THE DESCRIPTION OF THE REDAY STREETS OF

any of the rates of Interest authorized by the law referred to, would have to be sol at a premium so great as to prevent large classes of our people, who might otherwise invest in them, from becoming purchasers. The United States 4 per cent bonds, payable 1907 are now selling at a rate which rields investors less than 3 per cent upon their cost and I am confident that a bond bearing interest at the rate of 3 per cent, payable quarterly and redeemable at the option of the government after five years could be readily sold at par in our own country.

Good Investment for the People. If the authority now existing should be so modified as to empower the secretary of the treasury to issue the bonds in denominations or sums of \$25 and its multiples they could be readily disposed of through the subtreasuries and postoffices without the inter-vention of banks or other financial institu tions and without the payment of commis-sions. Such bonds would afford to the people at large an opportunity to convert their surplus carnings into a form of security which, while it would be perfectly safe. odd not only increase in value by reason of accumulating interest, but be at all times available as a means of procuring money when needed, and the experience of this and other countries justifies the couldent belief that such a plan would be highly successful.

An Alternative Scheme,

In case congress should not consider it advisable to authorize the secretary to use for the purpose of supplying deficiencies in the revenues any proceeds of the bonds herein suggested. I recommend that he be empow-ered to execute from time to time as may be necessary the obligations of the government, not to exceed in the aggregate \$50,000,000, bearing a rate of interest not greater than 3 per cent and payable after one year from date, and that he be permitted to sell them at not less than par or use them at not less than par in the payment of public ex-penses to such creditors as may be willing

to receive them.

The condition of the treasury is such that unless some available means are promptly provided by law for supplying the growing deficiency, the public service will be seri-ously impaired and pensioners and other creditors be subject to great delay and in convenience Congress alone has the power to devise such means as will relieve the present situation and enable the treasury to continue the purctual payment of all legiti-mate demands upon it, and I respectfully but earnestly urge that immediate attention be given to the subject

Must Extend His Powers.

The necessity for the extension of the power of the secretary to procure and main-tain a larger reserve for the redemption of United States currency will be evident to every one who has given serious thought to the subject. At the date of the resonantion of specie payments, January I, 1879, the only form of currency except com cartificates which the government was required or authorized by law to redeem in coin on presentation was the old legal tender notes, then and now amounting to \$346,681,046, and it was considered by the secretary of the treasury that a coin reserve of \$100,000,000 would constitute a sufficient basis for the maintenance of that amount of currency at

Correctness of this conclusion was shown by the fact that so long as there was no material increase in the volume of paper redeemable the government reserve re-mained unimpaired and no serious disturbances occurred in our monetary system, but under the act of July 14, 1890, additional treasury notes have been issued to the amount of \$155,930,940, of which there are outstanding \$153,818,224, thus making the direct government obligations in United States currency amount to the sum of \$499,-909,240, all of which the secretary of the treasury is now required by law to redeem in colu on presentation.

Would of Itself Inspire Confidence, Besides this there have been coined under

authority of law \$419,332,550 in legal tender silver, upon which certificates have been issued to the amount of \$334,138,504, and, as congress, in the act of July 14, 1890, declared it to be the established policy of the United States to maintain the two metals on a parity with each other upon the present equality, or at such ratio as may be provided by law, an additional reason is given for conferring upon the secretary unquestionable authority to provide for such contingencies as may arise.

Under these circumstances it is, in my clothed with full authority to procure and maintain an ample reserve in coin, but that the purposes for which the reserve is to be held and used should be made as compre the duty imposed upon him the law. The existence of such authority in a constantly available form would of itself inspire such confidence in the security and stability of our currency that its actuaexercise might never become necessary, but the futility of declaring a specific policy and withholding the means which may become necessary for its execution is too apparent for serious comment.

Gold Export and the Reserve.

Largely on account of apprehensions as to the ability of the government under the legislation then existing to continue the cur-rent redemption of its notes in com and maintain the parity of the two metals, the exports of gold from this country during the fiscal year 1893 reached the unprecedented int of \$108,680,844, nearly all of which was withdrawn from the public treasury by the presentation of notes for redemption During the three months next preceding the 7th day of March, 1893, when a change occurred in the administration of the Treasury department, the witherawals of gold from the treasury for export amounted to \$34,146,000, and during the eight months which have clapsed since that time such withdrawals have amounted to \$30,950,650 \$2,113,650 more than during the preceding period of three months.

