless. Why, therefore, cannot all parties unite in such non-partisan action as will give prompt relief to the business interests of the country during the years 1888 and 1889, and in the mean time endeavor to mature with deliberation a bill which shall permanently reduce the revenue and go into effect in the following year?

According to the computation of the Government Actuary (copies of which have been distributed among the members of the Convention) the equal and exact difference to be paid by the Government in exchanging $738,000,000 of fours, so as to save the Government 2¼ per cent. on its money is about $167,000,000 ($167,021,800). To those who have not examined the subject the amount of this payment of interest in advance may seem excessive, but the explanation is that this is a large transaction of over $700,000,000. The interest upon $700,000,000 for one year at one per cent. is $7,000,000, at 1½ per cent. it is $10,500,000; and if this amount be multiplied by the number of years, the total amount, as may be perceived at a glance, would be $199,500,000. From this amount the Government Actuary has deducted the interest on the interest payable quarterly which the Government can save by the present use of its surplus. The computations of the Government Actuary have also been extended to payments based on other rates of interest; and cover an exchange of fours for 2 per cent. as well as 2¼ per cent. bonds. The following are his computations:

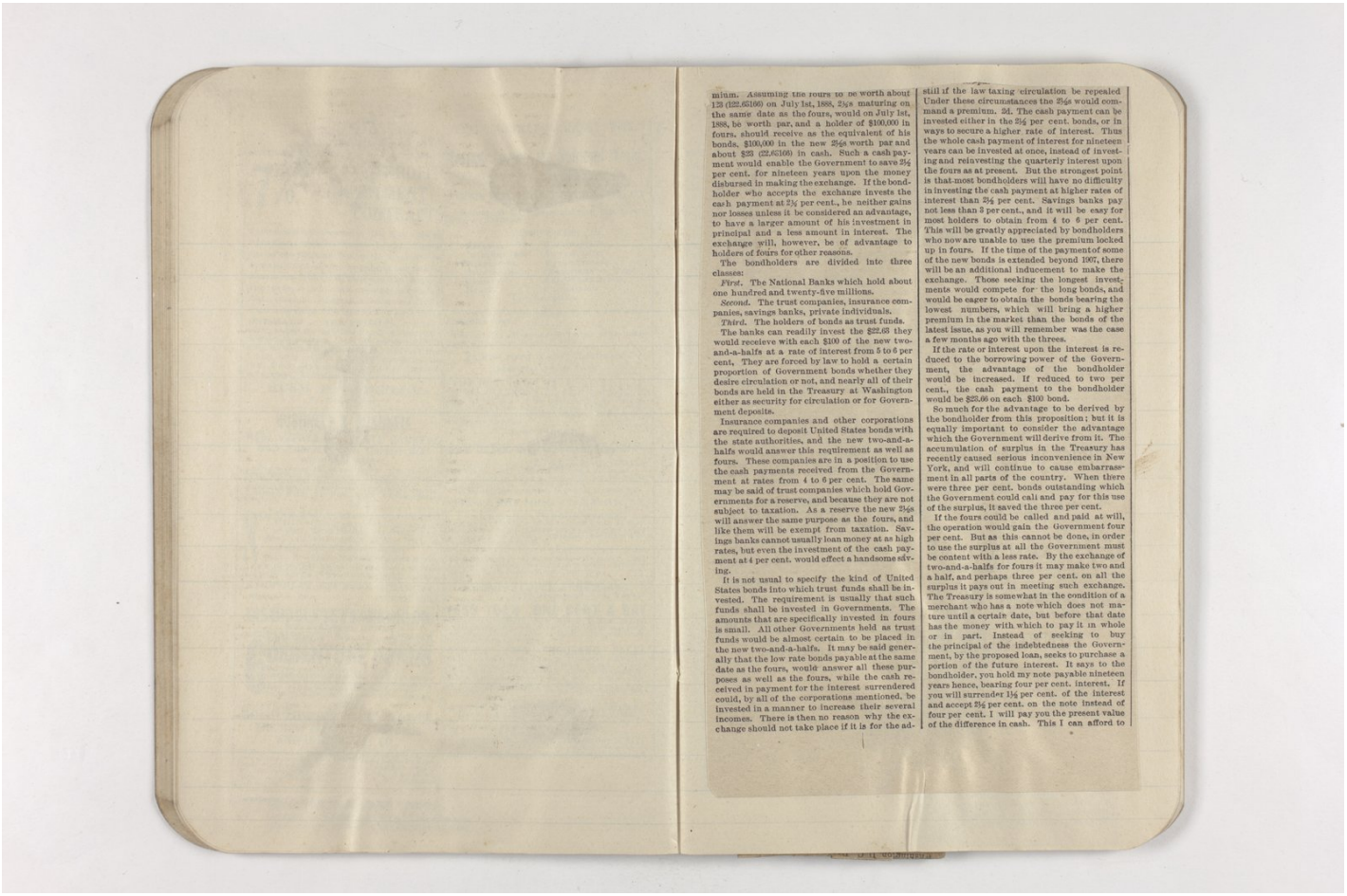
Present value of one dollar and a half a year for nineteen years reinvested quarterly at the following rates of interest per annum.	Corresponding difference in interest on $738,000,000 reduced from 4 per cent. to 2¼ per cent. per annum.
2 per cent..... $23.66181	$174,624,150
2¼ " 22.62168	167,021,800
3 " 21.66252	159,976,800
4 " 19.99018	146,952,800
5 " 18.52925	135,599,850

Present value of two dollars a year for nineteen years reinvested quarterly at the following rates of interest per annum.	Corresponding difference in interest on $738,000,000 reduced from 4 per cent. to 2 per cent. per annum.
2 per cent..... $31.54908	$232,832,200
2¼ " 30.17357	222,695,700
3 " 28.88470	213,160,100
4 " 26.62824	196,578,400
5 " 24.42000	180,250,800

U. S. TREASURY DEPT., (Signed) E. B. ELLIOTT.
September 29th, 1887. *Government Actuary.*

The present proposition is similar to that of Mr. Hewitt, except that it proposes to refund the fours into two-and-a-halfs instead of three's. Assuming that on July 1st, 1888, when the fours have nineteen years to run to maturity, the market price will be about 123 (123.65168), the rate realized by a purchaser whether it be the Government or an individual will then be 2¼ per cent. I mean by that, that if any one invests funds in fours at about 123 (122.6516) on July 1st, 1888, to hold to maturity, the amount the investment will actually pay will be 2¼ per cent. only, because he will lose the premium paid. In other words, the difference between the actual rate of 2¼ per cent. and the nominal rate of 4 per cent., viz., 1¼ per cent. is required to make good the loss of about $23 (22.6516) pre-

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mium. Assuming the fours to be worth about 123 (122.6516) on July 1st, 1888, 2½s maturing on the same date as the fours, would on July 1st, 1888, be worth par, and a holder of $100,000 in fours, should receive as the equivalent of his bonds, $100,000 in the new 2½s worth par and about $23 (22.6516) in cash. Such a cash payment would enable the Government to save 2½ per cent. for nineteen years upon the money disbursed in making the exchange. If the bondholder who accepts the exchange invests the cash payment at 2½ per cent., he neither gains nor losses unless it be considered an advantage, to have a larger amount of his investment in principal and a less amount in interest. The exchange will, however, be of advantage to holders of fours for other reasons.

The bondholders are divided into three classes:

First. The National Banks which hold about one hundred and twenty-five millions.

Second. The trust companies, insurance companies, savings banks, private individuals.

Third. The holders of bonds as trust funds.

The banks can readily invest the $22.65 they would receieve with each $100 of the new two-and-a-halfs at a rate of interest from 5 to 6 per cent, They are forced by law to hold a certain proportion of Government bonds whether they desire circulation or not, and nearly all of their bonds are held in the Treasury at Washington either as security for circulation or for Government deposits.

