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### OFFICIAL DOCUMENT. REPORT OF THE SECRETARY OF THE TREASURY ON THE FINANCES, &c.

In obedience to the directions of the act of Congress of the 10th of May, 1800, supplementary to the "Act to establish the Treasury Department," the Secretary of the Treasury respectfully submits the following report:

#### 1. Of the public revenue and expenditures.

The receipts and expenditures for the year 1840 were as follows:

The available balance in the Treasury on the 1st of January, 1840, (exclusive of amount deposited with the States, trust funds, and indemnities, and the amount due from banks which failed in 1837,) was, as appears by the books of the Register of the Treasury, \$3,663,033 60
The receipts into the Treasury during the year 1840 were, from—
Customs \$13,499,502 17
Lands 3,292,255 58
Bond of the Bank of the United States 1,774,513 80
Miscellaneous and incidental sources 283,253 23
Banks which failed in 1837 748,629 55
Treasury notes issued 5,589,547 51
<b>25,197,736 84</b>

Making \$29,850,820 41

The expenditures in the same year were, viz:—
Civil list, foreign intercourse, and miscellaneous \$5,492,030 98
Military department 10,866,236 45
Naval department 6,031,038 88
Public debt 11,982 77
Add outstanding warrants issued prior to 1st January, 1841 1,416,334 24
Treasury notes redeemed, including interest 4,045,502 05
<b>27,863,473 41</b>

Leaving a balance in the Treasury on the 1st of January, 1841, of 987,345 03

The receipts from the 1st of January to the 4th of March, 1841, were—(say)
From Customs \$1974,836 46
Lands 756,148 56
Miscellaneous and incidental sources 31,349 65
Banks which failed in 1837 19,000 00
Treasury notes issued per act of the 31st March, 1840 1,110,611 05
Treasury notes issued under act of 15th of February, 1841, 673,681 32
Bond of the Bank of the United States, 17,913 00
<b>4,212,540 07</b>

Making, with the balance in the Treasury, January 1, 1841, 5,199,885 10

The expenditures for the same period were—
Civil list, miscellaneous, and foreign intercourse, \$943,517 14
Military department 2,273,097 11
Naval department 759,349 60
Public debt 3,612 70
Treasury notes redeemed, including interest \$647,590 09
<b>4,627,166 00</b>

Leaving the balance in the Treasury on the 4th of March, 1841, 572,718 46

The balances of appropriations outstanding on the 4th of March, 1841, were—(Statement A)
Civil, foreign intercourse, and miscellaneous \$5,237,234 25
Military 15,991,895 15
Naval 6,910,268 69
Public debt 6,357 30
<b>3,973,220 00</b>

Do. issued under the act of 1840, from 1st January to the 4th of March, 1841, which may, and most of which probably will, be presented in payment of public dues during the year 1841 1,110,611 08

Interest estimated at about 300,000 00

Making in the aggregate \$33,429,616 50

Of this there will be required for the services of the current year 24,210,000 00

Additional appropriations required by the War Department for the year 1841, viz:

Fortifications & works of defence \$1,435,500 00
For armaments of fortifications and ordnance stores 220,000 00
For payment of arrears of pay and current expenses, and taking care of public property on roads, harbors, rivers, &c. 40,192 12
For the purchase of provisions and supplies for Indian hostilities 825,637 86
<b>2,521,330 98</b>

Making 26,731,330 98

The actual and estimated means under the existing laws to meet these demands are, viz:—  
The available balance in the Treasury on

the 4th March, 1841 (See statement B) 646,803 12
Treasury notes authorized under the act of 1840, issued after the 3d of March, 1841 413,592 72
Treasury notes authorized by the act of 1841 to be issued after the 4th of March, 1841 5,000,000 00
Receipts from customs estimated at 12,000,000 00
Receipts from public lands 2,500,000 00
Miscellaneous sources 170,000 00
<b>20,730,395 84</b>

Leaving unprovided for, of the demands for the present year, the sum of 6,000,941 14

There will also be receivable for public dues in the present year, or payable in 1842, Treasury notes the issues of the present year, viz: Issued under the act of 1841, prior to the 4th of March, \$673,681 32

Do. do. 1840, after the 3d of March 413,592 72

Do. do. 1841, to be issued after the 4th of March, and included in the estimate of ways and means 5,000,000 00

