For rents of offices for surveyers general	$13,149 70	
For repayment of lands erroneously sold	9,117 89	
For indemnity for swamp lands sold to individuals	216,186 33	
For surveys of public lands	62,780 72	
For surveys of public lands and private land claims in California, &c	28,084 15	
For services of special counsel, &c., in defending the title to public property in California	4,200 00	
For suppression of the slave trade	48,074 17	
For expenses of taking the eighth census	28,979 02	
For salaries and other expenses of the Metropolitan Police	116,680 88	
For repairs, &c., for the President's House	12,000 00	
For rebuilding the President's stable	2,000 00	
For lighting the President's House, the Capitol &c., with gas	63,500 00	
For fuel for the President's House	2,400 00	
For alterations and repairs of buildings in Washington, improvement of grounds, &c	450,402 58	
For compensation of public gardener, gate-keepers, laborers, watchmen, &c.	23,857 55	
For penitentiary in the District of Columbia	1,981 89	
For Columbia Institute for Deaf, Dumb, and Blind in the District of Columbia	40,825 00	
For completing the Washingten aqueduct	144,612 67	
For Potomac and Eastern Branch bridges, compensation of draw-keepers, &c	1,252 00	
For support of transient paupers in the District of Columbia	6,000 00	
For coal for the library of Congress	962 85	
For expense of packing and distributing congressional journals and documents	6,000 00	
For purchase of libraries for the Territories of Colorado, Dakota, and Nevada	6,275 27	
For patent fund	259,217 88	
For Patent Office building	63,800 00	
For support of insane paupers of the District of Columbia, and army and navy of the United States	48,000 00	
For preservation of collections of the exploring expedition	2,000 00	
For drawings to illustrate the report of the Commissioner of Patents	6,000 00	
For purchase of United States Statutes	2,765 00	
For roads and canals, State of Michigan	9,445 44	
For relief of the State of Wisconsin	225,276 83	
For the relief of sundry individuals	70,930 35	
For deposits by individuals for expenses of surveys of public lands	13,131 75	
For compiling and supervising the Biennial Register	500 00	
For purchase of gold coin, act of March 17, 1862, 1st section	5,072,900 11	
	32,673,545 69	
From which deduct repayments on account of appropriations under which there were no expenditures during the year	2,750 52	
Total miscellaneous		$32,670,795 17

UNDER THE DIRECTION OF THE INTERIOR DEPARTMENT

For the Indian department	3,802,393 60	
For pensions, military	9,139,167 36	
For pensions, naval	152,443 12	
For relief of sundry individuals, including payments on account of depredations by Indians	1,164,571 30	
Total Interior Department		14,258,575 38

UNDER THE DIRECTION OF THE WAR DEPARTMENT.

For the Pay department	351,573,554 62	
For the Adjutant General	118,686 33	
For the Surgeon General	19,584,634 38	
For the Commissary General	147,085,231 32	
For the Provost Marshal General	10,676,267 27	
For the Quartermaster's department	446,585,474 54	
For the Ordnance department	46,774,854 23	
For the Engineers' department	6,183,587 15	
For the Secretary's office, (army expenditures)	2,733,823 96	
Relief of sundry individuals	7,246 99	
Total War Department		1,031,323,360 79

UNDER THE DIRECTION OF THE NAVY DEPARTMENT.

For pay of the navy	27,500,997 92	
For prize money to captors	5,740,909 21	
For miscellaneous	283,539 50	
For provisions and clothing	10,588,882 75	
For construction and repair	34,411,258 30	
For ordnance	7,199.135 05	
For equipment and recruiting	15,475,440 23	
For yards and docks	4,046,706 07	

For medicine and surgery	$474,504 01	
For marine corps	1,762,559 61	
For navigation	566.729 47	
For steam engineering	14,464,997 48	
For relief of sundry individuals	52,116 52	
Total Navy Department		$122,567,776 12
To which add—		
For interest on the public debt, including treasury notes		77,397,712 00
Total expenditures, exclusive of principal of the public debt		1,290,312,982 41

PRINCIPAL OF THE PUBLIC DEBT.

For redemption of stock, loan of 1842	1,400 00	
For redemption of Texan indemnity stock, act of September 9, 1850	1,631,889 38	
For reimbursement of treasury notes, per acts prior to December 23, 1857.	400 00	
For payment of treasury notes, act December 23, 1857	1,100 00	
For payment of treasury notes, act March 2, 1861	43,550 00	
For redemption of United States notes, act July 17, 1861	370,599 00	
For redemption of 7 3-10 3-year coupon bonds, act July 17, 1861	138,411,050 00	
For redemption of postage and other stamps, act July 17, 1862	4,739,387 34	
For redemption of United States notes, act of February 25, 1862	4,335,133 47	
For redemption of temporary loans, acts of February 25 and March 17, 1862.	118,488,838 19	
For redemption of certificates of indebtedness, acts March 1 and 17, 1862.	174,827,000 00	
For redemption of fractional currency, act March 3, 1863	6,676,364 30	
For redemption of 1-year 5 per cent. treasury notes, act March 3, 1863	38,473,320 00	
For redemption of 2-year 5 per cent. treasury notes, act March 3, 1863	113,957,250 00	
For redemption of 3-year 6 per cent. compound interest treasury notes, acts March 3, 1863, and June 30, 1864	1,458,060 00	
For redemption of 3-year 7 3-10 coupon treasury notes, act June 30, 1864	3,945,900 00	
Total principal of the public debt		607,361,241 68
Total expenditures		1,897,674,224 09
Balance in the treasury July 1, 1865		858,309 15

S. B. COLBY, *Register.*

TREASURY DEPARTMENT, *Register's Office, November* 24, 1865.

Statement of the receipts and expenditures of the United States for the quarter ending September 30, 1865, exclusive of trust funds.

RECEIPTS.