Insurance companies and other corporations are required to deposit United States bonds with the state authorities, and the new two-and-a-halfs would answer this requirement as well as fours. These companies are in a position to use the cash payments received from the Government at rates from 4 to 6 per cent. The same may be said of trust companies which hold Governments for a reserve, and because they are not subject to taxation. As a reserve the new 2½s will answer the same purpose as the fours, and like them will be exempt from taxation. Savings banks cannot usually loan money at as high rates, but even the investment of the cash payment at 4 per cent. would effect a handsome saving.

It is not usual to specify the kind of United States bonds into which trust funds shall be invested. The requirement is usually that such funds shall be invested in Governments. The amounts that are specifically invested in fours is small. All other Governments held as trust funds would be almost certain to be placed in the new two-and-a-halfs. It may be said generally that the low rate bonds payable at the same date as the fours, would answer all these purposes as well as the fours, while the cash received in payment for the interest surrendered could, by all of the corporations mentioned, be invested in a manner to increase their several incomes. There is then no reason why the exchange should not take place if it is for the advantage of the bondholder to receive the cash payment and invest it at a higher rate of interest.

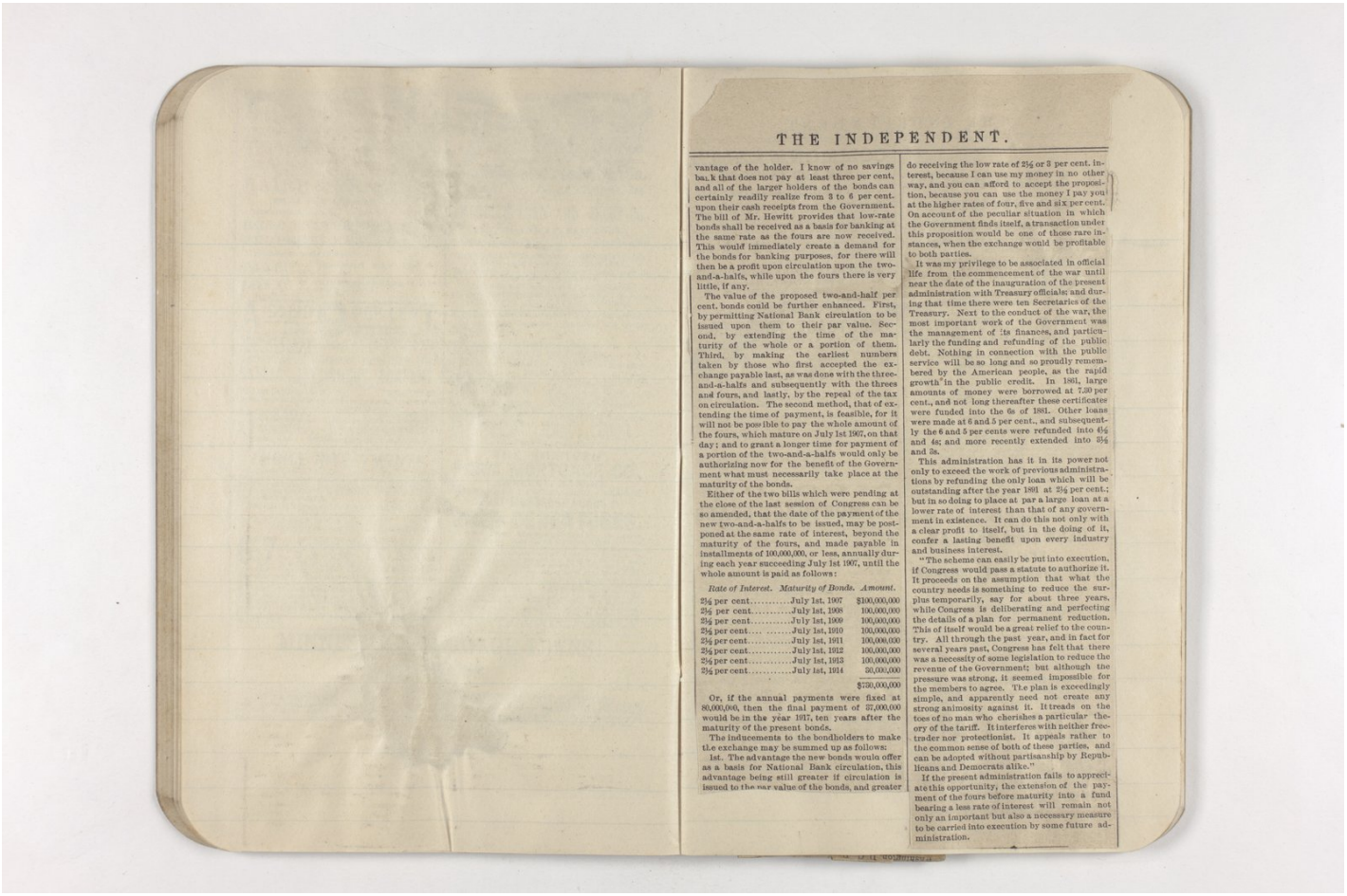
2d. The cash payment can be invested either in the 2½ per cent. bonds, or in ways to secure a higher rate of interest. Thus the whole cash payment of interest for nineteen years can be invested at once, instead of investing and reinvesting the quarterly interest upon the fours as at present. But the strongest point is that most bondholders will have no difficulty in investing the cash payment at higher rates of interest than 2½ per cent. Savings banks pay not less than 3 per cent., and it will be easy for most holders to obtain from 4 to 6 per cent. This will be greatly appreciated by bondholders who now are unable to use the premium locked up in fours. If the time of the payment of some of the new bonds is extended beyond 1907, there will be an additional inducement to make the exchange. Those seeking the longest investments would compete for the long bonds, and would be eager to obtain the bonds bearing the lowest numbers, which will bring a higher premium in the market than the bonds of the latest issue, as you will remember was the case a few months ago with the threes.

If the rate or interest upon the interest is reduced to the borrowing power of the Government, the advantage of the bondholder would be increased. If reduced to two per cent., the cash payment to the bondholder would be $25.66 on each $100 bond.

So much for the advantage to be derived by the bondholder from this proposition; but it is equally important to consider the advantage which the Government will derive from it. The accumulation of surplus in the Treasury has recently caused serious inconvenience in New York, and will continue to cause embarrassment in all parts of the country. When there were three per cent. bonds outstanding which the Government could call and pay for this use of the surplus, it saved the three per cent.

If the fours could be called and paid at will, the operation would gain the Government four per cent. But as this cannot be done, in order to use the surplus at all the Government must be content with a less rate. By the exchange of two-and-a-halfs for fours it may make two and a half, and perhaps three per cent. on all the surplus it pays out in meeting such exchange. The Treasury is somewhat in the condition of a merchant who has a note which does not mature until a certain date, but before that date has the money with which to pay it in whole or in part. Instead of seeking to buy the principal of the indebtedness the Government, by the proposed loan, seeks to purchase a portion of the future interest. It says to the bondholder, you hold my note payable nineteen years hence, bearing four per cent. interest. If you will surrender 1½ per cent. of the interest and accept 2½ per cent. on the note instead of four per cent. I will pay you the present value of the difference in cash. This I can afford to

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vantage of the holder. I know of no savings bank that does not pay at least three per cent, and all of the larger holders of the bonds can certainly readily realize from 3 to 6 per cent. upon their cash receipts from the Government. The bill of Mr. Hewitt provides that low-rate bonds shall be received as a basis for banking at the same rate as the fours are now received. This would immediately create a demand for the bonds for banking purposes, for there will then be a profit upon circulation upon the two-and-a-halfs, while upon the fours there is very little, if any.

The value of the proposed two-and-half per cent. bonds could be further enhanced. First, by permitting National Bank circulation to be issued upon them to their par value. Second, by extending the time of the maturity of the whole or a portion of them. Third, by making the earliest numbers taken by those who first accepted the exchange payable last, as was done with the three-and-a-halfs and subsequently with the threes and fours, and lastly, by the repeal of the tax on circulation. The second method, that of extending the time of payment, is feasible, for it will not be possible to pay the whole amount of the fours, which mature on July 1st 1907, on that day; and to grant a longer time for payment of a portion of the two-and-a-halfs would only be authorizing now for the benefit of the Government what must necessarily take place at the maturity of the bonds.

