

## **George Washington, “First Annual Message to Congress on the State of the Union,” (January 1790)**

The interests of the United States require that our intercourse with other nations should be facilitated by such provisions as will enable me to fulfill my duty in that respect in the manner which circumstances may render most conducive to the public good, and to this end that the compensation to be made to the persons who may be employed should, according to the nature of their appointments, be defined by law, and a competent fund designated for defraying the expenses incident to the conduct of foreign affairs.

I saw with peculiar pleasure at the close of the last session the resolution entered into by you expressive of your opinion that an adequate provision for the support of the public credit is a matter of high importance to the national honor and prosperity. In this sentiment I entirely concur; and to a perfect confidence in your best endeavors to devise such a provision as will be truly with the end I add an equal reliance on the cheerful cooperation of the other branch of the legislature. It would be superfluous to specify inducements to a measure in which the character and interests of the United States are so obviously so deeply concerned, and which has received so explicit a sanction from your declaration.

## **George Washington, “Second Annual Message,” (December 1790)**

The progress of public credit is witnessed by a considerable rise of American stock abroad as well as at home, and the revenues allotted for this and other national purposes have been productive beyond the calculations by which they were regulated. This latter circumstance is the more pleasing, as it is not only a proof of the fertility of our resources, but as it assures us of a further increase of the national respectability and credit, and, let me add, as it bears an honorable testimony to the patriotism and integrity of the mercantile and marine part of our citizens. The punctuality of the former in discharging their engagements has been exemplary.

In conformity to the powers vested in me by acts of the last session, a loan of 3,000,000 florins, toward which some provisional measures had previously taken place, has been completed in Holland. As well the celerity with which it has been filled as the nature of the terms (considering the more than ordinary demand for borrowing created by the situation of Europe) give a reasonable hope that the further execution of those powers may proceed with advantage and success. The Secretary of the Treasury has my directions to communicate such further particulars as may be requisite for more precise information.

The sufficiency of the revenues you have established for the objects to which they are appropriated leaves no doubt that the residuary provisions will be commensurate to the

other objects for which the public faith stands now pledged. Allow me, moreover, to hope that it will be a favorite policy with you, not merely to secure a payment of the interest of the debt funded, but as far and as fast as the growing resources of the country will permit to exonerate it of the principal itself. The appropriation you have made of the Western land explains your dispositions on this subject, and I am persuaded that the sooner that valuable fund can be made to contribute, along with the other means, to the actual reduction of the public debt the more salutary will the measure be to every public interest, as well as the more satisfactory to our constituents.

### **George Washington, "Third Annual Message," (October 1791)**

It is proper also to inform you that a further loan of 2,500,000 florins has been completed in Holland, the terms of which are similar to those of the one last announced, except as to a small reduction of charges. Another, on like terms, for 6,000,000 florins, had been set on foot under circumstances that assured an immediate completion.

The time limited for receiving subscriptions to the loans proposed by the act making provision for the debt of the United States having expired, statements from the proper department will as soon as possible apprise you of the exact result. Enough, however, is known already to afford an assurance that the views of that act have been substantially fulfilled. The subscription in the domestic debt of the United States has embraced by far the greatest proportion of that debt, affording at the same time proof of the general satisfaction of the public creditors with the system which has been proposed to their acceptance and of the spirit of accommodation to the convenience of the Government with which they are actuated. The subscriptions in the debts of the respective States as far as the provisions of the law have permitted may be said to be yet more general. The part of the debt of the United States which remains unsubscribed will naturally engage your further deliberations.

It is particularly pleasing to me to be able to announce to you that the revenues which have been established promise to be adequate to their objects, and may be permitted, if no unforeseen exigency occurs, to supersede for the present the necessity of any new burthens upon our constituents.

An object which will claim your early attention is a provision for the current service of the ensuing year, together with such ascertained demands upon the Treasury as require to be immediately discharged, and such casualties as may have arisen in the execution of the public business, for which no specific appropriation may have yet been made; of all which a proper estimate will be laid before you.

A provision for the sale of the vacant lands of the United States is particularly urged, among other reasons, by the important considerations that they are pledged as a fund for reimbursing the public debt; that if timely and judiciously applied they may save the necessity of burthening our citizens with new taxes for the extinguishment of the

principal; and that being free to discharge the principal but in a limited proportion, no opportunity ought to be lost for availing the public of its right.

**George Washington, “Fourth Annual Message,” (November 1792)**

It is proper likewise to inform you that since my last communication on the subject, and in further execution of the acts severally making provision for the public debt and for the reduction thereof, three new loans have been effected, each for 3,000,000 florins - one at Antwerp, at the annual interest of 4.5%, with an allowance of 4% in lieu of all charges, in the other 2 at Amsterdam, at the annual interest of 4%, with an allowance of 5.5% in one case and of 5% in the other in lieu of all charges. The rates of these loans and the circumstances under which they have been made are confirmations of the high state of our credit abroad.

**George Washington, “Fifth Annual Message,” (December 1793)**

The commissioners charged with the settlement of accounts between the United States and individual States concluded their important function within the time limited by law, and the balances struck in their report, which will be laid before Congress, have been placed on the books of the Treasury. On the first day of June last an installment of 1,000,000 florins became payable on the loans of the United States in Holland. This was adjusted by a prolongation of the period of reimbursement in nature of a new loan at an interest of 5% for the term of ten years, and the expenses of this operation were a commission of 3%. The first installment of the loan of \$2,000,000 from the Bank of the United States has been paid, as was directed by law. For the second it is necessary that provision be made. No pecuniary consideration is more urgent than the regular redemption and discharge of the public debt. On none can delay be more injurious or an economy of time more valuable.

