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EXPENSES OF THE WAR.

BY ALBERT GALLATIN.

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I. There are in political economy many debatable, doubtful, and complex propositions, some of which it may be impossible, most of which it would be extremely difficult, to discuss in a popular and generally intelligible manner. But there are some which every member of the community may bring home to himself and clearly understand. Among these may be counted the acquisition and application of capital.

Every man who enjoys a certain income knows that he will grow poorer if he spends more, and richer if he spends less, than the amount of that annual income. In the first case, he loses part of his capital: in the other he acquires a new capital. Every man who earns his living by his industry and labor, whatever this may be, knows perfectly well that if he spends annually less than he earns, the difference is an acquisition of capital. The journeyman who in the course of the year is able to put forty dollars in a Savings Bank understands this as well as the most profound political economist.

In every instance capital is produced by labor, and is equal to the excess of that which is produced over and above the amount which is consumed. It is obvious that, since this is true of every individual, it is equally true of the aggregate of individuals who compose the nation. The acquisition of capital, or increase of wealth, of the United States is, in any one year, equal to the excess of the value of the productive labor of the people, over and above the value of that which they have consumed during that year. The whole capital of the United States has been produced by the accumulated aggregate of that annual excess of value produced over value consumed.

However great this may be, it has generally been inadequate to the demand. In order that land may be productive, labor must be applied to it. In the forest land, which constitutes probably nine-tenth-twentieths of that which has as yet been cultivated, it is in the first place necessary to clear the land of trees and to enclose it. The average price of this amounts to four or five dollars per acre. It is clear that this first outlay, the cost of the humblest dwelling, and of absolutely necessary agricultural buildings, as well as that of horses and cattle, require a previously existing capital. It must moreover be recollected that the ordinary products of agriculture are not realised till after the crop. The laborer, who has no capital whatever, must be supported, and his wages advanced to him by his employer. The population of the United States has heretofore increased at the rate of about thirty-three per cent. in ten years; and there has been therefore a proportionate and annually increasing demand for capital for agricultural purposes alone.

At the time when America was first settled by British colonists the lands in England were enclosed, fitted for cultivation, stocked with horses and cattle, and the country covered with every species of necessary buildings, including dwelling houses. America, in every such respect, was a blank. The first colonists brought with them but a very small amount of capital, and proportionate to their numbers. All that large amount of fixed and personal capital, of which England was possessed, the product of the surplus labor or capital accumulated during centuries, the American colonists had to create by their own industry and labor.

A single item may be adverted to. The number of dwelling houses has necessarily been increased, in proportion to the increase of population. In the city of New York, for instance, where the population has been increased tenfold in fifty years, the number of houses which were built more than fifty years ago is extremely small, and much less in value than that of houses built since that date, which have been subsequently pulled down or destroyed. The whole cost of the dwelling-houses now existing in New York, which, after deducting the nominal value of the lots, may be estimated at about one hundred millions of dollars, has been defrayed by the capital acquired during the last fifty years. The same process has taken place not only in every town and village, but throughout the whole country. As a whole, the general result has been much less in proportion than in New York, since, during that period, the population of the United States at large has only been quadrupled. It seems probable that the whole amount of capital absorbed in the United States in that way, during that period of fifty years, does not fall much short of \$1500,000,000.

The whole of that capital, whatever its amount may be, has not been yet actually expended, since the houses do exist; but it has been applied to an unproductive object. It is clear that no man who lives in his own house derives any revenue from it. It is a portion of that which he spends for his own comfort, and which, independent of wear and tear, is equal to the interest of the capital laid out in building the house. If a man lets his house, instead of enjoying it for his own use, he receives a rent equivalent to that interest. But the person who occupies the house, or part of it, and who pays that rent, does not derive the means of paying it from the house itself, but from his own income or labor. Thus in every instance, though forming an important and necessary portion of the fixed capital of the nation, dwelling houses are unproductive, and a portion of the consumption, and not of the income of the nation.

Towers, printer, opposite National Intelligencer office.

Taking all these facts into consideration, it will be easily understood why the acquisition of circulating capital has been so slow in the United States, and why they were obliged to depend so long on the aid afforded by foreign capital. At the time when independence was declared, and for more than thirty years after, America was always in debt to Great Britain. Even now the amount of accumulated circulating capital is comparatively small and inadequate to supply the ordinary demand for it. In almost every instance the funds necessary to carry into effect extensive plans of improvement, whether rational or wild, have been borrowed abroad; and there is now a large debt due to foreigners, principally to British subjects, due not by individuals, but by several of the States. It is doubtful whether, pending the war with Mexico, the Government of the United States, notwithstanding their unimpeached credit, could obtain any considerable loan at par for a six per cent. stock. Hence it is that the destruction of circulating capital, caused by the war expenses, is already sensibly felt.

A merchant, having full confidence in the probity and skill of a man who has no property, sells him on credit merchandise worth five thousand dollars; the goods are delivered, and on the same day are burnt, or otherwise destroyed, by some unforeseen accident. In this case there is no capital left which represents the debt. There remains only a promise to pay, from a man who has no property whatever. In order to discharge the debt, he must, by his subsequent labor and frugality, acquire a new capital.

The same result attends war expenses, and for the same reason; the capital thus expended has been destroyed.

The public debt of Great Britain may amount to about eight hundred millions sterling; and there is no existing capital which represents that debt. The creditors hold only a promise to pay, the interest of which they receive regularly. This payment of interest, and general confidence in the good faith of Government, give current value to the public stocks or promises to pay. But the Government has no capital wherewith to pay either the principal or interest. In order to do either, taxes must be laid on the people at large. The people must, by their own labor and industry, create a new capital for that purpose. The amount of the public debt is equivalent, not to the whole, but to the most considerable portion of the capital which has been destroyed by the wars in which Great Britain has been involved. Yet not to the whole, since, in order to include the whole amount of capital destroyed by those wars, there must be added to the public debt incurred all the war taxes raised and expended for the same purpose.

The preceding observations, though illustrated by the example of Great Britain, are equally applicable to the United States. Almost the whole capital applied to war expenses is destroyed, because it is expended on unproductive objects. The munitions of war, horses, and a multitude of other articles, are actually destroyed; a variety of other expenses, such as those of transporting, and afterwards of moving an army with all its apparatus, particularly if in a foreign country, are entirely lost. The great bulk of the moneys raised for carrying on war is expended in feeding, clothing, and supporting men whom the war has converted into unproductive consumers; all of whom, before that, earned enough by their labor at least to subsist; and most of whom did produce a surplus over and above their personal expenses. At the end of the war, nothing remains but the artillery, muskets, and tents. All the rest of the capital expended for the land forces has been annihilated.

I do not perceive that any deduction can be made from that aggregate, other than the profits of contractors, and in some cases those of persons employed in producing or manufacturing that part of the supplies which is drawn from home.

But whatever may be the case in other countries, it does not appear that any deduction should be made in the United States on account of the moneys earned by men who may have been employed in furnishing certain supplies. There is, in the United States, a constant demand for capital and labor, to be applied to productive purposes. Every able-bodied man, whether cultivator of the soil, mechanic, or laborer, can, in the United States, obtain remunerating wages; and therefore every man employed in preparing war supplies, for instance, in building war steamers, or other vessels, has been diverted from some analogous employment which would have been applied to productive objects.

It is not without a painful feeling that we are compelled to admit that these consequences of the Mexican war on the fiscal and commercial concerns of the nation have heretofore been greatly alleviated by the dreadful calamity which has effected Europe, and especially the British Isles. A famine, caused by the failure of one important crop, and by a diminution in those of other articles of food, suddenly increased our exports to an unparalleled amount, far exceeding in value the foreign merchandise usually wanted by the United States, and causing, accordingly, not only an increase of dutiable imports and revenue, but also an extraordinary influx of specie. This general increase of wealth had, among other effects, enabled Government to carry on the war without its evils being immediately felt.