Either of the two bills which were pending at the close of the last session of Congress can be so amended, that the date of the payment of the new two-and-a-halfs to be issued, may be postponed at the same rate of interest, beyond the maturity of the fours, and made payable in installments of 100,000,000, or less, annually during each year succeeding July 1st 1907, until the whole amount is paid as follows:

Rate of Interest.	*Maturity of Bonds.*	*Amount.*
2½ per cent	July 1st, 1907	$100,000,000
2½ per cent	July 1st, 1908	100,000,000
2½ per cent	July 1st, 1909	100,000,000
2½ per cent	July 1st, 1910	100,000,000
2½ per cent	July 1st, 1911	100,000,000
2½ per cent	July 1st, 1912	100,000,000
2½ per cent	July 1st, 1913	100,000,000
2½ per cent	July 1st, 1914	50,000,000
		$750,000,000

Or, if the annual payments were fixed at 80,000,000, then the final payment of 37,000,000 would be in the year 1917, ten years after the maturity of the present bonds.

The inducements to the bondholders to make the exchange may be summed up as follows:

1st. The advantage the new bonds would offer as a basis for National Bank circulation, this advantage being still greater if circulation is issued to the par value of the bonds, and greater do receiving the low rate of 2½ or 3 per cent. interest, because I can use my money in no other way, and you can afford to accept the proposition, because you can use the money I pay you at the higher rates of four, five and six per cent. On account of the peculiar situation in which the Government finds itself, a transaction under this proposition would be one of those rare instances, when the exchange would be profitable to both parties.

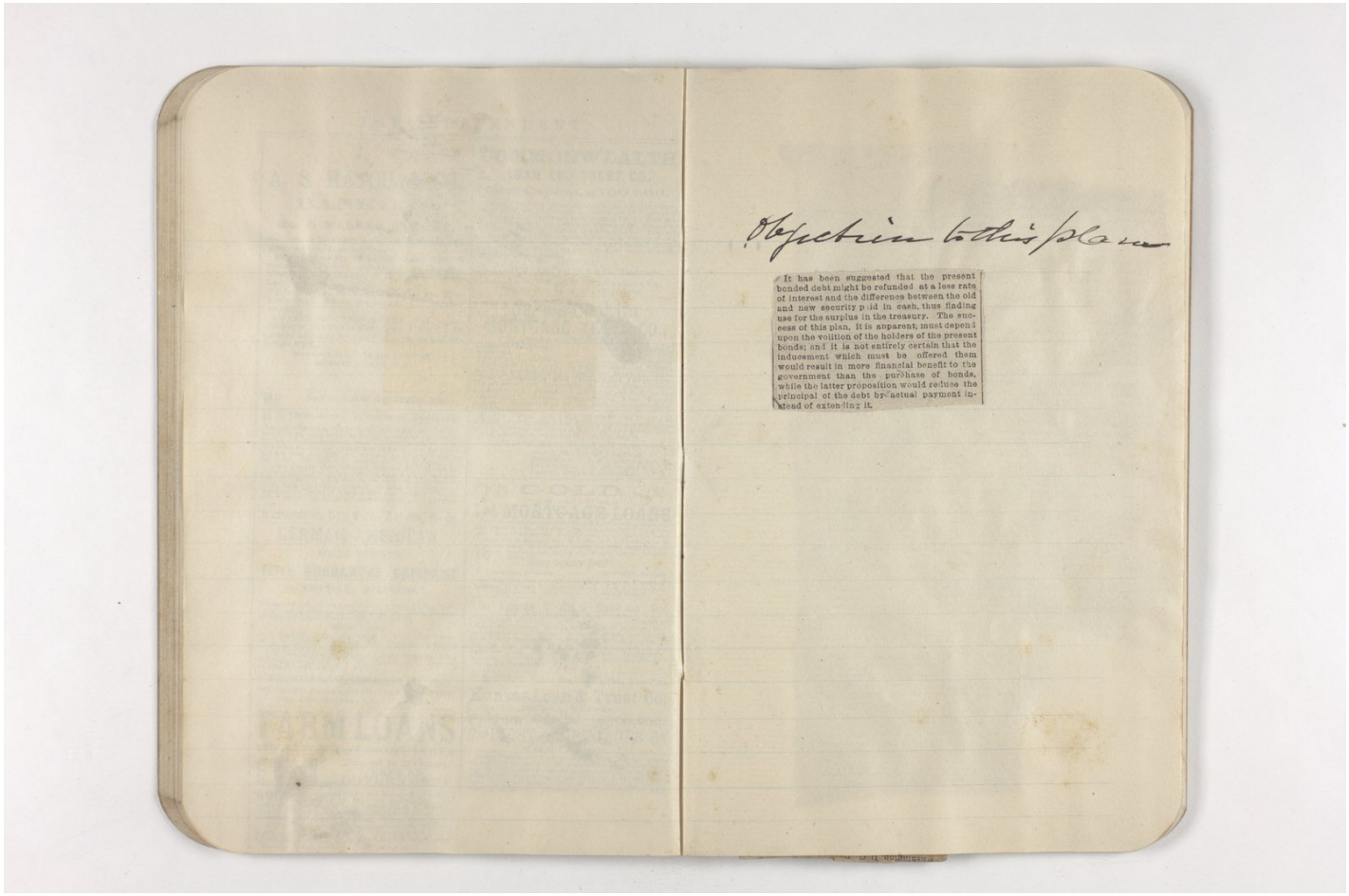
It was my privilege to be associated in official life from the commencement of the war until near the date of the inauguration of the present administration with Treasury officials; and during that time there were ten Secretaries of the Treasury. Next to the conduct of the war, the most important work of the Government was the management of its finances, and particularly the funding and refunding of the public debt. Nothing in connection with the public service will be so long and so proudly remembered by the American people, as the rapid growth in the public credit. In 1861, large amounts of money were borrowed at 7.30 per cent., and not long thereafter these certificates were funded into the 6s of 1881. Other loans were made at 6 and 5 per cent., and subsequently the 6 and 5 per cents were refunded into 4½s and 4s; and more recently extended into 2½s and 3s.

This administration has it in its power not only to exceed the work of previous administrations by refunding the only loan which will be outstanding after the year 1891 at 2½ per cent.; but in so doing to place at par a large loan at a lower rate of interest than that of any government in existence. It can do this not only with a clear profit to itself, but in the doing of it, confer a lasting benefit upon every industry and business interest.

"The scheme can easily be put into execution. If Congress would pass a statute to authorize it. It proceeds on the assumption that what the country needs is something to reduce the surplus temporarily, say for about three years, while Congress is deliberating and perfecting the details of a plan for permanent reduction. This of itself would be a great relief to the country. All through the past year, and in fact for several years past, Congress has felt that there was a necessity of some legislation to reduce the revenue of the Government; but although the pressure was strong, it seemed impossible for the members to agree. The plan is exceedingly simple, and apparently need not create any strong animosity against it. It treads on the toes of no man who cherishes a particular theory of the tariff. It interferes with neither free-trader nor protectionist. It appeals rather to the common sense of both of these parties, and can be adopted without partisanship by Republicans and Democrats alike."

If the present administration fails to appreciate this opportunity, the extension of the payment of the fours before maturity into a fund bearing a less rate of interest will remain not only an important but also a necessary measure to be carried into execution by some future administration.