**George Washington, “Sixth Annual Message,” (November 1794)**

The time which has elapsed since the commencement of our fiscal measures has developed our pecuniary resources so as to open the way for a definite plan for the redemption of the public debt. It is believed that the result is such as to encourage Congress to consummate this work without delay. Nothing can more promote the permanent welfare of the nation and nothing would be more grateful to our constituents. Indeed, whatsoever is unfinished of our system of public credit can not be benefited by procrastination; and as far as may be practicable we ought to place that credit on grounds which can not be disturbed, and to prevent that progressive accumulation of debt which must ultimately endanger all governments. An estimate of the necessary appropriations, including the expenditures into which we have been driven by the insurrection, will be submitted to Congress.

### **George Washington, “Seventh Annual Message,” (December 1795)**

The state of our revenue, with the sums which have been borrowed and reimbursed pursuant to different acts of Congress, will be submitted from the proper Department, together with an estimate of the appropriations necessary to be made for the service of the ensuing year. Whether measures may not be advisable to reinforce the provision of the redemption of the public debt will naturally engage your examination. Congress have demonstrated their sense to be, and it were superfluous to repeat mine, that whatsoever will tend to accelerate the honorable extinction of our public debt accords as much with the true interest of our country as with the general sense of our constituents.

### **George Washington, “Eighth Annual Message,” (December 1796)**

I have directed an estimate of the appropriations necessary for the service of the ensuing year to be submitted from the proper Department, with a view of the public receipts and expenditures to the latest period to which an account can be prepared. It is with satisfaction I am able to inform you that the revenues of the United States continue in a state of progressive improvement. A reenforcement of the existing provisions for discharging our public debt was mentioned in my address at the opening of the last session. Some preliminary steps were taken toward it, the maturing of which will no doubt engage your zealous attention during the present. I will only add that it will afford me a heart-felt satisfaction to concur in such further measures as will ascertain to our country the prospect of a speedy extinguishment of the debt. Posterity may have cause to regret if from any motive intervals of tranquillity are left unimproved for accelerating this valuable end. ...

### **John Adams, “First Annual Message,” (November 1797)**

It is my duty to recommend to your serious consideration those objects which by the Constitution are placed particularly within your sphere - the national debts and taxes. Since the decay of the feudal system, by which the public defense was provided for chiefly at the expense of individuals, the system of loans has been introduced, and as no nation can raise within the year by taxes sufficient sums for its defense and military operations in time of war the sums loaned and debts contracted have necessarily become the subjects of what have been called funding systems. The consequences arising from the continual accumulation of public debts in other countries ought to admonish us to be careful to prevent their growth in our own. The national defense must be provided for as well as the support of Government; but both should be accomplished as much as possible by immediate taxes, and as little as possible by loans. The estimates for the service of the ensuing year will by my direction be laid before you.

### **John Adams, “Second Annual Message,” (December 1798)**

I have directed an estimate of the appropriations which will be necessary for the service of the ensuing year to be laid before you, accompanied with a view of the public receipts and expenditures to a recent period. It will afford you satisfaction to infer the great extent and solidity of the public resources from the prosperous state of the finances, notwithstanding the unexampled embarrassments which have attended commerce. When you reflect on the conspicuous examples of patriotism and liberality which have been exhibited by our mercantile fellow citizens, and how great a proportion of the public resources depends on their enterprise, you will naturally consider whether their convenience can not be promoted and reconciled with the security of the revenue by a revision of the system by which the collection is at present regulated.

### **John Adams, “Third Annual Message,” (December 1799)**

I shall direct the estimates of the appropriations necessary for the service of the ensuing year, together with an account of the revenue and expenditure, to be laid before you. During a period in which a great portion of the civilized world has been involved in a war unusually calamitous and destructive, it was not to be expected that the United States could be exempted from extraordinary burthens. Although the period is not arrived when the measures adopted to secure our country against foreign attacks can be renounced, yet it is alike necessary for the honor of the Government and the satisfaction of the community that an exact economy should be maintained. I invite you, gentlemen, to investigate the different branches of the public expenditure. The examination will lead to beneficial retrenchments or produce a conviction of the wisdom of the measures to which the expenditure relates.

### **John Adams, “Fourth Annual Message,” (November 1800)**

To give security to our principal ports considerable sums have already been expended, but the works remain incomplete. It is for Congress to determine whether additional appropriations shall be made in order to render competent to the intended purposes the fortifications which have been commenced. ... I shall direct the estimates of the appropriations necessary for the ensuing year, together with an account of the public revenue and expenditure to a late period, to be laid before you. I observe with much satisfaction that the product of the revenue during the present year has been more considerable than during any former equal period. This result affords conclusive evidence of the great resources of this country and of the wisdom and efficiency of the measures which have been adopted by Congress for the protection of commerce and preservation of public credit.

### **Thomas Jefferson, “First Annual Message,” (December 1801)**

War, indeed, and untoward events may change this prospect of things and call for expenses which imposts could not meet; but sound principles will not justify our taxing the industry of our fellow citizens to accumulate treasure for wars to happen we know not when, and which might not, perhaps, happen but from the temptations offered by that treasure.

I will cause to be laid before you an essay toward a statement of those who, under public employment of various kinds, draw money from the Treasury or from our citizens. Time has not permitted a perfect enumeration, the ramifications of office being too multiplied and remote to be completely traced in a 1st trial.

Considering the general tendency to multiply offices and dependencies and to increase expense to the ultimate term of burthen which the citizen can bear, it behooves us to avail ourselves of every occasion which presents itself for taking off the surcharge, that it never may be seen here that after leaving to labor the smallest portion of its earnings on which it can subsist, Government shall itself consume the whole residue of what it was instituted to guard.

