

PUBLISHED WEEKLY

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National Finance.

ABSTRACT OF THE ANNUAL TREASURY REPORT.

The Secretary of the Treasury has the honor to lay before Congress the following Report, comprehending,—I. A cursory review of the financial operations of the government in reference to the recent state of war. II. A view of the finances for 1815, with estimates of the public revenue and expenditure for 1816. III. Proposals for the improvement & management of the revenue and for the support of public credit.

I. *A cursory view of the financial operations of government, in reference to the recent state of war.*

In order to introduce to the consideration of Congress with advantage, the measures which will be respectfully suggested, for replacing the finances of the United States upon the basis of a peace establishment, a review of the financial operations of the government, in reference to the recent state of war, appears to be a necessary preliminary.

The restrictive system, which commenced in the year 1807, greatly diminished the product of the public revenue; but it was not until the crisis involved an actual declaration of war, that the augmentation in the expenses of the government became obvious and important. With the occasional aid of temporary loans, the ordinary receipts of the Treasury had exceeded the ordinary expenditures, even during the period of a suspended commerce; and a report from this department, presenting the estimates for the year 1812, seems to have given the first intimation that the portion of extraordinary expenses to be incurred for the military and naval service, on account of the then existing state of the country, would raise the demands upon the treasury to a considerable amount beyond the estimated product of the current revenue. The ordinary disbursements for the year ending on the 30th Sept. 1811, were stated at \$13,052,637 73, and the ordinary receipts for the same year, at \$13,541,446 37 cts. independent of a temporary loan (raised in 1810 and repaid in 1811) as well of the balances in the treasury at the commencement and close of the year. But the estimates for 1812 required on the account of current expenses the sum of 20,400,000; and the subsisting revenue to meet those expenses was estimated at \$8,200,000; leaving a deficit for which it was proposed to provide by a loan amounting to the sum of \$1,200,000. Such were the limited objects of expense, and such the limited means of supply at the commencement of the year in which war was declared. An increase of the expense and a diminution of the supply must have been anticipated as the inevitable consequence of that event; but the government reposed with confidence, for all the requisite support, upon the untold resources of the nation, in credit, in capital and in industry. The confidence was justly reposed; yet it may perhaps be considered as a subject for regret, and it certainly furnishes a lesson of practical policy, that there existed no system by which the internal resources of the country could be brought at once into action when the resources of its external commerce became incompetent to answer the exigencies of the time. The existence of such a system would probably have invigorated the early movements of the war, might have preserved the public credit unimpaired, and would have rendered the pecuniary contributions of the people more equal as well as more effective. But owing to the want of such a system, a sudden and almost an exclusive resort to the public credit was necessarily adopted as the chief instrument of finance. The nature of the instrument employed was soon developed and it was found that public credit could only be durably maintained upon the broad foundation of public revenue.

On the opening of the session of Congress in Nov. 1811, the legislative attention was devoted to the organization of the military and naval departments upon the enlarged scale of a war establishment; so that the appropriations for this purpose, far exceeded, in a short time, the estimates and the resources of the Treasury, as they have been already described. Ways and means were, therefore, provided to meet the extraordinary demands thus created; but they were derived exclusively from the operations of foreign commerce and of public credit.

The Secretary here speaks of, 1st, the Mediterranean fund; 2d, the old debt; and increase on tonnage; 3d, authority to issue 11,000,000 dollars; 4th, authority to issue 3,000,000 dollars in Treasury Notes.

The effect of the additional ways and means provided by Congress, from time to time, during the late war, may readily be traced. From the Treasury report dated 1st of December, 1812, it appears that the actual receipts into the treasury, during the year ending on the 30th of Sept. 1812, including a portion of the loan, and the issue of Treasury notes, amounted to the sum of 16,722,159 dollars, 40 cents, (almost double the amount of the previous estimate) and that the actual disbursements for the same year, amounted to the sum of 18,363,325 7-100 dolls. (which was, also, almost double the amount of the previous estimate) independent of the balance in the treasury, at the commencement and close of the year. But the estimate for the year 1813, required, on account of the accumulating expenditures, a sum of \$1,925,008 dollars; & the subsisting revenue to meet these expenditures was estimated at the sum of 12,000,000 dollars,

leaving a deficit, for which it was proposed to provide, 1st, by the outstanding balances of the authorized loan and issue of Treasury Notes, and 2d, by a new authority to borrow, and to issue Treasury Notes, to the amount of \$19,925,000. During the sessions of Congress, which commenced in November 1812, and closed on the 3d of March, 1813, the appropriations for the army, the navy, and the other branches of the public service, were considerably augmented, but (without adverting to the imposition of a small duty upon imported iron ware) no new source of revenue was then opened; but additional aid was extended to the Treasury, by authorizing a repetition of the appeal to public credit.

