THE FINANCES.

Annual Report of Secretary Boutwell.

Operations of the Treasury Department for 1870.

TREASURY DEPARTMENT, Dec. 5, 1870.

SIR—The financial condition of the country has improved during the past year. The average rate of gold for the year 1869, as shown by weekly sales, was 22.9 per centum premium, and for the first eleven months of the year 1870 15.2 per centum premium, indicating an improvement in the value of paper currency of about seventeen per centum. From the 1st day of July, 1869, to the 30th of June, 1870, inclusive, the public debt, as shown by the warrant account, was reduced in the sum of $101,601,916 88. From the first day of December, 1869, to the 30th day of November, 1870, inclusive, the reduction was $119,251,240, as shown by the monthly statements of the public debt; and the total reduction from the 1st of March, 1869, to the 1st of December, 1870, was $191,154,765. The consequent reduction in the interest account is at the rate of more than $10,000,000 per annum.

RECEIPTS AND EXPENDITURES OF THE GOVERNMENT.

The receipts for the fiscal year ending June 30, 1870, were as follows:—

From customs	$194,538,374
Internal revenue	185,115,559
Sales of public lands	3,250,461
Miscellaneous sources	28,237,762
Total	$411,255,477

The expenditures for the same period were:—

For civil and miscellaneous purposes	$69,234,017
War Department	57,655,675
Navy Department	21,750,229
Indians and pensions	31,748,140
Interest on public debt	129,255,498
Total	$309,653,560

This statement exhibits a surplus applicable to the payment of the public debt, including the amount pledged to the sinking fund by the act of February 25, 1862, of $101,601,916 88.

The receipts for the first quarter of the present fiscal year were:—

From customs	$57,729,473
Internal revenue	49,147,137
Sales of public lands	842,437
Miscellaneous sources	7,382,181
Total	$115,101,230

The expenditures for the same period, excluding payments on account of the sinking fund, were:—

For civil and miscellaneous purposes	$18,207,242
War Department	19,218,588
Navy Department	4,816,287
Indians and pensions	13,826,461
Interest on the public debt	89,496,450
Total	$86,562,920

The estimated receipts for the remaining three quarters of the present year are as follows:—

From customs	$128,000,000
Internal revenue	98,000,000
Sales of public lands	2,000,000
Miscellaneous sources	16,000,000
Total	$244,000,000

The estimated expenditures for the same period are:—

For civil and miscellaneous purposes	$54,000,000
War Department	30,000,000
Navy Department	15,000,000
Indians and pensions	24,500,000
Interest on the public debt	80,000,000
Total	$203,500,000

Showing a balance applicable to the payment of the national debt, including, however, the amount payable on account of the sinking fund of $60,038,309. In estimating the expenditures for the next fiscal year I have included the sum of $24,500,000, properly chargeable to the current revenue as an appropriation under the acts of February 25, 1862, and July 14, 1870, relating to the sinking fund. Although the language employed in those acts is not the language commonly used in appropriation bills, it still has the force and effect of a permanent appropriation. I, therefore, so treat it. There will be required also the sum of $4,866,933, being the amount answering to the interest on the capital of the sinking fund, as represented upon the books of the department. This sum I have included in the estimate of expenditures for the fiscal year ending June 30, 1872. Upon this basis I submit the following estimate of receipts and expenditures for the next fiscal year:—

ESTIMATED RECEIPTS AND EXPENDITURES FOR THE YEAR ENDING JUNE 30, 1872.

Receipts from customs	$175,000,000
From internal revenue	126,418,000
From sales of public lands	3,000,000
From miscellaneous sources	16,000,000
Total	$320,418,000

EXPENDITURES.

Legislative establishment	$3,263,966
Executive establishment	17,358,165
Judicial establishment	2,348,750
Military establishment	28,468,194
Naval establishment	20,045,417
Indian Affairs	5,021,569
Pensions	30,000,000
Public works	22,338,278
Postal service	4,894,383
Miscellaneous	14,305,428
Permanent appropriations	132,528,234
Sinking fund	24,500,000
Interest upon capital of sinking fund	4,866,933
Total	$309,689,319