The amount of free gold in the treasury on the 7th day of March, 1808, was \$100,082, 410, or \$982,410 in excess of the lawful reserve, but by making exchanges of currency for gold with the banks in different parts of country the amount was increased t \$107,462,882 on the 5th of that month. Not-withstanding the most strengous efforts by the department to maintain the \$100,000,000 reserve intact, the presentation of notes for redemption to procure gold for shipment abroad continued to such an extent that on the 2d day of April, for the first time since the fund started, it became necessary to use a part of it and it was reduced to \$95,432,357, but it was afterwards increased by exchange of currency for gold so that so the loth of August it had been fully restored and there was on hand \$103,683,200 in free gold. By October 19, however, it had been dumnish by redemptions of currency and otherwise to the sum of \$91,551,385, which is the lowest point it has over reached.

Treasury as a Bank of Issue,

So long as the government continues the unwise policy of keeping its own notes outstanding to circulate as currency and under-takes to provide for their redemption in coin on presentation, it will be, in my opinion, essential for the secretary of the treasury to possess the means, or to have the elenand undounted authority to secure the means, which may from time to time become accessary to enable him to meet such

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smergencies as the one which has recently courred in our financial affairs. Under existing legislation the Treasury department exercises, to a larger extent ountry combined, the functions of a bank issue, and while the credit of the govern ment is so strong that it may not be necessary to maintain at all times the actual coin reserve which experience has shown to be requisite in the case of ordinary banking companies, still it would be manifestly prudent, to say the least, to adopt such precautionary measures as would enable the government, in times of unusual monetary disturbances, to

keep its faith with the people who hold its notes and coins by protecting them against the disastrous effects of an unredeemable and depreciated currency.

But Without Discretionary Powers

While the laws have imposed upon the Treasury department all the duties and responsibilities of a bank of issue, and to a certain extent the functions of a bank of deposit, they have not conferred upon it any part of the discretionary powers usually possessed by the executive heads of institu-tions engaged in conducting this character of financial business. He is bound by mandatory or prohibitory provisions in the statutes to do or not to do certain things without regard to the circumstances which nay exist at the time he is required to act and thus he is allowed no opportunity to take advantage of changes in the situation favorable to interests of the government to protect its interests from injury when breatened by adverse events or influences He can neither negotiate temporary loans to eet casual deficiencies nor retire and can-the notes of the government without substituting other currency for them when he revenues are redundant or the circula tion excessive, nor can be resort, except to a very limited extent, to any of the expedients which in his judgment may be absolutely

occessary to prevent injurious disturbances the financial situation. To Make the Department Independent.

These considerations emphasize the necessity of such tegislation as will make this department independent of speculative in-terests and operations and enable it to mainain the credit of the country on a secure easis. Whatever objections may be urged against the maintenance of a large coin re-serve, procured by the rate of interest-bearing bonds, it must be evident that this course cannot be safely avoided unless the government abandons the policy of issuing its own notes for circulation and limits the functions of the Treasury department to the collection and disbursement of the public revenue for purely public purposes and to the performance of such other administrative duties as may be appropriate to the character of its organization as a branch of the executive authority.

To the extent that it is required by law to receive money on deposit and repay it or to issue notes and redeem them on demand, it is engaged in a business which cannot be conducted without having at all times the ability to comply promptly with its obliga-tions. Its operations necessarily affect, beneficially or otherwise, private financial affairs of the people, and they have the right to be assured by appropriate legislation that their confidence in the integrity and power of the government has not been misplaced.

Silver Legislation Deferred. The recent repeal of so much of the act of July 14, 1800, as required the secretary of the treasury to purchase silver bullion and

issue treasury notes in payment for it makes such a radical change in the policy of the government respecting the currency of the ountry that until its benefits are fully developed I do not consider it advisable to recommend further specific legislation upon As already shown in this report the

amount of money in the country, outside of the treasury, on the 1st day of December, 1893, was \$112,404,947 greater than amount outstanding on the 1st day of vember, 1892. This vast merease in the volume of outstanding currency, notwith-standing the enormous exports of gold during the year, is the result of several causes. among which may be montioned the issue of treasury notes for the purchase of silver button; the excess of public expenditures over receipts in circulation, called for by the national banks during the late financial stringency; and the large imports of gold which amounted during the months of July, August, September and October, 1893, to the

Amount of Money in Circulation That the amount of money in the country is greater than is required for the transaction of the business of the people at this time is conclusively shown by the fact that it has accumulated and is still accumulating

m the financial centers to such an extent as to constitute a serious embarrassment to the banks in which it is deposited, many of which are holding large sums at a loss. This excessive accumulation of currency at particular points is caused by the fact that there is no such demand for it elsewhere as will enable the banks and other institutions to which it belongs to loan it to the people merative rates and it will continue until the business of the country has more fully recovered from the depressing effects of the recent financial disturbances.

