

## THE GOVERNMENT OF THE UNITED STATES IN ACCOUNT WITH THE TAX-PAYERS.

To any person who is conversant with accounts, the book-keeping in the Treasury Department of this government is a marvel of good method, of well-adjusted responsibility, and of accuracy. Whatever may be the faults in the mode of appointment to the civil service, the civil service of the Treasury Department itself, when judged by the accounts rendered, is worthy of all praise. The accounts as now rendered by the Pension Office cannot be included in this commendation.

The reports of the Treasury Department, especially the statistical abstract, of which the thirteenth number has been lately issued by the Bureau of Statistics of the Treasury for the year ending June 30, 1890, render an analysis of the cost of our government a very easy matter. Very few changes require to be made, as compared to the annual statement submitted by the Secretary of the Treasury, in order to bring out the most interesting and salient points in this annual settlement. In the subsequent pages the accounts of the fiscal year ending June 30, 1889, will be analyzed, and some comparisons will be made with the two decades that have elapsed since the year 1870. In this period of twenty years gross receipts of thirteen and a half billion dollars have passed into the treasury, with corresponding disbursements, all of which have been accurately accounted for, and the accounts have been balanced without any instance of conspicuous fraud or of material loss to the tax-payers. Yet the accounts of this last period of twenty years deal proportionately with much smaller sums than those that passed through the treasury between 1860 and 1870 with identical results in the accuracy of the accounting.

There is but one slight improvement in the form of this general accounting which may render the annual statement so simple and so plain that he who runs may read. The facts are all to be found in this statistical abstract, and it has required but a few hours' work to put them into shape for ready comprehension. To this new form I have given the title which is also the title of this paper.

*Dr. The United States in account with the Tax-Payers.*

To internal tax collected on whiskey.....	\$74,312,206.33		
To duties collected on spirits, wines, and beer ..	7,786,399.87	\$82,098,606.20	
To internal tax collected upon tobacco.....	31,866,860.42		
To duties collected on cigars, snuff, and tobacco.....	11,194,486.68	43,061,347.10	
To internal tax on fermented liquors.....		23,723,835.26	
<b>All taxes on liquors and tobacco.....</b>			<b>\$148,883,788.56</b>
To duties collected on Class E, consisting of articles of luxury or of voluntary use, . . . . . Less spirits, tobacco, wines, and beer above.....	45,890,357.00 18,980,886.55	26,909,470.45	
To duties collected on Class D, consisting of manufactured goods ready for consumption.....		68,683,765.00	
To duties collected on Class C, consisting of partly manufactured goods which are used in the processes of domestic industry.....		22,195,095.00	
To duties collected on Class B, consisting of crude materials which are necessary in the processes of domestic industry.....		15,363,625.00	
To duties collected on Class A, consisting of articles of food and live animals: Sugar and Molasses, All other..	55,976,228.00 10,592,704.00	66,568,932.00	
To sundry duties credited by the treasurer over and above duties on goods entered specifically for consumption .....		5,130,967.14	<b>204,851,854.59</b>
To miscellaneous revenue from sales of public lands, District of Columbia, consular fees, etc.....			<b>22,170,538.44</b>
To sundry internal taxes, oleo-margarine, etc.....			<b>978,611.91</b>
To nominal profit on purchase of silver bullion, coined and issued as dollars of full legal tender.....			<b>10,165,264.79</b>
			<b>\$387,050,058.29</b>

Fiscal Year ending June 30th, 1889.

Cr.

