in other accessible countries, or rather when it will purchase more in other countries yielding interest, the cost of transportation, duties, and other necessary expenses then in that in which it is produced, so that it is required to pay balances to other countries in those nations by a law as regular and as certain as gravitation. Hence although the precious metals are produced in some one or more countries in but a few countries, they effect the business of all. So with a paper currency, which is local in its use and as to its volume is governed by the volume of its substitute, specie, which is universal, or a substitute for it, which is universally recognized, although it varies the volume or amount, it is governed by laws that govern the precious metals. Its core contributes to trade and creates greater demand for interest. But when a paper currency is an irredeemable currency, and especially when, being so, it is made by the sovereign power a legal tender, it becomes prolific of mischief. Then specie becomes discarded, and trade is uncertain in its results, because the basis is fluctuating, then prices advance as the volume of currency increases, and require as they advance further additions to the circulating medium; then speculation becomes rife, and "the few are enriched at the expense of the many," then industry declines, and extravagance is wanton; then, with a diminution of products, and consequently of exports, there is an increase of imports, and higher tariffs are required on account of excess of imports, and to which they, in their turn, give new impulses to the general expansion, while the protection intended to be given to industry and support, while the protection intended to be given by them to home industry is in a great measure rendered inoperative by the expansion. This, notwithstanding our large revenues and the prosperity of many branches of industry, is manifestly the condition of the United States, and the important question arises, what are the remedies?

With entire deference to Congress, the Secretary suggests that they are to be found—

First: In compelling the National Banks to redeem their notes at the Atlantic cities, or, what would be better, at a single city.

Second: In a curtailment of the currency to the amount required by legitimate and healthful trade.

Third: In a careful revision of the tariff, for the purpose of harmonizing it with our internal taxes—removing the oppressive burdens now imposed upon certain branches of industry, and relieving altogether, or greatly relieving, raw materials from taxes, in order that the product of labor may be enhanced and protection and exportation increased.

Fourth: In the issue of bonds, payable in not over twenty years and bearing interest at the rate of not over five per cent, payable in England and Germany, to an amount sufficient to absorb the six per cent bonds now held in Europe, and to meet the demand there for actual and permanent investment; and—

First: In the rehabilitation of the Southern States.

Fourth: The ability of compelling National Banks to redeem their notes at commercial centers, as well as at their own centers, is apparent. The object of Congress, in the establishment of the National Banking System, was to furnish the people with a safe currency of uniform value throughout the United States. The solvency of the notes of the National Banks is secured by a deposit of bonds with the Treasurer at Washington; but as the Banks are scattered throughout the country, and many of them are in places difficult of access, a redemption of their notes at their respective counters is not all that is required to make them throughout the United States a par circulation. It is true that the notes of all National Banks are receivable for all public dues, except duties upon imports, and must be paid by the Treasurer in case the Banks which issued are unable to redeem them, but it will not be claimed that the notes of Banks, although perfectly solvent, but situated in interior towns, are as valuable as the notes of Banks in the seaboard cities.

It may be urged that, to compel remote Banks thus to redeem, would be a hardship, but as very few well-managed banking institutions in the United States fail to keep accounts and balances in some of the Atlantic cities, this hardship would be found upon trial to be imaginary, rather than real. But if it should be a hardship, it would be a necessary one, and the interests of the Banks must bend to the interests of the people. Besides, without such redemption, there will be practically none at all, at least until specie payments are resumed; and when there are no redemptions, there is always a constant tendency to inflation and illegitimate banking. The frequent and regular return of their notes is needed to keep the business of the Banks in a healthy condition, and thus invariably proves no less advantageous to the stockholders than to the public. Unless the Banks shall be compelled to redeem in United States notes, many of them will neither lend their influence in favor of a return to specie payments, nor be prepared for them when without their agency specie payments shall be brought about. If the determination of the question was left to the Secretary, all the Banks would be required to redeem in New-York, the acknowledged commercial metropolis of the Union. The designation of that city as the redeeming point for all National Banks would not only give absolute uniformity to their circulation, but would so facilitate the assorting and returning of notes that practical and general redemption would be enforced. It is certain that this would not be done under the existing provisions of the law, it is not certain that it will be, unless all Banks shall be compelled to redeem at a single point. This might be objected to by the Banks in other Atlantic cities on the ground that it would agitate New-York at their expense. But New-York is already the financial and commercial emporium of the Union. Most of the interior Banks keep their chief balances in that city, because they are more available and valuable there than elsewhere, and in compelling all the Banks to redeem at the metropolis of trade, Congress would be only yielding to an unwritten but controlling law to which statutes should conform. The course of trade compels, and will compel, those National Banks whose business is based upon the products of the country (and these most always constitute a majority) to keep their chief balances in New-York, whether they redeem there or not. If exchanges between that city and other cities should be in favor of the latter, the redemption by *their* Banks would be made at their own counters, and no sacrifice but that of local pride would be involved in their being required by law to redeem at the commercial center. When New-York shall be a debtor city to Boston and Philadelphia, the notes of the Boston and Philadelphia Banks will go home, and not to New-York, for payment. What is required is an active regular and actual redemption of the notes of all the National Banks. To effect this, local pride should be sacrificed and minor interests should be disregarded. What is said upon this subject by the Acting Controller of the Currency is fully indorsed.