But the cause which had produced that state of thing have, at least for the present, ceased to operate. II. The preceding observations are of a general nature. The first subject of special inquiry is the amount of the actual receipts and expenditures since the commencement of the war.

All the receipts, whether arising from revenue, loans, or any other source, are paid into the Treasury, and therefore known to the Secretary of that Department. He is also responsible for the disbursements by his own Department, the most important of which are those which relate to the public debt. But with respect to the moneys expended by the other Departments, the

statements of the Secretary of the Treasury only show the amount received by each from the Treasury. These never can exceed that for which appropriations have been made. The Secretary is bound, provided the receipts are adequate, to pay to each Department the sum appropriated for its use, and under the several heads of the respective appropriations. But he is in no degree responsible for the manner in which the moneys have been expended by any other department than his own.

In ordinary times, in times of peace, the expenses of each Department corresponds so nearly with the appropriations that the statement of the Secretary of the Treasury of the moneys paid by him to each, gives to the public a very approximate view of the actual expenditures. The deficiencies for which additional appropriations may be asked from Congress are generally inconsiderable. But in time of war it becomes necessary, in order to ascertain the real amount of expenditures, to recur to the reports of the War and Navy Departments. Neither can, indeed, pay more than the amount appropriated; but more may be expended, and for the difference a debt may have been incurred.

The Secretary of the Treasury is in the same manner responsible for the correctness of his estimates of receipts. But with respect to those of expenditures by any other Department than his own, he only transmits those prepared by each Department, for the correctness of which each is respectively responsible.

Fiscal year ending June 30, 1847.

This is almost identic with the first year of the war. The Secretary of the Treasury had, in his report of December 9, 1846, estimated the war expenses for that year—

Paid during first quarter.....	\$8,153,659
Estimates for the three last quarters.....	19,579,438
	\$27,733,097

In his report of December 8, 1847, he states the receipts and expenditures for the same year as follows, viz :

RECEIPTS.

From customs.....	\$23,747,864 66
From public lands.....	2,498,355 20
From miscellaneous sources.....	100,570 51
From avails of Treasury notes and loans.....	25,679,199 45
	52,025,989 82
Total receipts.....	52,025,989 82
Add balance in the Treasury July 1, 1846.....	9,126,439 08
	61,152,428 90
Total means.....	61,152,428 90
The expenditures during the same fiscal year were.....	59,451,177 65
	\$1,701,251 25
Leaving a balance in the Treasury July 1, 1847, of.....	\$1,701,251 25

I have used in vain every endeavor to obtain a copy of this statement A, in order to ascertain the details of the expenditure, of which the gross amount alone is given in the text of the report. It will be found in that volume of the documents which contains the report of the Secretary of the Treasury, with the documents relative thereto, and which, at the latest dates from Washington, was yet in the hands of the printer. Having seen the corresponding statement for some former years, it appears to me that the substance may, without adding more than eight or ten lines, and should, therefore, be inserted in the text of the report of the Secretary. This is always published immediately, inserted in all the principal newspapers, and read by every body. The explanatory statement A, is found among the mass of documents which are printed several weeks later, have a very limited circulation, and are hardly read by any body.

The report of the Secretary of War, dated December 2, 1847, contains no general statement of the expenses incurred in his Department. It is only from the voluminous documents annexed to the report that the necessary information can be extracted. The reports of the Quartermaster General, of the Paymaster General, of the Ordnance department, of the Adjutant General, are documents of great merit, of perspicuous, condensed, and apparently as correct as could possibly have been expected. The Commissary General of Subsistence may be entitled to the same praise; but I have not discovered any document stating the amount of his receipts and expenditures for the year ending 30th June, 1847. I have indeed been supplied from a respectable source with the amount of his expenditures for the year in question; but I have not been able to discover the document from which this amount was extracted.

The report of the Quartermaster General is the most important. The receipts were—	
Balance on hand on July 1, 1846.....	\$380,357 72
Remittances.....	20,724,555 32
Miscellaneous.....	96,511 14
	21,701,424 18
Gross amount.....	21,701,424 18

Expenditures occurred in the preceding fiscal year.....	28,012 98
Money refunded to the Treasury and cancelled drafts.....	25,017 00
Expenditures during the year for which accounts rendered.....	12,327,348 74
Lieut. Col. Hunt's accounts for 3d and 4th quarters.....	2,414,039 00
Balance to be accounted for.....	6,897,006 46
	<u>\$21,701,424 18</u>

Of this balance, between three and four millions of dollars were not received by the disbursing officers till some time after the close of the fiscal year, though the whole was for accounts and claims accrued within the year.

Apparent balance, as above stated.....	\$6,897,006 46
Deduct on this account, say.....	3,497,006 46
	<u>\$3,400,000 00</u>

And this must have been absorbed by the following items of expense, of which, as stated by the Quartermaster General, no accounts had as yet been rendered, viz. the expenses of General Scott's army for more than two months after leaving Vera Cruz; similar expenses of the Deputy Quartermaster attached to General Taylor's army for the whole year, and those at the St. Louis depot for three quarters.

The total expense for this branch was, therefore, during the year ending 30th of June, 1847—	
Total amount received.....	\$21,701,424 18
Deduct, applied to the payment of old accounts.....	\$38,012 98
Refunded to the Treasury.....	25,017 00
	<u>63,029 98</u>

Apparent expenditure.....	21,648,394 20
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The Quartermaster General observes that the estimates presented for the service of the next year are minimum estimates; and he thinks they might be reduced by cutting off North from South Mexico, erecting the States of the North into a separate confederacy, under the protection of the United States; and by organizing South Mexico, as conquered, into Governments under officers of the United States.

General Jesup is a most capable, energetic, and efficient Quartermaster. He had prodigious difficulties to encounter in transporting an army of 30,000 men, with so little previous preparation, across the sea to a distant country: and he has surmounted all the obstacles. It is not necessary to discuss his politico-military plans, which do not seem to coincide with the avowed declarations of the President; and I differ widely from him as to what would be a peace glorious to the country and the age.

The Paymaster General reports:	
Balance on hand on July 1, 1846.....	\$938,047 40
Received from the Treasury and other sources.....	8,578,209 12
	<u>9,516,256 52</u>
Expended, paying regular troops.....	\$1,941,756 84
Do. do. volunteers.....	5,723,273 51
	<u>7,665,030 35</u>
Do. do. Military Academy.....	87,359 99
	<u>7,752,290 34</u>

Balance on 1st July, 1847, to be applied to future payments.....	1,763,866 18
As the balance on hand amounted, on 1st July, 1846, to.....	938,047 40

The unexpended balance had increased.....	\$825,818 78
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The Paymaster General further states that the deputy paymasters with the armies of Generals Scott and Taylor had, in the month of October, reported that those troops had been paid to August 31. From the tenor of the report, it is presumed that this payment was not included in the above-mentioned sum of \$7,665,030 35; but that this has been sufficient for the entire pay of the regulars and volunteers for the whole fiscal year.

The reports from the Ordnance Department are very complete. But a great portion of the supplies for the use of the army in the field consisted of articles such as a park of artillery (150 pieces) and 37,000 muskets, which will not be consumed. The whole of the ammunition, a variety of accoutrements, and probably a deficiency or deterioration of muskets and some other species of arms, constitute the portion of ordnance supplies which has been consumed. The value of these articles is not given.

The peace establishment of the Navy authorized the employment of 7,500 petty officers, seamen, and boys. The number has been increased to 10,000 during the continuance of the war with Mexico; and the gross amount of expenses has increased in about the same ratio. But a great

portion of the increased expenditure has been applied to the building or purchasing steam and other vessels, and to other items of permanent value. The pay and subsistence of the additional men, the wear and tear of a greater number of vessels in actual service, and the loss of some small vessels, seem to be the only items which may be fairly charged to the Mexican war.

Without pretending to give anything more than a rough approximation, I should think that the additional annual expenses for ordnance supplies and in the Navy Department do not together exceed two millions of dollars.