In our care, too, of the public contributions intrusted to our direction it would be prudent to multiply barriers against their dissipation by appropriating specific sums to every specific purpose susceptible of definition; by disallowing all applications of money varying from the appropriation in object or transcending it in amount; by reducing the undefined field of contingencies and thereby circumscribing discretionary powers over money, and by bringing back to a single department all accountabilities for money, where the examinations may be prompt, efficacious, and uniform.

An account of the receipts and expenditures of the last year, as prepared by the Secretary of the Treasury, will, as usual, be laid before you. The success which has attended the late sales of the public lands shews that with attention they may be made an important source of receipt. Among the payments those made in discharge of the principal and interest of the national debt will shew that the public faith has been exactly maintained. To these will be added an estimate of appropriations necessary for the ensuing year. This last will, of course, be affected by such modifications of the system of expense as you shall think proper to adopt.

### **Thomas Jefferson, “Second Annual Message,” (December 1802)**

In the Department of Finance it is with pleasure I inform you, that the receipts of external duties for the last 12 months have exceeded those of any former year, and that the ration of increase has been also greater than usual. This has enabled us to answer all the regular exigencies of Government, to pay from the Treasury within 1 year upward of \$8M, principal and interest, of the public debt, exclusive of upward of \$1M paid by the sale of bank stock, and making in the whole a reduction of nearly \$5.5M of principal,

and to have now in the Treasury \$4.5M which are in a course of application to the further discharge of debt and current demands. Experience, too, so far, authorizes us to believe, if no extraordinary event supervenes, and the expenses which will be actually incurred shall not be greater than were contemplated by Congress at their last session, that we shall not be disappointed in the expectations then formed. But nevertheless, as the effect of peace on the amount of duties is not yet fully ascertained, it is the more necessary to practice every useful economy and to incur no expense which may be avoided without prejudice.

The collection of the internal taxes having been completed in some of the States, the officers employed in it are of course out of commission. In others they will be so shortly. But in a few, where the arrangements for the direct tax had been retarded, it will be some time before the system is closed. It has not yet been thought necessary to employ the agent authorized by an act of the last session for transacting business in Europe relative to debts and loans. Nor have we used the power confided by the same act of prolonging the foreign debt by re-loans, and of redeeming instead thereof an equal sum of the domestic debt. Should, however, the difficulties of remittance on so large a scale render it necessary at any time, the power shall be executed and the money thus employed abroad shall, in conformity with that law, be faithfully applied here in an equivalent extinction of domestic debt.

When effects so salutary result from the plans you have already sanctioned; when merely by avoiding false objects of expense we are able, without a direct tax, without internal taxes, and without borrowing to make large and effectual payments toward the discharge of our public debt and the emancipation of our posterity from that mortal canker, it is an encouragement, fellow citizens, of the highest order to proceed as we have begun in substituting economy for taxation, and in pursuing what is useful for a nation placed as we are, rather than what is practiced by others under different circumstances. And when so ever we are destined to meet events which shall call forth all the energies of our country-men, we have the firmest reliance on those energies and the comfort of leaving for calls like these the extraordinary resources of loans and internal taxes. In the mean time, by payments of the principal of our debt, we are liberating annually portions of the external taxes and forming from them a growing fund still further to lessen the necessity of recurring to extraordinary resources.

The usual account of receipts and expenditures for the last year, with an estimate of the expenses of the ensuing one, will be laid before you by the Secretary of the Treasury.

No change being deemed necessary in our military establishment, an estimate of its expenses for the ensuing year on its present footing, as also of the sums to be employed in fortifications and other objects within that department, has been prepared by the Secretary of War, and will make a part of the general estimates which will be presented you.

Presuming it will be deemed expedient to expend annually a convenient sum toward providing the naval defense which our situation may require, I can not but recommend that the first appropriations for that purpose may go to the saving what we already possess. No cares, no attentions, can preserve vessels from rapid decay which lie in water and exposed to the sun. These decays require great and constant repairs, and will consume, if continued, a great portion of the moneys destined to naval purposes.

### **Thomas Jefferson, "Third Annual Message," (October 1803)**

An account of the receipts and expenditures of the year ending the 30th of September last, with the estimates for the service of the ensuing year, will be laid before you by the Secretary of the Treasury so soon as the receipts of the last quarter shall be returned from the more distant States. It is already ascertained that the amount paid into the Treasury for that year has been between \$11M and \$12M, and that the revenue accrued during the same term exceeds the sum counted on as sufficient for our current expenses and to extinguish the public debt within the period heretofore proposed.

The amount of debt paid for the same year is about \$3.1M exclusive of interest, and making, with the payment of the preceding year, a discharge of more than \$8.5M of the principal of that debt, besides the accruing interest; and there remain in the Treasury nearly \$6M. Of these, \$880K have been reserved for payment of the first installment due under the British convention of 1802 January 08, and \$2 millions are what have been before mentioned as placed by Congress under the power and accountability of the President toward the price of New Orleans and other territories acquired, which, remaining untouched, are still applicable to that object and go in diminution of the sum to be funded for it.

Should the acquisition of Louisiana be constitutionally confirmed and carried into effect, a sum of nearly \$13M will then be added to our public debt, most of which is payable after 15 years, before which term the present existing debts will all be discharged by the established operation of the sinking fund. When we contemplate the ordinary annual augmentation of impost from increasing population and wealth, the augmentation of the same revenue by its extension to the new acquisition, and the economies which may still be introduced into our public expenditures, I can not but hope that Congress in reviewing their resources will find means to meet the intermediate interest of this additional debt without recurring to new taxes, and applying to this object only the ordinary progression of our revenue. Its extraordinary increase in times of foreign war will be the proper and sufficient fund for any measures of safety or precaution which that state of things may render necessary in our neutral position.

