

nations will be willing, because it is for their interest, to exchange product for product. And to accomplish this, there must be contraction, for, to reduce prices permanently and equitably, while maintaining \$700,000,000 of irredeemable paper money, is simply an impossibility.

Seven hundred millions of paper could not be kept redeemable with less than seven hundred millions of gold, because with such an amount of currency it would inevitably be depreciated, and hence gold would bear a premium which every holder of paper would be desirous to realize. With four hundred millions of paper, on the other hand, a hundred millions of gold would probably be ample, because the currency, not being in excess of the wants of commerce, would not suffer depreciation, and, gold and paper being on otherwise equal terms, paper would be preferred for its greater convenience in use, just as in 1860 the banks were fully able to redeem all of their circulation which was presented for payment, although having but 18 cents of specie on each dollar of immediate liabilities. It is not the ratio between gold and paper that needs to be regulated, but the ratio between the amount of paper in circulation and the volume of National production and exchange, of which it is the instrument.

The Commissioner, in view of the above considerations, is constrained to believe that contraction, direct and undisguised, is the one necessity of the situation.

In considering the question of future taxation, the Commissioner estimates that at the present rates the surplus for 1869-70 will exceed that of 1868-69, viz: \$80,000,000. The gain for the same time by reduction of expenditures is estimated at \$26,000,000. We shall also gain, he thinks, by the elasticity of the revenue, say from \$12,000,000 to \$15,000,000. The sum of these items makes the estimated surplus for the current fiscal year \$124,000,000.

The possession of a surplus so large invests with more than ordinary interest the question of its disposition. Shall the whole of the sum be applied to the reduction of the principal of the national debt, or shall a fair proportion of it be remitted to the people by the abatement or removal of their taxes? Of these two courses the Commissioner unhesitatingly declares his conviction that the latter is the more expedient—if indeed it is not absolutely imperative, demanded alike by the highest economical considerations and by the almost unanimous sentiment of the people. With this view he proposes that the sum of fifty millions be taken as the measure of the taxes to be removed or reduced, and that such reduction should be directed, first, to relieving industry as much as possible of unnecessary burdens, and allowing it to obtain its material at the minimum cost; and, secondly, to the diminution of the cost of the elements of living to the great mass of the people, in their capacity as consumers, irrespective of the consideration whether they are or are not producers of wealth.

The three principal sources of receipts under the internal revenue are the taxes on distilled spirits and fermented liquors, on tobacco, and on incomes. The rate of taxation on the first two of these has been fixed at a standard which the experience of the past year has proved to be most productive. The taxes on whisky, beer, and tobacco should not, in the opinion of the Commissioner, be modified, unless it is desired to repeat the disagreeable experience of former years, and to perpetuate the power of corrupt organizations.

The tax levied under the head of incomes is of a different character, and demands essential modifications. The Commissioner would recommend that, beginning with the next regular assessment, the present rate of five per cent. be reduced to three per cent. upon the net income of individuals. The reason for this recommendation is that the tax of five per cent. is excessive and constitutes a real grievance, being greater than that ever imposed by any other nation, except in extraordinary national exigencies. An additional reason is that an assessment of three per cent. would probably yield to the Treasury a sum very nearly

equal to that at present collected; inasmuch as, while the reduction of the rate would afford a great and welcome relief to the classes who now pay, it would at the same time bring within reach of the tax great numbers who now either avoid giving in lists at all, or, while doing so, force the constituents of their income so as to escape contribution entirely.

In connection with this reduction of the general rate, the Commissioner would recommend that, while the absolute exemption to all persons should be allowed to remain as now fixed, namely, at \$1,000, the exemption on account of rent should not be left indefinite, as at present, but should be strictly limited to an amount sufficient only to relieve from taxation the rentals of the laboring classes, for instance, \$200. It is evident that no claim can be made for the exemption of rent to any extent which would not be equally valid in the support of the exemption of any other expenditure; and certainly high rents are as much a luxury as any form of expenditure, and as little deserving of economical sympathy. If the recommendation of the Commissioner in regard to the exemption of rentals should be adopted, he is confident that, notwithstanding the reduction of the tax from five to three per cent. the amount that will accrue to the Treasury from this source will not be impaired; and, but for the unfavorable condition of industry during the past year, there is great reason to believe that a very decided gain would be realized.

In respect to the proposition, seriously advocated in many quarters, that this tax should be wholly removed, the Commissioner thinks that the attention of the country should be called to the fact that this tax was paid during the year 1868 by so small a number as 250,000 persons out of the entire population, yet representing an aggregate income of not less than \$800,000,000, exclusive of the amounts remitted by reason of rents and the minor exemptions. Allowing, then, for the families of these 250,000 contributors, it is evident that only about 1,000,000 of the population are interested in having the tax removed, while the remaining 38,500,000 of the people are interested in having it maintained.