As far, therefore, as may be inferred from the statements furnished, it would appear that the total amount expended during the fiscal year ending June 30, 1847, for the army proper, including both regulars and volunteers, is nearly as follows, viz :

Quartermaster General.....	\$21,648,394 20
Paymaster.....	7,665,000 00
Subsistence, estimated.....	3,870,890 56
Surgeons.....	65,000 00
Ordnance and navy, estimated.....	2,000,000 00

\$35,249,284 76

The approximate correctness of this estimate is corroborated by the amount of the appropriations for the same object and the same year, which were as follows, independent of those for ordnance, viz :

By the act of May 13, 1846.....	\$10,000,000 00
Do. May 19, 1846.....	89,000 00
Do. July 20, 1846.....	11,616,015 00
Do. August 8, 1846.....	5,545,128 00
Do. March 2, 1847.....	7,120,968 00

\$34,371,111 00

Deduct increased balance of unexpended appropriation in hands of Paymaster General 825,819 00

\$33,545,292 00

Ordnance and navy, estimated as per above..... 2,000,000 00

Total.....\$35,545,292 00

The true amount of the expense actually incurred during that fiscal year cannot be fully ascertained until the several accounts mentioned in the Quartermaster General's report shall have been received and settled.

Although the whole amount which shall be found to have been thus expended has been destroyed by the war, yet the whole is not the result of the Mexican war. It appears by former official statements that the expense for the army proper amounted, during the fiscal year ending June 30, 1845, to \$3,155,000, and during the year ending June 30, 1846, to \$3,947,000. There is, therefore, an annual sum of about three millions and a half, which, though making part of the army expenditure, cannot justly be charged to the war with Mexico.

The next subject of inquiry is the average number of the troops in actual service during that year. This cannot be ascertained with any degree of precision. The Adjutant General gives the number of regulars recruited and of volunteers mustered during the year, and the probable estimate of the nominal amount in actual service of both at the end of the fiscal year. But he does not state, and had not probably the means of stating, the time and times at which they respectively did actually become a part of the troops in the field. It is certain that this was done gradually. The number of effective men did not when the war broke out exceed eight thousand ; and it was hardly forty thousand at the end of the fiscal year. It appears to me to be fair to estimate the average amount at twenty-five thousand. This, however, is only a conjecture, and it is possible that the average may have been thirty thousand.

The estimate of the Quartermaster General is about three millions less for the fiscal year ending June 30, 1848, than had been expended during the preceding year. This difference may be considered as the amount of extra expenses incurred during the first year of the war in organizing at once such an extensive system of operations and in transporting the main body of the army to Vera Cruz. This would reduce the annual expense necessary for supporting an army of twenty-five or thirty thousand men abroad to thirty-two millions of dollars.

Fiscal year ending June 30, 1848.

The Secretary of the Treasury had, in his report of December 10, 1846, estimated the expenses of this year for the army proper and volunteers at \$24,302,544.

In his report of December 8, 1847, he estimates the receipts and expenditures for the same year as follows :

RECEIPTS.

From customs, first quarter, by actual returns.....	\$11,106,257 41
From customs for second, third, and fourth quarters, as estimated.....	19,893,742 59

\$31,000,000 00

From sales of public lands.....	3,500,000 00
From miscellaneous sources.....	400,000 00
Total receipts.....	\$34,900,000 00
From avails of Treasury notes and loans.....	6,285,294 55
	\$41,185,294 55
Add balance in the Treasury July 1, 1847.....	1,701,251 25
Total means as estimated.....	\$42,886,545 80

EXPENDITURES.

The actual expenditure for the first quarter, ending September 30, 1847, were (as appears in detail by accompanying statement B.).....	\$16,469,194 69
The estimated expenditures during the other three quarters, are—	
Army proper, including volunteers.....	19,080,865 58
Naval establishment.....	10,241,072 47
All other expenses.....	12,824,527 33
	58,615,660 07
From which subtracting the means, as per above.....	42,886,545 80

Leaves a deficit of..... \$15,729,114 27

If we were to suppose that twelve millions out of the \$16,469,164, expended during the quarter ending 30th September, had been spent for the regular army and volunteers, this, added to the \$19,080,865, estimated for the same object during the last three quarters, would make the aggregate less by several millions than the amount already appropriated, or which must be appropriated, in order to cover ascertained deficiencies.

But the observation made with respect to the statement A applies equally to B, the substance of which should have been embodied in the report of the Secretary of the Treasury, instead of being thrown in the mass of documents printed several weeks later. I have equally failed in my attempt to procure a copy of it. As the matter now stands, the report does not exhibit the details of the expenditure of the first quarter, which the Secretary did know; and it does give the estimated details of the last three quarters, which he did not and could not know.

The estimate of the war expenses, for the year ending June 30, 1848, derived from the appropriations already made, and from the estimates of additional appropriations asked for by the Secretary of the Treasury, by his letter of November 24, 1847, is as follows:

Appropriated by act of March 2, 1847, deducting ordnance.....	\$23,335,275
Additional appropriations to cover deficiencies, deducting ordnance.....	9,602,439
Additional appropriations by act of December, 1847.....	4,000,000
Ordnance and Navy Department, estimated by me.....	2,000,000

\$38,937,714

The expenses are for the following objects respectively:

	Act of March 2, 1847.	Deficiencies.	Total.
Pay of the army.....	\$3,365,462	}	\$6,181,057
Do. volunteers.....	2,815,595		
Subsistence of both.....	2,211,626	\$3,937,939	6,149,565
Medical do. do.....	150,000	64,500	214,500
Quartermaster General.....	12,314,400	5,600,000	17,917,400
Commutation of subsistence, &c—			
To officers.....	832,192	}	2,478,192
Clothing.....	974,000		
Recruiting.....	110,000		
Three months' extra pay.....	12,000		
Contingencies.....	50,000		
Relief to discharged volunteers.....	500,000		
Appropriation of December, 1847.....	—	4,000,000	4,000,000
	\$23,335,275	\$13,602,439	\$36,937,714
Ordnance and Navy Department, estimated.....	—	—	2,000,000
Total.....	—	—	\$38,937,714

The number of men on the rolls at the commencement of this fiscal year is estimated by the Secretary of War at forty-three thousand, or at least thirty-three per cent. more than the highest average number that can possibly have been employed in the preceding year. Considering that

the number of recruits wanted to fill the regular regiments already authorised by law is estimated by the Adjutant General to have amounted, on the 30th of September, 1847, to 10,764; that these are daily recruiting, and that an additional volunteer force has lately been called into service from the States of Michigan, Alabama, and Mississippi, it can hardly be doubted that the average force employed, during the fiscal year ending June 30, 1848, will be fifty per cent. greater than in the preceding fiscal year.

The Paymaster General observes that "more volunteers have been called into service the present fiscal year than were appropriated by Congress; and I shall have to estimate for an *arrears*, so soon as the official returns, showing the average strength of the several regiments, are received, enabling me to ascertain the amount that will be required." He had on the 1st of July, 1847, a balance on hand of \$1,763,000; the appropriations already made for pay of regulars and volunteers, for the present fiscal year ending the 30th June, 1848, amount to \$6,181,000, and he announces arrears besides those sums. Other deficiencies may be expected, and it is highly probable that the total expense for that year will not fall short of forty-five to fifty millions of dollars, for the support of the troops alone which are now authorized by law.

Fiscal year ending June 30, 1849.

It appears to me impossible that the expenses for that year should not be equal those for the year ending 30th June, 1848. The Secretary estimates them at only \$31,856,758 50, to which, adding for Navy and ordnance my estimate of \$2,000,000, they would still amount to less than \$34,000,000.