Remittances for the installments of our foreign debt having been found practicable without loss, it has not been thought expedient to use the power given by a former act of Congress of continuing them by reloans, and of redeeming instead thereof equal sums of domestic debt, although no difficulty was found in obtaining that accommodation.

The sum of \$50K appropriated by Congress for providing gun boats remains unexpended. The favorable and peaceable turn of affairs on the Mississippi rendered an immediate execution of that law unnecessary, and time was desirable in order that the institution of that branch of our force might begin on models the most approved by experience. The same issue of events dispensed with a resort to the appropriation of \$1.5M, contemplated for purposes which were effected by happier means.

### **Thomas Jefferson, “Fourth Annual Message,” (November 1804)**

Accounts of the receipts and expenditures of the last year, with estimates for the ensuing one, will as usual be laid before you.

The state of our finances continues to fulfill our expectations. \$11.5M, received in the course of the year ending the 30th of September last, have enabled us, after meeting all the ordinary expenses of the year, to pay upward of \$3.6M of the public debt, exclusive of interest. This payment, with those of the two preceding years, has extinguished upward of \$12M of the principal and a greater sum of interest within that period, and by a proportionate diminution of interest renders already sensible the effect of the growing sum yearly applicable to the discharge of the principal.

It is also ascertained that the revenue accrued during the last year exceeds that of the preceding, and the probably receipts of the ensuing year may safely be relied on as sufficient, with the sum already in the Treasury, to meet all the current demands of the year, to discharge upward of \$3.5M of the engagements incurred under the British and French conventions, and to advance in the further redemption of the funded debt as rapidly as had been contemplated.

### **Thomas Jefferson, “Fifth Annual Message,” (December 1805)**

The receipts of the Treasury during the year ending on the 30th day of September last have exceeded the sum of \$13M, which, with not quite \$5M in the Treasury at the beginning of the year, have enabled us after meeting other demands to pay nearly \$2M of the debt contracted under the British treaty and convention, upward of \$4M of principal of the public debt, and \$4M of interest. These payments, with those which had been made in 3 years and a half preceding, have extinguished of the funded debt nearly \$18M of principal. Congress by their act of 1803 November 10, authorized us to borrow \$1.75M toward meeting the claims of our citizens assumed by the convention with France. We have not, however, made use of this authority, because the sum of \$4.5M, which remained in the Treasury on the same 30th day of September last, with the receipts of which we may calculate on for the ensuing year, besides paying the annual sum of \$8M appropriated to the funded debt and meeting all the current demands which may be expected, will enable us to pay the whole sum of \$3.75M assumed by the French convention and still leave us a surplus of nearly \$1M at our free disposal. Should

you concur in the provisions of arms and armed vessels recommended by the circumstances of the times, this surplus will furnish the means of doing so.

**Thomas Jefferson, "Sixth Annual Message," (December 1806)**

The receipts at the Treasury during the year ending on the 30th day of September last have amounted to near \$15M, which have enabled us, after meeting the current demands, to pay \$2.7M of the American claims in part of the price of Louisiana; to pay of the funded debt upward of \$3M of principal and nearly \$4M of interest, and, in addition, to reimburse in the course of the present month near \$2M of 5.5% stock. These payments and reimbursements of the funded debt, with those which had been made in the 4 years and a half preceding, will at the close of the present year have extinguished upward of \$23M of principal.

The duties composing the Mediterranean fund will cease by law at the end of the present session. Considering, however, that they are levied chiefly on luxuries and that we have an impost on salt, a necessary of life, the free use of which otherwise is so important, I recommend to your consideration the suppression of the duties on salt and the continuation of the Mediterranean fund instead thereof for a short time, after which that also will become unnecessary for any purpose now within contemplation.

When both of these branches of revenue shall in this way be relinquished there will still ere long be an accumulation of moneys in the Treasury beyond the installments of public debt which we are permitted by contract to pay. They can not then, without a modification assented to by the public creditors, be applied to the extinguishment of this debt and the complete liberation of our revenues, the most desirable of all objects. Nor, if our peace continues, will they be wanting for any other existing purpose. The question therefore now comes forward, To what other objects shall these surpluses be appropriated, and the whole surplus of impost, after the entire discharge of the public debt, and during those intervals when the purposes of war shall not call for them? Shall we suppress the impost and give that advantage to foreign over domestic manufactures? On a few articles of more general and necessary use the suppression in due season will doubtless be right, but the great mass of the articles on which impost is paid are foreign luxuries, purchased by those only who are rich enough to afford themselves the use of them.

**Thomas Jefferson, "Seventh Annual Message," (October 1807)**

The accounts of the receipts of revenue during the year ending on the 30th day of September last being not yet made up, a correct statement will be hereafter transmitted from the Treasury. In the mean time, it is ascertained that the receipts have amounted to near \$16M, which, with the \$5.5M in the Treasury at the beginning of the year, have enabled us, after meeting the current demands and interest incurred, to pay more than

\$4M of the principal of our funded debt. These payments, with those of the preceding 5.5 years, have extinguished of the funded debt \$25.5M, being the whole which could be paid or purchased within the limits of the law and of our contracts, and have left us in the Treasury \$8.5M.

