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SPECIAL REPORT

OF THE SECRETARY OF THE TREASURY ON THE SUBJECT OF THE FINANCES.

TREASURY DEPARTMENT, C. S. A.,
Richmond, January 9th. 1865. }

Hon. T. S. Bocock, Speaker of the House of Representatives :

SIR :—In the report made to Congress on the 7th of November, the arrear of indebtedness was estimated to have been \$114,000,000, on the 1st of July, 1864, at the commencement of the half year. The close of that period on the 31st of December, exhibited, by the sum of the requisitions remaining unsatisfied, that the estimate referred to was too low.

The appropriations made by Congress for the six months, from 1st July to 31st December, 1864, and the payments made in pursuance thereof, are exhibited in the following table :

	Amounts appro- priated.	Amount transfer- red to Trans- Mississippi depn't.	Balance payable in Richmond.	Amount paid
War Department,	38,127,700 00	62,738,567 00	295,689,113 00	327,860,905 18
Navy "	10,220,302 75	376,000 00	9,841,502 75	13,597,545 82
Treasury "	25,315,115 51	5,718,796 32	19,596,319 19	25,791,936 13
	393,663,118 26	68,833,363 32	325,129,734 94	367,250,387 13

Total appropriations	\$325,129,734 94
Amount paid	367,250,387 13

Excess	\$42,120,652 19
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Amount appropriated for Trans-Mississippi De- partment,	\$68,833,363 32
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Remitted Treasury notes from June 3d to Nov. 23d, 1864,	\$20,000,000
" 6 per cent. non-taxable bonds from July 21 to Nov. 9, '64,	6,000,000
" 4 per cent. loan from July 21 to Nov. 9, 1864,	9,000,000
" certificates of indebtedness.	12,000,000
	47,000,000 00

Balance to be remitted,	\$21,833,363 32
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The requisitions remaining unsatisfied at the close of the year amount to	\$183,000,000
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Deduct the sum included in the estimates of November 7, as above stated,	114,000,000
Excess of indebtedness over the previous estimate,	\$69,000,000
The several Bureaux of the War Department report an additional indebtedness, not embraced in the requisitions, of	184,682,292
Gen. E. Kirby Smith reports the indebtedness in the Trans-Mississippi Department at	60,000,000
	\$313,682,292

To this amount must be added the sum of \$83,000,000, for an ascertained deficiency in the nett value of the tax in kind. It was estimated in the report of November 7th, at \$145,000,000, and credit was given for this amount in estimating the resources of the approaching year. It appears that the value of \$62,000,000, derived from this source by the Commissary Department, constitutes the whole nett products of the tax; the value of the portion assigned to the Quartermaster's Department, is absorbed by the expenses incident to the collection and transportation of the supplies, which are defrayed by that department.

The sum of these new demands and for which additional provision must now be made, is \$396,682,292. The character of the debt is such that the payment cannot be neglected, or even postponed, without danger of seriously embarrassing the operations of the War Department. It is for supplies obtained in all parts of the country, and delivered upon the credit and good faith of the government. The citizens by whom they were furnished, however numerous, are yet but a part of our population. They must be incapable, and would naturally be unwilling, long to sustain so unequal a burthen. The effect is that of a tax unjustly thrown upon a few, instead of being equally shared by all; and a sense of injury will combine with the pecuniary burthen, to discourage the delivery of future supplies. The promptest measures of relief, therefore, are demanded by every consideration of justice and policy; and I earnestly recommend the matter to the immediate consideration of Congress.

I have looked in vain for some source, upon which we might draw for these extraordinary demands, in lieu of taxation; no other alternative presents itself.

But however burdensome so large an addition to the taxes may be found, it will yet bear with less severity upon the whole body of tax payers, than upon the smaller number, by whom it is now sustained. Regarded in this view, it resolves itself into a question of distributing and equalizing a tax already paid by the people. I propose, therefore, that the required sum be chiefly derived from taxation; that the present scheme of taxation be adhered to, with the amendments recommended in my report of November 7th; and

that 100 per cent. be added to the existing rates; and in the application thereof to the tax in kind, that it be assessed upon the value of the same, and be paid in treasury notes.

The additional revenue that will be raised by this means, may be estimated at \$360,000,000, leaving a deficiency to be obtained from other sources, of \$36,000,000. This amount may be raised from the sale of cotton.

The reluctance with which I recommend so great a weight of taxation, is overcome only by the momentous character of the occasion that demands it. I feel no little encouragement, however, from the reflection, that great as these demands are, they are at last controlled and limited by the value of our productions. If \$720,000,000 of taxes are to be collected from the people, it is because \$720,000,000 are to be paid to them for supplies. The expenditures denote the sum of the productions applied to the public defence; taxation is the machinery by which the general contribution is distributed and equalized.

Nor should the depreciation of the currency be lost sight of in estimating the weight of the burthen. The sum stated is barely equal to \$20,000,000 in a sound currency. If we had the option of another choice, it seems doubtful if we should forego the advantage of a mode of payment so cheap. Nothing is so low in value, or so easy of acquisition, as the *medium* in which the tax is demanded, and not to defray the expenditures in the present currency, but fund them for payment in specie at a future day, if that were practicable, would be to disregard the obvious suggestions of prudence.

I venture, too, with great respect, to suggest, that the courage and resolution by which a present sacrifice is made, to ward off a distant, but formidable danger, is an exercise of wisdom as well as of virtue. The occasion seems to demand such a sacrifice at our hands; and having an abiding confidence in the righteousness of our cause, and in the intelligence and virtue of our people, I fearlessly recommend the measures demanded for the defence of our honor, and the preservation of our rights.

While these measures hold out the promise of an adequate amount of revenue for the eventual extinguishment of the arrear of debt, and for the payment of the current expenditures, they afford no relief for our present necessities. Their early adoption, however, will inspire confidence in the resources of the government, and encourage temporary loans in advance of the revenue.

To promote the early liquidation of the arrear of debt, I recommend that the certificates of indebtedness, authorized by the Act of 17th February, 1864, be made receivable in payment of the 100 per cent. additional tax recommended in this report, and that they be taken in payment without interest, but at the rates of \$105 for \$100.

I would respectfully urge, too, the passage of the bill for the

augmentation of the export and import duties, to encourage and promote the sale of the five hundred million loan.

As an additional measure for the convenience of the Treasury and of the public, I recommend that authority be given to this Department to establish an office of Deposit, in connection with the Treasury. Through its instrumentality, the same sum may be made repeatedly to perform the function of payment, and both by the performance of this manifold duty, and by its withdrawal from the channels of speculation, to contribute in arresting the progress of depreciation.

This office should be kept separate from the Treasury proper; it should receive on deposit the current funds of those having relations and transactions with the government, and those of the public generally, and pay the same out upon the checks of depositors. And it should be authorized to deposit in the Treasury, returnable at call, not more than two-thirds of the deposits.

G. A. TRENHOLM,
Secretary of the Treasury.

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