The great diminution is in the Quartermaster General's estimate, which is reduced to \$13,187,000, instead of \$17,914,000 expended in the year ending 30th June, 1848. On this subject the Quartermaster General writes to the Secretary of the War Department, under date of November 15th, 1847:

"SIR: The estimates which I submitted for your consideration on the 4th instant, for the service of the next fiscal year, were made out from data derived from the experience of the last year. In compliance with your suggestions, I have carefully re-examined every item; and in all, depending in any degree upon my own action, or that of the officers of the Department, I have made considerable reductions. Whether those reductions be judicious time must determine. I would not have ventured to make them but for the fact that two sessions of Congress will have terminated before the expiration of the fiscal year for which the estimates now submitted have been made. The sums asked for arrearsages for the present fiscal year are not more, I am persuaded, than will be required. I am, however, making every effort to reduce expenditures of every description to the lowest point possible."

It is therefore clear that the estimate was under-rated, contrary to the Quartermaster General's opinion; that he would not have made the reduction, had he not relied on Congress making up the deficiency before the whole of the money was wanted; and that the attempt is now deliberately made to under-rate the expenses which must necessarily be incurred.

III. It has already been observed that the causes which had heretofore prevented the evils of the war from being felt, had, at least for a while, ceased to operate. A total derangement has taken place in England, which appears to have affected almost every branch of business connected with the commercial and manufacturing concerns of the country. The causes generally assigned are, the extraordinary imports of provisions, and the magnitude of the investments in railroads, which have converted circulating into a fixed capital not immediately productive. There may be other more remote and recondite causes. Whatever these may be, the results are well known. Most numerous and extensive failures have destroyed confidence, and caused a general pressure, followed by a fall of prices affecting almost every species of commodity, and by a great demand for specie.

The effects of that commercial catastrophe were immediately felt in the United States. There was and still is a reciprocal want of confidence. Hence, the usual mode of consigning produce to England, accompanied by bills drawn on the consignees for a large portion of its value, has been considerably impeded. The low prices of cotton abroad induced the planters to keep it back; and every arrival from England brought large parcels of American stocks ordered to be sold for what they would fetch. The reaction took place in the early part of November, when it was manifested by its infallible index, a rise in the rate of exchange and a consequent exportation of specie.

The amount of specie in the vaults of the banks of the city of New York was lessened near two millions and a half of dollars during the month of November. Yet it does not appear to me that there is any great danger to be apprehended from a long continued exportation. There was, in the course of the present crisis in Great Britain, in the first place, a large exportation of specie principally to the United States, in payment for the articles of food she was obliged to purchase, and subsequently a great demand for specie. This has been amply supplied, and, for the present at least, England wants no more. If any continues to be exported there, this is principally due to the want of confidence, and those other causes which created a scarcity of bills of indubitable credit on Europe, and raised the price of these two per cent. above the true par.

There is yet scattered in the interior a large portion of the specie imported during the preceding year; and this will, as is always the case, naturally flow to the place or places where it is most needed. In point of fact, this has already taken place; and, notwithstanding the continued exportation, the amount of specie in the vaults of the banks has, during the last three weeks, been increased several hundred thousand dollars. As soon as the internal navigation shall be open, large quantities of maize, pork, and other articles of food will be exported to Europe; and cotton cannot

be held back much longer. Thus far every thing is yet sound ; but the high rate (at least one per cent. a month) at which money is borrowed on paper of undoubted credit, would alone be sufficient to show that great caution is required on the part not only of the banks, but of all those who are engaged in active business. Notwithstanding the great increase of national wealth, there is still a perpetual demand for capital. The circulating capital of the country is clearly the fund out of which the public revenue and loans must be raised ; and the effect produced by a demand of thirty millions within the next six months requires serious consideration.

Five-eighths of the revenue derived from customs are collected in New York, and nine-tenths in five or six Atlantic seaports. These duties are payable the moment the merchandise is landed or withdrawn from the public warehouses. This substitution of immediate payment, for the former system of bonds and credit, was a sacrifice imposed on commerce, the importance of which has not been sufficiently appreciated. It has, among other effects, thrown a considerable portion of the importing business in the hands of foreign, to the prejudice of American houses. Still commerce, left to the operation of the natural laws of trade, knows how to adapt itself to existing circumstances ; and notwithstanding this change, things went on smoothly enough so long as peace continued.

The necessary effect of a war carried on in a foreign country, of our war with Mexico, is that the money thus collected in a few seaports, and in fact advanced by commerce, instead of being expended with some degree of uniformity in the country, must be immediately transferred by the Treasury Department of the United States to the places where it is wanted and expended. The great mass goes to Mexico and New Orleans, whence it does not return to New York, or to any other Atlantic seaport, since it is absorbed and destroyed by war expenses.

In these transfers from the places where the revenue is collected, the Secretary has done nothing more than that which was absolutely necessary ; and he has done it cautiously, skilfully, and with as much regard for local and commercial concerns as was practicable. The city of New York has had also its full share of the moneys expended for local purposes, or for the purchase of supplies.

This city is not only the port where the greater part of the revenue is collected, but it has also become the centre of all the great moneyed operations of the country. It is accordingly the place also where a considerable share of the most disposable portion of the circulating capital of the country is concentrated. This most disposable portion is that which is deposited in the banks of the several States. And, exclusively of the deposits due to individuals, the banks out of this city have always a large amount deposited in the city banks. Including both items, it would seem from the general returns from all the banks that the amount deposited in those of the city of New York does not exceed one-fourth part of the total amount deposited in all the banks of the United States. But experience has shown that, with the exception of South Carolina and of Louisiana, the deposits in the banks of the Southern and Western States are available only for local purposes, and contribute but very little to the loans which may be wanted by the United States. The same observation is generally applicable to the deposits in the country banks of New England, New York, and Pennsylvania. Those Atlantic seaports, in which nine-tenths of the revenue are collected, are also the places which contribute in the same proportion to the national loans. Although varying from year to year, the amount of deposits in all the banks of the United States which are truly available for general purposes may be estimated at twice that which is deposited in the city banks of New York. According to the last official report, the following was the situation of both the city and country banks of New York on the 1st of November, 1847 :

	City.	Country.	Total.
Liabilities.			
Capital.....	\$24,002,000	\$19,278,000	\$43,280,000
Profits.....	2,878,000	3,165,000	6,043,000
Circulation.....	6,964,000	19,273,000	26,237,000
Deposites.....	25,766,000	9,331,000	35,097,000
Due to banks.....	11,512,000	5,522,000	17,034,000
Other debts.....	674,000	3,884,000	4,558,000
	71,796,000	60,453,000	132,249,000
Resources.			
Loans and discounts.....	\$44,003,000	\$36,887,000	\$80,890,000
Stocks and promissory notes.....	5,209,000	8,262,000	13,471,000
Notes of solvent banks.....	1,018,000	1,402,000	2,420,000
Mortgages.....	155,000	2,558,000	2,713,000
Due from banks.....	3,207,000	7,519,000	10,726,000
Loss and expense.....	364,000	388,000	752,000
Real estate.....	1,946,000	1,519,000	3,465,000
Specie.....	8,002,000	1,106,000	9,108,000
Cash items.....	7,892,000	812,000	8,704,000
	71,796,000	60,453,000	132,249,000

The deposits in the city banks consist of two items, those due to individuals and those due to banks out of the city; that is to say, the difference between the sums due to and from those banks, which on the 1st of November last amounted to \$8,300,000, and added to the deposits due to individuals made an aggregate of more than thirty-four millions. But it must be observed that these items, "due to banks," and "due from banks," indicate only the relative position of the city banks compared with those out of the city, whether, within or without the State. It shows that banks out of the city have found it convenient to have a large credit in the banks of this city. But in considering the United States at large, since the amount due to all the banks is identic with the amount due from all the banks, both items will disappear altogether, and do not constitute a real resource.