The second remedy suggested is a curtailment of the currency.

The views of the Secretary upon the question of a reduction of the currency have been so frequently expressed that it is only necessary now to consider whether the curtailment should be of the United States notes or the notes of the National Banks. On this subject his opinions have undergone no change since he communicated them in his reports as Controller of the Currency. Banks of issue, organized under State laws, have been in existence ever since the formation of the Government. By the decisions of the highest tribunals of the country their constitutionality has been affirmed, and they have become so interwoven with the business of the country, and such large investments have been made in them, that their destruction would involve consequences of a very serious character. Whether or not the country would have been more prosperous without them—whether the stimulus they have given to enterprise and the facilities they have afforded to trade have or not been counterbalanced by the artificial prices which they have created and the actual losses which the people have sustained by the prices they have occasioned, and by their suspensions and failures—it is too late to consider. When the National Currency Act was passed by Congress, State Banks were in full operation, and not less than four hundred millions of dollars were invested in them as capital. In some States, by judicious legislation and careful management, they had afforded a local circulation satisfactory and safe. In other States, where no reliable security, or insufficient security, had been required for the protection of the public, and their management had been confided to incompetent or dishonest hands, there had been numerous failures, and heavy losses had been sustained by the holders of their notes.

Soon after the commencement of the Rebellion, it became apparent that a heavy National debt was to be created, the interest and principal of which could only be paid by a general system of internal taxes, involving a necessity for a circulating medium equal in value throughout the country, and safe for the Government to receive in payment of dues. This subject, of course, demanded and received the earnest and careful consideration of the distinguished gentleman at the time the financial minister of the Government, who caused to be prepared and submitted to Congress a bill "to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," which, after having been carefully considered and thoroughly discussed, became a law on the 25th of February, 1863. Prior to the passage of this act, issues by the Government had been authorized, and a large amount of Government notes had been put into circulation. But there is nothing in the acts authorizing their issue, or in the communications of the Secretary, or in the discussions in Congress, to justify the opinion that they were intended to be a permanent circulation. On the contrary, the provisions in the law for their conversion into bonds, and the arguments of the advocates of their issue, afford ample evidence that they were regarded as merely temporary, and justifiable only by an emergency which it was supposed nothing else could so adequately meet. Had it been proposed that these notes should be a permanent circulation and take the place of bank notes, there is good reason to suppose that the proposition would have had less, if any, advocates. Nor was the National Banking System prepared by its author, nor adopted by Congress, to destroy the State banks, nor to divert capital from banking, but rather to compel all banking institutions issuing notes as money to secure them, beyond any conceivable contingency, by deposits with the Treasurer of the United States; thus, without the agency of a National bank, providing a National currency which would save the Government and people from losses of which there was constant danger, from a local and unsecured circulation. The National Banking System was intended, while not invading the rights of the States, nor damaging private interests, to furnish the people with a permanent paper circulation. The United States notes were intended to meet a temporary emergency, and to be retired when the emergency had passed.

The present Secretary was not the advocate of the National Banking System, and claims only the credit of having used his best efforts, as Controller, to put it into successful operation. But he has no hesitation in pronouncing it a vast improvement upon the systems which it superseded, and one admirably adapted to our peculiar form of Government. There are substantial objections to all banks of issue, and if none existed in the United States, it might be very questionable if any should be introduced; but having taken the place of the State Banks, and furnishing as they do a circulation as free from objection as any that is likely to be provided, the Secretary is of the opinion that the National banks should be sustained, and that the paper circulation of the country should be reduced, not by compelling them to retire their notes, but by the withdrawal of the United States notes.