By the cost of conducting the government :			
Congressional expenditures	\$7,015,584.98		
Executive Department....	12,242,427.67		
Judiciary.....	4,463,322.51		
Territories, Land Office, etc.	1,844,795.89	\$25,566,131.05	
Foreign intercourse.....		1,897,625.72	
Custom Houses, Court Houses, etc.....	5,028,170.66		
Light House Department	2,702,442.72		
Mint .....	1,027,484.80		
Life Saving Service.....	928,421.19		
Judgments, Court of Claims	3,343,794.66		
Sinking fund Pacific R. R.	1,326,175.10		
Mail transportation Pacific R. R.....	1,267,944.65		
District of Columbia.....	5,248,669.92		
Department of Agriculture	1,043,412.75		
Postal deficiency.....	3,868,919.73		
Sundries.....	6,755,856.12	35,541,292.30	
Total Civil Service		63,005,049.07	
Collecting revenue from customs.....	6,518,982.79		
Collecting internal revenue	3,770,888.72		
Refunding excess of customs deposits.....	4,356,759.74		
Debentures and drawbacks paid under customs laws	3,012,883.94	17,659,015.19	
Total cost of civil government, collecting revenue, and abatements.....			\$80,664,064.26
By support of army.....	33,226,974.15		
Fortifications, rivers, and harbors.....	11,208,296.70	44,435,270.85	
Total cost of Military Department.....			44,435,270.85
By support of navy.....	15,747,855.38		
Increase of navy .....	5,630,953.93	21,378,809.31	
Total cost of Naval Department.....			21,378,809.31
All Civil, Military, and Naval Departments.....			146,478,144.42
By expenditures for account of Indians.....		6,892,207.78	
By interest on public debt....		41,001,484.29	
By arrears of pensions settled.		21,442,349.13	
By current annual pensions...		66,182,429.98	135,518,471.18
Total disbursements..			281,996,615.60
Balance surplus.....			105,053,442.69
			\$387,050,058.29

It may be hoped that the Secretary of the Treasury will instruct the Chief of the Bureau of Statistics to present to Congress at its next meeting, forms of statements or accounts-current corresponding to the foregoing for each year from 1871 to 1880 inclusive, and also from 1881 to 1890.

The fiscal year ending June 30, 1889, has been chosen as an example of this method of analysis because it was a normal year and because the revenue had not been affected either by the subsequent tariff legislation or by the expectation of changes in our system of taxation. The two subsequent years ending respectively June 30, 1890, and June 30, 1891, would show even more startling results, but both had been to some extent affected by prospective legislation.

The point which may excite the greatest surprise in this account is the fact that what may be called the normal cost of the government of the United States, including under this title the cost of the civil service, of the military establishment (including fortifications and river and harbor improvements), and of the naval establishment (including the construction of vessels), amounted in the fiscal year ending June 30, 1889, to

\$146,478,144 (one hundred and forty-six and a half million dollars).

This expenditure was more than met by the taxes, including the duties which were paid on liquors and tobacco. The amount of revenue derived from these two sources in the same year was

\$148,883,788 (one hundred and forty-nine million dollars).

A comparison of the normal cost of government for twenty years, conducted by various administrations under different political titles, may also cause some surprise.

From 1871 to 1880 this normal cost averaged \$124,524,433. (In round figures one hundred and twenty-five million dollars.)

The revenue derived from liquors and tobacco in the same period averaged, \$112,225,584. (One hundred and twelve millions.)

The normal cost of the government from 1881 to 1890 averaged \$132,740,067. (One hundred and thirty-three millions.)

The revenue derived from liquors and tobacco in the same period averaged \$141,248,166. (One hundred and forty-one millions.)

The figures of 1889 have been given.

In the fiscal year ending June 30, 1890, the revenue derived from liquors and tobacco was \$163,490,210. (One hundred and sixty-three millions.)

In 1890 and 1891, for which the figures are not yet available, the revenue from these sources has been yet more.

These figures make it apparent that the revenue derived from liquor and tobacco increases in ratio to population and even more,

while the normal expenses of the government diminish in ratio to population. The time is therefore within plain sight when liquor and tobacco may be dealt with as the permanent sources from which may be derived all the revenue that will be required to cover the normal cost of the government, and perhaps the interest on the public debt as well; the cost and interest diminishing in ratio to population while the revenue from these sources increases.

At this point it may also be remarked that the cost of collecting the taxes on whiskey, tobacco, and beer is relatively less than the cost of collecting the revenue from customs; even without charging to the latter the expense of building custom houses or the cost of sustaining the revenue marine. In 1889 the per cent. of the cost of collection to revenue was as follows:

Internal taxation,.... . . . . .	$2\frac{88}{100}$ per cent.
Customs revenue,..... . . . .	$3\frac{14}{100}$ per cent.

The variable elements in our expenditure are substantially as follows:

- On Fortifications, on River and Harbor Improvements,
- On Naval Construction,
- Interest on the Public Debt,
- Pensions.

The first two named are relatively unimportant, the difference between extreme economy and extravagance being within the limit of ten millions a year.