No official statement of the situation of the banks subsequent to the month of November has as yet been published. But, from accounts obtained from several of the most respectable of the city banks, it appears that during the month of November and the first weeks of December, the amount of their deposits (including those due both to individuals and to banks) has lessened at least twenty-five per cent. This is, in reference to the fiscal and commercial concerns of the nation, the most important and pregnant fact which has taken place since the commencement of the war, inasmuch as it shows in a tangible manner to what extent the war expenses and the consequent destruction of capital have affected the circulating capital of the country.

That the deposits in banks are the most disposable circulating capital of the United States is indubitable for the simple reason that they bear no interest. They constitute, therefore, evidently the fund most likely to supply the means of subscribing to the loans of the United States. Is there any other similar fund, any other amount of dormant unemployed circulating capital, which may, to any considerable extent, contribute to the public loans? There may still be some superfluous specie in the interior, some small amounts hoarded up and waiting for an eligible investment; but the total amount that can be derived from that source will be but a most insignificant item compared with the amount of the loan which is required.

There may be many persons desirous of converting State or other local stocks, houses or any other marketable property into stocks of the United States. The only consequence is, that, in this case, the purchasers of such objects must, instead of the money-lenders, find the means of raising the money; and this must likewise be supplied by the same fund, by the circulating capital of the country.

Whatever view of the subject may be taken the conclusion is the same. The circulating capital must supply the loans and all the other means of carrying on the war. The portion of that capital which is the least actively employed, is naturally that which, in the first instance, supplies the means; and the ability of the banks to discount is lessened to an extent equal to the reduction in the amount of their deposits.

It may, indeed, be assumed that the ordinary returns, in payment of the sales of imported goods, will enable commerce to pay, not however without some pressure, the fifteen millions of custom-house duties expected to be collected during the first six months of the calendar year 1848. But it is impossible that the effect of a loan of eighteen millions and a half, a considerable portion of which must be supplied by the bank deposits, should not be most seriously felt. The bank deposits must necessarily be more or less diminished; the banks must curtail their discounts to the same extent, and the merchants be deprived to a considerable extent of the usual accommodations on which they rely in order to carry on their business. The city banks understand their position; they will make no unnecessary curtailment, but they will resist the demands and the clamors for what is very improperly called a liberal course, that is to say, discounting beyond their means. The recollection of the incidents of the last suspension and resumption of specie payments, a sense of their duty to the public, and the danger of annihilation, will all combine in making them pursue with firmness the only safe course. A suspension of specie payments would forfeit their charters, and there is now no hope of legislative relief; for it is provided by the new constitution of the State that "the Legislature shall have no power to pass any law sanctioning in any manner, directly or indirectly, the suspension of specie payments by any person, association, or corporation, issuing bank notes of any description."

For all this there is no remedy. The war expenses for the fiscal year ending June 30, 1848, are in a great degree already incurred, at all events unavoidable. According to all appearances the evil will be prolonged at least one year longer. There is hardly any hope that peace shall be concluded by the present Administration. Unless relief should come from some unexpected contingency, it is impossible that the pressure should not become more and more intense, and be felt through the whole country as long as the war continues.

I have spoken more particularly of the city of New York, because I know it best, and because it is by far the most important point, in reference not only to commerce and revenue, but also to currency. It has been proved by experience that the banks of this city may resume and sustain specie payments alone, and, on the other hand, that their suspending such payments is attended with a similar failure by almost all the other banks in the United States. And the same causes which will produce a pressure in New York will operate directly and in the same manner on Boston, Philadelphia, Baltimore, and all the other important seaports.

It has already been observed that the deposits in the banks of the Western States were wanted and available only for local purposes. But that was not saying enough. The Western States have not as yet accumulated a sufficient circulating capital for their local demands. Possessed of the richest soil in the Union, that is their only want. In all their undertakings, whether successful or irrational, they have always relied on a foreign capital. It is impossible that every portion of the

Union should not be, to a greater or less extent, affected by any considerable diminution and destruction of the national circulating capital.

IV. We must submit to that which is unavoidable. In order to defray expenses already incurred a loan is necessary; for, even if taxation were deemed preferable, it could not be made productive in time, since the question now is only with respect to expenses incurred or to be incurred prior to the 30th of June next. Whether the war be approved or condemned, public faith must be maintained, and the necessary loan be negotiated on the most favorable terms that can be obtained, and in the most eligible form that can be devised.

It is impossible for any Government to pretend to prescribe the rate of interest and other conditions on which money shall be lent to them. This will depend on the confidence placed in the good faith and resources of Government, on the general rate of interest in the country, on the probability of a longer or shorter war, and on several other variable considerations. There is, however, one general and apparently invariable law. As the war continues, and as new annual loans are required, Governments are compelled to pay dearer every successive year for the money borrowed; or, which is the same thing, the marketable price of their stocks is lessened every successive year. This has taken place every where, and is most striking in the instance of Great Britain, because ever since the beginning of the 18th century perfect confidence has always been placed in the good faith of the Government, and in its ability to pay at least the interest. Yet in every successive war, and particularly in those of more recent date, the process has been regularly the same, selling a three per cent. stock nearly at par at the beginning of the war, and finally the value gradually decreasing every year at the rate of about fifty per cent.

In the present case, the terms of the loan will in a great degree depend on the opinion which the money lenders may entertain respecting the prospect of a speedy peace, or rather respecting the probability of another, and a series of other loans. Most of those who subscribe to a loan expect to sell it with a profit, and are therefore apprehensive of the effect produced on the market by new issues of stock, which must necessarily depreciate its value. Was it not for that apprehension it is probable that a loan in six per cent. stock might be obtained at a price very little below par.

Whatever the rate of interest or the price of stock issued may be, I am clearly of opinion that a simple and direct loan, for which nothing but stock shall be issued, is the most eligible mode of borrowing. Whether this will be effected by giving a six per cent. stock at a less price than its nominal value, or by giving a stock bearing a higher interest than six per cent. at par, will depend in some degree on the opinions of the money lenders. All other things being equal, although I was, from particular circumstances, compelled during the last war to pursue a different course, I think the last mode to be preferable.

In arranging the terms it must always be recollected that there is an important difference between Great Britain and the United States. Entertaining no expectation of ever reimbursing the capital, the sole object of the British Chancellor of the Exchequer is to obtain the money at the lowest possible rate of interest. We must never lose sight, in the United States, of the fundamental principle, heretofore so constantly adhered to, that Government will pay the capital of the debt as soon as practicable. On that principle the loans, reimbursable within the shortest possible time, are always preferable. If it were practicable, and supposing, for instance, that both could be sold for the same price, a seven per cent. stock, redeemable within ten years, would appear to me more eligible than one bearing six per cent. interest and redeemable in twenty years.

The preceding observations apply only to details; but there is an important point to which I wish to call the public attention.

Treasury notes were first introduced by me; they are but a mere transcript of the British Exchequer bills, and were intended to perform the same office. At the commencement of a war they afford a convenient mode of anticipating a portion of the annual revenue, equal to the amount of notes which may be kept in circulation at par or above par. They afford the means of convenient investment for a short period; and the extent to which they may circulate at par depends on the demand for such investments. They are made payable at the end of a short period, generally one year from their date; and they bear an interest generally lower than that which prevails at the time. So long as they bear those characters they never can become part of the currency. No species of paper, by whomsoever issued, can become a currency as long as specie payments are maintained, unless it can be exchanged at once for specie at its nominal value. This is the character of bank notes; and it is wanted in the Treasury notes, the value of which necessarily fluctuates according to demand and to the rate at which money may be borrowed. If above par, no debtor will give them in payment of his debt; if below par, no creditor will accept them. If, in order to increase the demand, they are made receivable in payment of custom-house duties, or any other debt due to Government, they are still subject to the same general law. If above par they never will be used for the purpose of effecting such payment. If below par, Government will be compelled to receive them in payment; whilst, on the other hand, it is obliged to make all its payments in specie, or in drafts equal in value to specie. This is precisely the state of things at this moment. In order to increase their circulation the Treasury notes have also been made convertible at any time into a six per cent. stock; which would have answered a good purpose if the price of the six per cent. stock could have been maintained at par.