According to this estimate there will be a surplus applicable to the payment of the principal of the public debt, in addition to the payments made on that account through the sinking fund, of $10,778,680. An analysis of expenditures develops facts tending to sustain the opinion that the balance will be considerably larger than appears from the foregoing estimates. The sum of $22,338,278 is the estimate for public works. The appropriations for these objects for the present year are less than $12,000,000, and it is reasonable to presume that the appropriations for the next year will not much exceed that amount. It is believed, also, that the estimates made by the several departments for the different branches of the public service are for the maximum amounts which will be required under any circumstances. If such is the case there will remain on the 30th of June, 1872, unexpended balances to be covered into the Treasury. It may, therefore, be reasonably anticipated that the total reduction of the public debt during the next fiscal year, including payments on account of the sinking fund, will be about $50,000,000. It is a noticeable fact that the estimated expenditures for the next fiscal year, including payments on account of the sinking fund and for the interest on the public debt, are so nearly equal to the receipts as to justify and demand the greatest caution in dealing with the revenues and business of the country. It is apparent that a disaster or even a serious check to business would reduce the revenues below our necessary expenditures. It is apparent, also, that the prosperous condition of the country is largely due to the revenue system inaugurated during the war, by which manufactures and the mechanical arts have been extended and established. This policy cannot now be rashly abandoned or suddenly and radically changed without great injury to business and labor and serious consequent losses of revenue. The war in Europe has rendered it impracticable to refund the national debt as authorized by act approved July 14, 1870. A portion of the paper has been manufactured and the preparation of the plates has been so far advanced that whenever a favorable opportunity arises the loan may be offered and the bonds delivered without delay. Inasmuch as the war in Europe and the consequent demand for money make it doubtful whether the four and four and a half per cent bonds will be taken, it seems to me wise to authorize the issue of $300,000,000 additional of bonds bearing interest at the rate of five per cent. The interest can be paid quarterly without inconvenience, and I, therefore, respectfully recommend that the loan act be so modified that the payment of interest may be made quarterly instead of semi-annually. Should these recommendations be approved by Congress, it is of great importance that an act authorizing the changes be passed without delay.

CURRENCY BALANCES.

Since the 1st of July the currency balance in the Treasury has been unusually and for immediate purposes unnecessarily large. The act of July 12, 1870, authorizing an increase of national bank notes, imposed upon the Secretary of the Treasury the duty of providing for the redemption of equal amounts of their present certificates. The certain though progressive decrease in revenues, both of coin and currency, made it my duty to reserve a sum sufficient to enable the Department to comply with the law without resorting to extraordinary means.

Happily the financial condition of the country has not been unfavorably affected by the accumulations on the Treasury. During the year ending September 30, 1870, the national banks paid in interest the sum of $6,486,172. It is estimated that of this sum two millions were paid to private parties. I cannot doubt that the practice of paying interest, except upon balances due from one government to another, is a means by which large amounts of capital are diverted from the extreme portions of the country to the commercial and financial centres, to the injury of business generally. The province of a bank is to lend money, and its proper business, by loans and discounts, to facilitate and develop business in the neighborhood of its location. As a matter of fact, under the present system banks are agencies by which capital is gathered in and sent away to distant cities, there to be loaned on call and used for speculative purposes.

NATIONAL BANK NOTES.

Complaints are made from all parts of the country that the bills of the national banks are worn and defaced to such an extent as to be no longer fit for circulation. As many new banks are soon to be organized under the law of the last session of Congress, I respectfully recommend that an appropriation be made and authority given for the issue of new bills, upon such paper and in such form as may be designated by the Secretary of the Treasury. The Comptroller of the Currency, in his report for 1869, recommended the establishment of an agency in the city of New York, under the control of the national banks, for the redemption of their issue. The substance of this recommendation seems to me not only proper but necessary. The expense should be borne by the banks. Coupled with the recommendation I take this occasion to say that the banking system of the country appears to be well managed, and to answer reasonably the purposes for which it was established. It is no doubt true that treasury notes representing an equal amount of public debt, without interest, are most economical, circulation for the government; but it should be considered that the banking institutions of the country are agencies by which business is established and fostered. Upon the whole, the system of banking should be extended only for the purpose of meeting the demands of business, but when the demands are urgent the concession should be made upon the ground that the prosperity of business is more important than the mere saving of interest arising from the circulation of Treasury notes, excluding re-deposits. The amount of gold and silver deposited at the mints and its several branches during the last fiscal year was $30,408,788; the coinage for the year was $24,636,011, and the value of gold and silver bars stamped was $8,748,852.

THE MINTS AND COINAGE SYSTEM.

I respectfully ask the attention of Congress to the bill prepared in this department and submitted at the last session, and to the accompanying report relative to mints and the coinage system of the country. The bill was prepared with care and has since been submitted to the criticisms of a large number of practical and scientific men, whose views have been published by authority of Congress. During the year the several branch mints and assay offices have been visited and examined by Mr. Knox and Dr. Landermans. The assay office of Boise City, Idaho, is nearly completed, and will require a small appropriation for the commencement of business. Provision should be made for the redemption of the bronze and other tokens issued by the government. The report of the Commissioners of Mining Statistics for the year 1869 has been printed since the close of the session in July last, and that for the year 1870 will be made during the winter.

AMERICAN TONNAGE.