The Secretary is not unmindful of the saving of interest which results to the Government by the use of its own currency, nor of the favor with which this currency is regarded by the people, but all considerations of this nature are more than counterbalanced by the discredit which attaches to the Government by failing to pay its notes according to their tenor, by the bad influence of this voluntary discredit upon the public morals, and the wide departure which a continued issue of legal-tender notes has taken from past usages, if not from the teachings of the Constitution itself. The Government cannot exercise powers not conferred by its organic law or necessary for its own preservation, nor dishonor its own engagements when able to meet them, without either shocking or demoralizing the sentiment of the people; and the fact that the indefinite continuance of the circulation of an irredeemable but still legal-tender currency is so generally advocated indicates how far we have wandered from old landmarks both in finance and ethics. The views of the Secretary on this point were so fully expressed in his former report that it is not necessary to restate them. It is sufficient to say that his opinions are unchanged, and that reflection and observation during the past year have assured him of their correctness. Anxious as he is to lighten the public burdens and reduce the public debt, he does not hesitate to advise that these notes be withdrawn from circulation, and that the furnishing of usual paper currency may be required to be left to corporations, under existing laws and such amendments of these laws as experience may dictate for the better protection and advancement of the public interest. How rapidly they may be retired must depend upon the effect which contraction may have upon business and industry, and can be better determined as the work progresses. The reduction could probably be increased from four millions per month, as contemplated by the act of April 12, last, to six millions per month for the present fiscal year, and to ten millions per month thereafter, without preventing or retarding a steady conversion of the interest-bearing notes into bonds, or injuriously affecting legitimate business. No determinate scale of reduction would, however, in the present condition of our affairs, be advisable. The *policy* of contracting the circulation of Government notes should be definitely and unchangeably established, and the *process* should go on just as rapidly as possible without producing a financial crisis or seriously embarrassing those branches of industry and trade upon which our revenues are dependent. There is a great adaptability in the Business of the United States, and it will easily accommodate itself to any policy which the Government may adopt. That the policy indicated is the true and safe one, the Secretary is thoroughly convinced. If it shall not be speedily adopted and rigidly but judiciously enforced, severe financial troubles are in store for us.

The Secretary cordially approves what is said by the Acting Comptroller of the Currency, in his report, in regard to the importance of furnishing the people of the South with the banking facilities which their business may require, and agrees with him in the opinion which he expresses of the beneficial results, political, financial, and social, to be effected by the organization of National Banks in the Southern States, but he cannot recommend an increase of the bank-note circulation of the country beyond three hundred millions of dollars, and hopes that the securities of those States may be supplied rather by a reduction of the amount awarded to other States, than by an increase of the volume of currency.

The third remedy suggested is a revision of the tariff for the purpose of harmonizing it with internal taxes, a reduction of taxes upon raw materials, &c., &c.

The sixth section of the act entitled "An act to reduce internal taxation, &c., &c.," approved July 13, 1866, provides: "That the Secretary of the Treasury is hereby authorized to appoint an officer of his Department, who shall be styled 'Special Commissioner of the Revenue,' whose office shall terminate in four years from the 30th day of June, 1866. It shall be the duty of the Special Commissioner of the Revenue to inquire into all the sources of national revenue, and the best method of collecting the revenue; the relation of foreign trade to domestic industry; the mutual adjustment of the systems of taxation by customs and excise, with a view of insuring the requisite revenue with the least disturbance or inconvenience to the progress of industry and the development of the resources of the country; and to inquire, from time to time, under the direction of the Secretary of the Treasury, in the manner in which officers charged with the administration and collection of the revenue perform their duties. And the said Special Commissioner of the Revenue shall, from time to time, report through the Secretary of the Treasury to Congress, either in the form of a bill or otherwise, such modifications of the rates of taxation, or of the methods of collecting the revenues, and such other facts pertaining to the trade, industry, commerce, or taxation of the country, as he may find by actual observation of the operation of the law, to be conducive to the public interest."

On the 16th of July last, Mr. David A. Wells was appointed Special Commissioner of the Revenue, under the authority above recited, and he was instructed to proceed at once to perform the contemplated work, giving his chief attention to the tariff, with the view of ascertaining what modifications are required to adjust it to the system of internal taxes, stimulate industry, and make labor more productive.

The ability displayed by Mr. Wells in the performance of his duties as one of the Commissioners for the revision of the internal revenue laws, and the heartiness with which he is prosecuting his investigations, give the best assurance that he will perform the work in a manner creditable to himself, and satisfactory to Congress and the people. The Secretary addressed to him on the 14th day of September, 1866, a letter, from which the following is extracted: "In view of the fact that the revision of the tariff is certain to engage the attention of Congress at its next session, I consider it especially desirable that the Treasury Department should be prepared to furnish as much information pertinent to the subject as can be obtained and collected within the limited time available for the necessary investigations. You are, therefore, hereby requested to give the subject of the revision of the tariff especial attention, and to report a bill which, if approved by Congress, will be a substitute for all acts imposing customs duties, and which will render the administration of this branch of the revenue system more simple, economical, and effective. In the discharge of this duty, you will consider the necessity of providing for a large, certain and permanent revenue, recollecting the fact that the existing tariff has proved most effective in this direction. You will, therefore, endeavor, first, to secure for the Government a revenue commensurate with its necessities; and secondly, to propose such modifications of the tariff laws now in force as will better adjust and equalize the duties upon foreign imports with the internal taxes upon home productions. If this last result can be obtained without detriment to the revenue, by reducing taxation upon raw materials and the machinery of home productions, rather than by increasing the rates of imports, it would, in my opinion, by decreasing the cost of production and increasing the purchasing power of wages, greatly promote the interests of the whole country."