From customs		$47,009,583 03
From sales of public lands		132,890 63
From direct tax		31,111 30
From internal revenue		96,618,885 65
From incidental and miscellaneous sources		18,393,729 94
Total receipts, exclusive of loans		162,186,200 55
From loans:		
From 6 per cent. 20-year bonds, per act July 17, 1861	$10,000 00	
From United States notes, per act February 25, 1862	2,322,615 00	
From temporary loans, per acts February 25 and March 17, 1862	50,015,576 12	
From certificates of indebtedness, per acts March 1 and 17, 1862	26,054,799 37	
From fractional currency, per act March 3, 1863	4,950,163 75	
From 6 per cent. 1881 bonds, per act March 3, 1863	149,370 00	
From 10-40-year bonds, per act March 3, 1864	5 00	
From 6 per cent. compound interest notes, per acts March 3, 1863, and June 30, 1864	26,400,000 00	
From 5-20-year bonds, (6 per cent.,) per act June 30, 1864	9,211,000 00	
From 7 3-10 3-year treasury notes, per acts June 30, 1864, and March 3, 1865	158,068,731 33	
		277,182,260 57
		439,368,461 12

EXPENDITURES.

Civil, foreign intercourse, and miscellaneous		$10,571,460 99
Interior, (pensions and Indians)		6,024,241 86
War		165,369,237 32
Navy		16,520,669 81
Interest on the public debt, including treasury notes		36,173,481 50
Total expenditures, exclusive of principal of public debt		234,659,091 48
Principal of public debt:		
Reimbursements of treasury notes, issued prior to December 23, 1857	$200 00	
Payment of treasury notes, per act of March 2, 1861	1,200 00	
Redemption of Texan indemnity stock, per act September 9, 1850	94,000 00	
Redemption of United States notes, per act July 17, 1861	80,533 25	
Redemption of 7 3-10 3-year coupon bonds, per act July 17, 1861	85,150 00	
Redemption of stock loan of 1842	10,100 00	
Reimbursement temporary loan, per acts February 25 and March 17, 1862	33,677,413 29	
Redemption certificates of indebtedness, per acts March 1 and 17, 1862	80,044,000 00	
Redemption United States notes, per act February 25, 1862	6,365,700 00	
Redemption postage and other stamps, per act July 17, 1862	1,003,257 02	
Redemption fractional currency, per act March 3, 1863	2,897,980 79	
Redemption 5 per cent. 2-year treasury notes, per act March 3, 1863	5,000,000 00	
Redemption 5 per cent. 1-year treasury notes, per act March 3, 1863	7,000,000 00	
Redemption 3-year 6 per cent. compound interest notes, per act March 3, 1863	2,149,629 00	
		138,409,163 35
		373,068,254 83

S. B. COLBY, *Register.*

TREASURY DEPARTMENT, *Register's Office, November 24, 1865.*

No. 6.

Paper money circulation and domestic exports.

TREASURY DEPARTMENT, *November* 29, 1865.

An unprecedented increase in the quantity of breadstuffs and provisions exported from the loyal States to foreign countries in the fiscal years 1861, '62, '63 and '64, concurring with a vast increase in the amount of currency in circulation, and a consequent enhancement of the premium upon foreign bills of exchange, as measured by the currency, has been taken to prove that the increase of these exports is due to the excess of paper money in use, or to the high currency price of foreign bills corresponding to its rate of depreciation in gold value.

The history of our domestic exports and bank issues during thirty-five years preceding the outbreak of the rebellion affords no evidence that high prices at home, or an over-abundance of paper money, whether redeemable or irredeemable, ever had the effect of stimulating exportation. The official tables of domestic exports show a seeming concurrence of the kind in the years 1854, '55, '56 and '57, but other causes are readily found for the very considerable growth of our foreign commerce in this period, showing that it had no dependence upon the accompanying increase of paper money circulation.

For the purpose of presenting the facts as they bear upon this question, our export trade in domestic products with the cotemporaneous movements in bank circulation are here given in groups of years, which most clearly exhibit their respective fluctuations. In this statement the exports of breadstuffs and provisions, those of cotton wool, all other than these, and the totals, exclusive of specie, are distinguished. The bank circulation of each period is stated in its average amount *per capita*, for the purpose of showing its relative supply, as well as this method of measuring the business requirements of the time can do; and the percentage of increase and decrease serves for a readier apprehension of the movements in the several divisions of commerce here adopted, and in the paper money circulation of the same periods.

Statement showing the fluctuations of bank note circulation in the United States, the exports of domestic produce, exclusive of specie, and the rates per cent. of increase and decrease in each, in periods, from the year 1825 to 1860.

Groups of years.	Average domestic exports, per annum, (exclusive of specie,) in millions of dollars.								Average circulation per capita.	Per cent. increase or decrease.
	Breadstuffs and provisions.	Per cent. increase or decrease.	Cotton.	Per cent. increase or decrease.	All other exports.	Per cent. increase or decrease.	Total exports.	Per cent. increase or decrease.		
1825-'32, 8 years	12.9	....	28.4	....	16.4	....	57.7	....	$4 74	....
1833-'36, 4 years	12.1	− 6.0	55.5	+ 95.0	21.8	+ 33.0	89.4	+ 55.0	7 10	+ 49.0
1837-'38, 2 years	9.6	− 20.0	62.4	+ 12.0	22.9	+ 5.0	94.9	+ 6.0	8 35	+ 17.0
1839-'45, 7 years	16.2	+ 68.0	54.6	− 12.0	17.0	− 26.0	87.8	− 7.0	5 16	− 38.0
1846-'47, 2 years	48.2	+200.0	42.6	− 22.0	35.3	+108.0	126.1	+ 4[illegible].0	5 08	− 1.0
1848-'53, 6 years	30.4	− 37.0	85.0	+100.0	36.1	+ 2.0	151.5	+ 20.0	5 34	+ 5.0
1854-'57, 4 years	64.1	+111.0	110.4	+ 30.0	63.7	+ 76.4	238.3	+ 57.3	7 30	+ 36.7
1858-'60, 3 years	44.7	− 43.5	161.5	+ 46.3	75.8	+ 19.0	282.0	+ 18.3	6 08	− 16.7

Exports of breadstuffs and provisions in connexion with the supply of bank currency.