There is, however, a state of things during which the amount of Treasury notes may be indefinitely increased, and be occasionally used as a currency. This takes place when there is a general suspension of specie payments. When this catastrophe takes place in England there is at least uni-

formity of depreciation. The notes of the Bank of England are substituted for specie; and the price of all commodities of public stocks and of exchequer bills is regulated by the market value of those notes in specie. And this generally, though not with perfect uniformity, will depend on the contraction or expansion of the bank issues. But there is not in the United States any such general paper standard. During a suspension of specie payments the amount of issues in bank notes is regulated in each State by its laws or by public opinion. At such time there are twenty or thirty species of currency, according to locality; and each of these varies in each place, according to public opinion, which in some instances has been sufficient to restrain the depreciation within very narrow limits. It is during such a state of things that the payment of Treasury notes may be postponed, and the issues be increased indefinitely. In that case they become pure paper money, and may compete, perhaps advantageously, with the other paper currencies in circulation. Such was the case in the United States from the time of the general suspension of specie payments in September, 1811, till these were resumed in 1816-17.

I believe that it was in 1837, and after another general suspension of specie payments had taken place, that Treasury notes were again resorted to; and they made also a part of the loans of 1841 and 1842. The amount must have been, however, very inconsiderable, and I never saw one of them. But they have been the foundation of the two war loans of July, 1846, and January, 1847, in which the issuing of stock is but a supplementary incident.

The amount authorized by the act of July 22, 1846, is ten millions, and that by the act of January 28, 1847, twenty-three millions; together thirty-three millions, including both the notes and stock, which may be issued by virtue of the said acts.

The six per cent. stock of the United States is now below par, and the Secretary of the Treasury sees clearly that a direct loan, for which such stock would be issued, could not in all probability be effected at par. He thinks it may be done by substituting Treasury notes for stock. But I do not see in what manner he can attain his object. It is true that Treasury notes are sold now at a higher price than six per cent. stock. To what cause is this owing? Not certainly on account of their convertibility into stock; nor because there is a greater demand for short investments, which is impossible, whilst the best secured paper, bearing an interest of twelve per cent. a year, may be purchased at par. The only cause of the market price of the Treasury notes being higher than that of the six per cent. stock is because they are by law received at par in payment of custom-house duties, and of any other debt due to Government. The necessary consequence is, that, as long as they are ever so little below par, they must continue to form the greater part of the receipts of the Treasury. The Secretary has a right to re-issue them; he can compel no one to receive them; but, if he has nothing else to give, will not the disbursing officers, the Paymaster General, the Quartermaster General, &c., be obliged to take them, and would not a depreciated paper currency be thus forced on the country? If, on the contrary, the Secretary thinks himself bound, as he is in fact by the law, to pay all the expenses of Government in specie, and he receives but a very small portion of the revenue in coin, he must purchase the specie; and, as he has nothing to pay it with but his Treasury notes, he must sell these at what price they will fetch. Such is the state of things at present; and he asks to be allowed to make, in addition to the notes which he has a right to re-issue, a new series of notes to an amount equal to the loan he may want. It is self-evident that, if he thus increases the amount of the notes, be it fifty or one hundred per cent., there will be a much greater amount than is wanted for the object to which they are now applied, that they will necessarily depreciate, and that the Secretary would be obliged to sell his notes at a still lower rate, in order to pay for the specie wanted. This he would have no right to do, if forbidden to borrow at a higher rate than six per cent.; and this is in truth that which cannot be avoided. The Government of the United States must submit to the general law, according to which it must, for the money which it is obliged to borrow, pay dearer and dearer every year, as the war continues. It is an unavoidable consequence, which no legerdemain can prevent or conceal.

Moreover, there is incompatibility between the receiving Treasury notes, or any other species of paper not always and immediately convertible into specie, and the obligation imposed by the Subtreasury act to discharge all the public expenses in specie. It is clear that, in order to comply with that provision, it is necessary that the receipts should likewise be collected in specie.

It is true that the Subtreasury act is an experiment which no one State has ever attempted to try for itself. But I wish that it may have fair play; for I am clearly of opinion that it is equally necessary for Government, for the public at large, and for the banks themselves, that they should never be permitted to use the public moneys for the purpose of increasing their discounts.

Since both the Subtreasury act and the obligation to receive Treasury notes in payment of debts due to the United States cannot subsist together, either the one or the other should be repealed. This cannot be done with respect to the notes already issued and outstanding, since it is a privilege already granted, a condition which the United States are bound to fulfil. But, although the Secretary of the Treasury has a right to re-issue an amount of notes equal to that which has been paid in for duties or other debts, he is under no obligation to do it. The fact is that, in order to extricate the Treasury from the difficulties resulting from the incompatibility alluded to, it is necessary, instead of extending, to contract the amount of notes in circulation.

On the other hand, if the Subtreasury act was repealed, modified, or suspended, nothing would be gained by it. Government is bound by the constitutional provision which enacts that nothing shall be a legal tender but gold or silver. It cannot be permitted to substitute, in payment of

its own debts or for defraying current expenses, any species of paper, the value of which is not equal to specie; or, in other words, which cannot be instantaneously converted at par into specie. If, therefore, the Subtreasury act was repealed, modified, or suspended, the necessary consequence would be that Government would be compelled to receive in payment and pay in the notes of solvent banks.

Treasury notes never become a currency, unless they be vested with that attribute. This could not be effected otherwise than by converting the Treasury into a bank issuing notes, bearing no interest, but bound to pay them on demand in gold or silver. It is hoped that such a plan will not find a single advocate.

The attempt to borrow at a lower rate, by substituting Treasury notes for stock, is in every respect impracticable; any effort to conceal the truth from the people will prove equally futile. The resort to any species of paper money, that is to say, the attempt to convert into currency a simple promise to pay at a future date, is dangerous, liable to be grossly abused, and calculated to destroy confidence; for, whenever issued to an amount much greater than the demand for it, a doubt may arise whether such promises to pay shall be actually discharged when they come to maturity. That which has happened, both in other countries and at home, may happen again; and immoderate issues have a tendency to engender a flood of irredeemable paper money.

It is undoubtedly desirable that the amount of the loan should be reduced as far as practicable, and, with that object in view, the Secretary of the Treasury has recommended a duty on tea and coffee. The propriety of a direct tax has also been suggested for the same purpose.

As an abstract proposition it is certain that a direct tax on property is more just than taxes on consumption. These, if levied on articles of first necessity, such as provisions, or on those articles which, like sugar, tea, and coffee, have become almost articles of first necessity, impose almost the same amount of duty on every individual, whatever that of his property may be.

But, according to the Constitution, a direct tax imposed by the United States is apportioned among the several States, not in proportion to their respective wealth, but according to what may be called their federal population. The States of Indiana and Massachusetts, both free labor States, have an equal number of representatives in Congress; and their quota of a direct tax imposed by the United States would be nearly the same under the census of 1840. Under that of 1850 the quota of Indiana will probably be fifty per cent. greater than that of Massachusetts. Under existing circumstances a direct tax of only two hundred thousand dollars would be hardly felt in Massachusetts and be oppressive in Indiana. As the population of this State is about one-twenty-fifth part of that of the United States, five millions of dollars would be the total amount of the direct tax. Generally, the amount of a direct tax levied by the United States must be regulated by the ability to pay of those States which have the least wealth in proportion to their population; and it will always bear most unequally and oppressively on the States more recently settled.

V. Yet in a defensive war the people would cheerfully bear every species of taxation, and Government might call forth all the resources of the country. It is quite otherwise in a war of invasion and conquest. The Administration says that their object is to conquer peace; that is to say, a peace which will give, according to the common vague form, "indemnity for the past and security for the future." It is not intended here to inquire what right the United States have to ask any indemnity from Mexico. Justice is out of the question; we have to deal with expediency. But to say that we must have security or guaranty for the future is really too ridiculous. No one can suppose that Mexico will ever invade the United States. But the Mexicans may think that they want some security against a Government which dismembers and threatens subjugation.