The proposed bounty on the production of sugar might have been named if it were likely to stand; it has been set aside as an example of temporary aberration from common sense in finance, probably of no long duration.

The variables dealt with as to the past show the following comparisons:

In 1871 the interest on the public debt was.....	\$125,576,565
The pensions came to.....	34,443,894
In 1891 the interest on the public debt amounted to.....	36,099,284
The pensions.....	106,493,890
If the two are combined they exhibit for 1870 an expenditure of....	150,020,459
For 1890,.....	142,593,174
Reduction in aggregate,.....	<u>\$7,427,285</u>

The information which is given to the public in the statistical abstract furnished by the Commissioner of Pensions is very incom-

plete and insufficient. In that respect it differs very much from the other money accounts, which are fully and adequately stated.

In 1889 the pension account is stated as follows:

First payments,.....	\$21,442,349.13
Pensions exclusive of first payments, .....	66,832,764.15
Expenses,.....	856,855.16
Total,.....	\$89,131,968.44

In 1890 the account is stated as follows:

First payments, .....	\$38,721,866.03
Pensions exclusive of first payments,.....	66,806,314.35
Expenses,.....	965,709.81
Total,.....	\$106,493,890.19

It may be assumed that what are named "first payments" constitute the arrears of pensions which, when once paid, are finally settled. The sum under the head of "pensions exclusive of first payments" is assumed to be the annual list continuing payable until death. But in the table given in the statistical abstract great variations appear year by year. The amounts go up and down, increasing and diminishing without apparent order or rule, and without explanation. It may be hoped that the next Congress may institute an inquiry, in order that adequate information of a systematic kind in regard to pensions may be spread before the public. The form should be somewhat as follows, taking an arbitrary date, say 1881:

Pensions which had been granted up to 1881 inclusive,.....	\$
Number of pensioners then upon the roll, .....	
Arrears which had been paid up to that date,.....	
Annual amount due pensioners on the roll at that date,.....	

Subsequently a table should be given as follows:

Number of pensions granted subsequent to 1881, to June 30, 1891, inclusive,.....	\$
Arrears paid in that period,.....	
Number of pensioners deceased in that period,.....	
Amount of pensions which had fallen in by decease in that period,.....	
Number of pensioners remaining on the roll June 30, 1891,.....	
Amount due to pensioners on the roll at that date,.....	

Nearly one generation has passed since the beginning of the civil war. Vast sums have been paid in pensions and will continue to be paid. If the pension accounts were as fully and accurately stated as the other expenses of the government now are, it would not be diffi-

cult to determine the true measure of the obligation nor would it be difficult for an actuary to compute its probable duration. It may be hoped that the next Congress will demand an accounting such as will enable the tax-payers to compute the cost of a burden which will cease to be deemed one when its true measure is known, and the payment of which will not be grudged down to the last dollar which is justly due. There are suspicions resting against the whole pension service which ought to be removed.

Suffice it for our present analysis that up to this time the obligation to pay interest upon the debt has been diminished by liquidation of the principal, faster than the obligation to pay pensions has increased, even including the arrears.

The effect of these changes has been that, while the absolute disbursements of the government have increased, the relative burden of taxation upon the people has diminished.

The average cost of the support of the government, including interest and pensions, per capita, was:

In 1871,.....	\$7.39
In 1889,.....	4.75

The average tax paid by duties on imports was:

In 1871,.....	\$5.12
In 1889,.....	3.62

The average tax paid under the internal revenue measures was.

In 1871,.....	\$3.64
In 1889,.....	2.34

The interest charge per capita was:

In 1871,.....	\$2.83
In 1889,.....	.53

The pensions charge per capita was:

In 1871,.....	\$0.87
In 1889,.....	1.74

The obligation to the pensioners is admitted to be very great, and the actual burden is large in amount. It will be cheerfully borne if the pensions are justly granted and the service is rightly administered. This tax is sometimes compared to the cost of the standing armies of Europe, but there is little analogy. The worst effect of the blood tax of a great army is the withdrawal of the most stalwart men from productive industry for a long period in the prime of life, their time being devoted to preparing themselves for the future destruction of the

hard-earned wealth of nations. The mere maintenance of these armies is more destructive than even war itself, because it is continuous. The pensions paid by us are derived from the increasing product of a nation which was saved from destruction by those who served it so well. They now share in the work of making this constantly increasing product which the very war itself developed.