During the eight years 1825–'32 the bank circulation never exceeded sixty-one millions, or an average *per capita* of the total population of \$4 74, and the average export of breadstuffs and provisions was twelve and nine-tenths millions of dollars. In the next four years (1833–'36) the circulation rose to \$7 10, an increase of 49 per cent.; but these exports fell to twelve and one-tenth millions, a decline of 6½ per cent. In the years 1837–'38 the circulation varied from \$9 46 to \$7 20, averaging \$8 35, an increase of 76 per cent. upon the first-mentioned period; yet these exports fell to nine and six-tenths millions, a decrease of above 25 per cent. The average exports of the next following seven years (1839–'45) were sixteen and two-tenths millions, an increase of 68 per cent. over the immediately preceding period; but the circulation averaged only \$5 16 *per capita*, a decrease of 38 per cent.

In the years 1846–'47 our exports of breadstuffs and provisions, under the great demand occasioned by the scarcity in Europe, which commenced in 1846 and amounted to a famine in Ireland in 1847, rose to forty-eight and two-tenths millions, or quite 200 per cent. above those of the next previous period, although the circulation declined 1 per cent.; and the next six years (1848–'53) show a decline of 37 per cent. in these exports, with an increase of 5 per cent. in the circulation.

The four fiscal years 1854–'57 present the first and last concurrence of an excessive currency and enhanced exports of food in any period previous to the rebellion, the former rising nearly 37 per cent. and the latter 111 per cent. upon the average of the preceding six years. But it must be recollected here that the Crimean war actually commenced in March, 1854, with preparation made in the preceding winter, and ended in April, 1856. France, England, Sardinia, Turkey, and Russia were all involved in it, which sufficiently accounts for the very considerable enhancement of all branches of our foreign commerce, except in cotton, the regular increase in which was naturally checked during the period. In 1857 these exports fell off about three millions, but were still at twenty-five millions, or 50 per cent. above those of the next following year, and during this year our chief customer had a war in Persia, another in China, and the great mutiny in India upon her hands. All this very well accounts for an increase of thirty-four millions a year in our provision exports over the undisturbed previous period from 1848 to 1853. In September, 1857, a general bank suspension showed that the circulation had been during four years in excess of legitimate business requirements, standing in the first three at full 40 per cent. above the safe average *per capita*, and rising to 43 per cent. nearly in the year of the explosion.

In the three years 1858–'60 the prices of American breadstuffs and provisions fell in the English market 33 per cent. below those of 1854–'57, and our exports declined 43½ per cent., although the currency was still at least 17 per cent. *per capita* above the safe supply, and tending again, as shown by its still further increase of about 3 per cent. more on the 1st of January, 1861, to an early revulsion, if the rebellion had not brought with it a release of the banks from the obligation to redeem their notes in any better currency.

It will be noticed that from 1839 to 1853, inclusive, the average circulation did not vary more than 26 cents *per capita*, standing very uniformly through these fifteen years at about \$5 20. Now, in this period our domestic exports, exclusive of specie and cotton, rose from forty and four-tenths to eighty and four-tenths millions, or 100 per cent., while in the seven years, 1854 to 1860, when the circulation ranged near two hundred millions, and full 30 per cent. *per capita* above the average of the fifteen preceding years, the same kinds of exports rose only from one hundred and twenty-one and a half to one hundred and twenty-four and a half millions, or 2⅜ per cent. Moreover, the exports of food included in these amounts fell from near sixty-six millions in 1854, the first year of the Crimean war, to forty-five and a quarter millions in 1860. It is true that cotton rose in the same time from ninety-three and a half to one hundred and sixty-two millions, swelling the total exports materially; but it will not be claimed that the state of the currency is to be credited with this result. A common cause could not have operated so unequally upon these different branches of our commerce, and the inquiry may be settled, after a fair examination of all the facts, in the clear conclusion that in all the fluctuations of our foreign commerce and bank circulation, occurring in thirty-five years before the rebellion, no fact sustains the notion that an excessive or depreciated currency favors exportation. The real causes of extraordinary increase in the exports we have found in an increased demand in the foreign markets, occasioned either by failures of their own crops or the increased demand of their wars, helped sometimes by the decline of prices arising from our own superabundance of agricultural products.

During the period of the rebellion our exports have been reported in irredeemable-currency prices. Any calculation made upon the figures in which the values are expressed, and any efforts made to ascertain the concurrent quantities of paper money in active circulation at the several stages of change in the produce movements, would be at once very difficult and unreliable; still, we have command of such data as may throw some light upon the question with which we are here concerned.

In the fiscal years 1862, '63, and '64 the exports of cotton have no proper bearing upon this inquiry. The leading manufactures, which, from their variety of kinds, have no common measure but their aggregate value, stood very evenly at thirty-five millions in each of the three years, the currency prices of 1863 and 1864 being reduced to the gold standard. In the years 1858, '59, '60, and '61 they averaged forty-one millions—so there was no increase in the quantity of these exports, but a falling off of about 15 per cent.

In the three years 1858, '59, and '60 all exports, other than specie, cotton, and breadstuffs and provisions, ranged from sixty-nine to seventy-nine millions in the year, averaging seventy-five and eight-tenths millions. In 1862, '63, and '64 they varied from sixty-one to seventy-two millions, giving an average of sixty-five and a half millions a year, the currency prices of 1863 and 1864 being, as before, reduced to the gold standard. Here again there is no increase of quantity, measured by values, but a decrease of over 13 per cent. These points settled, our question is cleared of its disturbing elements. The inquiry is now limited to the exports of breadstuffs and provisions, and the supposed effect of an enormously inflated currency upon them. We will take of these wheat and wheat flour, and hams and bacon, as the chief and the fair representatives of the whole.

