

that the whole amount of these five-twenties be not funded, but that \$250,000,000 at least be suffered to remain either for purchase or redemption previous to 1874. In speaking of the taxation of the bonds of the United States, the Secretary says:

"There are two reasons, and each seems to be a controlling reason, why the bonds of the United States should be exempt from State and local taxes. (1) If not so exempt, the amount of the taxes imposed by the local authorities will be added to the interest the Government will be required to pay, and thus the National Government will be compelled to provide for taxes imposed by the local authorities. (2) Inasmuch as the ability to borrow may, under some circumstances, be essential to the preservation of the Government, the power should not, even in times of peace and prosperity, be qualified by any concessions to the States of the right to tax the means by which the National Government is maintained."

During the year ended June 30, the receipts were: From customs, \$180,048,426.63; from internal revenue, \$158,356,460.86; from lands, \$3,020,344.34; from direct tax, \$76,568,561; from miscellaneous sources, \$27,752,829.77;—total, exclusive of loans, \$370,943,747.21. The expenditures were: Civil service, \$56,474,081.53; pensions and Indians, \$35,579,544.85; War Department, \$78,501,199.61; Navy Department, \$20,009,757.97; interest on the public debt, \$130,695,242.80; premium on 73.10 United States Treasury notes, \$300,000;—total, exclusive of loans, \$321,490,597.75. Receipts in excess of expenditures, \$49,443,140.46. The estimated receipts for 1870 are \$343,000,000, and the expenditures \$291,000,000.

The report of the Comptroller of the Currency shows that there are 1,620 national banks in active operation, having (on September 30th) a circulation of \$299,789,895, secured by U. S. bonds to the amount of \$342,475,100. The average rate of interest earned by the banks, he considers, did not exceed ten per cent. upon their capital. His views upon "sound currency" will be found useful:

The currency constitutes a very important part of the financial system of any country. Without a sound currency, a healthful financial condition is impossible. There are two requisites to a sound currency; convertibility and elasticity, and either of the two involves the other. The present currency of the United States possesses neither of these requisites. During the past year it has neither increased nor diminished, but stands about as it did this time last year—\$390,000,000 issued by the government, and \$300,000,000 issued by the banks—neither redeemable nor convertible into anything more valuable, and therefore not susceptible of reduction by any ordinary process; each issued to the full limit allowed

by law, with no power of expansion. The whole amount must be employed, whether it is wanted or not, and the limit cannot be exceeded, no matter how urgently more may be required. During the summer months, when there is rest in almost all branches of trade, the whole circulation was in market seeking employment; and now that autumn has come, with its bounteous harvests, when the farmer seeks to realize in money the reward of his labor and the interest of his capital for the whole year, when hundreds of millions must be distributed throughout the length and breadth of the land, we have the same unvarying amount of currency to use.

There are two kinds of currency in use; one issued directly by the government, the other issued by the banks. One kind would seem to be enough. The best should be preserved and perfected; the other withdrawn.

Applying the test first to the government issues, it is noted at once that they are not redeemable, and that no provision has ever been made for that purpose. The very moment that they are made redeemable they will cease to answer the purpose of currency; for, after they are redeemed, they are in the treasury and cannot again be paid out except upon appropriations made by law, in accordance with the constitutional provision, and consequently cannot again be put in circulation, except as disbursements may be necessary to pay expenses and debts of the government. So that government circulation is not convertible, and therefore is not elastic, and cannot be made so without first making a radical change in the organization of the United States Treasury by which it should be converted into a huge banking institution calculated to receive deposits, make loans, and otherwise perform the functions of a national institution.

The notes issued by national banks are nominally redeemable; and, if the legal tender notes were out of the way, would be actually so, and, being issued by institutions in sympathy with trade, would contract and expand in obedience to the law of supply and demand, so that they would also possess the element of elasticity.

As to the comparative methods of the two kinds of currency, an impartial consideration would probably decide in favor of a bank circulation, principally because it would possess the power of adapting itself to the exigencies of trade. If government issues could be made, to possess the same power of adaptation, the verdict would be in their favor. A candid investigation, however, cannot fail to develop the fact that there is no branch of the fiscal service adequate to the direct issue and care of such a currency as the country requires. The treasury system is so arbitrary in its collections and disbursements, so little in harmony with the business interests of the community, that it frequently absorbs large amounts of currency at most inopportune seasons, and disburses them with just as little regard to the wants of trade. If the treasury were redeeming its issues, large amounts would be presented for payment when money was plenty; but as the returns of this money to the channels of trade would depend upon the disbursements of the government, there could be no certainty that it could find its way back again when needed. In fact, the current operations of the treasury of the United States are regarded by business men as constituting a powerful, and, at the same

time, a very uncertain element difficult to estimate, but which must necessarily be taken into consideration in all their business transactions. It is but justice, however, to say that the inconveniences and defects inherent in the present system have been obviated as far as possible by the present administration of the department, and where they could not be obviated entirely, they have been reduced to a minimum.

So long, therefore, as the collection of the revenues is liable to be a process of contraction, and their disbursement a process of inflation, the agencies through which collections and disbursements are effected cannot be regarded as suitable agencies for furnishing a sound currency to the people.

The argument that the government should furnish the currency in order that it may realize the profit upon its circulation is a common one, but will not bear scrutiny. There is no profit to the government on the circulation of an inferior currency. Only a sound currency will promote the material prosperity of the people; and the government can realize no profit from anything detrimental to their interests. As a currency, therefore, government issues are not profitable. As a loan without interest they are equally unprofitable, because they are injurious to the national credit, and add enormously to the expenses of the government.

THE RED RIVER TROUBLE.

The line of policy adopted by Lt.-Governor McDougall and the Government of Canada, respecting the trouble at Red River, commends itself as one most likely to bring about a proper state of things in that out-of-the-way region. There are those who see in Mr. McDougall's residence in American territory, and in the pacific attitude of our Government a loss of *prestige* and self-respect. But until Mr. McDougall is proclaimed Governor, he is a private citizen, whose place of residence is nothing to us, and it is far better for our Government to deal with the Red River people in a rational manner than to make threats which it could not fulfil, or to assume an attitude which it could not maintain. When we consider the nature of the rising, the influences which have been working upon the feelings of the people, and the conclusion at which they, rightly or wrongly, arrived, our surprise at their conduct is greatly lessened. Canadian journals have not hesitated to express themselves very inconsiderately as to the character of the Government which was deemed suitable for the territory in its chaotic state, and to make the action of the new Executive the subject of gloomy forecast. In highly coloured language, such as partisanship delights in, insinuation and assertion went direct to the Red River settlers as the solemn conclusions and predetermined aim of the Canadian Government. They could not be expected to make allowances for that exaggeration of phrase and that license in the attributing of motive, which, in the course of