There is no subject which has in times past provoked so much discussion, and in regard to which opinions have differed so widely, as the tariff. It has been a standing matter of sectional and political strife for nearly half a century, and the sentiment of the people in regard to it is still quite as much divided as when the discussion of it commenced. Always a complex and difficult question, it is particularly so at the present time. Prior to the Rebellion it had no relation to internal taxes, for this form of Federal taxation was then unknown to our people. It had little connection with the currency, for, until the year 1862, although the banks had repeatedly suspended specie payments, specie was the only legally recognized standard of value in the United States. Now the question of the tariff is to be considered in connection with a permanent system of internal taxes and a depreciated, but it is hoped a temporary legal-tender currency. It is obvious that a scale of duties upon imports which might have been sufficient, judicious, and beneficial when there were no internal Federal taxes and business was conducted upon a specie basis, may be insufficient, injudicious, and injurious now. A large revenue is at present indispensable for the payment of the ordinary expenses of the Government, the interest upon the public debt, and for the gradual and regular reduction of the principal. Free trade, although in accord with the principles of the Government and the instincts of the people, cannot be adopted as a policy as long as the public debt exists in anything like its present magnitude. The long-hoped-for period when there shall be no legal obstructions to a free exchange of commodities between the United States and other countries is still far in the future. Duties upon imports are not only necessary for revenue, but also for the protection of those home interests upon which heavy internal taxes are to be assessed. The question now before the country is therefore one of adaptation rather than principle. How shall the necessary revenue be raised under a system of internal and external taxes without sustaining monopolies, without repressing industry, without discouraging enterprise, without oppressing labor? In other words, how shall the revenue be raised in a manner the least oppressive to the people, without checking the prosperity and growth of the country? The Secretary is not disposed to discuss the question in this report. This will, it is expected, be done elaborately and thoroughly in the report of the Commissioner. He desires, however, to call attention to a few important facts in regard to some branches of business in the United States, the consideration of which may tend to give a proper direction to the public mind upon a question so absorbing and important.

No single interest in the United States, fostered although it may be by legislation, can long prosper at the expense of other great interests. Nor can any important interests be crushed by unwise or unequal laws, without other interests being thereby prejudiced. For illustration, the people of the United States are naturally a commercial and maritime people—fond of adventure, bold, enterprising, persistent. Now, the disagreeable fact must be admitted, that, with unequaled facilities for obtaining the materials, and with acknowledged skill in ship-building—with thousands of miles of sea-coast, indented with the finest harbors in the world—with surpassing products that require in their exportation a large and increasing tonnage—we can neither profitably build ships nor successfully compete with English ships in the transportation of our own productions. Twenty years ago it was anticipated that ere this the United States would be the first maritime power in the world. Contrary to our anticipations, our foreign commerce has declined nearly fifty per cent, within the last six years. The tonnage of American vessels engaged in the foreign carrying trade which entered United States ports was—

In 1860.....5,921,285 tuns. In 1865.....2,943,661 tuns.
In 1866.....3,352,066 tuns.

The tonnage of such vessels which were cleared from the United States was—

In 1860.....6,765,924 tuns. In 1865.....3,025,154 tuns.
In 1866.....3,383,176 tuns.

The tonnage of foreign vessels which entered our ports was—

In 1860.....2,353,911 tuns. In 1865.....3,916,567 tuns.
In 1866.....4,410,424 tuns.

The tonnage of foreign vessels which were cleared was—

In 1860.....2,624,005 tuns. In 1865.....3,520,123 tuns.
In 1866.....4,438,581 tuns.

It is true that a large proportion of this diminution of shipping and ship-building was the effect of the war. The great destruction of merchant vessels by Rebel cruisers not only induced sales to neutrals, but discouraged building. After the war, however, the security of American vessels ought to have produced, and, but for a redundant currency and high taxes, would have produced activity in our ship-yards and a rapid increase of tonnage; but this has not been the case. The prices of labor and materials are so high that ship-building cannot be made profitable in the United States, and many of our ship-yards are being practically transferred to the British Provinces. It is only a few years since American ships were sought after, on account of their superiority and cheapness; and large numbers of vessels were built in Maine and other States on foreign account, or sold to foreigners, while, at the same time, our own mercantile marine was being rapidly increased. Now many of our ship-yards are abandoned, and in others very little activity prevails. It is true there has recently been some increase in our foreign tonnage, but a good part of this increase is apparent only, and is the result of the new rule of admeasurement. It is an important truth that vessels can be built very much cheaper in the British Provinces than in Maine. Nay, further, that timber can be taken from Virginia to the Provinces, and from these Provinces to England, and there made into ships which can be sold at a profit, while the same kind of vessels can only be built in New-England at a loss, by the most skilful and economical builders. But the evil does not stop here; if the only loss was that which the country sustains by the discontinuance of ship-building, there would be less cause of complaint. It is a well-established general fact, that the people who build ships navigate them, and that a nation which ceases to build ships ceases, of consequence, to be a commercial and maritime nation. Unless, therefore, the causes which prevent the building of ships in the United States shall cease, the foreign carrying trade, even of our own productions, must be yielded to other nations. To this humiliation and loss the people of the United States ought not to be subjected. If other branches of industry are to prosper, if agriculture is to be profitable, and manufactures are to be extended, the commerce of the country must be restored, sustained, and increased. The United States will not be a first-class power among the nations, nor will her other industrial interests continue long to prosper as they ought, if her commerce shall be permitted to languish.

