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BY BENJAMIN F. DILL. MEMPHIS, TENN., TUESDAY, DECEMBER 12, 1865. VOLUME XVI.–NUMBER 31.



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—BY—

BENJAMIN F. DILL.

To whom all Letters should be Addressed.

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## REPORT OF THE SECRETARY OF THE TREASURY.

TREASURY DEPARTMENT, WASHINGTON, December 5th, 1865.

In conformity with law, the Secretary of the Treasury has the honor to submit to Congress his annual report.

Next in importance to the great questions involved in the restoration of the Federal authority over the Southern States, and the re-establishment of civil government therein under the Constitution, are the financial questions embracing—

The Currency,
The Public Debt, and
The Revenue;

all of which demand the early and careful attention of Congress.

IMPORTANCE OF THE SUBJECT.

In presenting these important subjects, with their various considerations, the Secretary is painfully conscious of his own inability properly to discuss them, difficult as they are and involving as they do the national honor and the pecuniary interests of thirty millions of the people, will, however, offer as clearly and definitely as he can his own views in relation to them, but doubting that Congress will assume and carry out, by appropriate legislation, those that are approved by their superior wisdom, and reject those which are regarded as either impracticable or unsound.

The fact that means have been raised, without foreign loans, to meet the expenses of a protracted and very costly war, is evidence not only of the great resources of the country, but of the wisdom of Congress in passing the necessary laws, and of the distinguished ability of the immediate predecessors of the present Secretary in administering them. It is hardly necessary to suggest, however, that the legislation which was proper and wise during the progress of hostilities may not be appropriate or even justifiable in a time of peace.

FINANCIAL LEGISLATION.

The right of Congress, at all times to borrow money and to issue obligations for loans in such form as may be convenient, is unquestionable; but their authority to issue obligations for a circulating medium as money, and to make these obligations a legal tender for specie, is to be found in the unwritten law which sanctions whatever the representatives of the people, whose duty it is to maintain the Government against its enemies, may consider in a great emergency necessary to be done. The present legal tender acts were war measures, and while the repeal of those provisions which made the United States notes lawful money is not now recommended, the Secretary is of the opinion that they ought not to remain in force one day longer than shall be necessary to enable the people to prepare for a return in the constitutional currency. It is not supposed that it was the intention of Congress, by these acts, to introduce a standard of value, in time of peace, lower than the coin standard, much less to perpetuate the discredit which must attach to a great nation which dishonors its own obligations by compelling its creditors, in circulating an irredeemable paper currency. It has not, in past times, been regarded as the province of Congress to furnish the people directly with money in any form. Their duty has been to coin money and fix the value thereof; and inasmuch as a mixed currency, consisting of paper and specie, has been found to be a commercial necessity, it would also seem also to be their duty to provide, as has been done by the National Currency Act, that this paper currency should be secured beyond any reasonable contingency to go beyond this, if, however, and issue Government obligations, making them by statute a legal tender for all debts, public and private, is not believed to be, under ordinary circumstances, within the scope of their duties or constitutional powers.

The reasons which are sometimes urged in favor of United States notes as a permanent currency, such as the saving of interest and their perfect safety and uniform value.

OBJECTIONS TO UNITED STATES NOTES.

The objections to such a policy are, that the paper circulation of the country should be flexible, increasing or decreasing according to the requirements of legitimate business, while, if furnished by the Government, it would be quite likely to be governed by the necessities of the Treasury or the interests of parties, rather than the demands of commerce and trade. Besides, a currency issued by the general Government might be greatly in the way of public economy, and would give to the party in possession of the Government a power which there might be strong temptation to use for other purposes than the public good—keeping the question of the currency constantly before the people as a political question, than which few things would be more injurious to business.

But the great and insuperable objection, as already stated, to the direct issue of notes by the Government, as a policy, is the fact that the Government of the United States is one of limited and defined powers, and that the authority to issue notes as money is nowhere expressly given to Congress by the Constitution, nor fairly to be inferred, except as a measure of necessity in a great national exigency. No consideration of a mere pecuniary character should induce an exercise by Congress of powers not clearly contemplated by the instrument upon which our political fabric was established. The Government, in its great contest which has been recently closed, has not sought to increase its own power, nor to interfere with the rightful powers of the States. The question was decided by the war, that the Union is indissoluble; that whatever is essentially opposed to it must be removed; that the Federal authority, within its proper spheres, is supreme; and that the validity of acts of Congress is not to be determined by the States, but by that tribunal which the complex character of the Government made a necessity. It is but crowning glory of the Constitution that this great war has been waged and closed without the powers of the Government being enlarged or its relations to the States being changed.

NO DANGER NECESSARY.

Nor need there be any apprehension that a reduction of the currency—unless it be a violent one—will injuriously affect real prosperity. Labor is the great source of national wealth, and industry is exclusively dependent on an inflated currency. The value of money depends upon the manner in which it is used. If it stimulates productive industry, it is a benefit, and to the extent only that it does this, is it a benefit. If, on the other hand, it diminishes industry, and to the extent to which it diminishes it, it is an evil. Even in the form of the precious metals, it may not prove to be wealth to a nation. The idea that a country is necessarily rich in proportion to the amount of gold or silver which it possesses, is a common and natural, but an erroneous one, while the opinion that real prosperity is advanced by an increase of paper money beyond what is absolutely needed as a medium for exchanges of real value, is so totally fallacious in the few words of certainty which judgment is not clouded by the peculiar financial atmosphere which an inflation is so apt to produce.