Money does not create business, but busi ness creates a demand for money and until there is such a revival of industry and trade as to require the use of the circulating medium now outstanding, it would be hazardous to arbitrarily increase its volume by law or to make material changes in its character by disturbing in any manner the relations which its different forms now bear

tu the meantime it will be the duty of those who have power and influence in the course of events, to assist by legislation or otherwise in the solution of the grave ques-tions presented by the altered condition o our monetary system, to carefully consider the whole subject in all its aspects in order that it may be permanently disposed of by the adoption of a simple and comprehensive system, which will, as far as possible relieve the government of the onerous obligations now resting upon it and at the same time re for the use of the people a currency uniform in value and adequate in amount.

Too Many Kinds of Currency. The unsatisfactory condition of the curreacy legislation has been for many years the cause of much discussion and disquiet among the people, and although one great disturbing element has been removed, there still remain such inconsistencies in the laws and such differences between the forms and qualities of the various kinds of currency in use that private business is sometimes ob-structed and the Treasury department is constantly embarrassed in conducting the financial operations of the government.
There are now in circulation nine different

kinds of currency, all except two being dependent directly or indicestly upon the coin of the United States.

The act of July 14, 1890, provides that the treasury notes issued in payment for redemption shall be redeemed in silver or gold coin at the discretion of the secretary. But the same act also provides that no greater or less amount of such notes shall be out-standing at one time than the cost of the silver bullion and the standard silver dollars come I therefrom then held in the treasury purchased by such notes, and consequently when these notes are redeemed with silver coins from the builton purchased under the act, they cannot be reissued, but must be retired and canceled, for otherwise there would be a greater amount of notes outstanding than the cost of the builion and coincid dollars "then held in the treasury." In this manner noies to the amount of \$2.625,084 have been retired and canceled since · August last, and standard silver dollars have taken their places in the circu lation. If redeemed in gold coin the notes might be lawfully reduced or relasted in the discretion of the secretary; but the condition of the treasury has been and is now such that practically no discretion exists and for the reason that the necessities of the public service and the requirements of the cein reserve compet him to reissue them in defraying the expenditures of the government of the service and the scale in the service of the service.

Booming Silver Certificates. One of the principal difficulties encountered by the Treasury department results from the disposition of the public to retain standard silver dollars and silver certificates in circulation. It required constant effort on the part of the treasury officials to pre-vent the certificates especially from accumulating in the subtreasuries to the exclusion of legal tender currency. Why this should be the case is not easily understood, for although these contributes are not logal ten-der in the payment of private doots, they are by the acts of 1878 and 1886 made receivable for all public dues, and by the act of May 12, 1882 national banks are authorized to hold them as part of their lawful re-

ment or in procuring gold to replenish that

serves.
With the policy of maintaining equality in

the exchangeable value of all our currency firmly established and the further accumulation of silver bullion arrested, there is no substantial reason why the silver certificate should not be as favorably received and as liberally treated by the public as any other form of note in circulation; and for the purpose of creating a greater demand for their permanent use in the daily transactions of the people, I have directed that, as far as the law permits and as rapidly as the opportunity is afforded, the amount of such certificates of denominations less than \$10 shall be increased by substituting them for larger ones, to be retired, and that the small de-nominations of other kinds of currency shall be retired as they are received into the treasury and larger ones substituted in their places.

Limitations to This Policy.

There are now outstanding United States egal tender notes to the amount of \$67,044, 941 in denominations less than \$10; treasur notes issued under the act of 1890 of denomi-nations less than \$10, 804,685,489; and national bank notes, \$61.381,016. There is ex-press authority, in the act of August 4, 1886, o substitute small silver certificates for irger ones, and the secretary of the treasry also has power to make such changes as may deem proper in the denominations of e treasury notes issued under the act of July 14, 1890, but the sundry civil appropria-tion act, approved March 3, 1893, provides that no part of the money therein appropriated to defray the expenses of the bureau o engraving and printing should be expended for printing United States notes of larger denominations than those retired or canceled. As the laws specifically designate the denominations in which national bank notes shall be issued, they cannot be changed without further legislation, and consemently, during the present fiscal year at east, the \$84,088,489 in small treasury notes ire the only ones that can be lawfully re-lired to enlarge the use of small silver certificates.

I am of the opinion that if this policy can carried out to the extent of supplying the country with small silver certificates to an amount sufficient to conduct the ordinary cast transactions of the people, and if, dur-ing the same time, certificates of the largest denominations are issued in place of others retired, so as to encourage the national banks to hold them as parts of their inwful reserves, the existing difficulties would be removed and ultinately a larger amount of such currency than is now in circulation could be conveniently and safely used.

