

The Forum.

FEBRUARY, 1891.

THE VANISHING SURPLUS.

UNLESS something should unexpectedly occur, materially to augment the annual revenues of the government or materially to diminish its annual expenditures, or at least to arrest the increase of the latter, it is evident that there will be, before the opening of the next presidential campaign, a deficit of several million dollars in the public treasury. This, if it occur, will be the direct and unavoidable result of the extravagant policy which was inaugurated by the Republican Party, and which it has fastened upon the country by a series of laws that cannot be repealed or modified for many years without the consent of a Republican Senate. When that party assumed control of the executive department of the government, on March 4, 1889, two thirds of a fiscal year had expired, and therefore the first entire year during which it can be justly held responsible for the expenditures began on July 1, 1889. On that day the available cash balance in the treasury, including the fund for the redemption of national bank notes, and excluding minor coin and subsidiary silver coin, was \$149,535,178; and at the end of the fiscal year, on June 30, 1890, the available cash balance, including the redemption fund and small coin as before, was \$111,029,107. In the mean time Congress had met in December, 1889, and made the appropriations for the fiscal year 1891; those for the fiscal

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year 1890 having been made at the last session of the Fiftieth Congress, when the House of Representatives was Democratic. At the end of the first five months of the first fiscal year for which the Republican Congress made the appropriations, the available cash balance in the treasury, including the redemption fund and excluding the small coin as in the other cases, had been reduced to the sum of \$39,827,875; and at the end of six months it had been reduced to \$38,428,805.

Notwithstanding the fact that the interest on the public debt was \$3,700,000 less in 1889 than in 1888, the expenses for the former year were \$22,342,656 more than in the latter. The interest on the public debt during the fiscal year 1890 was \$5,000,000 less than in 1889, and yet the expenses for the former year were \$15,739,871 more than in the latter. The interest on the public debt during the current fiscal year, 1891, will be \$4,000,000 less than last year; but the expenditures, according to the estimate of the Secretary of the Treasury in his last official report, will be \$354,000,000, as against \$297,736,486 in 1890, showing an increase of nearly \$57,000,000. It is evident, too, that the Secretary has greatly underestimated the expenditures for this year, as he has included nothing for deficiencies except \$34,500,000 for pensions, which will make a total expenditure of \$133,000,000 during the year for that purpose. The original amount estimated for pensions for the present fiscal year was \$98,457,461, and that sum was appropriated at the last session of Congress. Without attempting to state in detail the reasons for the conclusion, which would extend this paper to an unreasonable length and encumber it with a great mass of figures, I consider it entirely safe to say that at least \$15,000,000 more than the present estimate will be required to pay pensions during the present year, and that at least \$10,000,000 in addition will be required for other deficiencies and for miscellaneous purposes, making in all \$25,000,000 to be added to the Secretary's estimate of \$354,000,000.

The estimated receipts for the fiscal year 1891 are \$406,000,000; but in order to reach this amount the Secretary of the Treasury deducts only \$8,668,584 from the amount of custom revenue collected last year, notwithstanding the passage of the

tariff act, which substantially abolishes the duty on sugar and molasses after March 1, 1891, and reduces the internal tax on manufactured tobacco and snuff one fourth. He includes also \$40,000,000 estimated receipts from miscellaneous sources, which exceeds by more than \$9,000,000 the amount received last year. It is true that the law does not by its terms repeal the duty on sugar until April 1, 1891, but it permits imported sugar to be refined in bond after March 1, 1891, and the consequence will be that very little, if any, duty will be paid on that article after that date; so that this source of revenue will be practically closed for four months of the fiscal year, instead of for three, as the Secretary assumes.

The revenue collected from imported sugar and molasses last year was \$55,172,947, and it is clear that at least one third of this, or \$18,390,982, will be lost in the present year. In fact, it is highly probable that the reduction of revenue from these two articles will be much greater than the sum named; for the reason that the importations of sugar, for a considerable period before the first of March, will be limited to the actual demand for immediate consumption, in order to avoid the heavy loss which would necessarily result from having on hand a large supply of duty-paid sugar when the new act shall take effect. The revenue from customs, instead of amounting to \$221,000,000, as estimated by the Secretary, is almost certain to fall below \$210,000,000; while, owing to the largely-increased prices paid for silver bullion since the passage of the act of July 14, 1890, the miscellaneous receipts will not exceed \$30,800,000, the amount collected last year. This will reduce the receipts to \$387,000,000.

If these estimates of receipts and ordinary expenditures are approximately correct, the condition of the treasury at the close of this fiscal year, July 1, 1891, will be about as follows:

ASSETS.