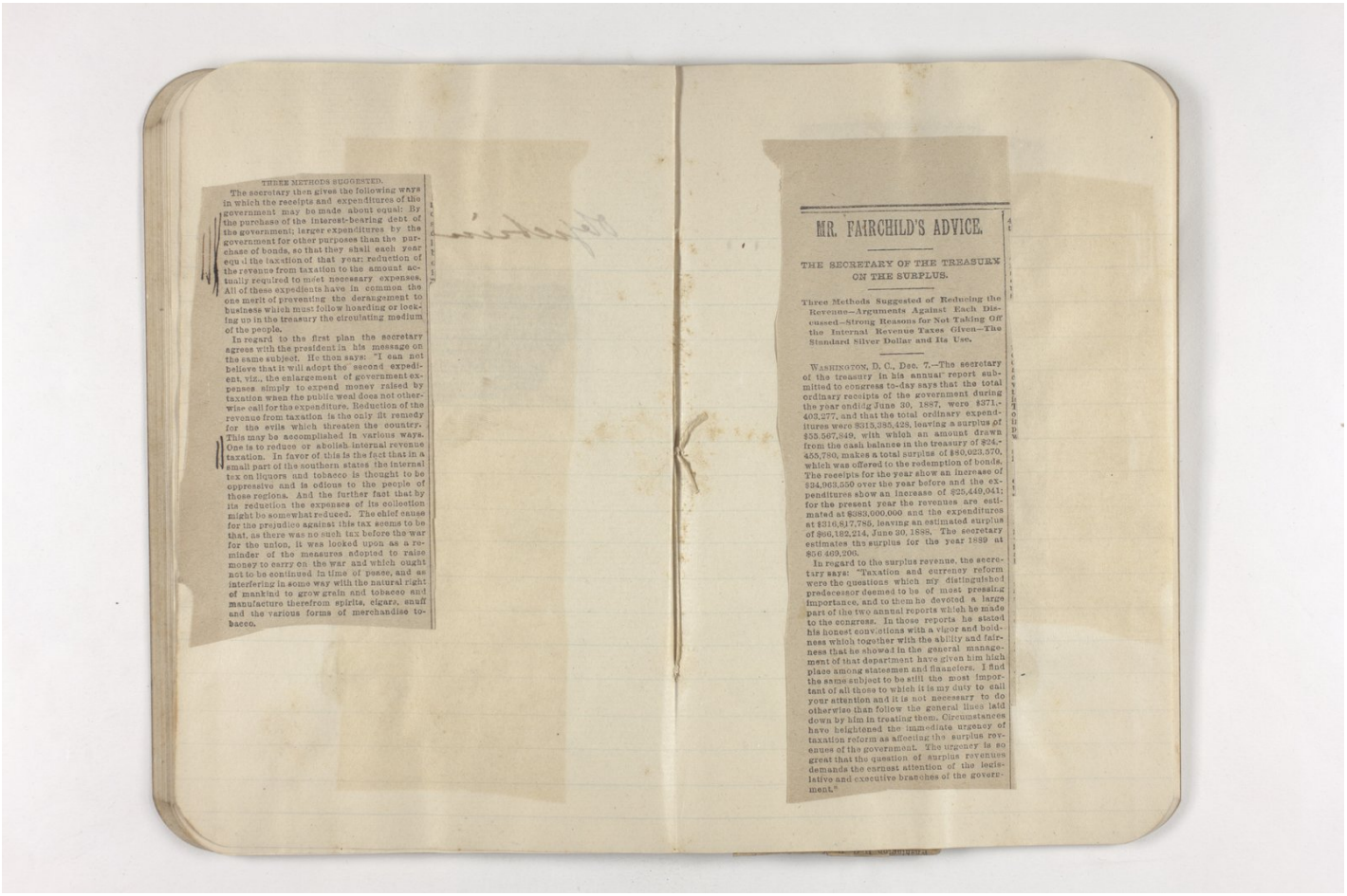
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Objection to this plan

It has been suggested that the present bonded debt might be refunded at a less rate of interest and the difference between the old and new security paid in cash, thus finding use for the surplus in the treasury. The success of this plan, it is apparent, must depend upon the volition of the holders of the present bonds; and it is not entirely certain that the inducement which must be offered them would result in more financial benefit to the government than the purchase of bonds, while the latter proposition would reduce the principal of the debt by actual payment instead of extending it.

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THREE METHODS SUGGESTED.

The secretary then gives the following ways in which the receipts and expenditures of the government may be made about equal: By the purchase of the interest-bearing debt of the government; larger expenditures by the government for other purposes than the purchase of bonds, so that they shall each year equal the taxation of that year; reduction of the revenue from taxation to the amount actually required to meet necessary expenses. All of these expedients have in common the one merit of preventing the derangement to business which must follow hoarding or locking up in the treasury the circulating medium of the people.

In regard to the first plan the secretary agrees with the president in his message on the same subject. He then says: "I can not believe that it will adopt the second expedient, viz., the enlargement of government expenses simply to expend money raised by taxation when the public weal does not otherwise call for the expenditure. Reduction of the revenue from taxation is the only fit remedy for the evils which threaten the country. This may be accomplished in various ways. One is to reduce or abolish internal revenue taxation. In favor of this is the fact that in a small part of the southern states the internal tax on liquors and tobacco is thought to be oppressive and is odious to the people of those regions. And the further fact that by its reduction the expenses of its collection might be somewhat reduced. The chief cause for the prejudice against this tax seems to be that, as there was no such tax before the war for the union, it was looked upon as a reminder of the measures adopted to raise money to carry on the war and which ought not to be continued in time of peace, and as interfering in some way with the natural right of mankind to grow grain and tobacco and manufacture therefrom spirits, cigars, snuff and the various forms of merchandise tobacco.

MR. FAIRCHILD'S ADVICE.

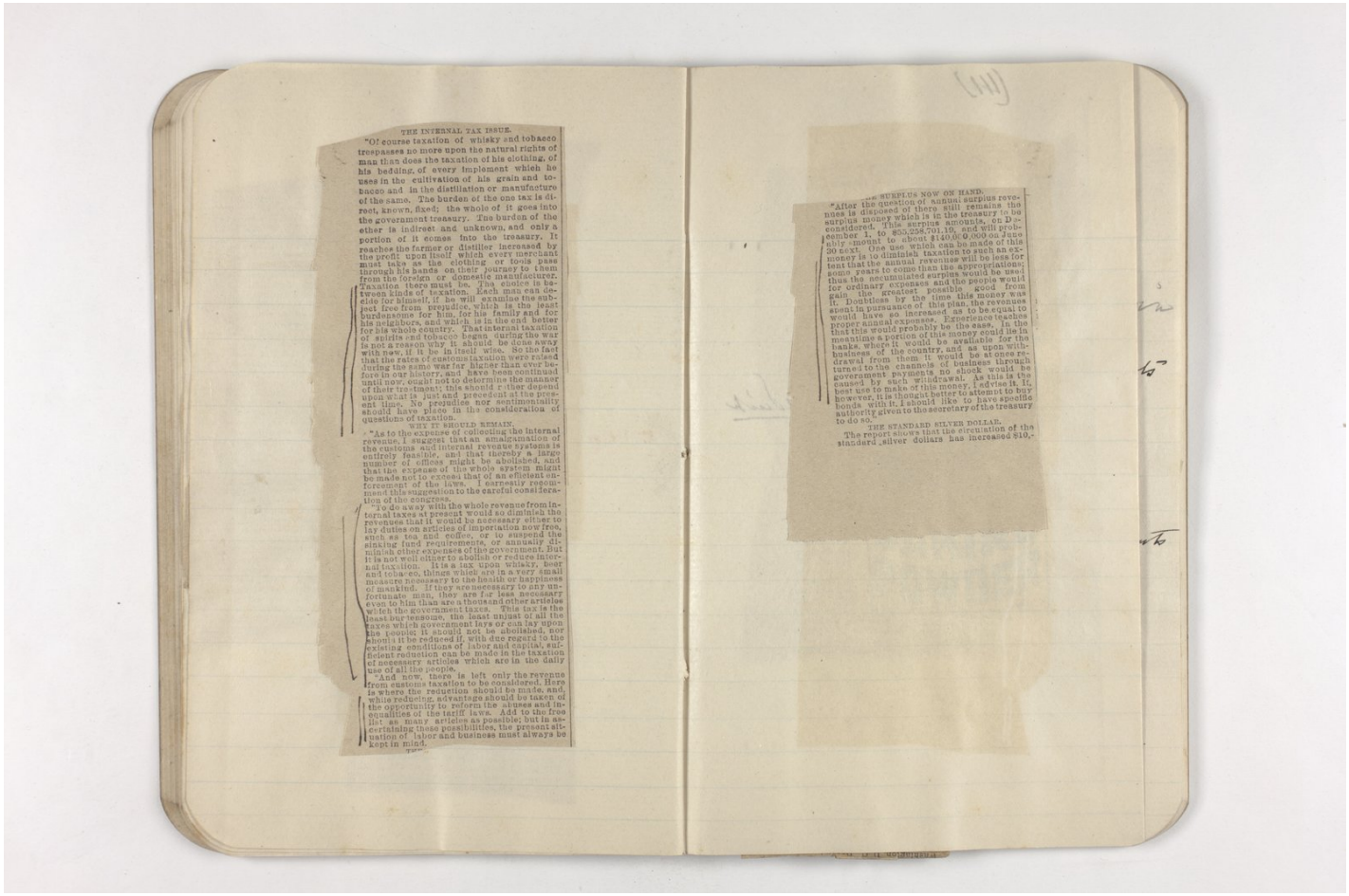
THE SECRETARY OF THE TREASURY ON THE SURPLUS.