**6,087,274 04**

Making an aggregate of debt and deficit, to be provided for in this and the ensuing year, of 12,058,215 19

This estimate is founded on the assumption that all the moneys in the public depositories can be at once made available, and that any and all of the demands upon the Treasury can be satisfied, so long as money to a sufficient amount remains in any or all the depositories. But that is by no means the case; while the power to issue Treasury notes exists, there should be at all times, for the convenience of the Treasury, a sum equal to \$1,000,000 in the various depositories subject to draft. When that power is expended, the sum should be increased to not less than 4,000,000 00

Which sum, added to the above, makes the estimated deficit \$16,058,215 19

But the undersigned feels it his duty to call the attention of Congress to the more immediate demands of the public service, and the means by which those demands are to be supplied.

The sums which will be required from the 1st of June to the 31st of August next are estimated as follows, viz:

For the payment of Treasury notes which will fall due within that time, and the interest thereon, about \$2,756,900 00
Balance for taking the the sixth census 294,000 00
For the civil list, miscellaneous, and foreign intercourse 1,309,308 37
Military service 4,591,098 00
Naval do. 1,844,090 00
Public debt 6,357 00
Expenses of the extra session of Congress 350,000 00
<b>11,151,693 37</b>

Making about The ways and means in the power of the Treasury, and which will probably accrue under existing laws, are as follows:

1. Funds in the Treasury (as per statement C) \$644,361 16
2. Treasury notes authorized by the act of 15th of February, 1841 1,505,943 91
3. Estimated receipts from the customs 3,000,000 00
Do. do the lands 700,000 00
Do. do miscellaneous sources 50,000 00
<b>5,900,305 07</b>

And leaving a deficit of 5,251,388 30

To which add the sum recommended to be kept in the Treasury to meet any emergencies of the public service, viz: 4,000,000 00

Making an aggregate of 9,251,388 30

In another part of this paper the views of the Department as to the mode of providing for the above deficit, together with the residue of the existing public debt, will be presented.

From the year 1816 to 1837, a period of twenty-one years, the revenues constantly exceeded the expenditures. The average annual surplus during that time was \$11,464,226 97, (see tables 1 and 2.) making an aggregate excess of \$240,749,764 27. Of this there was applied to the extinction of the national debt \$208,792,127 44 and there was under the provisions of the act of the 23d of June, 1836, deposited with the States \$23,101,611 91, and there remained on the 1st of January, 1837, in the Treasury of the United States, including the fourth instalment due to the States, a surplus of 17,109,173 26

There were, also, outstanding debts due and falling due to the Treasury, arising from other sources than those of the ordinary revenue, and which were paid between the 1st of January, 1837, and 4th of March, 1841, the amount of (see statement D) 9,124,747 00

There were, also, issued within that period, and outstanding on the 4th of March, 1841, Treasury notes to the amount of 5,645,712 10

Making the aggregate available means which were in the Treasury on the 1st of January, 1837, and which came into it prior to the 4th of March, 1841, over and above the current revenue 31,832,732 66

From which deduct the amount (less the trust funds) remaining in the Treasury on the 4th of March, 1841 572,718 46

And there appears an excess of revenue over the current revenue of \$31,310,014 20

It is proper to remark that the entries on the books of the Register of the Treasury do not always show the true dates of the receipts and expenditures. An item involved in the above statement (table D) will serve to illustrate this fact. The sum of \$312,136 47 was, on the 2d and 31st of October, 1840, paid by the Bank of the United States, on its last bond, to William Armstrong, superintendent at Fort Gibson, by order of the Secretary of War. Though this sum was in fact received and expended on those days, it did not find its way into the office of the Register until the 4th of March, 1841, on which day it appears on his books both as a receipt and an expenditure.

Thus and to this extent, within the last four years, were the expenditures pushed beyond the amount of the revenue. They were made to absorb the surplus in the Treasury and the outstanding debts due to the United States, so that the Treasury was, on the 4th March, 1841, exhausted of its means and subject to heavy and immediate liabilities. It was already burdened with a debt incurred in time of peace, and without any adequate resources except the authority granted by law to augment that debt.

As yet no provision has been made to reduce this debt or to check its constant and rapid increase. We find it, therefore, as far as past legislation and financial arrangements characterize it, a permanent and increasing national debt.