Available cash on hand July 1, 1890, including redemption fund,.....	\$111,029,107
Receipts,.....	387,000,000
Total,.....	<u>\$498,029,107</u>

THE VANISHING SURPLUS.

LIABILITIES.

Ordinary expenditures,	\$379,000,000
Redemption of national bank notes,	22,000,000
Rebate on tobacco and snuff,	1,000,000
Purchases of bonds for the sinking fund, and other redemptions of debt, with premiums, as per Secretary's report, ..	110,000,000
Total,	<u>\$512,000,000</u>

This indicates that there will be a deficit of \$14,000,000 on July 1, 1891; and there is every reason to believe that this will be the case, unless the "working balance," which consists of the sums to the credit of disbursing officers, shall be materially reduced. The official estimate of receipts for the fiscal year 1892 is \$373,000,000, and the estimated expenditures are \$357,852,209; but this latter sum includes nothing for the sinking fund or for rivers and harbors. Besides, it includes only \$135,263,085 for pensions, which is at least \$25,000,000 less than will have to be expended for that purpose under the provisions of the old laws and those of the new act passed at the last session of Congress. Although nothing is included for rivers and harbors in the Secretary's annual report, the detailed estimates submitted by him to Congress show that the sum of \$10,967,250 may be earned by contractors during the fiscal year 1892, under laws already passed. Upon this statement the account will stand as follows at the close of the fiscal year 1892:

ASSETS.

Revenues from all sources,	\$373,000,000
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LIABILITIES.

Deficit from year 1891,	\$14,000,000
Estimated ordinary expenditures, according to the Secretary's report,	357,852,209
Pension deficiency,	25,000,000
Rivers and harbors,	10,967,250
Sinking fund,	49,224,928
Total,	<u>\$457,044,387</u>

This shows a deficit of \$84,044,387 on July 1, 1892, if the requirements of the sinking fund law are to be complied with, or a deficit of \$34,819,459 if nothing whatever is to be paid on that account. According to the last report of the Secretary of

the Treasury, there will be outstanding on July 1, 1891, United States four-and-a-half-per-cent. bonds to the amount of \$51,531,900, all of which will mature on September 1, following; and if the credit of the government is to be preserved, they must be paid on or before that date. Mr. Sherman and others—probably in view of the anticipated inability of the government, with its present resources, to pay this debt—are now urging the passage of a law authorizing the issue and sale of \$200,000,000 of new bonds, the proceeds of which, according to the plan proposed, are to be used in taking up outstanding obligations. While this scheme, if adopted, will not to any extent diminish the public debt, it will enable the government to take up the maturing bonds and postpone to a future time the actual payment of the indebtedness represented by them.

Of course it is not claimed that the foregoing statement as to the probable receipts and expenditures during the fiscal years 1891 and 1892 is entirely accurate, but it is believed that it will be found approximately correct, and that the deficit at the end of each year is more likely to exceed than to fall short of the amounts stated. For the sake of brevity, many items of expenditure which have been omitted, or manifestly underestimated, by the Secretary have not been mentioned, while his estimates of receipts during the fiscal year 1892 have been accepted without criticism. For instance, he estimates an expenditure of only \$7,000,000 for bounties to the manufacturers of domestic sugar under the late tariff act, although it is almost certain to amount to \$10,000,000 or more; and there is no estimate at all for the payments that must be made in redemption of national bank notes, which will probably aggregate \$20,000,000. Nothing has been estimated for subsidies and bounties to the owners of ships engaged in the foreign carrying trade, which will amount to \$4,000,000 or \$5,000,000 the first year, and to a much greater sum each year thereafter. True, the bills authorizing these bounties and subsidies have not, at the time this is written, passed the House of Representatives; but they have passed the Senate, and as they constitute a part of the policy of the dominant party, they will doubtless be concurred in before the adjournment.

The increase of public expenditures in the United States,

during the century for which the government has been in existence under the Constitution, is without a parallel in history. Ordinarily the growth of expenditures ought not to keep pace with the growth of population, for the obvious reason that the number of inhabitants increases in a geometrical ratio at a certain per cent. compounded annually. While it may not be reasonable to insist upon the strict application of this rule in a new and rapidly-developing country like ours, it is certainly not unreasonable to claim that even here the rate of increase in expenditures, in a healthy state of public affairs, ought not to be greatly in excess of the rate of increase in population. We find, however, that while our population in 1890 was only 16 times as great as in 1790, our expenditures, excluding all payments upon the interest and principal of the public debt, were more than 130 times as great. In other words, the population increased from 3,929,214 in 1790 to 62,480,540 in 1890, while the ordinary annual expenditures, excluding payments on the principal and interest of the public debt, rose from \$1,919,592 to \$261,637,203.

