

inating said item of county school taxes declared to be illegal as above set forth.

Very respectfully yours,
C. O. WHITTEMORE,
County Attorney.

By F. T. WAITE,
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PUBLIC FINANCES.

WASHINGTON, Dec. 21.—Secretary Carlisle in his annual report on the state of finances, shows the revenues of the government from all sources to have been \$409,475,408, and the expenditures \$434,678,654, which leaves a deficit for the year ended June 30 1896, of \$25,206,245. In addition to the ordinary revenues collected during the year, the cash in the treasury was increased by the following sum:

From the sale of \$100,000,000 four-per-cent, thirty-year bonds, \$11,166,246 and from the issue of four-per-cent bonds in liquidation of interest accrued on refunding certificates converted during the year, \$4,130, making a total of \$11,170,376.

As compared with the fiscal year 1895, the receipts for 1896 increased \$19,102,205, of which the following are the principal items of increase:

Customs, \$7,863,134; internal revenue, \$3,341,192; profits on coinage bullion deposited, etc., \$1,256,512; postal service, \$5,516,080.

There is shown to have been a decrease in the ordinary expenditures of \$4,015,852.

The revenues of the government for the current fiscal year are thus estimated upon the basis of existing laws: From customs, \$148,000,000; from internal revenue, \$150,000,000; miscellaneous sources, \$30,000,000; from postal services \$79,793,120; total estimated revenues \$407,793,120; the expenditures for the same period are estimated at \$472,293, same leaving an estimated deficiency for the year of \$64,500,000.

These estimates of receipts and expenditures the secretary says are made up on the assumption that there will be no substantial change in existing business conditions and that the present scale of public expenditures will not be reduced.

But, if our ordinary business activity should be resumed and the consumption of articles subject to taxation should increase to its normal proportions, there may be in fact, the secretary says, no deficiency in our revenues.

In his discussion of the currency the secretary makes an exhaustive argument in favor of the retirement and circulation of United States and treasury notes in the course of which he says:

"Our experience since the resumption of specie payments, has so thoroughly demonstrated the impolicy of attempting to maintain the circulation of these notes as a permanent part of our currency, that further argument upon the question seems to be unnecessary, except for the purpose of again pressing the subject upon the attention of Congress and urging the prompt adoption of such measures as will, within a reasonable time, eliminate this element of weakness from our system."

"The maintenance of a policy which

necessarily imposes upon the government the burden of furnishing gold at the public expense to whom may demand it for use or hoarding at home or for export to other countries cannot be justified upon any grounds of expediency or sound financial principle."

While the government has power to borrow money, it is not its duty to issue public obligations merely for the purpose of providing a paper currency for use in the transaction of business, nor has it the constitutional power, in my opinion, to make its promises legal tender in the payment of private debts. Such a policy, even if sanctioned by the Constitution, instead of imparting strength and stability to our currency system, seriously endangers it by the introduction of political and partisan considerations into the arrangement of a subject which ought to be regulated entirely by the business interests of the people and by the laws of trade and the principles which control honest commercial intercourse.

Although the actual ability of the government to redeem its notes promptly in gold coin may be undoubted, still the question whether they will be or ought to be so redeemed must always be open to public discussion, and it is well known that the constant agitation of this question during the past few years has upon several occasions greatly imperiled the safety of our entire currency system. So long as the United States notes remain in circulation, questions as to the mode and manner of their redemption, as to the means of procuring and maintaining a coin reserve for that purpose will be made political issues and so long as these questions remain in politics, public confidence in the stability of our currency must be more or less disturbed.

We must not be deluded into a feeling of security by the fact that there has been a suspension of gold withdrawals during the last few months and a large accession to our stock of gold from abroad during the same, because there is no sufficient reason to believe this condition of affairs will be permanent, if our existing system is maintained.

"No system of coinage that can be devised will furnish (with either gold or silver, unless it pays for it with means already collected by taxation, or by contracting an indebtedness to be paid by the people in the future,

"I am thoroughly convinced the retirement and cancellation of United States notes of both classes under such reasonable limitations and restrictions as to the time and methods as Congress may see proper to prescribe, or as a prudent secretary of the treasury would adopt in the exercise of his official discretion, would not result either permanently or temporarily in an injurious contract of the currency."

Secretary Carlisle renews his recommendation made in his last report that the secretary of the treasury should be authorized to issue from time to time bonds payable in gold, bearing interest at the rate not exceeding three per cent per annum and having a time to run and to exchange such bonds for United States notes and treasury notes upon such terms as might be most advantageous to the government or to sell the bonds abroad

for gold whenever in his judgment it might be advisable to do so and use gold thus obtained in making redemptions of outstanding notes. He gives in detail his reasons for carrying this plan into effect.

"Whatever plan may be finally adopted for the retirement of United States notes and treasury notes" says the secretary, "it will fail to afford complete protection to the government against the demands for gold in the future unless it includes a provision relieving the treasury from the obligation to redeem national bank notes, except such that are worn, mutilated or defaced and the notes of failed banks, or require these institutions to keep their five per cent redemption fund in gold and to deposit gold coin for the withdrawal of bonds when circulation is to be surrendered or reduced."

Secretary Carlisle also renews his recommendation for such amendments to the national banking laws as would permit the issue of circulating notes equal in amount to the face value of the bonds deposited and reduce the tax on notes to one-fourth to one per cent per annum, and that authority be given to establish branch banks for the transaction of all kinds of business now allowed except the issuing of circulating notes.

Continuing the secretary says:

"It is believed a careful consideration of the existing situation and a conservative reliance upon improved business conditions in the future fully justifies the conclusion that the estimate deficiencies for the current year and after the year 1893 will not be realized, unless our public expenditures shall be very materially increased by acts of Congress, and that, with proper economy in administration and such reductions in appropriations as might be made without detriment to the public service, the receipts will be equal to the disbursement in 1898. But however this may be, the condition of the treasury is such that no revenue legislation is immediately necessary, or can become necessary for a considerable time, in order to enable the government promptly to meet its ordinary obligations.

Although the receipts from the ordinary sources of revenue during the last three fiscal years has been less than the expenditures, there have been at all times sufficiently available funds in the treasury to maintain an efficient public service and discharge the current obligations of the government, and no public creditor has been delayed in the collection of his claim, nor has the business of the country ever been disturbed by a doubt concerning the ability of the government to defray its ordinary expenses. What is most needed at present is not more taxes but more economy in appropriations and expenditures.

The great increase in the ordinary expenditures of the government during the last several years has been without a precedent in our history, in time of peace, and presents a subject which imperatively demands the most serious consideration in Congress. In my opinion we have reached a situation which not only forbids the favorable consideration of measures calculated to augment our annual outlay, but which obviously demands through