The questions on which parties are now dividing are those which are connected with the financial policy of the country. It may be that this simple analysis of our national accounts will be as serviceable to one side as to the other. It may remove from the debate many ungrounded aspersions upon either party.

The fundamental principle of national taxation may perhaps be stated in a single sentence:

*All taxes that the people pay, the government should receive.*

The simple forms of stating the present sources of revenue and the respective amounts which are derived from each source may perhaps make it easier to choose the articles that may rightly be taxed and to separate them from the articles that ought to be exempt from taxation.

It may be judicious not to prophesy, but one may forecast what may be the conditions under which a new administration will meet a new Congress in December, 1893. The last Congress has made heavy appropriations in excess of the record of previous years; putting aside the bounty on sugar for the reasons given, the heavier appropriations are mainly for the construction of naval vessels, for heavy guns, and for other works which will take more than one year for their completion. Therefore these heavier appropriations, aside from pensions, may not increase the annual cost of government in excess of the additional income which is being derived from liquors and tobacco. Moreover, any one who has followed the course of high tariffs with care may have noticed that when high duties are put both on materials in the crude or partly manufactured condition and also upon finished fabrics, imports are very apt to increase and not to be diminished by that policy. In view of the very heavy crops about to be gathered and the large imports which may come in exchange for them, the revenue from dutiable imports may also increase in considerable measure.

The doubtful point may be whether or not the discredit growing out of the threat of the free coinage of silver will have had a wide extension, stopping for the time in some measure the progress of



the country, and thereby diminishing its power of consumption. If it should presently become apparent that gold may be demonetized, the remedy will doubtless have been taken under existing acts by lessening the coinage of silver, and in view of the danger avoided, which will then have become apparent to the whole country, there will be no fear of any further pressure to carry this objectionable measure of free coinage. It is about dead.

Under these conditions the new administration may meet the new Congress on December, 1893, with a report rendered by the Secretary of the Treasury somewhat as follows: *The income derived by the treasury from taxes and duties upon liquors and tobacco is now sufficient to cover all the normal expenses of the government, including the army and the navy, and in addition thereto the interest upon the public debt.*

*It will therefore be incumbent upon Congress only to make suitable provision for the amount of revenue which may be necessary to pay pensions, and to contribute to the sinking fund for the ultimate redemption of the public debt, according to law.*

To that end, these plain and simple propositions and this account-current of the government of the United States in account with the tax-payers may lead the way.

EDWARD ATKINSON.

BOSTON, MASS., July, 1891.

7

## THE POLITICAL ISSUES OF 1892.

PROPHESYING has always been an uncertain trade, and political prophesying is notoriously the most perilous branch of the art. To attempt to predict accurately the political issues of a year hence is almost as dangerous as to undertake to foretell the weather for the same period. In trying, therefore, to define future political issues, all that is possible is to state what issues seem probable under existing conditions, with the broad and very unsafe assumption that those conditions will not change materially and that no great disturbing element will come to alter the situation. From the present outlook it would seem that the dominant issue in the election of 1892 will be the money question, or, in other words, the question of the free coinage of silver.

To this the able Democratic editor, whether he be regular and moderate, or independent and extreme in his partisanship, will reply in the stereotyped fashion that this is a Republican idea, and that the wish is father to the thought because the Republicans desire to avoid the tariff and to bring on the financial issue. It does not, in reality, make much difference what party editors and orators, or even party organizations, think or want; for issues are not made in that way. Public questions arise and create parties, or else existing parties accept those issues which the times bring, because they cannot be avoided. But even if the Republicans could shape issues to suit themselves, it is a mistake to suppose that they have the least desire to avoid the tariff, for from the point of mere selfish political interest it is an easier and safer issue for them than that of silver coinage.

Let me say a few words in explanation of this. The tariff issue is politically dangerous to the party which has last put its theories into the form of law. Any new tariff, no matter whether it is constructed on free-trade or protection principles, is sure to disturb and irritate a large number of interests and a still larger number of persons. The only tariff that is universally popular is that which has not yet been put into the form of law, but which still soars in the regions of vague generalities. The unwritten tariff suits every district