The continuance of the war appears to be a matter of national importance. The proportion of American vessels engaged in the foreign trade has not increased relatively during the year, although there has been an actual increase in the entries of American vessels at the ports of the United States amounting in the aggregate to 130,000 tons. The total tonnage engaged in the foreign trade entered at all of the ports of the United States has increased from 5,583,000 tons in 1869, to 5,957,000 tons in 1870, but the proportion of American tonnage remains as in 1869, at thirty-six per cent. Without undertaking to specify the means by which it is to be accomplished, I cannot overstate the importance of such legislation as will secure a revival of American commerce.

THE LIGHTHOUSE BOARD.

The report of the Lighthouse Board sets forth in detail the difficulties which have arisen in that branch of the public service from the operations of the fifth section of the act of July 12, 1870, making appropriations for the legislative and executive expenses of the government for the year ending June 30, 1871. The legislation asked for by the Board seemed to me to be necessary.

THE COAST SURVEY.

The report of the Superintendent of the Coast Survey gives a brief but satisfactory statement of the progress made during the last surveying year. On the 1st day of October last regulations were issued concerning the transportation of merchandise from the ports of importation to certain other ports in the United States, without appraisement or liquidation of duties at the port of arrival, agreeably to the provisions of the act entitled "An act to reduce internal tax, and for other purposes," approved July 14, 1870. A copy of the regulations will be transmitted to Congress. In the nature of the cases the regulations are stringent, but when the railway companies shall have given the bonds required, and the importing merchants of the interior cities shall have made arrangements for the importation of goods upon the basis of the act, I am satisfied that no serious difficulties will arise, either to the railways, the merchants or the government. Without doubt, the act increases the opportunity for the introduction of foreign goods into the country in violation of revenue law; but the examination which I have given to the subject in the preparation of regulations leads me to think that the business can be safely conducted.

COLLECTION OF CUSTOMS.

The appropriation for the expenses of collecting the customs revenue under the act approved May 31, 1866, is at the rate of $4,200,000 annually, in addition to such sums as may be received from fines, penalties, and for fixtures, and from storage, cartage, drayage and labor. Experience has shown that this amount is insufficient, and a deficiency appropriation will be needed at each session of Congress, until the permanent appropriation is increased. I have instituted a careful supervision in the Treasury Department over this branch of expenditures, and agents are employed in investigating the expenses of the custom houses of the country for the purpose of ascertaining whether a reduction of the number of employés or salaries is practicable. By this means some saving will be effected, but it will in the event be impossible to reduce the expenses within the appropriation. From 1858 to 1866 the permanent appropriation was at the rate of $3,600,000 per annum in addition to the receipts before enumerated as applicable to this branch of service. From 1856 to 1860, inclusive, the total receipts from customs were about $272,000,000, and the expenses of collection were $15,879,000, or at the rate of more than five and a half per cent. The receipts for the year ending June 30, 1870, were $194,538,374, and the expenses $5,912,113, or not exceeding 3½ per cent. From 1858 to 1860 the revenue collected did not exceed an average of $50,000,000 a year, and the temptation to smuggling and fraud was much less under a low system of duties than it is at the present time. At the principal importing cities of the country it is necessary to employ a large force for the protection of the wharves and water lines within or near such cities. It is also necessary to guard against smuggling by the presence often of several officers upon and around the steamer and other vessels importing large quantities of goods while engaged in discharging their cargoes. It is also apparent that the extensive line of coast on the Atlantic and Pacific oceans and the Gulf of Mexico, everywhere furnishing opportunities for the introduction of goods in violation of the revenue laws, requires the presence of a large number of skilful and trustworthy persons. The acquisition of Alaska, the establishment of interior ports of entry, the accommodation of business by railways and steamers on the Northern frontier add materially to the expense of collecting and guarding the revenue. I therefore respectfully recommend the increase of the permanent appropriation for collecting revenue from customs to the sum of $2,600,000 for each half year from and after the 30th day of June, 1870. At several of the important ports there are two appraisers, whose powers are equal. I recommend such an alteration of the law as will provide for one principal appraiser at each port, who shall be responsible for the business of the office.

BUILDINGS UNDER THE CARE OF THE DEPARTMENT.

The Treasury Department has the care of one hundred and ten public buildings that are completed and of seventeen more that are in the course of erection, all of which had cost on the 30th of June last $35,900,998. The appropriation for the repair and preservation of these buildings for the current year is $100,000, a sum manifestly inadequate, being less than one-third of one per cent. Unless larger annual appropriations are made the buildings will rapidly deteriorate in value, and finally will need much larger repairs or the erection of new ones in their stead.