Silver Now in the Treasury. The treasury now holds 140,699,760 fine ounces of sliver bullion, purchased under act of July 14, 1890, at a cost of \$120,758,218, and which, at the legal ratio of 15.988, make 181,014.800 silver dollars. The act provided that after the 1st day of July, 1891, the secretary of the treasury should coin as much of the bullion purchased under it as might necessary to provide for the redemptio of the notes, and that any gain or seignior age arising from such coinage should be accounted for and paid into the treasury.

counted for and paid into the treasury.

It is plain from this and other provisions of the act that so much of the bullion as may be necessary, which would provide for the redemption of the notes outstanding, is piedged for that purpose and cannot be lawfully used for any other; but it was decided by the late attorney general and my predecessor in office that eral and my predecessor in office that the so-called gain or seigniorage arising from the coinage as it progressed constituted a part of the general assets of the treasury and that certificates could be legally issued upon it notwithstanding that the act of 1890 s silent upon the latter subject. The comwhich would employ our mints with their present capacities for a period of about five years, would at the existing ratio increase the silver circulation during the time named \$55,156,631 from seigniorage, besides such additions as might be made in the meantime by the redemption of the treasury notes in standard silver dollars. In order that the tepartment might be in a condition to commay be made upon it by the public for standard silver dollars or silver certificates or that it might take advantage of any favorable opportunity that might occur to put an additional amount of such currency in circulation without unduly disturbing the monetary situation, I have caused a large amount of bullion to be prepared for coinage at New Oricans and San Francisco and have ordered the mints at those places to be kept in readiness to commence operations at any

time when required.

The necessity for a comprehensive reform in our tariff laws in the interests of greater industrial and commercial freedom need not be urged at great length upon the present congress, one branch of which has been re-cently chosen by the people with that object distinctly in view, nor would it be appropri ate here to discuss to any considerable extent the particular alterations that ought to be made in the free and dutiable schedule in order to make the revision conform to the requirements of the situation because the proper committee of the house of representa-tives is engaged in the preparation of a measure which will probably be presented for the consideration of that body before this report is made.

But it is not improper, under the circum tances, to submit some suggestions on the general principles involved in such legisla-tion and the best methods of applying them in order to secure, as far as possible, equality n the distribution of the burdens of taxa-ion and avoid as far as possible the taxation of one citizen for the benefit of another,

r of one class for the benefit of another. The only proper course for which taxes can be levied and collected by the United States is to raise revenue for the support of the public service and the payment of public obligations, and it follows as a plain matter of justice that no citizen should be required to contribute more than his equal share toward the accomplishment of these ends. While absolute equality is not attainable under any system of taxation that can be devised, it is possible to correct the flagrant inequality which characterizes our existing legislation, and in doing so it is the impera-tive duty of those who are charged with the responsibility of making the revision to select such subjects for taxation and pre scribe for such methods of assessment and collection as will secure the necessary means for the support of the government with the least possible injury to any part of the peo-ple, but without regard to the groundless apprehensions or unreasonable opposition of timid or selfish interests.

Proper Basis for Duty.

The equal distribution of the burdens of taxation depends not alone on the rates of duty imposed upon the different articles, but largely upon the manner in which the amount of duty is ascertained and fixed by the law The basis of the duty must be a unit in some form and the question whether it should be computed upon the weight, quan tity, number or upon its actual value is the one which lies at the very foundation of every proposition to impose taxes and upon its determination depends the justice or injustice of every revenue measure.

consistent with the true system of just taxation that nothing but the plainest necessity can justify it in any case unless it be in a few exceptional instances where all the articles taxed at the same specific rate are so nearly of the same value that the danger of unjust discrimination is not greater than it would be if any official valuation were re-quired. It is manifestly unjust to compet one citizen to pay the same amount of taxa-tion on a yard of cloth worth \$1 as another citizen pays on a yard of cloth worth \$5. In such a case it is evident that one has been taxed too much for the support of the govern-ment or the other too little and the law has not dealt fairly with them in a matter which affects the quality of their rights and luties as citizens.

Injustice of Specific Duties.

A tariff is a tax on the consumption and the condition of those who are compelled by poverty of means to purchase and use the coarser and cheaper grades of goods should certainly protect them against unjust dis-criminations, even if it does not entitle them to some measure of exemption from the exactions of the government.

The ad valorem tax does no injustice to The ad valurem tax does no injustice to any one. It is distinctly the American system of taxation and is recognized as just and equitable by the people in all the states in their laws for the assessment and collection of local revenues upon the ad valorem basis. It is not probable that any other method will be tolerated in any state of the union where the tax is imposed solely for the purpose of traising revenue with no training the solution. raising revenue with no incidental or ulterior object in view affecting the public health or morals, and it would never have been tolerated in our tederal election except in rare intervals if the taxing power had been limited to the real purposes for which it was delegated. As a demand coming from the taxpayer, the tax was a charge upon his income. The objections urged against the ad-

valorem system of the tariff taxation are not generally based upon the proposition that it lacks the element of justice or equalty, but usually upon the grounds that it is lifficult of administration and that it fur nishes strong industriants for the commis sions of frauds and phrjuries in order to se-cure false valuations of imported goods.