Whatever species of peace may be contemplated, it is necessary, in the first place, to find a Government with whom to treat; and that in a country entirely conquered or occupied is impossible. In order to make a real treaty of peace, that Government must be a free agent: and no such one can be formed if we extend our occupation over the whole or the greater part of the country. That free agency is the only guaranty that the United States want for a solid and real peace. A treaty made under duress would be but the phantom of a peace.

But the Administration, in order to attain the object they have in view, ask for more men and money. It must be admitted that the army which, under General Scott, after a series of extraordinary victories, penetrated into the heart of the Mexican dominions, and took possession of their metropolis, was apparently incompetent for such a bold enterprise; and that, with a greater force the success would have been more certain, and attended with a less lamentable loss of men. But it is nevertheless true that an army of less than ten thousand effective men did perform that wonderful work, defeated three times as numerous as themselves, defended by fortresses and strong positions, and annihilated or dispersed all the troops of the enemy; and now that our effective force from Vera Cruz to Mexico has been more than doubled, and that, with the exception of some miserable guerrillas, there is no enemy to encounter, the number of troops authorized by law is declared to be insufficient, and fifty thousand regulars, with a reserve of twenty thousand volunteers, are said to be necessary, in order to occupy that which has been conquered, and to extend that occupation over a greater extent of territory. The only avowed object is to conquer peace; but would not this course inevitably lead to that subjugation and annexation for which the war party is so anxious?

This magnificent plan, whether effected by the annihilation of the native population or by enslaving it, will promote their welfare, and is also called a pacification. "*Ubi solitudinem (seu servitatem) faciunt, pacem appellant.*" But if this extravagant project, suggested by the most unbounded ambi-

tion, should be carried into effect, I will not simply say that it would inflict a mortal wound on our institutions—I assert that it would break down our own Union into separate communities, and destroy our nationality.

For the object avowed by the Administration there is not the slightest necessity to increase the number of troops now authorized by law. The only effect would be to perpetuate a large standing army; to increase indefinitely the Executive patronage, and to appoint greedy proconsuls over the several Mexican Departments which might be occupied.

I cannot understand the policy of those, who, originally opposed to the annexation of Texas, and to this moment decidedly averse to conquest, are of opinion that, simply because we are at war, we are bound to adopt the views of the President, to sustain him in his course, and to grant him all the money and all the men he requires. Every one has undoubtedly the right to act according to his own notions of right and wrong, and I only claim the same privilege for myself. But let it be recollected that this is not a question of money alone. The President asks for more men. Very lately new regiments of volunteers have been called for and marched to that country, where, exclusively of those who may fall in battle, the climate alone destroys a frightful proportion of the natives of the United States who are subject to the ordinary fatigue and duties of a soldier. Read with attention the reports of the Adjutant General, and the daily accounts of the losses in special corps; and you will be satisfied that this loss is not less, for the first year, than the sacrifice of one-fourth part of the men you are coolly asked to grant to the Administration. And for what purpose?

It has already been stated that, as no money can, according to the Constitution, be drawn from the Treasury but in consequence of appropriations made by law, the statement of the Secretary of the Treasury shows only, under the head of expenditures, the amount paid by him for the several departments, which never can exceed the amount appropriated by law for each service. The question has often been agitated, whether the disbursing departments had the right, for defraying the expense incident to an object authorized by law, to expend more than the money appropriated for such object. This is a question altogether distinct from that of specific appropriations respecting which, it had been contended that moneys appropriated for one object authorized by law might be diverted to another object likewise authorized by law. In this case, even if this construction had been admitted, the total amount expended could not have exceeded the total amount appropriated. But in the case now under consideration, the question is, whether the disbursing departments can expend more than the total amount of appropriations. And, as the Treasury never pays them more than that amount, it is clear that, if more is expended by any department, it must fall in debt for the difference. An application for deficient appropriations, or arrears, is then made to Congress; and, as the debt has been incurred, the necessary appropriation is never refused, if the money has been honestly disbursed and accounted for. The extent to which the expense incurred may exceed the appropriation is exhibited in the following sentence, in the report of the Secretary of War:

“The Department has presented estimates for considerable deficiencies in some of the war appropriations for the current fiscal year. Provision was made in these appropriations for continuing in service, besides the regular troops, ten thousand volunteers; but it was subsequently deemed important greatly to augment this volunteer force. The excess of volunteers called out beyond that number is over fifteen thousand, for which no appropriation was made.”

Whether the practice be correct or not, it is publicly avowed; and it follows that Congress must not act under the belief that the actual expense is regulated by the amount appropriated. It is a positive fact, that whenever it does authorize any one object of expenditure, the practical power of determining the actual expense which shall be incurred will be determined by the Head of the Department. It is therefore absolutely necessary, whenever an additional object of expenditure is recommended, previously to examine critically, and without much regard to estimates, generally underrated, what the actual expense will amount to.

Yet the framers of the Constitution thought otherwise; for, when it was enacted by the Constitution that “the Congress shall have power to raise and support armies, but no appropriation of money to that use shall be for a longer term than two years,” it was clearly intended to prevent the danger of large standing armies, and not less clearly implied that armies could not be supported constitutionally without an appropriation to that use. The framers of the Constitution anticipated the danger, and provided the constitutional remedy.

Indeed, in every representative Government, wherever a certain share of power is enjoyed by the people, it is that over the purse, which has ever been deemed the most important, and of itself almost sufficient to prevent excessive oppression. To this day, in England, in France, and in every other country in which a representative form of Government has been introduced, it is by far the most substantial and efficient attribute of the popular branch of the legislature. It is true, that in England the power, though claimed to its fullest extent, is very rarely exercised. A milder practice has prevailed. Whenever a truly important question is decided in the House of Commons against the Ministry, the king must either dissolve the Parliament and appeal to the people, or yield to the will of the majority of the House. It was in this way that the obstinacy of George III. was conquered, and an end put to the war waged by Great Britain against the independence of the United States. But our elective monarch, for the very reason that he is elected by the people, is, during his brief term of office, more powerful than the British King, and would not probably be deterred from his course by a mere declaratory resolution, such as was that moved by General Conway in the House of Commons. He has, indeed, by his own act, and without having consulted Congress, placed the country in a state of war.

This having been effected, neither of the two Houses of Congress, nor both together, are vested with any constitutional power of compelling him to make a peace, or even to open negotiations for that purpose. There is no other efficient constitutional power by which he can be checked but that of withholding supplies to the extent necessary for effecting the intended purpose.

POSTSCRIPT.

FEBRUARY 1, 1848.

This essay, with the exception of the estimates for the years ending respectively 30th June, 1848 and 1849, and of some verbal alterations, was written within the month of December. Its publication was postponed in the hope of obtaining more correct information respecting the estimates of receipts and expenditures contained in the second section of the essay. I wanted specially copies of the tables A and B therein alluded to. It has now been printed; and it is only this day that I have received the copy of the annual report of the Secretary of the Treasury on the state of the finances, addressed to the House of Representatives. From this I have extracted the substance of the tables in question, which will explain, in that respect, the deficiencies in the text.

In the mean while, an incident has taken place which would seem to derange all the calculations made respecting the amount of the loan wanted at this time, which were founded on the Report of the Secretary of the Treasury to the Senate. We are now informed that there was an omission in that report of four items, amounting together to \$6,915,078, the receipts for Treasury notes and loans which had been disposed of during the quarter ending September 30, 1847: whence the acting Secretary of the Treasury concluded that a loan of only eleven or twelve millions of dollars would be wanted.

It appeared extraordinary that the Secretary of the Treasury, who was indeed seriously indisposed at the time of his report, should, on an aggregate of thirty-three millions of notes and loans authorized by law, find himself near seven millions richer than he thought.