A portion of this sum may be considered as a commencement of accumulation of the surpluses of revenue which, after paying the installments of debt as they shall become payable, will remain without any specific object. It may partly, indeed, be applied toward completing the defense of the exposed points of our country, on such a scale as shall be adapted to our principles and circumstances. This object is doubtless among the 1st entitled to attention in such a state of our finances, and it is one which, whether we have peace or war, will provide security where it is due. Whether what shall remain of this, with the future surpluses, may be usefully applied to purposes already authorized or more usefully to others requiring new authorities, or how otherwise they shall be disposed of, are questions calling for the notice of Congress, unless, indeed, they shall be superseded by a change in our public relations now awaiting the determination of others.

### **Thomas Jefferson, "Eighth Annual Message," (November 1808)**

The accounts of the receipts and expenditures during the year ending the 30th of September last being not yet made up, a correct statement will hereafter be transmitted from the Treasury. In the mean time it is ascertained that the receipts have amounted to near \$18M, which, with the \$8.5M in the Treasury at the beginning of the year, have enabled us, after meeting the current demands and interest incurred, to pay \$2.3M of the principal of our funded debt, and left us in the Treasury on that day near \$14M. Of these, \$5.35M will be necessary to pay what will be due on the 1st day of January next, which will complete the reimbursement of the 8% stock. These payments, with those made in the 6.5 years preceding, will have extinguished \$33.58M of the principal of the funded debt, being the whole which could be paid or purchased within the limits of the law and of our contracts, and the amount of principal thus discharged will have liberated the revenue from about \$2M of interest and added that sum annually to the disposable surplus.

The probable accumulation of the surpluses of revenue beyond what can be applied to the payment of the public debt whenever the freedom and safety of our commerce shall be restored merits the consideration of Congress. Shall it lie unproductive in the public vaults? Shall the revenue be reduced? Or shall it not rather be appropriated to the improvements of roads, canals, rivers, education, and other great foundations of prosperity and union under the powers which Congress may already possess or such amendment to the Constitution as may be approved by the States?

### **James Madison, “First Annual Address,” (November 1809)**

The sums which had been previously accumulated in the Treasury, together with the receipts during the year ending on the 30th of September last (and amounting to more than \$9M), have enabled us to fulfill all our engagements and to defray the current expenses of Government without recurring to any loan. But the insecurity of our commerce and the consequent diminution of the public revenue will probably produce a deficiency in the receipts of the ensuing year, for which and for other details I refer to the statements which will be transmitted from the Treasury.

### **James Madison, “Second Annual Message,” (December 1810)**

The receipts into the Treasury during the year ending on the 30th of September last (and amounting to more than \$8.5M) have exceeded the current expenses of the Government, including the interest on the public debt. For the purpose of reimbursing at the end of the year \$3.75 of the principal, a loan, as authorized by law, had been negotiated to that amount, but has since been reduced to \$2.75M, the reduction being permitted by the state of the Treasury, in which there will be a balance remaining at the end of the year estimated at \$2M. For the probably receipts of the next year and other details I refer to statements which will be transmitted from the Treasury, and which will enable you to judge what further provisions may be necessary for the ensuing years.

### **James Madison, “Third Annual Message,” (November 1811)**

The receipts into the Treasury during the year ending on the 30th day of September last have exceeded \$13.5M, and have enabled us to defray the current expenses, including the interest on the public debt, and to reimburse more than \$5M of the principal without recurring to the loan authorized by the act of the last session. The temporary loan obtained in the latter end of the year 1810 has also been reimbursed, and is not included in that amount.

The decrease of revenue arising from the situation of our commerce, and the extraordinary expenses which have and may become necessary, must be taken into view in making commensurate provisions for the ensuing year; and I recommend to your consideration the propriety of insuring a sufficiency of annual revenue at least to defray the ordinary expenses of Government, and to pay the interest on the public debt, including that on new loans which may be authorized.

### **James Madison, “Fourth Annual Message,” (November 1812)**

The receipts into the Treasury during the year ending on the 30th of September last have exceeded \$16.5M, which have been sufficient to defray all the demands on the Treasury to that day, including a necessary reimbursement of near \$3M of the principal of the public debt. In these receipts is included a sum of near \$5.85M, received on account of the loans authorized by the acts of the last session; the whole sum actually obtained on loan amounts to \$11M, the residue of which, being receivable subsequent to the 30th of September last, will, together with the current revenue, enable us to defray all the expenses of this year.

### **James Madison, “Fifth Annual Message,” (December 1813)**

During the year ending on the 30 of September last the receipts into the Treasury have exceeded \$37.5M, of which near \$24M were the produce of loans. After meeting all demands for the public service there remained in the Treasury on that day near \$7M. Under the authority contained in the act of the 2nd of August last for borrowing \$7.5M, that sum has been obtained on terms more favorable to the United States than those of the preceding loans made during the present year. Further sums to a considerable amount will be necessary to be obtained in the same way during the ensuing year, and from the increased capital of the country, from the fidelity with which the public engagements have been kept and the public credit maintained, it may be expected on good grounds that the necessary pecuniary supplies will not be wanting.

The expenses of the current year, from the multiplied operations falling within it, have necessarily been extensive; but on a just estimate of the campaign in which the mass of them has been incurred the cost will not be found disproportionate to the advantages which have been gained. The campaign has, indeed, in its latter stages in one quarter been less favorable than was expected, but in addition to the importance of our naval success the progress of the campaign has been filled with incidents highly honorable to the American arms.

### **James Madison, “Sixth Annual Message,” (September 1814)**

The moneys received into the Treasury during the nine months ending on the 30th day of June last amounted to \$32M, of which near \$11M were the proceeds of the public revenue and the remainder derived from loans. The disbursements for public expenditures during the same period exceeded \$34M, and left in the Treasury on the first day of July near \$5M. The demands during the remainder of the present year already authorized by Congress and the expenses incident to an extension of the operations of the war will render it necessary that large sums should be provided to meet them.