The same causes—a redundant currency and high taxes—that prevent ship-building, tend to prevent the building of houses and even of manufactories. So high are prices of every description that men hesitate to build dwellings as fast as they are required, and thus rents are so advanced as to be oppressive to lessees, and the healthy growth of towns and cities is retarded. So it is in regard to manufactories. Mills which were built before the war can be run profitably, but so expensive are labor and materials that new mills cannot be erected and put into operation with any prospect of fair returns upon the investment, unless upon the expectation that taxes will remain as they are, and prices be sustained, if they are not advanced. The same causes are injuriously affecting agriculture and other interests, which it is not necessary to particularize. It is everywhere observed that existing high prices are not only oppressing the masses of the people, but are seriously checking the development, growth, and prosperity of the country. It is not denied that the losses which the country has sustained of able-bodied men by the war is one cause of existing high prices; but mainly they are the result of a redundant currency and high taxes.

To raise the large revenue which is now required, by systems of internal and external duties, which, working in harmony, shall neither repress industry nor cheek enterprise, and which shall be so devised as to make taxation bear most heavily upon those who are most benefitted by taxes and by the debt which renders taxation necessary, requires great practical knowledge and wise statesmanship. This subject, always an interesting one to the heavily indebted nations of Europe, has become, as one of the results of the war, deeply interesting to the people of the United States. The Secretary does not, as before stated, intend to discuss it, but he ventures to suggest that the following general principles, some of which have been acted upon by Congress, and the correctness of all of which have been proved by other nations, may be safely adopted as a guide to the legislation that is now required:

1st. That the fewest number of articles consistent with the amount of revenue to be raised, should be subjected to internal taxes, in order that the system may be simple in its execution, and as little offensive and annoying as possible to the taxpayers.

2d. That the duties upon imported commodities should correspond and harmonize with the taxes upon home productions; and that these duties should not be so high as to be prohibitory, nor to build up home monopolies, nor to prevent that free exchange of commodities which is the life of commerce. Nor, on the other hand, should they be so low as to seriously impair the revenues, nor to subject the home manufacturers, burdened with heavy internal taxes, to a competition with cheaper labor and larger capital which they may be unable to sustain.

3d. That the raw materials used in building and manufacturing, and which are to be largely enhanced in value by the labor which is to be expended upon them, should be exempted from taxation, or that the taxes upon them should be low in comparison with the taxes upon other articles. This is the policy of other enlightened nations, and it is believed that the diminution of direct revenue which it would involve, if adopted by the United States, would be more than made up by the augmented value which it would give to labor, and by the increase of productions and of exports which would be sure to result from it. It should be constantly borne in mind, that taxes upon raw materials directly increase the cost of production, and thus tend either to reduce the product of labor or to prevent exportations to foreign markets.

4th. That the burdens of taxes should fall chiefly upon those whose interests are protected by taxation, and upon those to whom the public debt is a source of wealth and profit, and lightly upon the laboring classes, to whom taxation and the debt are without so many compensatory advantages.