Three Methods Suggested of Reducing the Revenue—Arguments Against Each Discussed—Strong Reasons for Not Taking Off the Internal Revenue Taxes Given—The Standard Silver Dollar and Its Use.

WASHINGTON, D. C., Dec. 7.—The secretary of the treasury in his annual report submitted to congress to-day says that the total ordinary receipts of the government during the year ending June 30, 1887, were $371,403,277, and that the total ordinary expenditures were $313,385,428, leaving a surplus of $58,567,849, with which an amount drawn from the cash balance in the treasury of $24,455,780, makes a total surplus of $80,023,570, which was offered to the redemption of bonds. The receipts for the year show an increase of $24,963,550 over the year before and the expenditures show an increase of $26,449,041; for the present year the revenues are estimated at $323,500,000 and the expenditures at $316,817,785, leaving an estimated surplus of $66,182,214, June 30, 1888. The secretary estimates the surplus for the year 1889 at $56,469,596.

In regard to the surplus revenue, the secretary says: "Taxation and currency reform were the questions which my distinguished predecessor deemed to be of most pressing importance, and to them he devoted a large part of the two annual reports which he made to the congress. In those reports he stated his honest convictions with a vigor and boldness which together with the ability and fairness that he showed in the general management of that department have given him high place among statesmen and financiers. I find the same subject to be still the most important of all those to which it is my duty to call your attention and it is not necessary to do otherwise than follow the general lines laid down by him in treating them. Circumstances have heightened the immediate urgency of taxation reform as affecting the surplus revenues of the government. The urgency is so great that the question of surplus revenues demands the earnest attention of the legislative and executive branches of the government."

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THE INTERNAL TAX ISSUE.

"Of course taxation of whisky and tobacco trespasses no more upon the natural rights of man than does the taxation of his clothing, of his bedding, of every implement which he uses in the cultivation of his grain and tobacco and in the distillation or manufacture of the same. The burden of the one tax is direct, known, fixed; the whole of it goes into the government treasury. The burden of the other is indirect and unknown, and only a portion of it comes into the treasury. It reaches the farmer or distiller increased by the profit upon itself which every merchant must take as the clothing or tools pass through his hands on their journey to them from the foreign or domestic manufacturer. Taxation there must be. The choice is between kinds of taxation. Each man can decide for himself, if he will examine the subject free from prejudice, which is the least burdensome for him, for his family and for his neighbors, and which is in the end better for his whole country. That internal taxation of spirits and tobacco begun during the war is not a reason why it should be done away with now, if it be in itself wise. So the fact that the rates of customs taxation were raised during the same war far higher than ever before in our history, and have been continued until now, ought not to determine the manner of their treatment; this should rather depend upon what is just and precedent at the present time. No prejudice nor sentimentality should have place in the consideration of questions of taxation.

WHY IT SHOULD REMAIN.

"As to the expense of collecting the internal revenue, I suggest that an amalgamation of the customs and internal revenue systems is entirely feasible, and that thereby a large number of offices might be abolished, and that the expense of the whole system might be made not to exceed that of an efficient enforcement of the laws. I earnestly recommend this suggestion to the careful consideration of the congress.

"To do away with the whole revenue from internal taxes at present would so diminish the revenues that it would be necessary either to lay duties on articles of importation now free, such as tea and coffee, or to suspend the sinking fund requirements, or annually diminish other expenses of the government. But it is not well either to abolish or reduce internal taxation. It is a tax upon whisky, beer and tobacco, things which are in a very small measure necessary to the health or happiness of mankind. If they are necessary to any unfortunate man, they are far less necessary even to him than are a thousand other articles which the government taxes. This tax is the least burdensome, the least unjust of all the taxes which government lays or can lay upon the people; it should not be abolished, nor should it be reduced if, with due regard to the existing conditions of labor and capital, sufficient reduction can be made in the taxation of necessary articles which are in the daily use of all the people.

"And now, there is left only the revenue from customs taxation to be considered. Here is where the reduction should be made, and, while reducing, advantage should be taken of the opportunity to reform the abuses and inequalities of the tariff laws. Add to the free list as many articles as possible; but in ascertaining these possibilities, the present situation of labor and business must always be kept in mind.

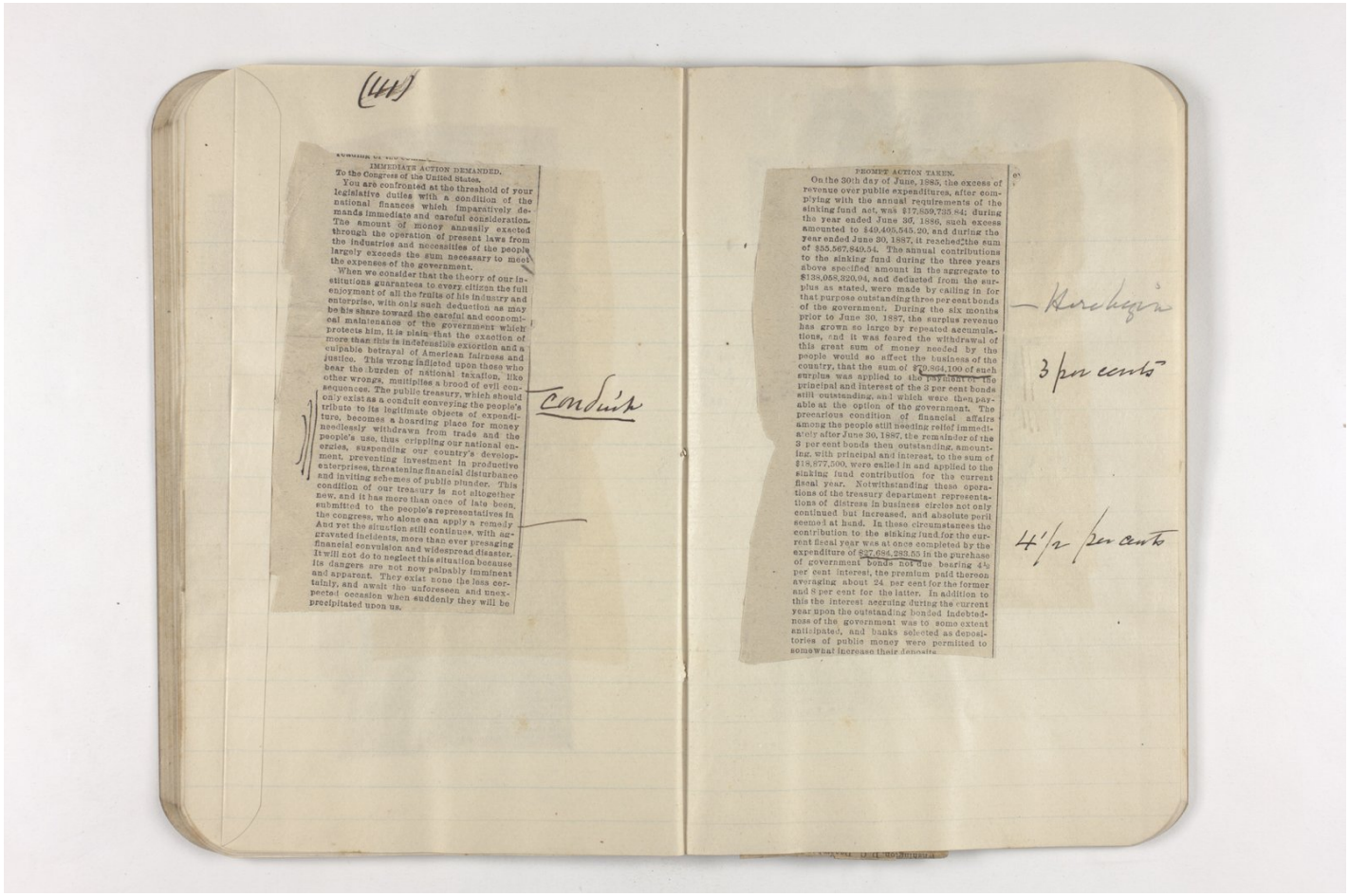
...S SURPLUS NOW ON HAND.