From this view of the national affairs Congress will be urged to take up without delay as well the subject of pecuniary supplies as that of military force, and on a scale commensurate with the extent and the character which the war has assumed. It is not to be disguised that the situation of our country calls for its greatest efforts.

**James Madison, "Seventh Annual Message," (December 1815)**

Although the embarrassments arising from the want of an uniform national currency have not been diminished since the adjournment of Congress, great satisfaction has been derived in contemplating the revival of the public credit and the efficiency of the public resources. The receipts into the Treasury from the various branches of revenue during the nine months ending on the 30th of September last have been estimated at \$12.5M; the issues of Treasury notes of every denomination during the same period amounted to the sum of \$14M, and there was also obtained upon loan during the same period a sum of \$9M, of which the sum of \$6M was subscribed in cash and the sum of \$3M in Treasury notes.

With these means, added to the sum of \$1.5M, being the balance of money in the Treasury on the 1st day of January, there has been paid between the 1st of January and the 1st of October on account of the appropriations of the preceding and of the present year (exclusively of the amount of the Treasury notes subscribed to the loan and of the amount redeemed in the payment of duties and taxes) the aggregate sum of \$33.5M, leaving a balance then in the Treasury estimated at the sum of \$3M. Independent, however of the arrearages due for military services and supplies, it is presumed that a further sum of \$5M, including the interest on the public debt payable on the 1st of January next, will be demanded at the Treasury to complete the expenditures of the present year, and for which the existing ways and means will sufficiently provide.

The national debt, as it was ascertained on the 1st of October last, amounted in the whole to the sum of \$120M, consisting of the unredeemed balance of the debt contracted before the late war (\$39M), the amount of the funded debt contracted in consequence of the war (\$64M), and the amount of the unfunded and floating debt, including the various issues of Treasury notes, \$17M, which is in gradual course of payment.

There will probably be some addition to the public debt upon the liquidation of various claims which are depending, and a conciliatory disposition on the part of Congress may lead honorably and advantageously to an equitable arrangement of the militia expenses incurred by the several States without the previous sanction or authority of the Government of the United States; but when it is considered that the new as well as the old portion of the debt has been contracted in the assertion of the national rights and independence, and when it is recollected that the public expenditures, not being exclusively bestowed upon subjects of a transient nature, will long be visible in the number and equipments of the American Navy, in the military works for the defense of our harbors and our frontiers, and in the supplies of our arsenals and magazines the

amount will bear a gratifying comparison with the objects which have been attained, as well as with the resources of the country.

The arrangements of the finances with a view to the receipts and expenditures of a permanent peace establishment will necessarily enter into the deliberations of Congress during the present session. It is true that the improved condition of the public revenue will not only afford the means of maintaining the faith of the Government with its creditors inviolate, and of prosecuting successfully the measures of the most liberal policy, but will also justify an immediate alleviation of the burdens imposed by the necessities of the war.

It is, however, essential to every modification of the finances that the benefits of an uniform national currency should be restored to the community. The absence of the precious metals will, it is believed, be a temporary evil, but until they can again be rendered the general medium of exchange it devolves on the wisdom of Congress to provide a substitute which shall equally engage the confidence and accommodate the wants of the citizens throughout the Union. If the operation of the State banks can not produce this result, the probable operation of a national bank will merit consideration; and if neither of these expedients be deemed effectual it may become necessary to ascertain the terms upon which the notes of the Government (no longer required as an instrument of credit) shall be issued upon motives of general policy as a common medium of circulation.

### **James Madison, "Eighth Annual Message," (December 1816)**

Although the embarrassments arising from the want of an uniform national currency have not been diminished since the adjournment of Congress, great satisfaction has been derived in contemplating the revival of the public credit and the efficiency of the public resources. The receipts into the Treasury from the various branches of revenue during the nine months ending on the 30th of September last have been estimated at \$12.5M; the issues of Treasury notes of every denomination during the same period amounted to the sum of \$14M, and there was also obtained upon loan during the same period a sum of \$9M, of which the sum of \$6M was subscribed in cash and the sum of \$3M in Treasury notes.

With these means, added to the sum of \$1.5M, being the balance of money in the Treasury on the 1st day of January, there has been paid between the 1st of January and the 1st of October on account of the appropriations of the preceding and of the present year (exclusively of the amount of the Treasury notes subscribed to the loan and of the amount redeemed in the payment of duties and taxes) the aggregate sum of \$33.5M, leaving a balance then in the Treasury estimated at the sum of \$3M. Independent, however of the arrearages due for military services and supplies, it is presumed that a further sum of \$5M, including the interest on the public debt payable on the 1st of January next, will be demanded at the Treasury to complete the expenditures of the present year, and for which the existing ways and means will sufficiently provide.

The national debt, as it was ascertained on the 1st of October last, amounted in the whole to the sum of \$120M, consisting of the unredeemed balance of the debt contracted before the late war (\$39M), the amount of the funded debt contracted in consequence of the war (\$64M), and the amount of the unfunded and floating debt, including the various issues of Treasury notes, \$17M, which is in gradual course of payment.

There will probably be some addition to the public debt upon the liquidation of various claims which are depending, and a conciliatory disposition on the part of Congress may lead honorably and advantageously to an equitable arrangement of the militia expenses incurred by the several States without the previous sanction or authority of the Government of the United States; but when it is considered that the new as well as the old portion of the debt has been contracted in the assertion of the national rights and independence, and when it is recollected that the public expenditures, not being exclusively bestowed upon subjects of a transient nature, will long be visible in the number and equipments of the American Navy, in the military works for the defense of our harbors and our frontiers, and in the supplies of our arsenals and magazines the amount will bear a gratifying comparison with the objects which have been attained, as well as with the resources of the country.