To sum up what has been said upon the income tax, the Commissioner is of the opinion that a reduction of the rate of assessment from five to three per cent. upon individual incomes, without any other change in the law, would not reduce the receipts from this source by more than \$5,000,000 at the outside; while, if the exemption of rent were to be limited as suggested, or even fixed at \$500, there would be no falling off nor abatement in the receipts.

There then remains a large body of minor and miscellaneous taxes under the internal revenue, which together yielded in 1868 less than \$50,000,000. Of these the Commissioner would recommend that the taxes embraced in what is known as Schedule A, viz.: the taxes assessed on watches, silver plate, pianos, billiard tables and carriages, should be entirely remitted. They are inquisitorial in character, highly offensive in collection, petty and contemptible in the revenue yielded. If these taxes are intended to have a sumptuary bearing, they are altogether out of the sympathies of modern civilization; if their object is to secure revenue, they are absurd failures. Ten times the amount could be obtained with the same effort in some other direction, and without exciting half as much of odium and hostility.

As best calculated to carry out the two objects proposed at the outset of this inquiry, the Commissioner would further recommend the repeal of the following taxes now levied under the internal revenue:

First—The whole body of what is known as special taxes or licenses—those levied on banks and bankers, and upon manufacturers and dealers in spirits, beef and tobacco, being, however, retained. The loss of revenue on this account will not be in excess of \$10,000,000.

Second—The taxes on the gross receipts of railroads, stage coaches, insurance, telegraph and express companies, canals, ferries, ships, barges and

steamboats. The loss of revenue from this source will not be in excess of \$7,000,000.

Third—The taxes on the sale of articles not otherwise specifically taxed. The receipts from this source will approximate \$8,000,000.

Allowing, then, for the extreme possible loss under incomes, the amount of taxation above proposed to be remitted to the people in consideration of the present large and increasing surplus of receipts over expenditures would be in the neighborhood of \$26,000,000.

Illinois Southeastern Railroad.

At the annual meeting of this company in Fairfield, on the 1st inst., the following gentlemen were elected directors for the ensuing year: Wm. H. Hanna, Wm. Wilson, D. L. McCawley, Chas. A. Beecher, Wm. H. Robinson, E. Bonham, C. C. Boggs, J. T. Fleming, R. P. Hanna, A. L. Johnson, Wm. G. Bowman, Chas. Carroll, Thos. S. Ridgeway. At a subsequent meeting of the directors, Thos. S. Ridgeway was elected President; Chas. A. Beecher, Vice President; E. Bonham, Treasurer; C. C. Boggs, Secretary. This company has five miles completed from Shawneetown northward, and ten miles more graded. Most of the work in White County remains to be done. The grading is completed through Wayne County and about half way across Clay County, to Louisville, which is six miles north of Flora, where the Illinois and Southeastern crosses the Ohio and Mississippi. The officers hope to have this part of the road, from Louisville to Fairfield, about 25 miles, ironed by the 1st of February.

North Carolina Special Tax Bonds.

The annual report of the Treasurer of the State of North Carolina shows that the amount of "Special Tax" bonds issued to Railroads is \$12,600,000, viz:

Western (Coalfield) Railroad.....	\$1,320,000
Western North Carolina.....	6,640,000
Wilmington, Charlotte and Rutherford	1,500,000
Williamston and Tarboro	300,000
Atlantic, Tennessee and Ohio.....	1,760,000
Northwestern North Carolina.....	1,080,000
Total.....	\$12,600,000

The San Francisco and North Pacific Railroad Company has been incorporated, with a capital of \$8,000,000. The directors are: John F. McCauley, A. Harpending, John L. Romer, C. H. Harrison, A. W. McPherson, David T. Bagley and G. D. Roberts. This company proposes to build a railroad from Saucelito through Marin, Sonoma, Mendocino and Humboldt counties to Humboldt Bay.

The extension of the Wicomico and Pocomoke Railroad, so far as grading is concerned, is now complete to the Wicomico River, and we learn from the President of the road, Dr. H. R. Pitts, that the work of track laying will be commenced as soon as the iron contracted for can be delivered, which will be shortly after Christmas.

The coupons of the Orange, Alexandria and Manassas, and the Orange and Alexandria Railroad Companies, due January 1st, will be paid on and after that date, at the office of Robert Garrett & Sons, Baltimore.

The Madison (Wis.) Journal says the point of connection between the Milwaukee and St. Paul and the Western Union Railroads has been decided in favor of Elkhorn. A branch road will be built to that point from Eagle.