The next of the series of proposed remedies is an issue of bonds, bearing interest at the rate of not exceeding five per cent, and payable in Europe, to an amount sufficient to absorb the six per cent bonds in foreign hands, and supply the European demand for United States securities for permanent investment. No one regrets more than the Secretary, the fact that so large an amount of our bonds is held abroad, or the unfortunate condition of our trade that has transferred them thither. The opinion that the country has been benefited by the exportation of its securities is founded upon the supposition that we have received real capital in exchange for them. This supposition is, to a large extent, unfounded. Our bonds have gone abroad to pay for goods, which, without them, might not have been purchased. Not only have we exported the surplus products of our mines and our fields, with no small amount of our manufactures, but a large amount of securities also, to pay for the articles which we have purchased from other countries. That these purchases have been stimulated and increased by the facility of paying for them in bonds, can hardly be doubted. Our importations of goods have been increased by nearly the amount of the bonds which have been exported. Not one dollar in five of the amount of the five-twenties now held in England and upon the continent, has been returned to the United States in the form of real capital. But if this were not a true statement of the case, the fact exists, as has been already stated, that some three hundred and fifty millions of Government bonds—not to mention State and railroad bonds and other securities—are in the hands of the citizens of other countries, which may be returned at any time for sale in the United States, and which, being so held, may seriously embarrass our efforts to return to specie payments. After giving the subject careful consideration, the Secretary has concluded that it is advisable that he should be authorized to issue bonds not having more than twenty years to run, and bearing a low rate of interest, payable in England or Germany, to be used in taking up the six per cents now held abroad, and in meeting any foreign demand for investment that may exist. The question now to be considered is not how shall our bonds be prevented from going abroad, for a large amount has already gone, and others will follow as long as our credit is good and we continue to buy more than we can pay for in any other way, but how shall they be prevented from being thrown upon the home market, to thwart our efforts in restoring the specie standard. The Secretary proposes no practicable method of doing this at an early day, but by substituting for them bonds which, being payable principal and interest in Europe, will be less likely to be returned when their return is the least desired. The holders of our securities in Europe are now subject to great inconvenience and not a little expense in collecting their coupons; and it is supposed that five per cent, or perhaps four and a half per cent bonds, payable in London or Frankfort, could be substituted for our six per cents, without any other expense to the United States than the trifling commissions to the agents through whom the exchanges might be made. The saving of interest to be thus effected would be no inconsiderable item; and the advantages of having our bonds in Europe placed in the hands of actual investors is too important to be disregarded.

Fifth: The fifth and last remedy suggested is the rehabilitation of the States recently in insurrection.

In alluding to this subject, the Secretary feels that he steps upon dangerous ground, and that he may be charged with introducing a political topic in a financial report; but, in his opinion, there is no question now before the country more important in its bearings upon our finances than the political and consequently industrial status of the Southern States. Embracing, as they do, one third part of the richest lands of the country, and producing articles of great value for home use and for exportation to other countries, their position with regard to the General Government cannot remain unsettled, and their industrial pursuits cannot continue to be seriously disturbed without causing such a diminution of the production of their great staples as must necessarily affect our revenues, and render still more unsatisfactory than they now are, our trade relations with Europe. As long as the present anomalous condition of these States continues—as long as they have no participation in the Government, to the support of which they are compelled to contribute—it is idle to expect that their industry will be restored or their productions increased. On the contrary, there is reason to apprehend that until harmonious relations again exist between the Federal Government and these States, the condition of their industrial interests will become day by day more uncertain and unsatisfactory. There will be no real prosperity in these States, and consequently no real prosperity in one-third part of the United States, until all possess again equal privileges under the Constitution. Can the nation be regarded as in a healthy condition when the industry of so large a portion of it is deranged? And can the labor question at the South be settled as long as the political status of the South is unsettled? Can the national credit be elevated and the public debt be rapidly reduced unless the Southern States shall largely contribute to the public revenues, and can such contributions be expected so long as they remain in their present disfranchised condition? Will the tax-payers of the North continue to be patient, unless their burdens of taxation are to be lessened by being equally shared by the people of the South? Regarded thus as a purely financial question, the relation of these States to the Federal Union is an exceedingly interesting and important one, and as such it demands the calm and careful consideration of Congress.

The Secretary has thus presented, in such manner as his pressing official duties would permit, his views of the financial condition of the country, the causes of trouble, present and prospective, and the remedies for the same. If these remedial measures shall be approved by Congress, and enforced by appropriate legislation, he is confident that specie payments may be resumed by the time our interest-bearing notes are retired, which must be done in less than two years, and probably will be in a much shorter period.

These measures look to an increase of labor and consequently of production—to a fulfillment of obligations by the Government and the banks—to a reduction of the public debt at the same time that taxes are being equalized and lessened—to lower prices, and apparently harder but really more prosperous times—to a restoration of specie payments without the financial troubles which usually precede a resumption after a long period of suspension and inflation. The Secretary does not mean to assert that the adoption of all these measures (although he regards each as important) is absolutely necessary to a return to specie payments, nor that other remedies may not be adopted by Congress to rescue the country from impending financial troubles. He presents, as he considers it to be his duty to do, his own views, and asks that they may receive careful consideration, and be adopted if they commend themselves to the wisdom of Congress, or rejected if measures better calculated to secure the desired end can be devised. The most sanguine and hopeful must perceive that the business of the country cannot for a much longer time be run upon the present high level with safety. The speculative interest, large and powerful in itself, is receiving daily new accessions of strength by the increase of individual credits; and when speculators and debtors control the financial policy of the country, a financial collapse is inevitable. These untoward and dangerous influences can now be resisted, and the true interests of the people require that they should be resisted promptly and decisively.

Unsatisfactory as it is, in many respects, our condition, there is cause for congratulation that we have thus far escaped the severe financial troubles which usually befall nations at the close of expensive and protracted wars. With our vast resources and the energy and persistent energy of a free people, it lie our own fault if we do not escape them altogether.