The arrangements of the finances with a view to the receipts and expenditures of a permanent peace establishment will necessarily enter into the deliberations of Congress during the present session. It is true that the improved condition of the public revenue will not only afford the means of maintaining the faith of the Government with its creditors inviolate, and of prosecuting successfully the measures of the most liberal policy, but will also justify an immediate alleviation of the burdens imposed by the necessities of the war.

It is, however, essential to every modification of the finances that the benefits of a uniform national currency should be restored to the community. The absence of the precious metals will, it is believed, be a temporary evil, but until they can again be rendered the general medium of exchange it devolves on the wisdom of Congress to provide a substitute which shall equally engage the confidence and accommodate the wants of the citizens throughout the Union. If the operation of the State banks can not produce this result, the probable operation of a national bank will merit consideration; and if neither of these expedients be deemed effectual it may become necessary to ascertain the terms upon which the notes of the Government (no longer required as an instrument of credit) shall be issued upon motives of general policy as a common medium of circulation.

### **James Monroe, "First Annual Message," (December 1817)**

In calling your attention to the internal concerns of our country the view which they exhibit is peculiarly gratifying. The payments which have been made into the Treasury show the very productive state of the public revenue. After satisfying the appropriations

made by law for the support of the civil Government and of the military and naval establishments, embracing suitable provision for fortifications and for the gradual increase of the Navy, paying the interest of the public debt, and extinguishing more than \$18M of the principal, within the present year, it is estimated that a balance of more than \$6M will remain in the Treasury on the first day of January applicable to the current service of the ensuing year.

The payments into the Treasury during the year 1818 on account of imposts and tonnage, resulting principally from duties which have accrued in the present year, may be fairly estimated at \$20M; the internal revenues at \$2.5M; the public lands at \$1.5M; bank dividends and incidental receipts at \$500,000; making in the whole \$24.5M.

The annual permanent expenditure for the support of the civil Government and of the Army and Navy, as now established by law, amounts to \$11.8M, and for the sinking fund to \$10M, making in the whole \$21.8M, leaving an annual excess of revenue beyond the expenditure of \$2.7M, exclusive of the balance estimated to be in the Treasury on the first day of January, 1818.

In the present state of the Treasury the whole of the Louisiana debt may be redeemed in the year 1819, after which, if the public debt continues as it now is, above par, there will be annually about \$5M of the sinking fund unexpended until the year 1825, when the loan of 1812 and the stock created by funding Treasury notes will be redeemable.

It is also estimated that the Mississippi stock will be discharged during the year 1819 from the proceeds of the public lands assigned to that object, after which the receipts from those lands will annually add to the public revenue the sum of \$1.5M, making the permanent annual revenue amount to \$26M, and leaving an annual excess of revenue after the year 1819 beyond the permanent authorized expenditure of more than \$4M.

It is contemplating the happy situation of the United States, our attention is drawn with peculiar interest to the surviving officers and soldiers of our Revolutionary army, who so eminently contributed by their services to lay its foundation. Most of those very meritorious citizens have paid the debt of nature and gone to repose. It is believed that among the survivors there are some not provided for by existing laws, who are reduced to indigence and even to real distress. These men have a claim on the gratitude of their country, and it will do honor to their country to provide for them. The lapse of a few years more and the opportunity will be forever lost; indeed, so long already has been the interval that the number to be benefitted by any provision which may be made will not be great.

It appearing in a satisfactory manner that the revenue arising from imposts and tonnage and from the sale of the public lands will be fully adequate to the support of the civil Government, of the present military and naval establishments, including the annual augmentation of the latter to the extent provided for, to the payment of the interest of the public debt, and to the extinguishment of it at the times authorized, without the aid of the internal taxes, I consider it my duty to recommend to Congress their repeal.

To impose taxes when the public exigencies require them is an obligation of the most sacred character, especially with a free people. The faithful fulfillment of it is among the highest proofs of their value and capacity for self-government. To dispense with taxes when it may be done with perfect safety is equally the duty of their representatives.

### **James Monroe, "Second Annual Message," (November 1818)**

In our domestic concerns we have ample cause of satisfaction. The receipts into the Treasury during the three first quarters of the year have exceeded \$17M.

After satisfying all the demands which have been made under existing appropriations, including the final extinction of the old 6% stock and the redemption of a moiety of the Louisiana debt, it is estimated that there will remain in the Treasury on the 1st day of January next more than \$2M.

It is ascertained that the gross revenue which has accrued from the customs during the same period amounts to \$21M, and that the revenue of the whole year may be estimated at not less than \$26M. The sale of the public lands during the year has also greatly exceeded, both in quantity and price, that of any former year, and there is just reason to expect a progressive improvement in that source of revenue.

It is gratifying to know that although the annual expenditure has been increased by the act of the last session of Congress providing for Revolutionary pensions to an amount about equal to the proceeds of the internal duties which were then repealed, the revenue for the ensuing year will be proportionally augmented, and that whilst the public expenditure will probably remain stationary, each successive year will add to the national resources by the ordinary increase of our population and by the gradual development of our latent sources of national prosperity.

The strict execution of the revenue laws, resulting principally from the salutary provisions of the act of the 20th of April last amending the several collection laws, has, it is presumed, secured to domestic manufactures all the relief that can be derived from the duties which have been imposed upon foreign merchandise for their protection. Under the influence of this relief several branches of this important national interest have assumed greater activity, and although it is hoped that others will gradually revive and ultimately triumph over every obstacle, yet the expediency of granting further protection is submitted to your consideration.