1. An authority was given to raise by loan a sum not exceeding 16,000,000 of dollars, and to create stock for the amount, bearing interest not exceeding the rate of 6 per cent. per annum, and reimbursable at any time after the expiration of 12 years from the 1st of January 1814. The payment of the interest, and the redemption or purchase of this stock, are charged upon the sinking fund.

2. And an authority was given to issue Treasury Notes, for a sum not exceeding 5,000,000 of dollars absolutely; with a provisional authority to issue an additional sum of 5,000,000 of dollars, to be deemed and held to be a part of the loan of 16,000,000 of dollars, authorized as above stated, to be raised.

The necessities of the Treasury becoming, however, more urgent, and the reliance on the public credit becoming more hazardous, Congress determined, at a special session, which commenced in 1812, to lay the foundation of a system of internal revenue, selecting, in particular, those subjects of taxation, which were recommended by the experience of a former period, and computing their general product at the sum of 8,000,000 of dollars. The continuance of these taxes being limited, at first, to one year after the termination of the war, they acquired the denomination of "the war tax;" but by subsequent laws, almost all the existing revenues are pledged, with the faith of the U. States, to provide for the payment of the expenses of government, for the punctual payment of the public debt, principal and interest, according to the contracts; and for creating an adequate Sinking Fund, gradually to reduce, and eventually to extinguish the public debt.

(Here the sources of the revenue are detailed.) The sources of the revenue thus opened in 1813, could not, however, be expected to aid the Treasury until 1814; and accordingly, in the annual report from this department, dated the 8th of January, 1814, neither the direct tax, nor the internal duties, will be found as an item of the actual receipts into the treasury, during the year ending on the 30th of Sept. 1813.

The amount of those receipts was stated in the proceeds of the customs, of the sales of public lands, &c. at 13,568,042 dollars, 43 cents, and in the proceeds of loans and Treasury notes at 23,676,912 dollars 50 cents, making together 39,907,607 dollars 63 cents; and the actual disbursements of the same period were stated at 32,928,855 dollars 19 cents, independent of the balances in the treasury, at the commencement and the close of the year. But the estimates for the year 1814, required a sum of 45,350,000 dollars, leaving a deficit for which it was proposed to provide, 1st, by a part of a balance in the treasury, and second by loans and Treasury notes, amounting to 30,980,000.

For the deficit thus approaching the sum of 31,000,000 dollars, the only provision made during the session which commenced in Dec. 1813, rested again upon the public credit.

(Authority given to issue 5,000,000 dollars of Treasury Notes, and to raise by loan 25,000,000 dollars.)

The embarrassments of the treasury, after the adjournment of Congress in the year 1814, became extreme. It appears that the disbursements during the first half of that year, had amounted to the sum of 19,693,781 dollars 27 cents; and the balance of the appropriations for the same objects of expenditure required during the other half of the same year was settled at the sum of 27,576,391 dollars 19 cents. But the actual receipts into the treasury during the first half of the 1814, had amounted to 19,219,946 dollars, 33 cents; and the estimated aggregate of the funds to meet the demands on the treasury to the close of the year 1814, was the sum of 37,102,585 dollars 55 cents, leaving a deficit for the service of 1814, after absorbing all the cash of the treasury, amounting to the sum of 10,167,586 dollars 91 cents. To supply this deficit of \$ 10,167,586 91, to provide an additional sum for the contingencies of the year, and to accelerate the fiscal measures which were essential to the prosecution of the war, in 1815, the interposition of the legislature was deemed indispensable. The plan of finance which was predicated upon the theory of defraying the extraordinary expenses of the war by the successive loans, already became imperative. The product of the revenues had ceased to furnish an amount equal to the expenditure of the former peace establishment, with an addition of the interest upon the debt contracted on account of war. And the sudden suspension of specie payments at the principal banks established in the different states (however it may be excused or justified by the apparent necessity of the case) had exposed the government, as well as private citizens, to all the inconveniences of a variable currency, devoid alike of national authority; and of national circulation. The treasury could no longer transfer its funds from place to place; and it became, of course, impracticable to maintain the accustomed punctuality in the payment of the public engagements.