The temporary expedients by which it has been sustained do not at all vary its essential character. The attention of Congress is respectfully invited to the necessity of early and effectual measures to prevent its further augmentation. The obvious remedy is to increase the revenue as far as may be without unreasonably burdening commerce, and to reduce the expenditures within the limits of strict economy.

But as it may not comport with the views of Congress to go into a revision and adjustment of the customs so long before the act of March 2, 1833 comes to have its final and permanent operation, the undersigned would respectfully recommend, as a temporary measure, the levy of a duty of 20 per cent. ad valorem on all articles which are now free of duty, or pay a less duty than 20 per cent. except gold and silver and the articles specifically enumerated in the 5th section of the act of March 2d, 1833.

If this measure be adopted, it is estimated that there will be received into the Treasury from customs, in the last quarter of the present year, about \$5,300,000; in all of the year 1842, about \$22,500,000; and in the year 1843, after the final operation under the act of March 2, 1833, about \$20,500,000. The details of this estimate will be found in the accompanying paper, marked E, and enclosures.

It is believed that, after the heavy expenditures required for the public service in the present year shall have been provided for, the revenues which will accrue from that, or a nearly proximate rate of duty, will be sufficient to defray the expenses of Government, and leave a surplus to be annually applied to the gradual payment of the national debt, leaving the proceeds of the public lands to be disposed of as Congress shall think fit.

The general principles on which the final revision of the tariff is to rest are perhaps simple and easy to be apprehended, but the work of revision itself, in its adaptation and detail, must be a work of care. It should be done on calm reflection and as far as possible, the conflicting opinions, and to promote all the various interests of the whole People of these United States. And it may be important, in that adjustment, not only to reciprocate on fair and equal principles and in a liberal spirit, the concessions which may be accorded to our commerce by foreign nations, but also to do justice to our own citizens by meeting in a like equal spirit any heavy exactions or prohibitions which foreign nations may think fit to impose upon the importation of our staple productions.

Some legal provisions are also required to correct inequalities between the duties upon sugar and molasses, and the drawbacks upon refined sugar and rum, manufactured or distilled from foreign materials. The relation between the duties and the drawbacks was adjusted by the acts of January 21st, 1829, and May 29th, 1830, since which the duties have been diminished, while the drawbacks remain the same. And a provision of law declaring that all non-enumerated articles which bear a similitude to any enumerated articles chargeable with duty, shall pay the same rate of duty with the article it most resembles, would save a large sum annually to the revenue, and prevent much annoyance and litigation between the importer and the officer charged with the collection of the customs.

#### OF THE PUBLIC DEBT.

But it is not expected that any modification of the revenue laws will be operative to supply the immediate wants of the Treasury, and to pay the debts which fall due in the present and the ensuing year. A farther loan is necessary to effect these objects, and the only questions that can arise are as to the modes of procuring the loan, the character of the securities, and the assumed duration of the debt.

It would, in the opinion of the undersigned, be unwise to charge upon the commerce or the resources of the country, in any form, the burden of paying at once, or at all lastly, the national debt. Before that is done, measures of restoration and relief are required. The currency of the country should be restored, and commerce and industry relieved from their present state of embarrassment and depression, and a benign and liberal policy on the part of the General Government should call forth once more the hardy industry and active enterprise of our people, and the vast resources of our country.

If we retrace the period of from five to eight years, and that in which the debt was paid without the assistance and intervention of a loan, the time appears to be not so long, as it may seem of

the most essential elements on which to form our judgment as to the best and most convenient mode in which the loan can be kept up, and the credit of the Government sustained.

In the inception and during the progressive increase of a national debt, the issues of Treasury notes, though dangerous and delusive, have yet their advantages. They need not be issued faster than the actual wants of the Treasury require, and the power to issue any given sum is, for all effective purposes of immediate expenditure, a fund in the Treasury available to that amount. But, when the debt has acquired its maximum and ceases to accumulate, or when it becomes larger than the amount necessary to be kept on hand to meet the current wants of the Treasury, these advantages disappear. This mode of loan then becomes to the Government what the sale in market of new promissory notes, for the purpose of raising money to take up old promissory notes, is to an individual. It is the issue of Treasury notes to take up other Treasury notes year after year in succession; and, under those circumstances, it is inconvenient and expensive.

But the raising of money by the issue of Treasury notes is objectionable, because it is deceptive; by this means a heavy debt may be raised and fastened permanently upon the country, the amount of new issues being involved with the payment of the old; while the People, and even those who administer the finances, may not be impressed with the fact that a national debt is created or in process of creation.