With the increase of population in the country appropriations must be annually made for the erection of post offices, custom houses and other public buildings. The present mode of inaugurating these works seems to me unwise. Appropriations are often made without sufficient information upon the subject. It is true that when a proposition is introduced into Congress for the erection of a public building the subject is referred to the Treasury Department, and by the Secretary to the Supervising Architect of the Treasury; but it is also true that the Supervising Architect has only general information upon the subject, and in answer to a sudden call, and without time for the preparation of plans and estimates, he cannot give a safe opinion as to the necessity or the cost of the work. I respectfully recommend that hereafter, when applications are made for the construction of public buildings, the first step on the part of Congress will be to instruct the Treasury Department to make careful inquiry as to the necessity of the work, and also to prepare estimates to be laid before Congress. This being done and the work authorized, it would seem to be wise to make a single appropriation sufficient to meet the entire cost, and then hold the department and the Supervising Architect responsible for the speedy completion of the building substantially upon plans duly authorized and within the estimates. I am satisfied that much waste of public money occurs and much complaint on the part of citizens arises from the small appropriations which are made from year to year. The inevitable consequence of the policy is that the public works are injured in the process of construction and the expenses are largely increased.

THE NEW YORK POST OFFICE.

The Supervising Architect of the Treasury states in his report that the expenditure authorized by law for the construction of the post office in the city of New York will be inadequate, unless the character of the work is changed from the original design. It seems to be due to the city of New York, for general and apparent reasons, and in consideration of the fact that a most eligible site has been secured by the co-operation and in some degree at the expense of the city, that the building should not only be a fireproof structure, but also of such design and workmanship as to rank among the best public buildings of the country.

THE REVENUE MARINE SERVICE.

At the present time there are twenty-four steamers and ten sailing vessels attached to the revenue marine service, the number having been reduced during the year by the sale of two vessels of the latter class. At the third session of the Fortieth Congress an appropriation of $300,000 was made for the construction of four steam revenue cutters. After proposals had been issued and bids received, which were rejected, under the impression, on my part, that the public interests did not require vessels of as large size as those for which proposals had been issued, I appointed a commission by letter, dated December 16, 1869, consisting of Captain C. T. Patterson, of the coast survey; Captain Douglas Ottinger and Captain J. H. Merryman, of the revenue marine, and instructed them to consider and report upon the character of the vessels best adapted to the service. Final action in reference to the construction of the vessels authorized was delayed for the report of the commission. That report was made on the 1st day of May, 1870 (executive document No. 93, Senate, second session of the present Congress). Upon the completion of the work of the commission proposals were again issued for the construction of the four vessels authorized by law. Satisfactory bids were received, and on the 22d of July and the 22d of August last contracts were made. The construction given by the Comptroller to the fifth section of "the act making appropriations for the legislative, executive and judicial expenditures of the government" for the year ending the 30th of June, 1871, rendered the appropriation unavailable, and it therefore became necessary to notify the parties to the contracts that they must be considered as null and void. One of the parties has asked to have his contract formally annulled, which has been done. I recommend a renewal of the appropriation of $300,000 for the construction of steam revenue cutters, without limitation as to the number or specification as to the size of the vessels to be built. The report of the commission shows that thirteen of the vessels now in use are either old or not adapted to the service. The opinion entertained by me that the vessels in use are larger than the nature of the service required is confirmed by the report of the commission. They recommend that the number be reduced to thirty-two, and the aggregate tonnage reduced from 9,208 tons to 7,175 tons. They also state that it will be practicable, upon the proposed basis, to reduce the total number of officers, pilots, petty officers and men from 1,266—the number then in service—to 1,061, and the actual expense of maintaining the system, not including appropriations for the construction of new vessels, from $1,146,490 to $943,639, making a saving of more than half a million of dollars a year. The report of the commission is the result of a careful and comprehensive examination of the subject by competent men, and while it is the present purpose of the department to act upon it I am of the opinion that it should receive legislative sanction.

OFFICERS OF THE REVENUE MARINE.

On the 9th of July, 1869, I convened a Board of Examiners, who were charged, among other things, with the examination of the officers of the revenue marine. The Board is composed of Captains Faunce and Slicer, of the revenue marine, and Captain Patterson, of the coast survey. The examination has not yet been completed, as only a small number of officers could be detailed for examination at the same time. One hundred and ten lieutenants have been examined. Ten first lieutenants, nine second lieutenants and six third lieutenants were reported for removal and have been removed. The vacancies thus created in the first and second grades were filled by promotions and the vacancies in the lowest grade will be filled by qualified persons selected at large. The examination of the remaining officers will be continued.

THE MARINE HOSPITALS.