In the fiscal years 1854, '55, '56, and '57 the exports of wheat, in grain and flour, amounted to ninety-four millions of bushels, and of hams and bacon to one hundred and sixty-nine and three-quarters millions of pounds. In 1858, '59, and '60 the wheat export was fifty-eight and three-quarters millions bushels; the hams and bacon fifty-eight and three-quarters millions of pounds. In the four fiscal years 1861, '62, '63, and '64 our total exports of wheat and wheat flour, reduced to wheat, rose to 214,135,710 bushels—an increase of 128 per cent., or two and a quarter times the quantity exported in the European war period, 1854, '55, '56, and '57; and of hams and bacon, 520,607,108 pounds—an increase upon the same period of 206½ per cent., or more than three times the quantity. If the first three of these years be compared with 1858, '59, and '60—three years of ordinary causes of demand in Europe—the wheat export rises to two and three-quarter times, and the hams and bacon to nearly eight times.

Once before, in the Irish famine year, we increased our total exports of breadstuffs and provisions in a single year 148 per cent., or two and a half times their value in the next preceding year. And again, in 1854, we doubled them in one year, and sustained them at this proportion for four years together, under the demand created by European wars on the continent and in Asia. But these instances only serve to show our ability to answer any demand that the rest of the world is occasionally compelled to make upon us. They do not explain the immense consumption of American food in the years under consideration.

Without looking to other causes, the prices at which these commodities were sold in the foreign markets show reasons for a largely increased consumption there. Great Britain and Ireland in the five years 1860–'64 took $71\frac{1}{2}$ per cent. of our total exports of wheat and flour, and 84 per cent. of the hams and bacon. The prices at which these were sold in the United Kingdom may therefore be taken to indicate the gold value of the whole export of the period to foreign countries.

In the following table we give the imports of wheat, and wheat flour in its equivalent in wheat, with the computed real value, and the prices of hams and bacon, imported from the United States, as they are found in the publications of the British Parliament:

Calendar years	Wheat.	Price per quarter.	PRICE PER CWT.	
			Hams.	Bacon.
	Cwt.	s. d.	s. d.	s. d.
1854, '55, '56, and '57	20,771,740	71 0	66 1	49 6
1858 and '59	5,213,289	47 8	57 9	46 9
1860	9,315,125	57 8	68 9	53 5
1861	15,610,472	55 2	47 0	48 2
1862	21,765,087	50 3	35 5	35 1
1863	11,869,179	43 9	33 2	26 11
1864	10,077,431	38 0	....	....
1865, (8 months)	907,224	37 3	....	....

NOTE.—The wheat may be approximately rendered into bushels by multiplying the hundred-weights by two, and into quarters by dividing the same figures by four. The changes in the quantities of hams and bacon correspond sufficiently well with those of flour and wheat for our purpose. The prices of these for 1864 and 1865 cannot be obtained with precision, but they seem to have fallen nearly in the same ratio as wheat and flour.

Previous to the year 1860, whenever wheat fell to forty-one or forty-two shillings per quarter in England, our exports to the United Kingdom were merely nominal. In 1859, the price being so low as forty-three shillings and tenpence, our exports fell off to 861,000 bushels. In 1858 the price was forty-eight shillings, and our exports were nine and a half millions of bushels. The price has ranged from forty-one to seventy-one shillings in an interval of four years. Among all the leading commodities of commerce, scarcely one can be found so variant in price as wheat and wheat flour, and very few whose prices so greatly affect the consumption in Europe. There are twenty millions of people in Great Britain and Ireland whose necessary expenditures are so near their income, that they must economize closely when prices rule but little higher than the lowest rates. These people can easily increase their consumption of wheat thirty millions of bushels per annum, when its cost declines as much as the above statement shows, in the period of the prodigious increase of our exports, which supplied two-thirds of the excess of consumption of the four years 1861, '62, '63, and '64.

The prices of nineteen years of peace, from 1829 to 1847, give fifty-seven shillings and tenpence as their average. We may therefore take 57.8 as it stood in 1860 for the medium or fair and moderate rate, and from it estimate the constant and rapid decrease of price which we assume as the true cause of the inordinately large consumption in the four following years. Thus measured, the decrease of price is $4\frac{1}{2}$ per cent. in 1860, $12\frac{3}{4}$ in 1862, 24 in 1863, and nearly 34 in 1864; four years in which the aggregate American exports of wheat and wheat flour went to the prodigious figure of one hundred and eighteen and a half millions of bushels, or twenty-nine and a half millions per annum. The thing to be explained, however, is, how our farmers could afford to sell such enormous quantities of their produce at prices so much lower than they ever before touched in the foreign market, without either greatly diminishing or entirely stopping exportation.

The solution is found in the fact that while they sold at a very low price in gold, they were paid in an unusually high price in the currency in use at home, which, being a legal tender, was worth its face value, without any discount or depreciation, in the payment of debts contracted before this period at the gold standard of prices. A vast amount of such debt is known to have been discharged in this way. In 1864, when the foreign price of wheat went down to about four shillings and ninepence per bushel, covering freight, insurance, commissions, and all intermediate charges and profits, which still further reduced the gold price to the producers, they could still afford to send to England twenty million bushels, the premium upon gold, due to the depreciation of our currency, ranging from 51 to 185 per cent., and all that premium going dollar for dollar, to the extent so applied, in the discharge of old debts. Roughly averaged, the varying premiums of the year were equal to 104 per cent., which quite doubled the farmer's share of the four and ninepence per bushel paid for his wheat in England, when converted into currency at home.