An irredeemable paper currency may be a necessity, but it can scarcely fail, if long continued, to be unhealthy to any people. Gold and silver are the only proper measures of value. They have been adopted in the light of centuries of experience, and are the necessary regulators of trade, the medium by which balances are settled between different countries, and the measure of the wealth of a people. As a universal measure of value, they are a commercial necessity. The trade between different nations and between sections of the same country is carried on by an exchange of commodities, but is never equally balanced by them; and unless credits are being established, the movements of coin unerringly indicate on which side the balance exists.

If the United States buy of other nations—as they now and too generally do—more than they sell to them, it is evident that a balance is thus created which must either be settled in coin or continued as a debt.

PROMPT PAYMENT OF NATIONAL DEBTS.

That balances between nations should be promptly paid is the dictate of wisdom, because the prompt payment thereof tends to keep the balance of indebtedness within moderate limits, and prevents the balance from becoming seriously involved; while, on the other hand, if they are permitted to accumulate, they may, when the day of payment can no longer be delayed, be so large as to prostrate the debtor, but greatly disturb the business of the creditor nation. Even with the vast increase of gold and silver which has taken place within the last quarter of a century, the specie which is possessed by commercial nations is a very inconsiderable sum in comparison with their foreign and domestic property exchanges; and if the balance of trade should be against them, it would be a great emergency necessary to be done. The present legal tender acts were war measures, and while the repeal of those provisions which made the United States notes lawful money is not now recommended, the Secretary is of the opinion that they ought not to remain in force one day longer than shall be necessary to enable the people to prepare for a return in the constitutional currency. It is not supposed that it was the intention of Congress, by these acts, to introduce a standard of value, in time of peace, lower than the coin standard, much less to perpetuate the discredit which must attach to a great nation which dishonors its own obligations by compelling its creditors, in circulating an irredeemable paper currency. It has not, in past times, been regarded as the province of Congress to furnish the people directly with money in any form. Their duty has been to coin money and fix the value thereof; and inasmuch as a mixed currency, consisting of paper and specie, has been found to be a commercial necessity, it would also seem also to be their duty to provide, as has been done by the National Currency Act, that this paper currency should be secured beyond any reasonable contingency to go beyond this, if, however, and issue Government obligations, making them by statute a legal tender for all debts, public and private, is not believed to be, under ordinary circumstances, within the scope of their duties or constitutional powers.

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NO DANGER NECESSARY.

The issue of United States notes as lawful money was a measure expedient, doubtless, and necessary in the great emergency in which it was adopted; but the emergency no longer exists, and however desirable may be the saving of interest, and however satisfactory these notes may be as a circulating medium, these considerations will not, it is respectfully submitted, justify a departure from that strict construction of the Constitution given to it previous to the war by patriotic men of all parties, and which is essential to the equal and harmonious working of our political institutions. The strength of the Government has been proved by the manner in which it has carried on the greatest war of modern times; it only remains, for vindication of its excellence and the perfection of its triumphs, that all powers exercised for its preservation, but not expressly granted by the Constitution, be relinquished with the return of peace. With, therefore, the Secretary is of the opinion that the immediate repeal of the legal-tender provisions of the notes referred to would be unwise, as being likely to affect injuriously the legitimate business of the country, upon the prosperity of which depends the welfare of the people and the revenues which are necessary for the maintenance of the national credit, and unjust to the holders of the notes, he is of the opinion that not only these provisions but the acts also should be regarded as only temporary, and that the work of retiring the notes which have been issued under them should be commenced without delay, and carefully and persistently continued until all are retired.

In speaking of the legal tender acts, reference has only been made to those which authorized the issue of United States notes. The interest bearing notes, which are a legal tender for their face value, were intended to be a security rather than a circulating medium, and it would be neither injurious to the public nor an act of bad faith to the holders, for Congress to declare that, after their maturity, they shall cease to be a legal tender, while such a declaration would aid the Government in its efforts to retire them, and is therefore recommended.

The rapidity with which the Government notes can be withdrawn will depend upon the ability of the Secretary to dispose of securities. The influence of funding upon the money market will sufficiently prevent their too rapid withdrawal. The Secretary, however, believes that a decided movement toward a contraction of the currency is not only a public necessity, but that it will speedily dispute the speculation which very generally exists, that the effect of such a policy must necessarily be to make money scarce and to diminish the property of the country.

It is a well-established fact, which has not escaped the attention of all intelligent observers, that the demand for money increases by reason of an advance of prices with the supply, and that this demand is not unfrequently most pressing when the volume of currency is the largest, and inflation has reached the culminating point. Money being an unprofitable article to hold, very little is withheld from active use, and in proportion to its increase prices advance; on the other hand, a reduction of it reduces prices, and the demand for it falls off; so that, paradoxical as it may seem, a diminution of the currency may in fact increase the supply of it.

NO DANGER IN CONTRACTION