Under these circumstances the Congress was convened by the special call of the president, in September, 1814, when the citizens of every oc-

cupation and pursuit, seemed eager to second the legislative efforts to replenish an exhausted treasury, and to renovate the public credit.—Commerce continued to contribute, perhaps to the extent of its capacity. Agriculture, though suffering the want of a vent for some of its important staples, was every where prepared for the requisite exertion. Domestic manufactures which had scarcely surmounted the first struggle for existence, yielded to the patriotic impulse; and the capital of individuals, in all its variety of form, offered a ready tribute to relieve the necessities of the country.

(The increased duties on some articles and new duties on others enumerated.)

It will be natural here to enquire into the general effects of the war upon the debt of the U. States; and the annexed table marked C. exhibits a detailed statement of the unsatisfied amount on the 1st day of January, annually, from the year 1791, to the year 1815, both inclusive. The subject, however, may be placed distinctly, in the following point of view, upon estimates referring to the date of the 30th of Sept. 1815.

Of the Public Debt.—1. The amount of the Funded Debt contracted before war, which remained on the 30th September, 1815, may be stated at the sum of 39,135,484 dolls. 96 cents.

2. The amount of the funded debt, contracted on account of the late war, on the 30th of September, 1815, may be stated at the sum of 63,144,972 dollars 50 cents.

3. The amount of the floating debt contracted since the commencement of the late war, may be stated at the sum of 17,355,100 dollars.

II. *A view of the Finances for 1815, with estimates of the public revenue and expenses for 1816.*

At the close of the last session of Congress, the demands upon the treasury were interesting in their nature, as well as great in their amount. Exclusive of the ordinary expenses of the government, they consisted of demands for the payment of the army preparatory to its reduction to the peace establishment, with other very heavy arrears and disbursements on the war and navy departments; for the payment of the dividends on the funded debt, and of the arrears as well as the accruing claims, on account of the Treasury Note debt; and for the payment of the Louisiana dividends, with other considerable debts contracted in Europe, in consequence of the late war.

The efficiency of the means which were possessed for the liquidation of these demands, depended upon circumstances beyond the control of the government. The balance of money in the Treasury consisted of bank credits, lying chiefly in the southern and western sections of the union. The revenue, proceeding from the provision made prior to the last session of Congress, was, comparatively, of small amount. The revenue, proceeding from the provision made during that session, could not be available for a great portion of the present year; and in both instances the revenue was payable in Treasury Notes, or it assumed the form of bank credits, at the respective places of collection. The only remaining resources for immediate use, were an additional issue of Treasury Notes, and a loan; but the successful employment of these resources was rendered, for some time, doubtful, by the peculiar situation of the credit and currency of the nation.

The suspension of specie payments, throughout the greater part of the United States, and the consequent cessation of the interchange of bank notes and bank credits, between the institutions of the different states, had deprived the Treasury of all the facilities of transferring its funds from place to place; and a proposition, which was made at an early period, to the principal banks of the commercial cities, on the line of the Atlantic, with a view, in some degree, to restore those facilities, could not be effected, for the want of a concurrence in the requisite number of banks. Hence, it has happened (and the duration of the evil is without any positive limitation) that, however adequate the public revenue may be in its general product to discharge the public engagements, it becomes totally inadequate in the process of its application; since the possession of public funds, in one part, no longer affords the evidence of a fiscal capacity to discharge a public debt, in any other part of the union.

From the suspension of specie payments, and from various other causes, real or imaginary, differences in the rate of exchange arose between the several states, and even between the several districts in the same state, and the embarrassments of the Treasury were more and more increased; since Congress had not sanctioned any allowance on account of the rate of exchange, and the amount of the legislative appropriations was the same, wherever the legislative objects were to be effected. But the Treasury Notes partook of the inequalities of the exchange in the transactions of individuals; although the Treasury could only issue them at their par value. The public stock, created in consideration of a loan, also partook of the inequalities of the exchange; although to the government, the value of the stock created, and the obligation of the debt to be discharged, were the same wherever the subscription to the loan might be made. Thus, notwithstanding the ample revenue provided, and permanently pledged for the payment of the public creditor, and notwithstanding the auspicious influence of peace upon the resources of the nation, the market price of the Treasury Notes, and of the public stock was every where far below its par, or true value, for a considerable period after the adjournment of Congress; vibrating, however, with a change of place, from the rate of 75 to the rate of 90 per cent. Payments in bank paper were universally preferred, during that period, to payments in the paper of the government; & it was a natural consequence, wherever

the Treasury failed in procuring a local currency, it failed, in making a stipulated payment.