But the agriculturists, owning the farms which they cultivated, and the stock and machinery which they used, had another advantage in the premium, whether they had debts to pay or not. They held their lands, buildings, stock, and implements of husbandry at the gold price of the previous period, and had no expenses of husbandry to meet in the high currency prices of the time, except wages, improvements, repairs, and taxes. These are but a small portion of their investment, and upon all the rest of it its proportion of the premium was clear gain, but in currency, whose purchasing power was measured by the ruling prices, unless invested in government bonds bearing gold interest. Farmers breeding their own stock had a similar profit on the premium to those who owned the lands which they cultivated. The same reasoning applies also to miners, in the proportion that their mines and machinery bear to their total outlay. But to manufacturers the profit of the premium upon foreign sales would only accrue in the proportion of their real estate and machinery bought at the gold prices of the preceding period; all other elements of production to them cost currency prices; and these are so considerable that their exports would bear but little reduction in gold prices—certainly not enough to make or command a foreign market, as we have already seen in the fact that the exports of the leading manufactures of the country actually fell off, while the products of agriculture so greatly increased.

It is held by the authorities on this subject that enhancement of the nominal exchange, or that portion of the expressed rate which is due to depreciation of the currency, can have no effect upon foreign trade, for the reason that where such depreciation exists, the premium which the exporter of commodities derives from the sale of a bill of exchange on a foreign customer is only equivalent to the increase of the price to the exporter occasioned by such depreciation. This is true, doubtless, where all the elements and the whole cost of production are equally enhanced and in equal proportion to the depreciation of the currency; but the facts of our recent history require a modification of this general proposition.

There is a limit, also, to the operation of the causes which we find stimulating exportation of our breadstuffs and provisions. When the foreign gold price falls below a given mark, the premium must hold a relatively high rate, or the trade is checked. In the first eight months of the current calendar year (1865) the imports of wheat, in grain and flour, from the United States into England, fell to a trifle more than one-eighth of the quantity imported in 1864, and to one-sixteenth of the year 1862. The British prices had gone down in these eight months to thirty-seven shillings and three pence per quarter, and the average premium on gold had fallen from 104 to 65 per cent.

The foreign market gorged, and the currency at home recovering itself, tend together to level exchange to its real rate, and as soon as the rate of premium fails to carry the foreign prices up to the actual cost of production exportation must stop.

Respectfully submitted:

WILLIAM ELDER.

Hon. HUGH McCULLOCH,
Secretary of the Treasury.

REPORT OF COMPTROLLER OF THE CURRENCY.

Since the last annual report from this office two hundred and eighty-three new banks have been organized, and seven hundred and thirty-one State banks converted into national associations, making the total number organized to November first sixteen hundred and one; of which six hundred and seventy-nine were new banks, and nine hundred and twenty-two were conversions from State banks.

A statement of the respective States and Territories in which each bank is located, the paid-in capital, the currency delivered to each, and the bonds deposited with the Treasurer to secure their notes is herewith submitted; also a detailed statement of the affairs of each bank on the first Monday of October last, with an abstract of their condition on that day, an abstract of the condition of all the banks on the first days of January, April, and July, 1865; together with the names and compensation of the clerks and other employés, and the total expenses of the bureau, for the fiscal year ending June 30, 1865.

One bank has voluntarily gone into liquidation, and has been closed under the provisions of the law, viz:

First National Bank, Columbia, Mo.:

Circulation outstanding	$11,990
Circulation redeemed	78,010

Lawful money has been deposited with the Treasurer for the redemption of the outstanding notes of the above-named bank, and the bonds withdrawn.

The First National Bank of Attica, N. Y., has failed, and a receiver has been appointed to close up its affairs. Its outstanding circulation, none of which has been presented for redemption, is $44,000, secured by $31,500 of six per cent. and $18,500 of five per cent. bonds.

By section 44 of the national currency act any bank incorporated by special law, or banking institution organized under a general law of any State, is permitted, on the performance of certain specified requirements, to be converted into a national association, with the same powers and privileges, and subject to the same duties, responsibilities, and rules as are prescribed for the associations originally organized under that law.

By the seventh section of the act amending the "Act to provide internal revenue to support the government," approved March 3, 1865, the privilege of conversion on the part of State banks was extended, so as to give a preference to those which should apply prior to the first day of July, 1865, over new associations applying for the privileges of the national currency act.

The result has been that nearly all of the State banks have voluntarily changed into national associations, and it is a gratifying fact that this transformation has been accomplished without deranging the business of these institutions, or affecting essentially the volume of bank note circulation. Since the amendment of the act, no national currency has been delivered to a converted State bank, until the circulation issued by it under State laws, had been reduced below the amount to which its capital as a national bank would have entitled it under the law; and as many of the converted banks had a greater amount of State notes in circulation than they were entitled to under the national act, the result has been to diminish rather than increase the volume of bank note circulation.

This restrictive course in reference to State bank circulation, has been the cause of great complaint on the part of many of the banks, more so, perhaps, for the reason that in several States the enabling acts giving consent to the conversion of the State banks to national associations, contain provisions nominally giving the right to converted banks to continue the issue of their State circulation for a limited time, after the conversion is completed.*

It is, however, very clear that it is not the spirit or intent of the law to allow any national bank to have a greater circulation than the amount prescribed in the act, and that after a bank becomes a national association it is, as provided in the 44th section of the law, subject to and bound to observe all its provisions. A converted State bank is unquestionably bound to redeem its State circulation and discharge all the obligations of the State institution, while any State enactments granting privileges or imposing restrictions in conflict with or repugnant to the United States laws are necessarily void.

The national currency act permits the conversion of State into national institutions without reference to State laws, and it must be conceded that the laws of the United States are paramount to State enactments. The 23d section of the act prohibits national banks from issuing or circulating as money any notes other than such as are authorized by the provisions of the national currency act. If a national bank converted from a State institution pays out and circulates the notes of the State bank which it is bound to redeem, it certainly issues notes prohibited by the act.