It may be said that the expenditures for the year 1790-91 do not afford a fair basis for comparison, because the government had then just been established and was scarcely yet in complete operation throughout the whole country. If, however, we take the year 1810, twenty years after the adoption of the Constitution, we find that the population was 7,239,881, and that the expenditures, excluding the same items as before, were \$5,311,082, or 73 cents per capita. In 1890, eighty years afterward, the population was less than nine times as great as it was then, but the ordinary expenditures were more than 48 times as great, and amounted to \$4.19 per capita. From 1830 to 1840, including the period of the Seminole war, the population increased 32.67 per cent. and the expenditures increased 80 per cent.; from 1840 to 1850, during which time the war with Mexico was commenced and prosecuted to a successful termination, the population increased 35.87 per cent. and the expenditures increased 53 per cent.; but from 1880 to 1890, a period of profound peace, population increased 24.57 per cent. and expenditures increased 55 per cent. The ordinary expenditures for the current fiscal year, 1891, will be at least 12 per cent. greater than in 1890, although the popula-

tion, as shown by the recent census, is increasing at a rate of less than $2\frac{1}{2}$ per cent. per annum.

General Garfield, in a carefully-prepared speech delivered in the House of Representatives while he was chairman of the Committee on Appropriations, said:

“It is manifest, however, that the necessity of expenditures does not keep pace with the mere increase of numbers; and while the total sum of moneys expended must necessarily be greater from year to year, the amount per capita ought, in all well-regulated governments in time of peace, to grow gradually less.”

In the United States, as already shown, the per-capita expenditure, instead of gradually growing less in time of peace, is steadily growing larger. It may not be altogether uninteresting or unprofitable to inquire briefly why it is that the sum of what are denominated ordinary expenditures is increasing so much more rapidly than population. An analysis of the treasury statistics for any given series of years will show that, while there is a general tendency in this country to increase expenditures for the ordinary purposes of government faster than the increase of population, and thus to augment the amount per capita, yet if the annual payments on account of pensions should be deducted, the increase on other accounts might be plausibly, and perhaps satisfactorily, explained by the extension of our occupied territory, by improvements made in the public service, and by other causes incident to an advancing civilization. In 1860 the population was 31,443,321, and the expenditures, excluding pensions and the other items heretofore mentioned, were \$58,850,356, or \$1.87 per capita; in 1880 the population was 50,155,783, and the expenditures, excluding the same items, were \$112,312,886, or \$2.24 per capita, showing an increase of 37 cents in twenty years; and in 1890 the population was 62,480,540, and the expenditures, excluding the same items as before, were \$154,700,346, or \$2.47 per capita, showing an increase of 23 cents in ten years. But including pensions and excluding the other items—that is, payments upon the interest and principal of the public debt—the expenditures in 1860 amounted to \$1.90 per capita, in 1880 to \$3.37, and in 1890 to \$4.19. This statement is sufficient to show that the great in-

crease of our expenditures per capita is attributable mainly to the growth and extension of our pension system, and that therefore we cannot reasonably expect, under the policy now prevailing, any substantial reduction of public expenses for many years.

In 1889 the amount expended for pensions was \$87,624,779; in 1890 it was \$106,936,855; in 1891 it will be, according to the Secretary's estimate, \$133,000,000; and in 1892 it will be, according to the same authority, \$135,263,085, which is, as already stated, at least \$25,000,000 less than will be actually demanded. This increase will undoubtedly continue for several years, and the country will be unexpectedly fortunate if the expenditures for this purpose stop short of \$200,000,000 per annum. In 1872 General Garfield, in the speech just referred to, said:

“We may reasonably expect that the expenditures for pensions will hereafter steadily decrease, unless our legislation should be unwarrantably extravagant.”

At the time this declaration was made the annual expenditure for pensions was only \$28,533,402, or not much more than one fifth of the amount now required. Six years afterward the amount had been reduced to \$27,135,019; but then, on account of the passage of the arrearage act and the introduction of the subject into the party politics of the country, the expenditure began to increase, and it has continued to grow until we already have an annual charge upon the public treasury greatly in excess of the cost of maintaining the largest standing army in Europe. Whether this is the legitimate result of a just and beneficent policy, or of ill-advised and extravagant legislation, is a question upon which there may be wide differences of opinion; but whatever view may be taken of the merits of the system as it now exists, all must agree that it cannot be further extended without seriously embarrassing the operations of the government or unreasonably taxing the resources of the people. Our present revenues will not justify additional expenditures for this or any other purpose, and neither the financial condition of the country nor the existing state of public opinion will tolerate the imposition of new burdens, in the form of taxation or otherwise.