The Secretary has pointed out the financial dangers ahead and before us, in order that they may be counteracted and avoided before they culminate in general disaster. Strong as is his conviction that we are tending to some time, and still are, moving in the wrong direction, and that much of our prosperity is unreal and unreliable, his confidence in the ability of the country to right itself speedily is unshaken. We have but touched the surface of our resources—the great mines of our national wealth are yet to be developed. The experiences of the past four years have only assured us of our strength. It is only necessary that our true situation be understood in order that the proper remedies may be applied. There is no insurmountable obstacle in the way of restoration to perfect financial health, without the painful trials to which it has been apprehended we must first be subjected. To be a co-worker with Congress and the people in effecting this most desirable result has been, and will continue to be, the highest aim of the Secretary.

After a careful survey of the whole field, the Secretary is of the opinion that specie payments may be resumed, and ought to be resumed, as early as the first day of July, 1868, while he indulges in the hope that such will be the character of future legislation, and such the condition of our productive industry, that this most desirable event may be brought about at a still earlier day.

The following is a statement of the public debt, June 30, 1866, exclusive of cash in Treasury:

Bonds, 10-40s, 5 per ct., due in 1904	$171,029,150 00	
Bonds, Pacific Railroad, 6 per cent., due in 1895 and 1896	6,042,000 00	
Bonds, 5-20s, 6 per cent, due in 1862, 1864, and 1865	722,905,500 00	
Bonds, 6 per cent., due in 1881	265,317,700 00	
Bonds, 6 per cent., due in 1880	18,415,000 00	
Bonds, 5 per cent., due in 1874	20,000,000 00	
Bonds, 5 per cent., due in 1871	7,022,000 00	
		$1,210,221,200 00
Bonds, 6 per cent., due in 1868	8,908,941 80	
Bonds, 6 per cent., due in 1867	9,415,200 00	
Compound interest notes, due in 1867 and 1868	129,012,140 00	
7.30 Treasury notes, due in 1867 and 1868	806,251,550 00	
		983,587,931 80
Bonds, Texas indemnity, past due, not presented	$550,000 00	
Bonds, Treasury notes, &c., past due, not presented	3,815,675 80	
		4,374,675 80
Temporary loan, ten days' notice	120,176,126 65	
Certificates of indebtedness, past due, not presented	26,391,000 00	
		146,567,126 65
United States notes	$400,891,398 00	
Fractional currency	27,870,876 96	
Gold certificates of deposit	10,713,180 00	
		$438,675,454 96
Total		$2,783,425,879 21

Cash in Treasury, $132,887,549 11.

STATEMENT *of the Public Debt, October 31, 1866, exclusive of Cash in Treasury.*

Bonds, 10-40's, 5 per ct., due in 1904	$171,029,350 00	
Bonds, Pacific Railroad, 6 per cent, due in 1895 and 1896	6,082,000 00	
Bonds, 5-20's, 6 per cent, due in 1862, 1864 and 1865	823,944,000 00	
Bonds, 6 per cent, due in 1881	265,324,750 00	
Bonds, 6 per cent, due in 1880	18,415,000 00	
Bonds, 5 per cent, due in 1874	20,000,000 00	
Bonds, 5 per cent, due in 1871	7,022,000 00	
Navy pension fund, 6 per cent	11,730,000 00	
		$1,327,467,100 00
Bonds, 6 per cent, due in 1868	8,790,941 80	
Bonds, 6 per cent, due in 1867	7,742,800 00	
Compound interest notes, due in 1867 and 1868	148,512,140 00	
7.30 Treasury notes, due in 1867 and 1868	724,014,300 00	
		888,560,181 80
Bonds, Texas indemnity, past due, not presented	384,000 00	
Bonds, Treasury notes, temporary loan, certificates of indebtedness, &c., past due, not presented	36,604,909 21	
		36,988,909 21
United States notes	$390,195,785 00	
Fractional Currency	27,589,010 23	
Gold certificates of deposit	10,696,980 00	
		428,480,775 33
Total		$2,681,636,966 34

Cash in Treasury, $130,228,960 62.

The Secretary estimates that the receipts for the three quarters ending June 30, 1867, will be as follows:

Receipts from customs	$110,000,000 00
Receipts from lands	500,000 00
Receipts from internal revenue	186,000,000 00
Receipts from miscellaneous sources	20,000,000 00
	$316,500,000 00

The expenditures, according to his estimates, will be:

For the civil service	$37,405,947 39
For pensions and Indians	12,262,217 21
For the War Department, including $15,000,000 for bounties	58,804,657 05
For the Navy Department	23,144,810 21
For interest on the public debt	105,551,512 00
	$237,169,143 96
Leaving a surplus of estimated receipts over estimated expenditures of	$79,330,856 04

The receipts for the next fiscal year ending June 30, 1868, are estimated as follows:

From customs	$145,000,000 00	
From internal revenue	265,000,000 00	
From lands	1,000,000 00	
From miscellaneous sources	25,000,000 00	
		$436,000,000 00