While there is some force in this conten-tion I am not able to see how unequal taxa-tion can be justified aron the ground that the burdens upon the propie ought to be in-creased in order that the labors of public officials may be diminished or that the honest citizen should be punished in order to prevent the dishonest one from violating the law.

Difficulties Exaggerated.

But the difficulties of administration have always been exaggerated. So far as they really existed in former times they have now been much diminished by our increased facil ities for ascertaining market values in other countries, and by this improved service the markets of the world have been brought so hear to each other by the use of steam and electricity that, as to all staple articles especially, it is now not much more difficult to find their cost or value abroad than at home, and if under these circumstances it shall be demonstrated that official intelli-gence and integrity cannot be relied upor for an honest collection of the revenues un fer the existing system of indirect taxation t will become necessary to consider whether some other method cannot be devised to re alize money for the support of the govern

So far as the inducements to commit rands and perjuries constitute objections the slightest examination of the subject wil show that they are much greater under the system of compound rates, which is one of the most prominent features of our existing legislation, than they could possibly be uner a purely ad valorem arrangement of

Offers & Premium for Fraud,

The tariff law now in force imposes com ound rates of duty upon a great many im portant articles in common use among the people and which are largely imported from abroad and in every case a tempting pre-mium is offered for fraudulent undervaluation by the importer or consignor. For instance, on woolen or worsted cloths, shawis and certain other manufactures of wool, worsted or hair of the came!, goat, or other animals, valued at more than 30 cents and not more than 40 cents per pound, the tax per pound is three and a half times the duty imposed upon a pound of unwashed wool of the first class (301/2 cents) and in addition a 40 per cent ad valorem; but if the goods are valued at more than 40 cents per pound, the tax is four times the duty imposed upon a pound of unwashed wool of the first class (44 cents) and 50 per cent ad valorem. Upon an importation of 100 pounds of such goods under the law an undervaluation to the ex-tent of one-half of 1 cent per pound, so as to reduce the appraisement below 40 cents a pound, would result in a clear gain to the importer and a loss to the revenue of \$9,725. Whereas, if the compoundrate imposed upon he first classification mentioned, exorbitant as it is, had been made purely ad valorem and applied to all goods of like character and description, such undervaluation would have resulted in a gain to the importer and a loss to the revenue of only \$685, being a difference of over \$9,000, or more than 22 per cent upon the whole cost of importation. This is only one provision out of a great number in the present law under which supstantially the same-result can be accomplished by a very small undervaluation of imported goods; and it would seem difficult to devise a scheme better calculated to en-courage frauds upon the revenue and make their prevention or detection next to im-

Protection that Doesn't Protect.

Raw and partially raw materials constitute the basis of alhour manufacturing and mechanical industries and unless our in-dustrial establishments/can procure them upon substantially the same terms as their competitors elsewhere, they must continue to be seriously impeded in their efforts to supply the home market with their finished products and wholly unable to extend then trade to other countries, except as to certain commodities in the manufacture of which they have peculiar aptitude or employ superior machinery.

Taxes upon materials used in our shops or factories are especially objectionable on account of the fact that they multiply them-selves many times before the finished article reaches the hands of the consumer, and thus se a burden altogether disproportionate to the benefits supposed to be conferred upon the producer by the so-called protective sys-tem. A tax upon iron and wool necessitates a still higher rate upon all forms of manuwoolen goods, and these progressive in-creases in rates are piled one upon another at every stage of the manufacturing process until completed articles are ready for sale and consumption. The result is that the cost of production is made so great that our manufacturers can neither exclude their for-eign competitors from our markets nor share their trade in other countries, while the American consumer is compelled to reim-burse the increased outlay caused by the tax

with a percentage of profit added. Free Raw Material Will Boom Labor. If the world's store of raw materials were is accessible to the American workingman as it is to his competitor in other manufac turing countries his superior skill, sobriety and industrious habits would enable him, without artificial aid, to supply many parts of the world where his products are now never seen with machinery, implements and various kinds of textile fabries of such qualities and at such prices as would exclude all competition and create a demand for a large

ncrease of our productive forces. With free raw materials as a permanent feature of our revenue legislation the de mand for labor would steadily grow with the extension of trade, while enlarged oppor-tunities for the profitable investment of capital would stimulate the spirit of enterprise among the people, and greatly diminish the danger of periodical suspensions, lockouts

and strikes which have in recent years so seriously interrupted our industrial progress. Nearly all concur that the policy of free raw materials has the effect of cheapening the necessities of life for the masses of the people. Legislation which unnecessarily in-creases the cost of living is wholly without ustification or excuse, and in the revision of our revenue policy care should be directed in the interest of both labor and capital.