If the rights of converted banks to reissue the notes of the State bank, and also to receive national notes to the amount that their capital entitled them to were recognized they would have had a double circulation, and the aggregate at this time would probably have been two-fold the amounts of their present issues.

The amount of national bank notes in actual circulation on the 1st day of October last, was	$171,321,903
The amount of State bank notes in circulation at the same date, as appears by returns to the Commissioner of Internal Revenue, was	78,867,575
Making the bank circulation on the 1st day of October last	250,189,478
The amount of legal-tender notes and fractional currency issued and outstanding on the 1st of October, 1865, was	704,584,658
National bank notes in the hands of banks not yet issued	19,525,152
National currency yet to be issued to banks	109,152,945
Making the aggregate amount of legal-tender and bank notes in circulation as authorized to be issued to and by the banks*	1,083,452,233

* All statements and comparisons in this report are made up to the 1st of October last, that being the date of the last quarterly return from the banks.

Brought forward		$1,083,452,233
From which sum should be deducted, State bank circulation now outstanding that will be retired about as fast as national currency is issued to converted banks	$78, 867, 575	
Also the amount of "compound interest notes" converted into 5 20 bonds since the 1st of October last..............................	44, 417, 329	
		123, 284, 904
The amount then left as the available currency of the country is..............................		960, 167, 326

In order to ascertain the amount of actual active circulation on the 1st day of October last, there should be deducted from the last mentioned sum—

The amount of national currency delivered to banks, and not then in circulation........	$19, 525, 152	
National circulation not delivered to banks ...	109, 152, 945	
Amount of legal-tender notes held by banks, including $74,261,847 compound interest notes,	193, 094, 365	
Compound interest notes, other than those held by banks, mostly held as investments by insurance and trust companies and savings banks, less say $10,000,000 in actual circulation...	121, 314, 195	
Currency in the treasury of the United States,	56, 2[illegible]6, 440	
Total..............................		499, 323, 097
Which will show the actual circulation to be..................		460, 844, 229

This favorable exhibit of the amount of paper in actual circulation, is owing in a great degree to the accumulation of currency in the hands of the banks, in the absence of the great demands of the government for currency since the close of the war.

As an erroneous impression may prevail as to the aggregate amount of lawful money that banks are required to hold, it is thought proper to state that as the liabilities stood on the first day of October the required sum was $74,261,847 over the amount that banks were permitted to have to their credit, and count as part of the same, in banks acting as redeeming agents. The banks held at that time $14,966,143 in coin, which, deducted from $74,261,847, leaves $59,295,704, the sum that they should have held in legal-tender notes to fulfil the requirements of the law.

It will be seen, therefore, that the sum held, in lawful money, in excess of the required reserve, was $170,045,896.

It cannot be necessary to dilate upon the inevitable consequences which must result from this excessive amount of irredeemable currency, if left uncontrolled by the action of government in respect to the reduction of its own issues, and in enforcing a system of redemption which shall curtail by its operations the power and tendency to expansion. So far as bank issues are concerned it is believed that the most efficient check would be found in its compulsory redemption in the great financial and commercial centres of the country—New York, Boston, or Philadelphia. Under such a system properly enforced, many insti-

tutions established chiefly for the advantage arising from the issue of their own promises, without the expectation of being called upon to redeem them, would find that they had exceeded the requirements of legitimate business, and obtain relief in the abatement of their issues. The circulation thus withdrawn from sections where it is not required, could be dispensed to other portions of the country as yet but partially supplied with banking institutions.

In this manner, also, would a remedy be furnished for the unequal distribution which has resulted from the act of the 3d of March last, giving the preference to the conversion of State banks over applications for new national associations, without reference to the amount of currency which by such conversion has been concentrated in localities where the former institutions were the most numerous.

The national banks already organized embody a capital sufficient to entitle them to receive $309,672,992 of circulation on the deposit of the requisite securities in government bonds. It is not anticipated, however, that more than three hundred millions will be called for by banks now organized, as many of them, located in large cities of the northern States, will not ask for the amount of circulation to which their capital entitles them. Bonds have been deposited to entitle the banks now organized to $244,754,125 of circulation only. In no event will the limit of the act be exceeded.

Whatever may have been the intention of the framers of the federal constitution in respect to the measure of value to be used in the transaction of business during a time of peace, and in the ordinary flow of events, there is ample justification for a departure from a metallic currency and a bank circulation redeemable in specie on demand, in the necessities of the country as superinduced by the unparallelled civil war through which the nation has been called to pass. Now, however, that the emergency which called for this departure from first principles has happily been surmounted, it would seem to be the dictate of sound policy to return as speedily as the financial condition of the government and the business interests of the country will allow to a more normal condition of the currency, so that the pecuniary relations subsisting between ourselves and other nations may be placed upon a more harmonious basis of value.

The evils resulting from an irredeemable currency are too well known to require enumeration. They should be tolerated no longer than absolute necessity requires. The funding, and the consequent retirement of a portion of the inactive circulation shown to be now held in reserve, and liable to be called out as increased speculations and additional enhancement of prices may demand, and the consequent reduction of the same to the amount required by the actual necessities of business would seem to constitute one of the first steps towards that sound condition of finance under which alone a permanent prosperity can be secured. By such a course only can we place the manufacturing and producing interests of the country in a position to compete successfully with other nations, prevent an excess of imports over exports, and thus prevent a drain upon our resources, which must otherwise postpone to an indefinite period the resumption of specie payments.

Under the present inflation of prices the cost of labor and of all the elements entering into the production of staple commodities, whether in agriculture, mechanics, or manufactures, is such as to invite the direct competition of all other countries in our own markets. It is this which makes our market the best to sell in and the worst to buy in on the part of foreigners, and which, in the consequent absence of an adequate export demand, must eventuate in the denuding us of the precious metals and the creation of a debt abroad that will be a greater drain upon our resources than our present national debt.