"After the question of annual surplus revenues is disposed of there still remains the surplus money which is in the treasury to be considered. This surplus amounts, on December 1, to $55,258,701.10, and will probably amount to about $140,000,000 on June 30 next. One use which can be made of this money is to diminish taxation to such an extent that the annual revenues will be less for some years to come than the appropriations; thus the accumulated surplus would be used for ordinary expenses and the people would gain the greatest possible good from it. Doubtless by the time this money was spent in pursuance of this plan, the revenues would have so increased as to be equal to proper annual expenses. Experience teaches that this would probably be the case. In the meantime a portion of this money could lie in banks, where it would be available for the business of the country, and as upon withdrawal from them it would be at once returned to the channels of business through government payments no shock would be caused by such withdrawal. As this is the best use to make of this money, I advise it. If, however, it is thought better to attempt to buy bonds with it, I should like to have specific authority given to the secretary of the treasury to do so."

THE STANDARD SILVER DOLLAR.

The report shows that the circulation of the standard silver dollars has increased $10,-

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IMMEDIATE ACTION DEMANDED.

To the Congress of the United States.

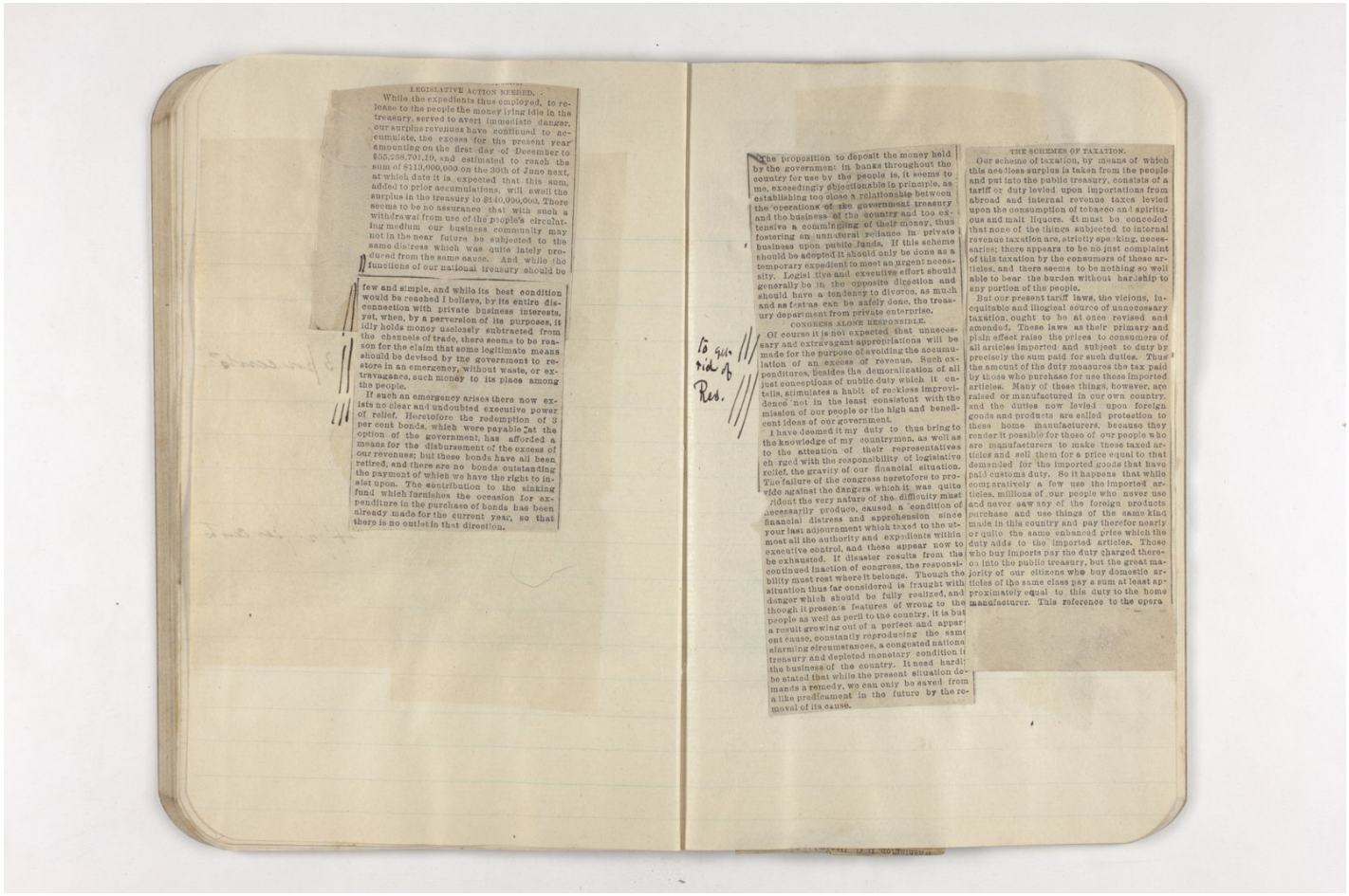
You are confronted at the threshold of your legislative duties with a condition of the national finances which imparatively demands immediate and careful consideration. The amount of money annually exacted through the operation of present laws from the industries and necessities of the people largely exceeds the sum necessary to meet the expenses of the government.

When we consider that the theory of our institutions guarantees to every citizen the full enjoyment of all the fruits of his industry and enterprise, with only such deduction as may be his share toward the careful and economical maintenance of the government which protects him, it is plain that the exaction of more than this is indefensible extortion and a culpable betrayal of American fairness and justice. This wrong inflicted upon those who bear the burden of national taxation, like other wrongs, multiplies a brood of evil consequences. The public treasury, which should only exist as a conduit conveying the people's tribute to its legitimate objects of expenditure, becomes a hoarding place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies, suspending our country's development, preventing investment in productive enterprises, threatening financial disturbance and inviting schemes of public plunder. This condition of our treasury is not altogether new, and it has more than once of late been submitted to the people's representatives in the congress, who alone can apply a remedy. And yet the situation still continues, with aggravated incidents, more than ever presaging financial convulsion and widespread disaster. It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist none the less certainly, and await the unforeseen and unexpected occasion when suddenly they will be precipitated upon us.

PROMPT ACTION TAKEN.