The condition of the marine hospitals has been improved during the past year. This result is largely due to Dr. J. S. Billings, of the Surgeon General's office, who has visited nearly all of them, and through whose advice many important changes have been made. No appointment has yet been made of a superintendent under the act of the last session. The authority therein granted to appoint a superintendent is desirable, although the salary does not appear to be sufficient. I, however, recommend such an alteration of the law as will permit the President to detail a surgeon of the army or navy to perform the duty of superintendent without any addition to his pay other than his necessary travelling expenses. With such authority the department could have the benefit of the services of Dr. Billings, or some other competent surgeon, with less expense than would be involved in a regular appointment even with the present salary. Five of the principal ports of the country—New York, New Orleans, San Francisco, Baltimore and Philadelphia—are without hospital accommodations, and provision is made for the patients by contract with hospital or private parties. The War Department is in possession of a very desirable hospital at New Orleans, known as the Sedgwick Hospital, and I earnestly recommend the passage of an act by which the building may be transferred to the Treasury Department for a marine hospital, and an appropriation made for the purchase of the land on which it stands. At the last session, the attention of Congress was called to the subject of transferring David's Island, at New York, from the War Department to the Treasury Department, for the establishment of a marine hospital. This recommendation is now respectfully renewed.

THE ALASKA SEAL FISHERIES.

In compliance with the act of July 1, 1870, in reference to the seal fisheries, proposals were issued and bids received for the exclusive right to the fisheries for the term of twenty years. The phraseology employed in the act warranted the interpretation that the contract should be awarded to the Alaska Commercial Company, if their proposition was as favorable to the government as that of any other party, and upon that basis the contract was awarded to that company. A copy of the contract and of the papers connected therewith will be transmitted to Congress. About eighty-six thousand seal skins have arrived at San Francisco as the product of the year 1869, on which the owners have paid one dollar each, as required by the sixth section of said act.

SALARIES OF TREASURY OFFICERS.

I considered it my duty to call the attention of Congress to the inadequacy and inequality of the salaries of the officers in the Treasury Department as fixed by law. The offices recently established are supported by proper salaries, but the salaries attached to many of those created at the organization of the government are insufficient. As a temporary means of alleviating the admitted evil Congress has, from time to time, and for many years, annually made appropriations to be used at the discretion of the Secretary for additions to salaries of officers in the department. In the nature of the case this is a disagreeable duty for the Secretary to perform, is usually unsatisfactory to the parties interested, and the result has not the caution and support incident to a system of specified salaries established by law. At the present time the sum of $21,500 is distributed by the Secretary in his discretion. After a careful examination of the subject I find that an additional appropriation, not exceeding $16,000 a year, will be sufficient to provide adequate salaries for the officers of the Treasury Department.

EXAMINATION OF TREASURY CLERKS AND EMPLOYES.

The act of 1853 in regard to the examination of clerks has been observed by this department, and with beneficial results. It is worthy of consideration, however, whether it would not be wise to provide by law for an examining board, the majority of whose members should not be officers of the department to which the clerk is to be assigned in case of appointment and approval. This system should also be extended to the principal custom houses and revenue offices of the country. By such an arrangement a definite security would be taken for the character and qualifications of clerks, as far as they can be ascertained or tested without actual service in the discharge of official duty. It is well understood, however, that no examination can furnish security that the person examined will prove satisfactory upon trial, and there should always be a speedy and easy method of removing such persons from office. I do not, therefore, accept the idea that the tenure of office for the clerks and employés in this department should be changed. Indeed, I believe that the present tenure of office furnishes the best security which the people of the country can have that the business of the government will be efficiently and properly performed. The work of the Treasury Department does not differ essentially from the business done in the banking houses and merchants' counting rooms, and there is no reason why the tenure of office should be permanent in one case that does not apply with equal force in the others. It does happen practically that there are in the Treasury Department, and in every bureau and office of it, men who have been connected with the service for several years, and who possess all the knowledge, derived from experience and tradition, that is essential to the performance of their duties. Excluding the employés of the Bureau of Engraving and Printing, and the messengers and laborers, there were 2,143 officers and clerks connected with the Treasury Department at Washington on the 1st day of November, 1870, and of these 1,489 were in office on the 4th day of March, 1869, leaving 654 as the total number of appointments made since that time. Previous to the war the business of the department was so small that on the 1st of March, 1861, only 433 persons were employed, and of these fifty-seven are now in the service. One has been in office over fifty years, two others over forty years, one over thirty-five years, seven over thirty years, one over twenty-five years, ten over twenty years, fourteen over fifteen years and twelve over ten years. These statements show that the changes in the departments are not so numerous as to deprive the service of the knowledge derived from experience. On the other hand the introduction of new men secures additional energy and efficiency. Two errors prevail in the community in connection with the subject. One is that under a republican government every man has a right to an office. This is in no sense true. The only right is that of the people to elect and to have appointed to office persons best qualified to perform the work. The other error is that offices in the Treasury Department are prizes, which the young men of the country may wisely seek. Speaking generally, it is a misfortune to a young man who possesses even ordinary capacity for business or labor to remain permanently in the public offices of this city. It is, however, true that many of the most valuable clerks in the Treasury are young men who are pursuing professional studies, or who, having completed the course, remain from one to four years in the department, with the purpose, by industry and economy, of securing a small amount of money with which to commence active life elsewhere. A system of life tenure would exclude all these men from the service, unless they chose to accept it as a permanent pursuit, which in the main would be an injury to them and to the country. I am also fully convinced that any more permanent tenure of office would materially impair the efficiency of the revenue system. There are many thousand men employed in the custom and internal revenue service, and however careful the preliminary examination might be, the evils which now impair the efficiency would undoubtedly exist. No system of examination could exclude all those who are dishonest, or who, under the pressure of necessity or the offer of sudden wealth, might yield to temptation. It often happens, and it would happen under any system, that men are found who are honest, temperate and apparently capable, and yet lack the energy or the courage essential to the enforcement of the revenue laws—a duty which often requires sagacity and a kind of intelligence too subtle for discovery through formal questions. Men who are thus unqualified should be removed from office, and this without an investigation, which, indeed, might furnish nothing tangible in justification of the act. So, too, in custom houses or collection districts, a branch of the service will fail to meet just expectations, although no dishonesty may be traceable to any person connected with the office. In such cases the interests of the government demand a change, and a change must be made without a hearing of the parties concerned.