By a gold valuation of our imports and exports, the balance that has accrued against this country during the four years previous to the 30th day of June last, including the interest on American securities held abroad purchased within that time, and also taking into due consideration the difference between the standard of our own and that of foreign gold, (nine and three-eighths per cent.,) has been $308,000,000 of dollars.

By reason of the probable falling off in the export of coin, and the increased amount of interest to be paid abroad, it is estimated that the accruing balance during the present fiscal year will amount to $120,000,000, making a total for five years of $428,000,000.

Our only resource to pay this gold balance against us has been and still is the sale of our securities abroad. The amount required, if sold at an average discount of forty per cent., will be $713,000,000, and the annual interest at six per cent. will be $42,780,000. The discount of forty per cent. will amount to $285,200,000; every dollar of which will be an entire loss to the country.

The almost exclusive use and demand for gold now is for the payment of custom duties to be paid out again for the interest on the public debt; this is followed by the sale of the surplus beyond the amount required to pay the interest, which surplus again accumulates to go repeatedly through the same process. If one-half of the differences between our imports and exports were paid in gold as they occur, the price of gold and foreign exchange would have long since reached a rate sufficiently high to have materially checked our imports and increased in a corresponding ratio our exports. The price of gold is now governed by the demand for the purposes stated, and the foreign balances against us are paid as before shown, by the sale abroad of government and other securities at a discount of about forty per cent.; thus instead of paying, creating an additional indebtedness to the extent of the difference between the amount received for our securities and their par value, every fraction of which we shall ultimately have to pay in gold, in addition to the interest. It may be said that our exports will be increased by the addition of southern productions. This will undoubtedly be so; but to no greater extent than our imports will increase. The south will need more than all the goods her surplus crops will purchase, and if we cannot compete in the open market with other nations, our relative position in reference to imports and exports will not be improved.

In view of our position, prudential considerations would seem to point to such an adjustment of the tariff, intermediate to the resumption of specie payments, as to discourage inordinate importations; this can be done by increasing the rate of duties just in proportion as the price of gold and foreign exchange may recede, thus keeping up the cost of importations as high as they now are, including the present rate of foreign exchange. This could be followed by a graduated reduction of such increase, say ten per cent., at the expiration of each six months, until brought down to the original rate. Imports would be held back in view of such reduction, and there would be no overwhelming crash resulting from a sudden fall of prices, but business would adjust itself to the present and prospective condition in which it would be placed under the legislation indicated. In the mean time, by a steady reduction of the volume of irredeemable currency and consequent reduction of prices, we would be able once more to place our manufactured and agricultural productions on a footing that would enable them to enter into successful competition with those of other nations in the markets of the world.

As the first step to be taken towards a reduction of the government issues used as currency, sound policy would indicate the conversion of all the interest-bearing legal-tender notes into 5-20 six per cent. bonds. It is believed that the slight contraction caused by such conversion would be scarcely perceptible, more especially at this time, as it is not probable that more than five per cent.

of the whole issue is now in active circulation. It would be simply exchanging one security held as an investment for another.

The national banks alone, as shown by their reports, held on the first of October last $193,094,365 in legal-tender notes, or $22,772,462 more than the whole amount of their national bank circulation at that time; they also held in notes of other banks $16,247,241, and of their own notes not in circulation $19,526,152, making a total of unemployed circulation in the hands of national banks $228,966,758, which is several millions more than the entire paper circulation of the country on the first of Janaary, 1861, or at any previous period.

In view of the urgent demand that will undoubtedly be made for an increase of the national bank circulation, and as a gentle mode of further reducing the volume of legal-tender notes, it is suggested that the national currency act be so amended as to allow an increase of the limit to four hundred millions of dollars, on conditions only, that all the banks be required to redeem their notes in New York, Boston, or Philadelphia; and also that an issue of six per cent. 5-20 bonds be authorized to the amount that it will require to secure the additional circulation under the provisions of the act, which bonds the banks, when organized, shall purchase as each may require of the Secretary of the Treasury at such fair rate as he may from time to time prescribe, but not less than their par value, and pay for the same in the United States legal-tender notes, and all notes so received shall be cancelled and destroyed. The bonds so issued would not affect the price or demand for other bonds, as they would be held as security for the circulation, and only offered in market in the event of the failure or closing of a bank.

With the requirement to redeem at the central and accessible points mentioned, there would be but little danger of bank issues exceeding the limits prescribed by the demands of legitimate business.

Under the action indicated, it is believed that the balance of trade with other nations would within a reasonable time be again turned in favor of this country; whenever that point is reached, with the perfect confidence which would ensue in the convertibility of legal-tender notes and the stability of sound bank circulation, the return to and maintenance of specie payments would be rendered comparatively easy, and the demand for gold be confined to the healthful and legitimate adjustment of balances with foreign countries.

Although of comparitively recent origin, and yet in the infancy of its development, the national banking system has become thoroughly interwoven with all the business and interests of the country. Not only the stockholders in the national banks, but every member of the community has an immediate interest in the stability of a currency which forms the medium of exchange and value, not in isolated sections of the country between particular classes, but throughout the length and breadth of the land, and by every citizen of the republic. And this system, so ramified and so essential to the prosperity of all classes, is based upon the national faith and credit as its chief corner-stone, and can only exist as that credit is maintained intact.

Nobly have our citizens battled for the preservation of our institutions; freely have they poured out their blood and treasures to sustain the government in its contest with ruthless treason, and now that success has crowned their exertions and sacrifices, the maintenance of the national honor, through an unsullied public credit, becomes a no less imperative and solemn duty; nor can it be doubted that all just measures calculated to sustain the faith and integrity of the government will find a ready response from the patriotic masses.

The resources of the country are great beyond enumeration, the development of wealth rapid beyond precedent, and it requires only a judicious application of means to the end proposed to enable the government not only to meet all its pecuniary obligations with entire promptitude, but without imposing exactions that shall be unduly burdensome or give just cause of complaint to the people.