Therefore, in the opinion of the undersigned, when a national debt does exist, and must continue for a time, it is better that it should be made a funded debt, according to our ancient financial usage. It is then sheltered by no cover, and is the subject of no delusion. It is open, palpable, true; the eyes of the country will be upon it, and will be able at a glance to mark its reduction or its increase; and it is believed that a loan for the requisite amount, having eight years to run, but redeemable at the will of the Government, on six months' notice, could be negotiated at a much less rate of interest than Treasury notes. Much expense would also be saved in dispensing with the machinery of the issue and payment and cancelling of Treasury notes.

It is therefore respectfully recommended that a sum sufficient to pay the debt at present existing, and such as will necessarily accrue in this and the ensuing year, be raised on loan for the time, and on the condition above suggested.

#### On keeping and disbursing the public moneys.

The undersigned would respectfully invite the attention of Congress to the present mode of keeping and disbursing the public moneys; and also to the subject of the creation or employment of a fiscal agent to be charged with the performance of these and other duties. The subject is one of great importance, both to the Government and to the community. Such agent or depository ought to unite, in the highest practicable degree, the safety of the public funds, and convenience and economy in their administration; and it should, if possible, be so selected or framed as to exert a salutary influence over the business and currency of the country.

The mode of keeping and disbursing the public money, provided by the act of July 4, 1840, will be found, on comparison with that heretofore chiefly used by the Government, eminently deficient in all these essential requisites. The financial history of the United States, especially for the last twelve years, furnishes abundant proof that the public money is unsafe in the custody of individuals, and that their official bonds are no sufficient security for its safe-keeping and faithful application. Within the period above named many receiving officers connected with the Treasury Department have become defaulters to the Government. The aggregate loss from that cause within that period, as shown by the books of the Department, amounts to \$2,620,500, but a small part of which will probably be recovered from their bonds. It is true that, in any system which can be adopted, some part of the public money must, in the process of collection, pass through the hands of individuals, and be subject to their defections; but the act of July 4, 1840, extends and continues the risk beyond the period of collection, and it subjects large masses which, in the fluctuations of commerce, sometimes accumulate, to the same dangerous custody.

Not only is the public money in the hands of individuals more exposed to loss from ordinary defections than when deposited in a well-regulated bank, but the Government is also liable to the risks of fire, robbery, and other casualties, from occurring either in deposit or transmission, from which it is entirely protected when a well-regulated bank is the depository and fiscal agent.

The present system is also, in many respects, cumbersome and inconvenient. Its tendency is to centre the disbursements of the public moneys at some of the Eastern cities, chiefly at New York. That being the great commercial emporium of the United States, is the point at which the funds are the most valuable, and, therefore, the most sought; hence those who are entitled to payments out of the public Treasury claim them there. It is true there is a general discretion in the head of the Department to refuse or grant the favor of such payments according to its convenience; but when the currency is deranged, and the premium on exchanges is high, this discretion involves discrimination to a large amount among creditors equally entitled. It then becomes a dangerous discretion, and one that ought not to exist. But, under the present system, it cannot be avoided, save in a few cases, without discharging every public liability at the most favored point. This would at once centre all the disbursements at a few of the Eastern cities, and involve the Treasury in the risk and expense of transporting the public funds from the various points of collection to the places of disbursement.

An item of less importance, but still worthy of consideration, in settling on a permanent and economical arrangement, is the direct expense of the present system, including the cost of the building for the depository of the public money, and the salaries of the officers and their clerks who receive and disburse it. No portion of this risk, inconvenience, or expense need be incurred where a well-regulated bank is made the fiscal agent.

But the present system is also, in the opinion of the undersigned, injurious to the business and currency of the country. Instead of permitting the credit and the finances of the Government to lend their indirect but efficient aid in sustaining the credit and regulating the currency of the

country, it brings into direct hostility those important interests. In the progress of the system a sufficient amount of gold and silver to supply the wants of the Treasury must be withdrawn from circulation and locked up in vaults, leaving no representative to supply its place in the general circulation.

A large amount, also, in the hands of those who pay to or receive from the Treasury, is equally withdrawn from general circulation, and made to flow through those channels alone which lead into and out of the public coffers. The other avenues of commerce and intercourse are thus deprived of their proportion of the precious metals.