I may be warranted in saying, in this connection, that the evil of office-seeking, although great, is probably exaggerated in the public mind. It is true that there are more applications for appointment to office in the department than can be met, but the number of applicants who are well qualified, who could pass any proper examination, is not usually very large. Outside of the department and in the several states and districts of the country the number of applicants for local services does not often exceed three or four to each office, and occasionally there are not more than two who are really so presented as to be considered in connection with the appointment.

In justification of the present tenure, and as a proper recognition of the services of the officers and clerks employed in this department, I express the opinion that the business, upon the whole, is not only done in a satisfactory manner, but that it will compare in accuracy and efficiency with the business of the country generally which is carried on by corporations or individuals.

TAXATION—THE PUBLIC DEBT.

In my annual report of December last I advised the continuance of the existing system of taxation as an essential condition to the success of the proposed loan. The circumstance that war was declared between France and Prussia simultaneously with the passage of the Loan bill, put it out of the power of the department to make the negotiation, as had been expected. The large revenues, however, of the government continuing, without material abatement, until the present time, improved the credit of the country, enabled the Treasury Department, by weekly purchases, to reduce the amount of surplus bonds offered for sale, and contributed to depreciate the market value of gold.

I also expressed the opinion that the settled policy of the country should contemplate a revenue sufficient to meet the ordinary expenses of the government, pay the interest on the public debt and from twenty-five to fifty millions of dollars of the principal annually. The reduction of the public debt since the 30th day of June last has been so great as to render it certain that the total reduction for the present fiscal year will exceed $60,000,000. The natural increase of the business of the country during the next eighteen months is likely to be such as to show a surplus for the fiscal year ending June 30, 1872, of about $40,000,000. The principal of the public debt on the last day of November, 1870, not deducting moneys on hand was $2,418,073,044; of this amount $395,269,257 was represented by United States notes and fractional currency not bearing interest. The banks of the country acting within the authority of existing laws will require about $393,000,000 of bonds to be placed on deposit as security for their circulation. Should the present system of furnishing a paper circulation for the country partly by the Treasury and partly by the national banks be continued, or the entire circulation be furnished by the Treasury or by the banks, the credit of the United States will be the security for the redemption of the notes. From this view of the policy of the country it follows that about $800,000,000 of the public debt will remain unpaid, existing either in the form of Treasury notes in circulation without interest, or in bonds owned by the banks and held as security for the redemption of their notes, and that only about $1,600,000,000 of the principal of the debt is subject to payment. The financial prospect, although highly favorable, is not such as to warrant important changes in the revenue system at the present session of Congress; but should the result during the coming year meet my expectations it will be possible at the December session of the Forty-second Congress to make a very material reduction in the revenues without impairing the ability of the government to make satisfactory payments of the public debt.

The reduction already made has been advantageous to the country, not only in the particulars indicated but in other respects hardly less important. There is much evidence tending to show that no other event since the conclusion of the war has contributed so much to the diffusion of republican opinions in Europe. The spread of these opinions stimulates emigration from Europe and at the same time prepares the way for the establishment of free institutions on that Continent. Nor can there be any doubt that a policy accepting the debt as permanent would retard emigration from Europe, especially of the reading and reflecting classes. Whatever arguments may be adduced or whatever theories may be advanced, the fact must ever remain that a public debt is a public evil. It is especially burdensome to the laboring classes, and it is therefore in their interest to provide for the constant reduction of the existing national debt. This policy will not prevent such changes in the revenue system from time to time as will equalize the inevitable burdens of our present condition, and within a comparatively short period the taxes may be removed from many articles of prime necessity.