Necessities Should Be Exempted.

So long as the government maintains a system of taxation which affects the prices of commodities it should be so applied as to exempt or bear as lightly as possible on those articles which are essential to the health and comfort of the people, such as food, clothing and shelter, and upon the toils and implements used by labor in carning the cans of subsistence.
The luxuries and articles of fashion, the

use of which is entirely voluntary, are proper subjects of taxition under any system of raising revenue, and upon these the rates may very properly be placed at the highest revenue point. Such taxes do not ordinarily impose much hardship upon those who pay them, but taxes whigh dininish the purchas-ing power of the laborer's wages in procur-ing the necessaries of this strike at the foundations of the social system because the material welfare of #1], our communities depends in a large measure upon the prosperity and contentment of those who labor in some form for the own support.

Estimate of Tariff Receipts.

It is estimated the revenues for the fiscal year 1895 will amount, upon the basis of the existing laws, to \$45-1727,478, and that the expenditures, including the sinking fund, will amount to \$448,800,789. The estimated revenues from customs #\$190,000,000 and the total estimated receipts from all sources will exceed the estimate of expenditures \$0,120.

Assuming these amounts to be approxi mately correct it will be necessary, in any changes that may be made in our revenue laws, to provide for raising about \$184,000,000 from customs alone or partly from customs and partly from such other subjects of taxation as congress may see proper to include in our internal revenue system.

Receipts Under the New Law.

If the amount and value of the importaions of the same character of dutiable mor-handise should not, during the fiscal year, 805, exceed the amount and value of such importations during the fiscal year, 1893, the receipts under the measure now pending would be about \$122,000,000, but there are strong reasons for the opinion that the pro-posed reductions in the rates of duty will encourage importations to a very considerable extent and that, consequently, the revenue will not be diminished in the same propor-

been an almost constant tendency toward annual increases in the amounts and values of dutiable imports, even though the duty remained the same. The total value of dutiable imports in 1868 was \$32,661,362, and the receipts were \$164,646,569, and although tea, coffee and hides—important revenue articles—were all subsequently placed upon the free list and some other changes made in the law the value of dutiable imports had increased to \$193,891,384 in 883, and the receipts amounted to \$224,706,

In the year 1984, the first after the passing of the tariff act of 1883, the value of dutinble imports was \$450,285,124, and the receipts \$195,067,489, but in 1890 the last fiscal year under that act the value was \$507,571,764, and the receipts, \$220,008,584.

There have been but two entire fiscal cars since the act of October 5, 1890. and during the first one, 1892, the value of during the first one, 1892, the value of dutable imports was \$155,526,741, and the receipts \$177,457,934, while in 1893 the value was \$400,282,519, and the receipts \$232,355. 16, or an increase of nearly 15 per cent.

Larger Revenue from Customs.

To what extent the importations will be increased solely on account of reductions in rates of duty, it is, of course, impossible to foresee, but it is reasonable to conclude that his cause, together with the natural in rease of our purchases from other countries will result in a much larger revenue from customs in 1895 than is indicated by a mere comparison of the proposed reduced rates with those under which the collections were nade in 1893.

I am of the opinion that, with proper ecc omy in public expenditures, which it is hoped will result in considerable reduction from the estimates, an increase of \$50,000,000 to the revenue of the fiscal year 1805 by the imposition of additional taxes under the internal revenue system will supply sufficient means for the support of the government, and that this sum can be raised without seriously disturbing the business of the country or doing "injustice to any part of the people.

To Provide Additional Revenue.

Many different methods of providing this dditional revenue has been suggested and liscussed and after a careful examination of he whole subject I have reached the conclusion it can be mest conveniently and ustly done by increasing the taxation listilled spirits 10 cents per gallon, and additional taxes on cigars and cigarettes, and the imposition of new taxes on playing cards, cosmetics and perfumeries, legacies and successions, and incomes derived from investments in stocks and bonds of corpora-

ions and joint stock companies.
The increased tax on distilled spirits. cigars, etc., should be imposed on all such articles in existence and upon which the revenue has not been collected at the time the act takes effect, but a reasonable time should be allowed in the case of the new taxes in order that the necessary steps may be prepared and the necessary rules and regulations made and promulgated.

The propriety under the circumstances of increasing the tax upon distilled spirits. igars and cigarettes and the imposition of new taxes at a reasonable rate upon playing eards and cosmetics and perfumes will not, I think, be seriously questioned except by some of the producers of these articles, who constitute comparatively a small part of the

Taxes which do directly or indirectly in crease the cost of actual necessaries of life should be avoided whenever it is possible to do so, but the consumers of such articles as are not essential to health and comfort ought not to complain when called upon to contribute a part of their expenditures to the support of the government.