It is believed that from a few sources a revenue can be raised sufficient to meet the interest on the public debt, pay the ordinary expenses of government, and contribute thirty millions of dollars annually to a sinking fund that will pay the national debt in thirty-two years and a half.

The tariff can be so adjusted as to produce one hundred and twenty millions of dollars; one hundred millions can be raised on whiskey, malt liquors, and domestic wines; fifteen millions on tobacco; one hundred and twenty-five millions on cotton; fifteen millions from stamps; from licenses twenty millions, and from the premium on the surplus of gold, after paying interest on bonds, ten millions, making, in the aggregate, four hundred and five millions of dollars, a sum probably one hundred millions in excess of the amount that will be required under an economical administration of the government, leaving a large margin on the above estimate for reduction. The estimates, however, of the revenue derivable from the several sources indicated are not the result of loose conjecture, but each is founded upon a careful inquiry in reference to past productions and revenue under the existing law.

It is estimated that the cotton crop the next year will amount to between two and a half and three millions of bales; a tax of ten cents per pound on two and a half millions will produce one hundred and twenty-five millions of dollars. It is reasonable to suppose that the annual crop of cotton, after two or three years, will equal in amount the average of the crop for a few years previous to 1861, which was about four and a half millions of bales. A tax of eight cents per pound on that quantity would produce one hundred and eighty millions of dollars, a sum more than sufficient to pay the interest on the public debt after the entire amount is funded. The license and stamp duties could be dispensed with after the next fiscal year, and it is to be hoped that after that period no more income will be derived from premium on gold.

Three-fourths of the crops of cotton and tobacco are exported; that proportion therefore of the tax on those articles would be paid by foreign countries, and to that extent contribute to the liquidation of the public debt and relief of our own people.

A tax on cotton of eight or ten cents per pound would neither diminish the domestic production or foreign demand for that staple. Our means of production, natural and applied, are such as to enable us to furnish the article at a less price, including the tax proposed, than any other country. Even at half the price which this product now commands in New York and Liverpool it can be grown and sold at a large profit, including the proposed tax, in its cost. Nor would the imposition of a tax on the staple production of the southern States prove injurious to that section of the Union. It will of necessity be a large purchaser of northern manufactures, and if by the proposed measure the north and south be relieved almost entirely from other taxation for government purposes, as they would be if cotton is taxed to the extent proposed, their purchases would be made at a correspondingly less price, and both north and south derive a benefit from the operation.

By thus restricting the subject of revenue to a few articles of general production the cost of collection would be greatly reduced by the discharge of a whole army of assessors, collectors, &c., to the manifest advantage of the public treasury; nor would the least of the benefits to result from this action be found in the fact that such an adjustment of the system of taxation would leave no ground for public complaint, and consequently preclude *dishonest and disloyal politicians* from uniting with the *enemies of the Union* in assailing the public credit and repudiating the national obligations.

There is no question which more vitally concerns the national banking system than the power of the States to tax the government securities which form the invested capital of the banks organized under that system. Not only have their investments been made upon the solemn pledge of the national faith, held out to corporations and individuals, that their stocks should be "free from taxation by or under State authority;" but the option of refraining from such investment was denied to the national banks, as it was by law made a fundamental condition to their existence that one-third of their capital should at all times be held in the form of national securities by the Treasurer of the United States; and, in addition, every dollar of their circulating notes must be secured by a like deposit. Hence, while individuals might have refrained at their pleasure from placing confidence in the good faith of the government, these institutions were deprived of such liberty of action; and now, while the right of individuals to immunity from taxation on government stocks is generally conceded, the like privilege is sought to be withdrawn from the national banks by their taxation for State, municipal, and local expenses. The constitutional ægis, which the Supreme Court of the United States has hitherto extended over the national securities, no matter by whom or for what purpose held, is now sought to be wrested from its hands upon the theory of State jurisdiction; a flagrant violation of the contract entered into with the public creditors under the clearest enactments of law, and the most binding obligations of public faith. It is conceded for the most part by the advocates of State taxation, that the United States stocks in the hands of individuals cannot be assessed for State and municipal purposes. But a discrimination against the stocks held by banks is sought to be established, on the ground that a tax imposed upon the shares in a bank is not a tax upon the securities represented by those shares. That the position assumed by those who favor this hypothesis will be found, upon critical examination, to be fallacious can scarcely admit of a doubt; that the discrimination in favor of one class of creditors and against another, both having complied with the same conditions, is grossly unjust, must be obvious to all. That exemption from State taxation was intended to apply to the stock issued, no matter in whose hands it might be found, cannot be questioned. No exception was made in favor of individuals; no discrimination was attempted against banks. If the shares of a bank whose capital is invested in United States stocks be taxable, to whose benefit does the exemption from taxation guaranteed to those stocks inure? Does the principle of immunity pledged by Congress become inoperative because an association has loaned to the government the money for which it holds those obligations? Surely, the exemption belongs to some person, and to whom can it be assigned but to the respective stockholders, whose scrip simply represents the proportionate share which each has contributed to the purchase of the government securities. Upon the theory propounded, an individual who purchases one hundred thousand dollars of government stock for a specific purpose, may plead, and receive, the exemption from State taxation which the act of Congress pledges; but if four persons purchase the like amount for a similar purpose, and each receives a certificate of the amount he has paid towards the gross investment, they lose all benefit of the immunity attached to the securities in hand. The injustice, if not the absurdity, of such discrimination must be sufficiently obvious.

Nor will the impropriety of the proposed taxation of national banks be less apparent, when it is borne in mind that they are already taxed by the general government to a greater extent than any other corporations or class of business. The law of their creation requires them to perform certain duties, and authorizes them to exercise certain privileges, yet for this they must pay a license. It imposes, also, a tax of one-half of one per cent on their deposits, one per cent.