It is the boast of this country that it maintains no large

military establishment, and that its people are exempt from the charges imposed upon the people of other countries for the support of great standing armies in time of peace. It is a proud reflection that our citizens are not conscripted for military service, and that our cities and towns are not garrisoned and patrolled by professional soldiers; but in regard to the mere matter of expense we have no cause for congratulation. No standing army in the world costs the people so much as our army of discharged soldiers. Great Britain, with a regular army of more than 225,000 officers and men, and a total force, effective and non-effective, of 618,000, pays annually less than \$75,000,000; and France, with a regular force of 580,000, besides an enormous reserve, pays \$111,000,000. The army of the German Empire, the best-appointed and best-equipped military force in the world, consisting, on a peace footing, of 492,000 officers and men, costs annually less than \$92,000,000; while the actual field force of Russia, numbering 814,000, is maintained at an expense of less than \$94,000,000. These are the annual charges to which the people of four great European nations are subjected in order to maintain a constantly-available and effective force for their own defense in case of war, and for the preservation of the "balance of power" which their governments consider necessary to guarantee their independence. Although we are at peace among ourselves and with all the world, and have no foreign or domestic policy to make such an expenditure necessary, we are paying more than \$135,000,000 annually to the soldiers of a war that closed twenty-five years ago. The payment of reasonable pensions, on account of wounds actually received and diseases actually contracted in the military or naval forces in time of war, is just and right in itself, and is, moreover, the wisest policy that can be adopted by a government which relies for its defense almost exclusively upon the voluntary services of its citizens; but the gratuitous distribution of public money among certain classes of the people is neither just nor consistent with the character of our institutions.

All other things being equal, that is the best government which exacts the least tribute from its citizens or subjects. One of the principal objects of all good government is to promote the

material welfare of its people by protecting them in the honest accumulation and peaceable enjoyment of property; and this cannot be fully accomplished by any government which takes from them, in the form of taxation or otherwise, more than is necessary to discharge its just obligations and to defray the expense of an economical administration of public affairs. The public peace may be preserved, the rights of person may be scrupulously respected, and ample remedies may be afforded for all injuries inflicted upon the citizen by private individuals; but all this will not make the people prosperous, or permit them to be so, if the government itself robs one part of them for the purpose of distributing the spoils to another part. Generosity is a commendable virtue, but justice is a greater one. It is the confirmed and incurable habit of the party now in power to dispose of the public money in a wasteful and extravagant manner, and there is no reason to suppose that it will cease to pursue this course until the treasury is exhausted. What was two years ago the richest public treasury in the world, will be substantially bankrupt long before the term of the present administration shall expire, and then, perhaps, even the executive officers of the government, who now delight in creating deficiencies to be supplied by additional appropriations, will be willing to assist in devising some plan by which expenditures can be curtailed.

J. G. CARLISLE.

FORMATIVE INFLUENCES.

I WAS born nearly sixty years ago, and lived the first fourteen years of my life in my native city, Charleston, South Carolina. In all that time I never went farther than Augusta, the terminus of what was, in those early years, the longest railroad in the world. In all that time I never saw a mountain, and, as a consequence, no mountain has ever come up to my childish standard. Snow fell but twice that I can remember; ice was never thick enough to bear. The forty years that I have spent in more northerly climes have not changed my preference for the light and warmth of a southern sky. Perhaps early travel would have made me more tolerant of other conditions, but I was not singular in my home-keeping. Travel was not common in those days. A trip to New York or to Philadelphia was an event. My mother's voyage in a "packet" to a northern port before she was married, and her sojourn in various northern towns, made a heroine of her in the eyes of her children. My father was born in that distant region, and the story of his progress southward, on horseback, was as thrilling to us as was the story of Ulysses' adventures to the Phæacian court. We were incredibly narrow. Charleston was the center. Thither came the rich planter and occupied his town house when the dread of the deadly "country fever" chased him from his plantation—that plantation which city cousins loved to visit at Christmas time. The resident of Charleston, when he left the town at all in the hottest season, was content to seek refuge on Sullivan's Island or, if favored by fortune, betook himself to Flat Rock. The Virginia springs seemed as far away as Alaska does now, and yet there were those whose ambition did not stop short of that distant goal, and who journeyed thither in the family coach. Those who could not travel were intense Charlestonians, and those who could were not much less intense. Men who knew both Paris and Charleston spoke respectfully of Charleston. I