Excise Taxes.

Taxes upon legacies and successions and incomes acquired from investments instocks and bonds of corporations and joint stock companies are less objectionable in their na ture and in the methods of collection than any other excises which it is competent for the United States to impose upon incomes according to their actual value or amount. They are not inquisitory or liable to evasion by fraudment suppression of facts, because the assessments or returns would not be based upon information extorted by the law from persons charged with their payment, out upon the public records and the regulaand authentic accounts of the corporations and companies in which the investment have been made, and they have the additional merit of being imposed entirely upon hat part of the citizen's incom not earned by his labor or skill, but which in the cases of legacies and successions, i acquired by mere operation of law, or by gracuitous bequest, and, in the case of in comes from investments in corporations and oint stock companies, by the simple earning capacity of his capital as such without per sonal effort upon his part.

Taxing the Untaxed Rich.

When the necessities of the government compel it to resort to additional sources for revenue it is but fair it should make its requisitions mainly upon those whose possessions are of such a character as enables them to escape wholly or partially the general burdens of taxation rather tha upon those who are already taxed sub-stentially to the extent of their ability to pay, and as incomes from the capital invested in the stocks and securities of the institutions mentioned are not now subjecto taxation under any law of the States or the laws of the several states except in a few instances, it cannot be con-sidered unjust to exact a small percentage of their amount for the public use It is a generally recognized fact that capi

tal, in the form of money, bonds and other evidences of dept, does not usually, by reason of its intangible and transitory nature, bear its due proportion of the bur-dens of taxation under the revenue laws of the several states and municipalities, as compared with real estate and visible per sonal property; and while no discrimination should be made against it, whether it be represented by corporate or other invest ments, there appears to be no good reason why the contributions for the support of the public service generally should not be equalized as nearly as possible by including that kind of property in the federal revenue system. But if it shall be said there is not better reason for imposing a tax upon incomes derived from investments of this kind than there would be in taxing incomes from other sources, the answer is that these institutions are invested by law with valuable franchises, privileges and immunitles not enjoyed by the individual citizen and that these frequently contribute more largely to their earning capacity than the character or value of their other property. The holders of their stocks and secur ities are in this respect more favored than their fellow men generally, and the ex-changeable value of their shares and bonds, as well as the annual incomes derived from them, are greatly increased because they are favored. The tax of 1 per cent upon au come of \$3,000 derived from the investment so favored. of \$50,000 in a 6 per cent stock would amount to \$50, a sum so insignificant that the investor could not reasonably claim the franchises and privileges granted to his debtor had not added fully that much to his re ceints

Strictest Economy Demanded.

It is scarcely necessary to suggest to con-gress, in this connection, that the present and prospective condition of the treasury and the general state of the country demand a policy of the strictest economy in public expenditures Reductions of taxation cannot be logically insisted upon or be made practically benefi-

cial without a corresponding reduction of ex-penditures; but such a reduction cannot be permanently effected by merely withholding appropriations required for the proper execution of existing laws which impose duties upon the heads of executive departments and other officials. Deficiencies are not cavings, but as a general rule involve larger expenditure than would have been made if adequate appropriations had been made if adequate appropriations had been granted in the first place. Genuine economy and frugality can be secured only by the re-peal of statutes authorizing or requiring unnecessary expenditures and the refusal to enact new laws creating charges against the treasury for purposes of doubtful utility. and, although such a policy will probably b vigorously opposed by powerful interests more or less dependent upon the patronage of the government for support and by loca influence seeking executive favors, it is evident it must be adopted and adhered to i any substantial result is to be accomplished

Receipts and Disbursements.

Reviewing receipts and expenditures for the fiscal year 1898 the secretary says. The government's revenues from all sources for the year were \$461.716.561.04, of whi \$265.355.016.73 was from customs and \$16 027.632.65 from internal revenue. The expenditure was \$459.374.857.65, leavi surplus of \$2.341.674.29. As compared Moreover, experience has shown that under all our tariff legislation there has 1000, this shows an increase in receipts of

\$35,848,301.72 and in expenditures of \$38. On the basis of existing laws the revenues

of the government for the present fiscal year are estimated at \$430,121,305,30 and the total expenditures at \$458,121,305.30, or a deficit of \$28,000,000. The principal items in these estimated revenues are: From customs, \$175,000,000, and from internal revenue \$150,000,000, while \$152,000,000 for pensions constitutes the largest item in the estimated expenditures.

estimates of appropriations Leretofore sub-mitted for the year aggregate \$448,306,789.93 or an estimated surplus of \$66,120,958.56. Figures on Foreign Trade.