On the 30th day of June, 1883, the excess of revenue over public expenditures, after complying with the annual requirements of the sinking fund act, was $17,839,735 84; during the year ended June 30, 1886, such excess amounted to $49,405,545.20, and during the year ended June 30, 1887, it reached the sum of $55,567,840.54. The annual contributions to the sinking fund during the three years above specified amount in the aggregate to $138,058,320.94, and deducted from the surplus as stated, were made by calling in for that purpose outstanding three per cent bonds of the government. During the six months prior to June 30, 1887, the surplus revenue has grown so large by repeated accumulations, and it was feared the withdrawal of this great sum of money needed by the people would so affect the business of the country, that the sum of $70,864,100 of such surplus was applied to the payment of the principal and interest of the 3 per cent bonds still outstanding, and which were then payable at the option of the government. The precarious condition of financial affairs among the people still needing relief immediately after June 30, 1887, the remainder of the 3 per cent bonds then outstanding, amounting, with principal and interest, to the sum of $18,877,500, were called in and applied to the sinking fund contribution for the current fiscal year. Notwithstanding these operations of the treasury department representations of distress in business circles not only continued but increased, and absolute peril seemed at hand. In these circumstances the contribution to the sinking fund for the current fiscal year was at once completed by the expenditure of $37,684,283.55 in the purchase of government bonds not due bearing 4½ per cent interest, the premium paid thereon averaging about 24 per cent for the former and 8 per cent for the latter. In addition to this the interest accruing during the current year upon the outstanding bonded indebtedness of the government was to some extent anticipated, and banks selected as depositories of public money were permitted to somewhat increase their deposits

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LEGISLATIVE ACTION NEEDED.

While the expedients thus employed, to release to the people the money lying idle in the treasury, served to avert immediate danger, our surplus revenues have continued to accumulate, the excess for the present year amounting on the first day of December to $55,558,701.19, and estimated to reach the sum of $113,000,000 on the 30th of June next, at which date it is expected that this sum, added to prior accumulations, will swell the surplus in the treasury to $140,000,000. There seems to be no assurance that with such a withdrawal from use of the people's circulating medium our business community may not in the near future be subjected to the same distress which was quite lately produced from the same cause. And while the functions of our national treasury should be few and simple, and while its best condition would be reached I believe, by its entire disconnection with private business interests, yet, when, by a perversion of its purposes, it idly holds money uselessly subtracted from the channels of trade, there seems to be reason for the claim that some legitimate means should be devised by the government to restore in an emergency, without waste, or extravagance, such money to its place among the people.

If such an emergency arises there now exists no clear and undoubted executive power of relief. Heretofore the redemption of 3 per cent bonds, which were payable at the option of the government, has afforded a means for the disbursement of the excess of our revenues; but these bonds have all been retired, and there are no bonds outstanding the payment of which we have the right to insist upon. The contribution to the sinking fund which furnishes the occasion for expenditure in the purchase of bonds has been already made for the current year, so that there is no outlet in that direction.

The proposition to deposit the money held by the government in banks throughout the country for use by the people is, it seems to me, exceedingly objectionable in principle, as establishing too close a relationship between the operations of the government treasury and the business of the country and too extensive a commingling of their money, thus fostering an unnatural reliance in private business upon public funds. If this scheme should be adopted it should only be done as a temporary expedient to meet an urgent necessity. Legislative and executive effort should generally be in the opposite direction and should have a tendency to divorce, as much and as fast as can be safely done, the treasury department from private enterprise.

To get rid of Res.

CONGRESS ALONE RESPONSIBLE.

Of course it is not expected that unnecessary and extravagant appropriations will be made for the purpose of avoiding the accumulation of an excess of revenue. Such expenditures, besides the demoralization of all just conceptions of public duty which it entails, stimulates a habit of reckless improvidence not in the least consistent with the mission of our people or the high and benevolent ideas of our government.

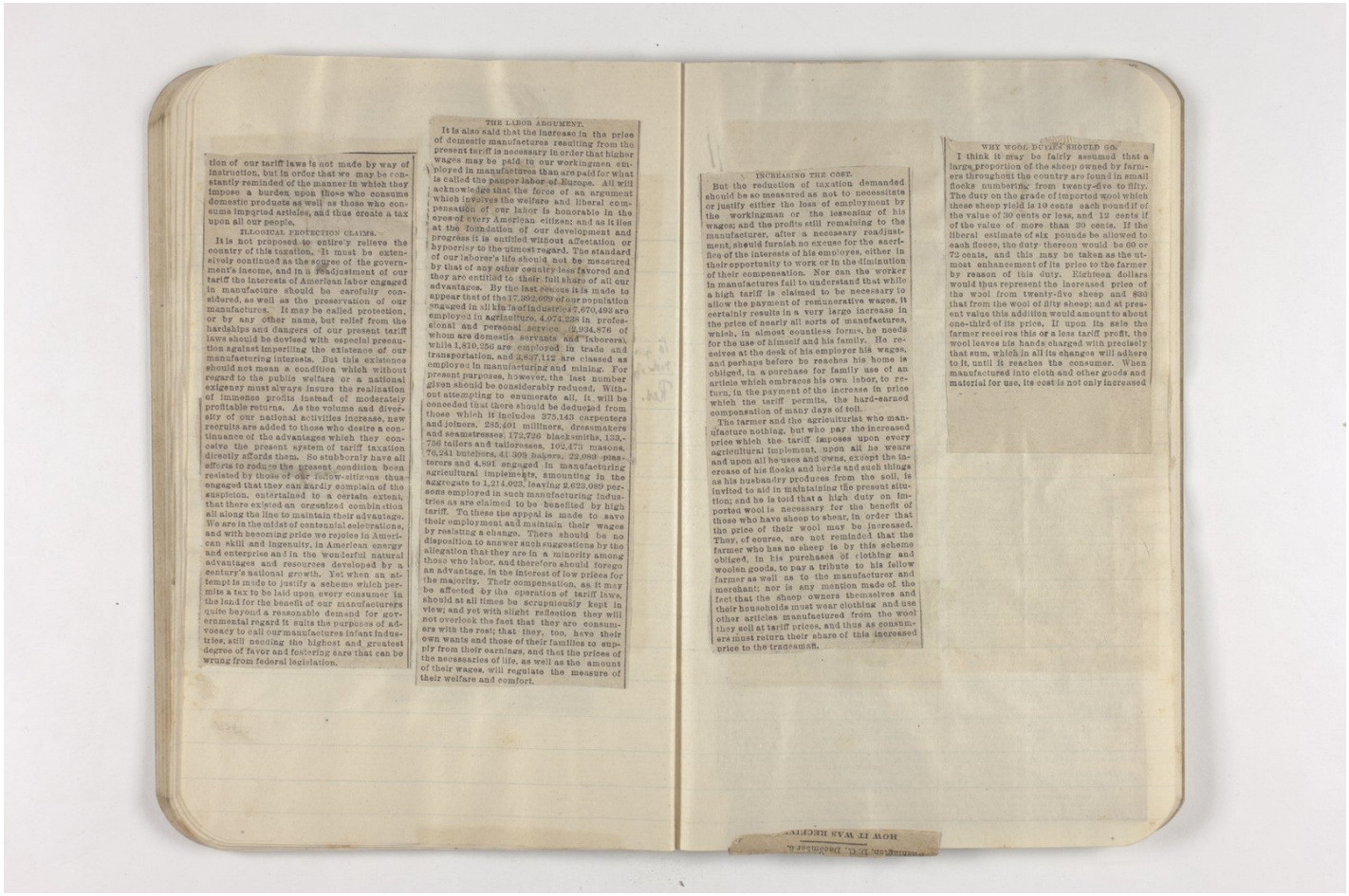
I have deemed it my duty to thus bring to the knowledge of my countrymen, as well as to the attention of their representatives charged with the responsibility of legislative relief, the gravity of our financial situation. The failure of the congress heretofore to provide against the dangers which it was quite evident the very nature of the difficulty must necessarily produce, caused a condition of financial distress and apprehension since your last adjournment which taxed to the utmost all the authority and expedients within executive control, and these appear now to be exhausted. If disaster results from the continued inaction of congress, the responsibility must rest where it belongs. Though the situation thus far considered is fraught with danger which should be fully realized, and though it presents features of wrong to the people as well as peril to the country, it is but a result growing out of a perfect and apparent cause, constantly reproducing the same alarming circumstances, a congested national treasury and depleted monetary condition in the business of the country. It need hardly be stated that while the present situation demands a remedy, we can only be saved from a like predicament in the future by the removal of its cause.