In his report aforesaid he reckons, among the receipts for the fiscal year ending June 30, 1847, the following sum from avails of Treasury notes and loans..... \$25,679,199 45.
And he states, as the still available amount from Treasury notes and loans on 1st October, 1847, the sum of..... 6,285,294 55

Together..... \$31,964,494 00
If to this be added the four items of..... 6,915,078 00

The total would amount to..... \$38,879,572 00
or near six millions more than authorized by law, which is impossible.

This must be explained. But, until the explanation shall have been given, it is very clear that the sum of \$5,879,572, being the excess of the apparent receipts and amount still available from Treasury notes and loans, beyond the amount authorized by law, must be carried to the other side of the account.

If, therefore, adopting all the other statements and estimates of receipts and expenditures, as given by the Secretary of the Treasury in his original report, he is credited with the four omitted items, amounting together to..... \$6,915,078
He must, on the other hand, be debited with the excess aforesaid, amounting to..... 5,879,572

Making a difference in his favor of..... \$1,035,506

So that it would appear that the loan wanted, instead of being reduced near seven millions below the original estimate, would be only lessened little more than one million: I am very far from saying that this is the fact, but only that it is the apparent result, until the subject shall have been investigated and explained.

It appears also to me that there is, among the various documents appended to the report, a want of precision in the expressions used, and particularly in the words *redeemed* and *reimbursed*.

The Secretary of the Treasury is permitted to reissue notes only in lieu of those which have been actually redeemed and reimbursed. And these terms do not at all include the amount of notes which have been converted into stock; since it is most expressly provided that the aggregate amount of Treasury notes and stock shall never exceed the sum of thirty-three millions of dollars. There are but three descriptions of notes that are actually paid and reimbursed, and in lieu of which the Secretary has a right to reissue new notes: 1st, such as may have been purchased by the Secretary; and the acting Secretary, in his report of December 13, 1847, to the Senate, states that none have been thus purchased; 2dly, those which may have been paid in payment of duties, taxes, and other debts to the United States; 3dly, those which, coming to maturity, are actually paid and reimbursed. Of this last class, there can as yet be but few that have already become payable, since none were issued payable at a shorter date than one year; and the first law authorizing the issue was passed on the 22d July, 1846.

I do not, therefore, understand what is meant in the table A, by the following item:
Redemption of Treasury notes, deducting \$3,103,200 which were funded under the act of January 28, 1847..... \$2,361,397 07
Nor in table B, the item—
Redemption of Treasury notes and interest..... \$2,385,329 63

There have been no such amounts of Treasury notes paid in payment of duties and debts to the United States, or which have come to maturity and been paid off.

The same remark applies to some other statements, such as that (M) of reimbursement of Treasury notes from December 1, 1846, to December 1, 1847, amounting together to \$8,971,791 66.

In all those cases it is clear that Treasury notes are included which have not been reimbursed, but converted into stock.

On the other hand, the Register of the Treasury has, in the statements of the public debt, (F,) and of the amount available on 1st December, 1847, (H,) given a very perspicuous and satisfactory statement of the situation, on the 1st December, 1847, of the thirty-three millions of Treasury notes and debts authorized by law:

Loans of 1846.....	\$4,999,149 45	
Do 1847.....	9,173,772 00	\$14,172,921 45
Outstanding Treasury notes of 1846.....	984,750	
Do. do. 1847.....	13,639,500	14,624,250 00
Amount available under act of 1846.....	902,950 55	
Do. do. act of 1847.....	3,299,878 00	4,202,828 55
		<u>\$33,000,000 00</u>

The aggregate of loans obtained, and of outstanding Treasury notes, is thus precisely ascertained, and amounts to..... \$28,797,171 45

But according to the estimates from which the amount of the necessary loan is deduced, the avails of loans and Treasury notes, during the year ending 30th June, 1847, amounted to..... \$25,679,199 45

And those during the quarter ending 30th September, 1847..... 6,915,078 00

Together..... 32,594,277 45

Making a difference of..... \$3,797,106 00

Which seems to prove decisively that there is somewhere an error in the estimates or calculations, and that a loan several millions of dollars greater than has been asked was wanted.

It will be seen by the table A that the war expenses of the year ending June 30, 1847, under the heads of "Army proper" and "Mexican hostilities," amounted to \$36,246,360 94, which is beyond the amount that I had estimated.

Notwithstanding the difficulty of explaining the statements, from which the inference has been drawn that the loan might be reduced to twelve millions, the Secretary of the Treasury appears to be satisfied for the present with that sum. In the meanwhile, the Secretary of War has applied for a further appropriation of four millions of dollars, almost altogether on account of the arrears which had been announced by the Paymaster General. The loan now asked amounts, therefore, to sixteen millions. A sum of about four millions, for deficiencies in the estimates in the Quartermaster General's department, will most probably be wanted. And Congress must, before they adjourn, provide for the expenses of the last six months of the calendar year, 1848. That a further loan will be wanted in the course of this year is most certain. I do believe that no greater service can be rendered to the Administration than by refusing to grant any increase of troops.

We are as yet in a sound state. The country is in a flourishing situation. The Mexican war alone arrests or impedes the indefinite progress of the further improvement and prosperity of the United States.

TABLE A.—Receipts and Expenditures of the year ending June 30, 1847.

The receipts are, as in the report.....		\$61,152,428 90
[But the total amount of the expenditures was alone given.]		
The details are as follows:		
Civil list, foreign intercourse, and miscellaneous.....		\$6,715,854 98
Army proper.....	\$17,880,842 91	
Mexican hostilities.....	16,001,226 42	
	\$33,882,069 33	
All other expenses of the War Department.....	7,399,537 29	
		41,281,606 62
NAVY DEPARTMENT.		
Mexican hostilities.....	\$2,364,291 61	
All other expenses.....	5,567,342 07	
		7,931,633 68
PUBLIC DEBT.		
Redemption of Treasury notes, deducting \$3,193,200, which were funded under the act of January 28, 1847.....	\$2,361,397 07	
All other expenses of public debt.....	1,160,685 30	
		3,522,082 37
		59,451,177 65
Balance in the Treasury 1st July, 1847.....		1,701,251 25
		\$61,152,428 90

TABLE B.—Receipts and Expenditures for the year ending June 30, 1848.

RECEIPTS.

	First quarter, ascertained.	Last 3 quarters, estimated.	Total.
	Dollars.	Dollars.	Dollars.
Customs.....	11,106,257 41	19,893,742 59	31,000,000 00
Lands.....	896,883 47	2,603,116 53	3,500,000 00
Miscellaneous.....	58,533 47	341,466 53	400,000 00
	12,061,674 35	22,838,325 65	34,900,000 00
Treasury notes and Loans.....	6,915,078 00	6,285,594 55	13,200,372 55
	18,976,752 35	29,123,620 20	48,100,372 55
Balance in the Treasury July 1, 1847.....	-	-	1,701,251 25
			19,801,623 80

EXPENDITURES.

Civil list, &c.....	1,116,680 44	5,486,180 42	6,602,860 86
Army proper.....	8,717,583 60	19,080,865 58	27,798,449 18
Other war expenses.....	1,853,108 08	4,820,630 42	6,673,738 50
Navy.....	2,384,805 45	10,241,072 47	12,625,877 92
Redemption of Treasury notes and loans.....	2,385,329 63	267,139 31	2,652,468 94
Other payments for public debt.....	11,687 49	2,250,577 18	2,262,264 67
	16,469,194 69	42,146,465 38	58,615,660 07
Deduct total means, as per above.....	-	-	49,801,623 80
Excess of expenditures.....	-	-	8,814,036 27

Nothing can show more clearly how delusive these estimates were than the fact that a loan of sixteen millions is actually wanted, and that the probability of this being insufficient amounts almost to a certainty.

CORRECTION.

In the estimate of Expenditures for this year, the appropriation on account, made by act of December, 1847, was one million of dollars, and not four millions, as inserted in the text.

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