Under these extraordinary and perplexing circumstances, the great effort of the Treasury was, 1st, to provide promptly and effectually against all urgent demands, at the proper place of payment and to the requisite amount of funds; 2d, to overcome the difficulties of the circulating medium as far as it was practicable; so that no creditor should receive more, and no debtor pay less, in effective value, on the same account, than every other creditor, or every other debtor; and 3d, to avoid any unreasonable sacrifice of the public property, particularly when it must, also, be attended with a sacrifice of the public credit. It was not expected that this effort would every where produce the same satisfaction, and the same results; but the belief is entertained, that it has been successful in the attainment of its objects, to the extent of a just anticipation.

Of the Loan.—The annexed notice marked F. dated the 10th March 1815, was published, opening a loan for the sum of \$12,000,000. The offers to subscribe to the loan prior to the 19th of April, 1815, placed (as it was proper to place) money and Treasury notes upon the same footing; but the offers varied essentially in the terms and conditions that were annexed to them; and in point of fact, no direct offer was made to subscribe at a higher rate than 89 per cent. while some of the offers were made at a rate lower than seventy-five per cent. Upon this experiment therefore, it was seen at once, that the new situation of the treasury required a new course of proceeding, and that neither the justice due to the equal rights of the public creditors, nor a fair estimate of the value of the public property, nor an honorable regard for the public credit, would permit the loan to assume the shape and character of a scramble; subservient to the speculations which create what is called a market price, and shifting in every town and village of every state, according to the arbitrary variations of what is called the difference of exchange.

In this view of the subject, all the offers of subscription to the loan, made in the first instance, were declined; but it was declared, at the same time, that offers at the rate of 95 per cent. would be accepted. The rate thus proposed, was adopted, on a consideration of the value of the stock, of the equitable, as well as legal claim of the holders of Treasury notes, and of the real condition of the public credit. The objects of the loan being (as already stated) to absorb a portion of the Treasury Note debt, and to acquire a sufficiency of local currency, for local purposes, the price of the stock at the treasury was, of course, independent of the daily up-and-down prices of the various stock markets in the union, and could only be affected by the progress towards the attainment of those objects. Thus while the wants of the treasury were insufficiently supplied, offers to subscribe were freely accepted, and the parties were sometimes authorized & invited to increase the amount of their offers; but where local funds had so accumulated, as to approach the probable amount of the local demands, the price of the stock was raised at the treasury; and where the accumulation was deemed adequate to the whole amount of the local demands, the loan was closed.

The policy of the course pursued at the treasury was soon demonstrated. Offers of subscription to the loan, at the rate of 95 per cent. payable in Treasury notes, or in money, were presented to a large amount, soon after the rule of the treasury was declared; and the annexed table marked G. will exhibit the progressive and actual state of all the subscriptions to the 30th of September last.

In the District of Columbia, the money subscriptions, including the subscription of certain liquidated claims upon the treasury, were successively at 95, 96 1-2, 97, and 98 per cent. and finally, at par. In the city of Baltimore, the money subscriptions have been at 95 and 96 1-2 per cent. In the city of Philadelphia, the money subscriptions have been entirely at 95 per cent. The price was raised at the treasury from 95 to 98 per cent. on the 18th of June, (subject, of course, to all unexecuted subscriptions previously accepted or authorized) and, since that time, considerable offers have been received at 95 and 96 per cent. but none have been received at the increased rate of 98 per cent. The subscriptions payable in Treasury notes have been made in all places, at the same rate of 95 per cent.

Of the Revenue for 1816, estimated according to the laws now in force.—By the laws now in force, the revenue arising from customs, during the year 1816, will be affected in the following manner: the present rates of duties continue until the 18th of February, 1816, when the duty on salt imported will cease, and the rates of duties on merchandise of every description, imported in American vessels, will fall to one half of the existing amount, with the exception of certain manufactured articles, being of the same kinds as the manufactured articles on which internal duties have been imposed; the duties on the imported articles continuing at the existing rate; so long as the existing internal duties shall be continued upon the corresponding articles of domestic manufacture. On the 18th of February, the extra duty on merchandise imported in foreign vessels, which is now 15 per cent. on the amount of the duty in American vessels, will fall to 10 per cent. on that amount, and the tonnage duty on foreign vessels, which is now 2 dollars per ton, will fall to 50 cents per ton. The extra duty is also liable to be affected by the operation of the act for abolishing all discriminating duties upon a basis of national reciprocity. By the laws now in force, the revenue arising from internal duties will be affected in the following manner: The duties on bank notes, on notes issued by banks, and bills of ex-