THE SCHEMES OF TAXATION.

Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public treasury, consists of a tariff or duty levied upon importations from abroad and internal revenue taxes levied upon the consumption of tobacco and spirituous and malt liquors. It must be conceded that none of the things subjected to internal revenue taxation are, strictly speaking, necessaries; there appears to be no just complaint of this taxation by the consumers of these articles, and there seems to be nothing so well able to bear the burden without hardship to any portion of the people.

But our present tariff laws, the vicious, inequitable and illogical source of unnecessary taxation, ought to be at once revised and amended. These laws as their primary and plain effect raise the prices to consumers of all articles imported and subject to duty by precisely the sum paid for such duties. Thus the amount of the duty measures the tax paid by those who purchase for use these imported articles. Many of these things, however, are raised or manufactured in our own country, and the duties now levied upon foreign goods and products are called protection to these home manufacturers, because they render it possible for those of our people who are manufacturers to make these taxed articles and sell them for a price equal to that demanded for the imported goods that have paid customs duty. So it happens that while comparatively a few use the imported articles, millions of our people who never use and never saw any of the foreign products purchase and use things of the same kind made in this country and pay therefor nearly or quite the same enhanced price which the duty adds to the imported articles. Those who buy imports pay the duty charged thereon into the public treasury, but the great majority of our citizens who buy domestic articles of the same class pay a sum at least approximately equal to this duty to the home manufacturer. This reference to the opera

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tion of our tariff laws is not made by way of instruction, but in order that we may be constantly reminded of the manner in which they impose a burden upon those who consume domestic products as well as those who consume imported articles, and thus create a tax upon all our people.

ILLOGICAL PROTECTION CLAIMS.

It is not proposed to entirely relieve the country of this taxation. It must be extensively continued as the source of the government's income, and in a readjustment of our tariff the interests of American labor engaged in manufacture should be carefully considered, as well as the preservation of our manufactures. It may be called protection, or by any other name, but relief from the hardships and dangers of our present tariff laws should be devised with especial precaution against imperiling the existence of our manufacturing interests. But this existence should not mean a condition which without regard to the public welfare or a national exigency must always insure the realization of immense profits instead of moderately profitable returns. As the volume and diversity of our national activities increase, new recruits are added to those who desire a continuance of the advantages which they conceive the present system of tariff taxation directly affords them. So stubbornly have all efforts to reduce the present condition been resisted by those of our fellow-citizens thus engaged that they can hardly complain of the suspicion, entertained to a certain extent, that there existed an organized combination all along the line to maintain their advantage. We are in the midst of centennial celebrations, and with becoming pride we rejoice in American skill and ingenuity, in American energy and enterprise and in the wonderful natural advantages and resources developed by a century's national growth. Yet when an attempt is made to justify a scheme which permits a tax to be laid upon every consumer in the land for the benefit of our manufacturers quite beyond a reasonable demand for governmental regard it suits the purposes of advocacy to call our manufactures infant industries, still needing the highest and greatest degree of favor and fostering care that can be wrung from federal legislation.

THE LABOR ARGUMENT.

It is also said that the increase in the price of domestic manufactures resulting from the present tariff is necessary in order that higher wages may be paid to our workingmen employed in manufactures than are paid for what is called the pauper labor of Europe. All will acknowledge that the force of an argument which involves the welfare and liberal compensation of our labor is honorable in the eyes of every American citizen; and as it lies at the foundation of our development and progress it is entitled without affectation or hypocrisy to the utmost regard. The standard of our laborer's life should not be measured by that of any other country less favored and they are entitled to their full share of all our advantages. By the last census it is made to appear that of the 17,392,099 of our population engaged in all kinds of industries 4,074,238 are employed in agriculture, 4,074,238 in professional and personal service, 2,934,876 of whom are domestic servants and laborers, while 1,810,256 are employed in trade and transportation, and 3,897,112 are classed as employes in manufacturing and mining. For present purposes, however, the last number given should be considerably reduced. Without attempting to enumerate all, it will be conceded that there should be deducted from those which it includes 375,143 carpenters and joiners, 285,401 milliners, dressmakers and seamstresses, 172,726 blacksmiths, 133,756 tailors and tailoresses, 102,473 masons, 70,241 butchers, 41,309 bakers, 22,083 plasterers and 4,891 engaged in manufacturing agricultural implements, amounting in the aggregate to 1,214,923, leaving 2,622,089 persons employed in such manufacturing industries as are claimed to be benefited by high tariff. To these the appeal is made to save their employment and maintain their wages by resisting a change. There should be no disposition to answer such suggestions by the allegation that they are in a minority among those who labor, and therefore should forego an advantage, in the interest of low prices for the majority. Their compensation, as it may be affected by the operation of tariff laws, should at all times be scrupulously kept in view; and yet with slight reflection they will not overlook the fact that they are consumers with the rest; that they, too, have their own wants and those of their families to supply from their earnings, and that the prices of the necessaries of life, as well as the amount of their wages, will regulate the measure of their welfare and comfort.

INCREASING THE COST.

But the reduction of taxation demanded should be so measured as not to necessitate or justify either the loss of employment by the workingman or the lessening of his wages; and the profits still remaining to the manufacturer, after a necessary readjustment, should furnish no excuse for the sacrifice of the interests of his employes, either in their opportunity to work or in the diminution of their compensation. Nor can the worker in manufactures fail to understand that while a high tariff is claimed to be necessary to allow the payment of remunerative wages, it certainly results in a very large increase in the price of nearly all sorts of manufactures, which, in almost countless forms, he needs for the use of himself and his family. He receives at the desk of his employer his wages, and perhaps before he reaches his home is obliged, in a purchase for family use of an article which embraces his own labor, to return, in the payment of the increase in price which the tariff permits, the hard-earned compensation of many days of toil.

The farmer and the agriculturist who manufacture nothing, but who pay the increased price which the tariff imposes upon every agricultural implement, upon all he wears and upon all he uses and owns, except the increase of his flocks and herds and such things as his husbandry produces from the soil, is invited to aid in maintaining the present situation; and he is told that a high duty on imported wool is necessary for the benefit of those who have sheep to shear, in order that the price of their wool may be increased. They, of course, are not reminded that the farmer who has no sheep is by this scheme obliged, in his purchases of clothing and woolen goods, to pay a tribute to his fellow farmer as well as to the manufacturer and merchant; nor is any mention made of the fact that the sheep owners themselves and their households must wear clothing and use other articles manufactured from the wool they sell at tariff prices, and thus as consumers must return their share of this increased price to the tradesman.

WHY WOOL DUTIES SHOULD GO.

I think it may be fairly assumed that a large proportion of the sheep owned by farmers throughout the country are found in small flocks numbering from twenty-five to fifty. The duty on the grade of imported wool which these sheep yield is 10 cents each pound if of the value of 30 cents or less, and 12 cents if of the value of more than 30 cents. If the liberal estimate of six pounds be allowed to each fleece, the duty thereon would be 60 or 72 cents, and this may be taken as the utmost enhancement of its price to the farmer by reason of this duty. Eighteen dollars would thus represent the increased price of the wool from twenty-five sheep and $30 that from the wool of fifty sheep; and at present value this addition would amount to about one-third of its price. If upon its sale the farmer receives this or a less tariff profit, the wool leaves his hands charged with precisely that sum, which in all its changes will adhere to it, until it reaches the consumer. When manufactured into cloth and other goods and material for use, its cost is not only increased