It is the occasion of satisfaction that no other nation ever passed through a great war with so slight a shock to industry and business. Specific information and general intelligence from various parts of the United States show that all classes, and especially the laboring classes, are in the enjoyment of more than average prosperity, whether tested by the experience of this country or by the present condition of other nations. No reason can be found, however, in the favorable condition of public and private affairs for neglecting any proper means for equalizing and diminishing the burden of taxation; but it does justify the statement that the nation can make provision for the public debt in the manner recommended without embarrassing its industry or retarding its progress.

GEO. S. BOUTWELL, Secretary of the Treasury.
THE PRESIDENT.

MUNICIPAL AFFAIRS.

The Board of Aldermen.

The Board of Aldermen met yesterday afternoon, and ordered gas lamps to be placed in front of No. 96 Spring street, Grammar School No. 34, entrance of Church of St. Rose of Lima, Demilt Dispensary, corner of Spring and Elizabeth streets, and ordered removed the lamp opposite No. 130 and 132 Bowery. A resolution to lay gas mains and erect lamp posts in Fifty-seventh street, from Lexington to Eighth avenue, under the direction of the Commissioner of Public Works, was taken up and passed. The drinking hydrant now on the northeast was ordered removed to the southeast corner of Desbrosses and West streets. Belgian pavement was directed to be laid on Second avenue, from Nineteenth to Twenty-sixth street; Bayard, from Bowery to Forsyth; Thirty-sixth street, from Ninth to Eleventh avenue; Astor place, from Fourth avenue to Broadway; Eighth street, from Fourth avenue to Broadway. A resolution that a crosswalk be laid across Worth street, from the southwest to the northwest corner of Chatham street, and that the Board of Assessors make an equitable assessment of the expense among the owners or occupants of all the houses and lots to be benefited by it, was passed.

The Board of Assistant Aldermen.

After the reading of the minutes of the previous meeting the President announced the following changes in the "standing committees," occasioned by the decease of Assistant Alderman Rogers:—Department of Public Works, Alderman Hampson; Committee on Finance, Alderman O'Brien; Committee on Roads, Alderman Robinson; Committee on Streets, Alderman Reilly.

A resolution was adopted directing the Commissioner of Public Works to have the chamber of the Board of Assistant Aldermen repaired, refitted and suitably furnished under the direction of the Clerk of the Board. The Commissioner of Public Works was directed to have the following streets paved with Belgian pavement:—Thirty-third street, from Fourth avenue to the East river; Twenty-second street, from Fourth avenue to Broadway; Seventy-fourth street, from Madison to Fifth avenue; Downing street, from Bleecker to Varick street.

After the adoption of a number of general orders pertaining to gas lamps the Board adjourned till Monday.

THE BROOKLYN COMMON COUNCIL.

Important Vetoes by Mayor Kalbfleisch.

The regular weekly session of the Common Council was held yesterday afternoon, the President, Alderman Bergen, in the Chair. A communication was received from Mayor Kalbfleisch disapproving the resolution passed at the last meeting of the Board awarding the payment of $500, the amount of the bill of S. M. Vibbard, Surveyor, for services rendered during the months of September and October on the Gowanus canal improvement. The veto is based upon the ground that there is no guarantee as to the limit of such bills, and inasmuch as $13,000 have already been paid to Mr. Vibbard for his services in the Gowanus work, the Mayor recommends that the Board decide as to the limit of the time when such claims will terminate. Placed on file.

A lengthy document in opposition to the proposed purchase of grounds at Hempstead, L. I., and the construction of a reservoir thereon, citing legal points and opinions of experts against the project, was read. He hoped that the Board would delay action in the mooted attempt to override his veto of October last on this subject. Calculations of engineers were not always correct. The fact that the East River bridge would cost many millions in excess of the required estimates was instanced as a point in evidence of this assertion. The city owned ground at Ridgewood and a conduit and reservoir at Hempstead, which could be made available in the event of an increase of the water supply being really essential, at a comparatively little cost. It may be, the Mayor asserts, an unsuccessful attempt on their part to raise the surface of the ponds at Hempstead, which the project contemplates doing. In support of this latter theory he cites the testimony of Engineer Burnett upon the subject of stratification on Long Island, which is adverse to raising the surface of ponds as tending to suppress the water from the surface.

Referred to the Corporation Counsel to advise the Board as to the legal points contained in the communication.

THE CURRENCY.

Annual Report of Comptroller Hulburd.

Operations of the Currency Bureau for 1870.

OFFICE OF THE COMPTROLLER OF THE CURRENCY, WASHINGTON, Nov. 7, 1870.

SIR—In compliance with the provisions of section sixty-one of the National Currency act, I have the honor to present, through you, to the Congress of the United States the following report:—

Since my last annual report thirty-seven national banks have been organized, making the total number organized up to date seventeen hundred and thirty-one. Of this number, five banks, to wit;—

The First National Bank of Utah, at Salt Lake City;
The First National Bank of Leon, Iowa;
The First National Bank of Port Henry, N. Y.;
The Howard National Bank of Burlington, Vt.;
The Baxter National Bank of Rutland, Vt.;

were organized by the surrender of circulating notes for that purpose by existing national banks, and did not increase the aggregate of bank circulation.