It is estimated that on the basis of the ex

isting laws the government revenues for the fiscal year 1805 will be \$454,427,748.44. The

tary gives the following figures:		
FOR 1892.	Imports.	Exports.
Merchandise Gold Silver	40/09/09/49	\$1,030.278.1 50,125.32 32,810.57
Merchandise	\$50,400,022 21,174,381	847,005.19 108,680,8

The prominent facts disclosed by these figures, says the report, are that the value of imports of merchandise attained the highest point in the commercial history of the country and that the exports of gold reached a higher figure than ever before in a single year since the foundation of the

government. This outward stream of gold, occurring at time of peace, will make 1893 memorable in commercial and financial experience. The imports as well as the exports of silver coir and bullion are greater in amount than is recorded in any one year of the country's history, exceeding even the panic year o 1873. The year 1893 also witnessed a further decline in the relative importance of the American merchant marine in the foreign carrying trade, it falling from even the low percentage of 1802 to the lowest on record.

Methods of Economizing.

The secretary says economy in adminis tration and collections from customs would be promoted by confining customs duties in the interior to the commercial centers. He recommends that the law be so amended as to authorize him to reduce the customs dis-tricts whenever he thinks at to be to the interests of the service, and that he beauthorized, where congress authorizes it, to station

officers to enter and clear vessels.

Speaking of the work of the bureau of engraving and printing the secretary says it now executes most of the engraving and printing required by the government and adds: The nost considerable work of this kind now executed outside the bureau is the postage stamps and postal notes required by the Postofice department. It might be well for congress to consider the advisability of having this portion of the work of the government also done by this bureau, as it has all the facilities for doing it and would afford perfect security for the government. It would seem to present an anomalous condition for the government to maintain a large establishment for the execution of this kind of work and yet have part of it done in private establishments.

As to Chinese Exclusion The secretary says much trouble has been

experienced by officers charged with the duty of assisting in the enforcement of the Chinese exclusion laws by reason of certain practices resorted to by Chinese persons of the coolie class. The law, he says, requires Chinese of the exempt class to submit cer tificates from the Chinese government and attention is called to the large number of Chinese claiming to be merchants coming from Havana who seek permission to pass through the United States enroute to China. Many laborers, it is stated, have come into the United States and he adds; It is not, of course, supposed that the Chinese or the American consuls intentionally aid in the violation of our laws, but there is no doubt that many Thinese have been admitted on merchant certificates obtained by misrepresentations and probably the corrupt use of money. Once landed other officers have found it difficult and frequently impossible to secure the conviction and deportation of the holders of such frauduler t certificates, and I am of the opinion that so long as our laws prohibit the landing of Chibese laborers the privilege of passing through our territory cannot be safely granted and it should be at once revoked. If this privilege is continued it will be impossible to secure an efficient execution of the laws passed by congress for the exciusion of

ese laborers. How Cholera Was Shut Out.

The secretary says the marine hospital service has \$125,965.45 available balance on hand of the appropriation for the prevention of epidemic diseases, and speaking of the many cholera outbroaks during the past year, he says: It is believed that never before was this disease prevalent in so many different localities in Europe and there was great danger of its coming to the United States, even if it had been limited to a few ports. To the care used by the medical offi-cers attached to the various consulates and consular service abroad may be properly ascribed the total exclusion of the disease.

Pacific Raitroad Bonds.

On the subject of Pacific railroads the secretary says: There are now outstanding 864,623,512 of the 6 per cent bonds issued in aid of the Pacific roads in January 1895 \$2,362,000 of these bonds mature, and others at various dates to January 1, 1899. He adds: These bonds are absolutely payable on the respective dates of their maturity, differing in thi regard from the other outstanding interest bearing bonds of the United States, which are redeemable at the pleasure of the gov-crament after certain dates. In view of this it is important that congress should act at this session with respect to the paymen at least of the \$2,362,000 which will mature

within the fiscal year 1895. The secretary then reviews the legislation with regard to the Pacific railroads, briefly states the financial affairs of the companies as heretofore published, and closes with the following recommendation: On account the approaching maturity of both classes of these bonds and the magnitude of the inter ests involved. I respectfully submit that the subject receive the early and earnest con-sideration of congress with a view to the adoption of some plan which will more cer-tainly secure the ultimate payment of the indebtedness to the government and at the same time enable the roads to conduct the business for which they were created under such limitations as to management and ex penditures as may be considered necessary to protect the rights of the government. I ould be very unfortunate, in my opinion, it the government should be forced to take possession and operate these lines of railway and there is every reason that efforts should be made to avoid this. The report also includes a report of the work of the various bureaus of the department whose work has already been set forth in the reports of the bureaus.

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