Within the fifty-two years during which our constitutional Government has existed, we have had, for two periods of twenty years each, a bank chartered by Congress as a depository of the public moneys and as a fiscal agent. We have had, also, at two intervals, amounting to about nine years, State banks employed for like purposes; and, during the remainder of the time, the funds of the Government have been kept and the finances administered partly by banks and partly by individual officers and agents. The losses sustained by State banks, as depositories, during the first period of their employment, extending from 1811 to 1816, agreeably to a statement prepared by the Secretary of the Treasury in 1833, and revised and republished in 1837, were \$1,000,676. In the latter period, from 1833 to 1837, though no actual loss is believed to have occurred, yet the Treasury and the country suffered inconvenience and embarrassment from the fiscal arrangements with those numerous and disconnected institutions. But, during the forty years that the two banks of the United States were the depositories of the public money and the fiscal agents of the Government, no loss whatever was sustained, nor any delay or any expense incurred in transmitting or disbursing the public moneys, so far as the agency of those institutions extended. Then, as regards the wants of the Treasury merely, the safety of the public funds, and economy in their administration, experience has demonstrated the superior utility of a bank constituted and adopted by Congress as a fiscal agent. It has also proved to us that the active business of the country, its currency, its credit, its industry, and its commerce, are intimately connected with and dependent upon the financial arrangements of the Government.

If they be wise and beneficent, they indirectly, but efficiently, promote the great interests of the people; if constant and uniform in their action, they give to those interests confidence and stability. Since the removal of the public deposits from the Bank of the United States in 1833, the Government has had no permanent fiscal agent and no definite financial system. All has been experiment, transfer and change. The business of the country has yielded to the unsteady impulse, and moved forward with wild irregularity; at one time stimulated to excessive action, at another sunk into lethargy. And, in providing for the wants of the Treasury, it is surely important to look, to the wants and welfare of the community, from the products of whose industry the Treasury is supplied.

And as regards those great interests, we find the testimony of past years is no less distinct and strong in favor of a moneyed institution chartered by the General Government, and possessed of its confidence and credit. The period embracing the last ten years of the existence of the late Bank of the United States as the fiscal agent is fresh in the memory of us all, and is looked back to as a period of great public prosperity; add though other causes did, doubtless, co-operate to produce that favorable condition of things, yet one of the governing principles on which depended the steady advance of the country in commerce, in industry, and in substantial wealth, was the existence of a fiscal agent established by the General Government, and charged with the equalization of exchanges, and the regulation of the currency.

In the present condition of our country, the relief to be anticipated from such an institution cannot be immediate, but must be the work of time. The business of the country would, however, in the opinion of the undersigned, steadily and certainly revive under its influence.

In whatever point of light the undersigned is able to view this subject, he is irresistibly led to the conclusion that such fiscal agent, so framed as to possess those important functions, is alike essential to the wants of the Treasury and of the community. Such an institution should be framed with deliberation, for it must have high duties to perform, and extensive interests to promote; and it should be granted with care, for it will be liable to great and dangerous abuses. As the fiscal agent of the Government, and an effective regulator of the currency in a wide-spread community, it should be steady and uniform in its action, and fixed and stable in its character.

The undersigned has no doubt of the power of Congress to create such an institution. Experience has proved its necessity to carry out other expressly granted powers; it has been exercised and recognized by the Legislative and Executive departments of the Government during four-fifths of the whole period of our national existence, and it has received the uniform sanction of our highest judicial tribunal.

Yet that power has been questioned by many wise and patriotic statesmen whose opinions are entitled to consideration and respect; and in a measure like this of high political import, which, if wisely conceived and cordially concurred in, must have a great and enduring influence on the prosperity of the country, it is important, as far as possible, to obviate objections and reconcile opinion.

If such an institution can be so conceived in principle and guarded in its details as to remove all scruples touching the question of constitutional power, and thus avoid the objections which have been urged against those heretofore created by Congress, it will, in the opinion of the undersigned, produce the happiest results, and confer lasting and important benefits on the country.

The undersigned, therefore, respectfully recommends the creation of such fiscal agent, and the repeal of the act of July 4th, 1840, providing for the collection, safe-keeping, transfer, and disbursement of the public moneys, except the several provisions thereof which will probably require revision and modification.

All of which is respectfully submitted.  
J. W. B. SWING,  
Secretary of the Treasury.  
TREASURY DEPARTMENT, June 7, 1841.