Thirty-one banks have been organized under the act approved July 12, 1870, providing for the issue of fifty-four millions of additional national bank circulation. The names of the banks are as follows:

Banks.	Capital.
National Bank of Springfield, Mo	$100,000
National Bank of Maysville, Ky	300,000
Merchants' and Planters' National Bank of Augusta, Ga	100,000
People's National Bank of Norfolk, Va	100,000
Farmers' National Bank of Stanford, Ky	100,000
Monmouth National Bank, Ill	100,000
First National Bank of Gallatin, Tenn	61,000
Second National Bank of Lebanon, Tenn	50,000
Corn Exchange National Bank of Chicago, Ill	250,000
First National Bank of Brodhead, Wis	50,000
First National Bank of Shelbina, Mo	100,000
Montezuma National Bank of California, Mo	50,000
First National Bank of Columbia, Tenn	100,000
National Bank of Menasha, Wis	50,000
Salem National Bank, Ill	50,000
Citizens' National Bank of Alexandria, Va	125,000
First National Bank of Sterling, Ill	100,000
First National Bank of Ottawa, Kansas	50,000
Jacksonville National Bank, Ill	200,000
Fayette National Bank of Lexington, Ky	200,000
First National Bank of Wateska, Ill	50,000
First National Bank of Decatur, Mich	75,000
First National Bank of Tuscola, Ill	115,000
First National Bank of Chariton, Iowa	50,000
First National Bank of Schoolcraft, Mich	50,000
Iowa National Bank of Ottumwa, Iowa	100,000
National Bank of Pulaski, Tenn	100,000
First National Bank of Richmond, Ky	250,000
First National Bank of Evansville, Wis	50,000
Muskegon National Bank, Mich	100,000
First National Bank of Lapeer, Mich	75,000

The aggregate capital of the banks named is $3,239,000, giving an average to each bank of about $104,500, and distributed among the several States as follows:—

	Capital.
Illinois, seven banks	$853,000
Michigan, four banks	300,000
Wisconsin, three banks	150,000
Iowa, two banks	150,000
Missouri, three banks	250,000
Kansas, one bank	50,000
Kentucky, four banks	850,000
Tennessee, four banks	191,000
Virginia, two banks	225,000
Georgia, one bank	100,000

There are on file applications for banks in addition to those enumerated—

	Estimated Capital.
From Alabama, fourteen applications	1,000,000
From Arkansas, seven applications	550,000
From Colorado, two applications	200,000
From Dakota, one application	100,000
From Florida, four applications	400,000
From Georgia, seven applications	1,500,000
From Illinois, twenty-three applications	2,500,000
From Iowa, twenty-one applications	1,200,000
From Indiana, thirteen applications	1,600,000
From Kansas, thirteen applications	950,000
From Kentucky, twenty applications	3,000,000
From Louisiana, ten applications	2,500,000
From Missouri, seventeen applications	1,500,000
From Mississippi, two applications	150,000
From Minnesota, seven applications	500,000
From Michigan, eighteen applications	1,800,000
From Montana, two applications	150,000
From North Carolina, three applications	500,000
From Nebraska, three applications	150,000
From Nevada, one application	300,000
From New Mexico, one application	150,000
From Ohio, thirteen applications	1,200,000
From South Carolina, two applications	350,000
From Tennessee, nine applications	1,000,000
From Texas, four applications	400,000
From Utah, one application	50,000
From Virginia, seven applications	850,000
From West Virginia, five applications	300,000
From Wyoming, one application	50,000
From Wisconsin, nineteen applications	1,400,000

The number of these applications is 250, and the amount of capital required to supply them all would be $27,000,000. Experience has shown, however, that a large number of applications are placed on file as *caveats*, to occupy the ground and to deter other parties from moving. Very many are speculative, and some, intended to be *bona fide*, fail, because when brought to the test the capital is wanting. Probably, if all these applications should be granted, not more than half of them would be carried through to a complete organization. The amount of capital in the Western and Southern States not permanently invested or actively employed in business of various kinds, but immediately available for the purpose of organizing national banks, cannot be very large, and the impression that many millions of cash capital were awaiting the opportunity of investment in national banking institutions has not been fully sustained. The provision made by the late act is undoubtedly for the supply of those States which have less than their proportion, and would probably suffice to supply all reasonable demands even if not restricted in its distribution. The propriety of providing for the removal of such restrictions after the expiration of one year from the date of the passage of the act is respectfully suggested.

Under the provisions of sections three, four and five of the act approved July 12, 1870, authorizing the establishment of national banks for the issue of circul