The expenditures are estimated as follows:

For the civil service	$30,067,342 08	
For pensions and Indians	25,388,489 60	
For the War Department, including $14,000,000 for bounties	110,861,961 89	
For the Navy Department	30,251,605 25	
For interest on the public debt	133,678,243 00	
		$350,247,641 32
Leaving a surplus of estimated receipts over estimated expenditures of		$85,752,358 68

In regard to the commercial intercourse between the United States and British America, the Secretary adheres to the general opinion expressed in his report of 1865, that until our revenue system is fully revised and adjusted to the financial situation of the country, this subject should not be placed beyond the control of Congress, but should be left to current legislation and such regulations as the Treasury Department may be authorized by law to prescribe. Another reason for arrangements thus flexible is presented by the uncertainty of the political situation of British America. The scheme of confederation, which proposes to transfer questions of revenue and external trade to a single central authority, has not been adopted, and the opposition to the measure may prevail with the new ministry of England, either to modify materially the terms of the Quebec Convention, or to subject the whole measure to the hazards of a popular vote in the Provinces.

However the political problem may be solved, it is not unlikely that when the United States shall have simplified existing methods, and reduced existing rates of taxation, so as to receive the largest amount of revenue with the least burden to industry, British America will be prepared to undertake a system of public improvements along the channel of the St. Lawrence and through North-West British America to the Pacific coast, rendered feasible by the financial necessities attending its adoption and the administration of a federal government, will suggest a Zollverein, or a complete assimilation of excise and custom duties on each side of the Northern frontier. At present, inaction upon this subject would appear to be the true policy of the United States.

Under the authority conferred by Congress at its last session, the Marine Hospitals at Burlington, Vt., at Charleston, S. C., and at Cincinnati, Ohio, have been sold, and proceedings have been taken to dispose of others not required for service, when it shall be found possible to obtain fair prices for them.

A sale has also been effected of the old marine hospital at Chelsea, Mass., on satisfactory terms. The new hospital building at Chelsea, and that at Cleveland, Ohio, have received such additions and repairs as were necessary to put them in serviceable condition, and all marine patients within practicable reach of them have been gathered there for treatment.

A similar plan of concentrating the patients at prominent points has been, so far as practicable, pursued throughout the country, by which, together with a rigid adherence to the fundamental principles on which relief should be afforded, the expenses of the establishments in the Northern States have been materially reduced, although the enlarged demand for hospital privileges at the South, consequent upon the reopening of that section to commerce, in connection with the very exorbitant prices prevailing there, will cause the total expenditures to be somewhat increased. It is hoped, however, that this increase will be attended by a corresponding addition to the collection of taxes from the seamen.

The revenue cutters on the Atlantic and Pacific coasts, and on the Lakes have been diligently and usefully employed in preventive service during the last year.

It was found expedient to sell, as authorized by Congress at its last session, the vessels heretofore reported as unsuitable for the cutter service, (with the exception of the Cuyahoga, the largest of the class, which has been offered for sale, but has not yet been disposed of,) until their places should be supplied by others. Consequently they have been kept on active duty, and will not be withdrawn until the small sailing vessels, eight in number, which have been recently contracted for, shall be completed, as they are expected to be, in the course of two or three months. So soon as these can be assigned to duty the others will be withdrawn and sold.

On the second day of August last, in accordance with the provision contained in the civil appropriation act, approved on the 28th of July, 1866, Mr. J. Ross Browne was appointed a special commissioner to collect reliable statistical information concerning the gold and silver mines of the States and Territories west of the Rocky Mountains; and on the 12th day of September last, Mr. James W. Taylor was appointed a commissioner to perform the same work in the States and Territories east of the mountains. Their preliminary reports have not yet been received, but it is expected that they will be in season to be laid before Congress early in the session. The well-known energy of these gentlemen, and their familiarity with the subject of mines and mining, leads the Secretary to expect that their investigations will be thorough, and their full reports interesting and valuable. A copy of the instructions (which contain an outline of the duties devolved upon them) accompanies this report.

On the third day of June last, Mr. John Jay Knox, a clerk in this Department, a gentleman of excellent judgment and business habits, was sent to California to examine into the condition of the Mint and of the office of the Assistant Treasurer in San Francisco, and to look after some other matters in that quarter of interest to this Department. His report contains so many valuable suggestions that it has been thought advisable to append it to the report of the Director of the Mint. Particular attention is requested to that part of it which refers to assay offices and their inutility in remote districts. If, as he concludes, the business of assaying can not only without detriment, but with positive advantage to the mining interest, be left entirely to private enterprise, where there are no established mints, the Government should be disconnected from it in such districts without delay.

The Statistical Bureau, authorized by the act entitled "An act to protect the revenue, and for other purposes," approved July 28, 1866, was organized on the 5th day of September last, by the appointment of Mr. Alexander Delm