### **James Monroe, "Third Annual Message," (December 1819)**

Although the pecuniary embarrassments which affected various parts of the Union during the latter part of the preceding year have during the present been considerably augmented, and still continue to exist, the receipts into the Treasury to the 30th of

September last have amounted to \$19M. After defraying the current expenses of the Government, including the interest and reimbursement of the public debt payable to that period, amounting to \$18.2M, there remained in the Treasury on that day more than \$2.5M, which, with the sums receivable during the remainder of the year, will exceed the current demands upon the Treasury for the same period.

The causes which have tended to diminish the public receipts could not fail to have a corresponding effect upon the revenue which has accrued upon imposts and tonnage during the three first quarters of the present year. It is, however, ascertained that the duties which have been secured during that period exceed \$18M, and those of the whole year will probably amount to \$23M.

For the probably receipts of the next year I refer you to the statements which will be transmitted from the Treasury, which will enable you to judge whether further provision be necessary.

The great reduction in the price of the principal articles of domestic growth which has occurred during the present year, and the consequent fall in the price of labor, apparently so favorable to the success of domestic manufactures, have not shielded them against other causes adverse to their prosperity. The pecuniary embarrassments which have so deeply affected the commercial interests of the nation have been no less adverse to our manufacturing establishments in several sections of the Union.

The great reduction of the currency which the banks have been constrained to make in order to continue specie payments, and the vitiated character of it where such reductions have not been attempted, instead of placing within the reach of these establishments the pecuniary aid necessary to avail themselves of the advantages resulting from the reduction in the prices of the raw materials and of labor, have compelled the banks to withdraw from them a portion of the capital heretofore advanced to them. That aid which has been refused by the banks has not been obtained from other sources, owing to the loss of individual confidence from the frequent failures which have recently occurred in some of our principal commercial cities.

### **James Monroe, "Fourth Annual Message," (November 1820)**

In looking to the internal concerns of our country you will, I am persuaded, derive much satisfaction from a view of the several objects to which, in the discharge of your official duties, your attention will be drawn. Among these none holds a more important place than the public revenue, from the direct operation of the power by which it is raised on the people, and by its influence in giving effect to every other power of the Government. The revenue depends on the resources of the country, and the facility by which the amount required is raised is a strong proof of the extent of the resources and of the efficiency of the Government.

A few prominent facts will place this great interest in a just light before you. On [1815-09-30], the funded and floating debt of the United States was estimated at \$119,635,558. If to this sum be added the amount of 5% stock subscribed to the Bank of the United States, the amount of Mississippi stock and of the stock which was issued subsequently to that date, and as afterwards liquidated, to \$158,713,049.

On [1820-09-30], it amounted to \$91,993,883, having been reduced in that interval by payments \$66,879,165. During this term the expenses of the Government of the United States were likewise defrayed in every branch of the civil, military, and naval establishments; the public edifices in this city have been rebuilt with considerable additions; extensive fortifications have been commenced, and are in a train of execution; permanent arsenals and magazines have been erected in various parts of the Union; our Navy has been considerably augmented, and the ordnance, munitions of war, and stores of the Army and Navy, which were much exhausted during the war, have been replenished.

By the discharge of so large a proportion of the public debt and the execution of such extensive and important operations in so short a time a just estimate may be formed of the great extent of our national resources. The demonstration is the more complete and gratifying when it is recollected that the direct tax and excise were repealed soon after the termination of the late war, and that the revenue applied to these purposes has been derived almost wholly from other sources.

The receipts into the Treasury from every source to the 30th of September last have amounted to \$16,794,107.66, whilst the public expenditures to the same period amounted to \$16,871,534.72, leaving in the Treasury on that day a sum estimated at \$1.95M. for the probable receipts of the following year I refer you to the statement which will be transmitted from the Treasury.

The sum of \$3M authorized to be raised by loan by an act of the last session of Congress has been obtained upon terms advantageous to the Government, indicating not only an increased confidence in the faith of the nation, but the existence of a large amount of capital seeking that mode of investment at a rate of interest not exceeding 5% per annum.

It is proper to add that there is now due to the Treasury for the sale of public lands \$22,996,545. In bringing this subject to view I consider it my duty to submit to Congress whether it may not be advisable to extend to the purchasers of these lands, in consideration of the unfavorable change which has occurred since the sales, a reasonable indulgence. It is known that the purchases were made when the price of every article had risen to its greatest height, and the installments are becoming due at a period of great depression. It is presumed that some plan may be devised by the wisdom of Congress, compatible with the public interest, which would afford great relief to these purchasers.

### **James Monroe, "Fifth Annual Message," (December 1821)**

In conducting the fiscal operations of the year it has been found necessary to carry into full effect the act of the last session of Congress authorizing a loan of \$5M. This sum has been raised at an average premium of \$5.59 per centum upon stock bearing an interest at the rate of 5% per annum, redeemable at the option of the Government after [1835-01-01].

There has been issued under the provisions of this act \$4,735,296.30 of 5% stock, and there has been or will be redeemed during the year \$3,197,030.71 of Louisiana 6% deferred stock and Mississippi stock. There has therefore been an actual increase of the public debt contracted during the year of \$1,538,266.69.

The receipts into the Treasury from the first of January to the 30th of September last have amounted to \$16,219,197.70, which, with the balance of \$1,198,461.21 in the Treasury on the former day, make the aggregate sum of \$17,417,658.91. The payments from the Treasury during the same period have amounted to \$15,655,288.47, leaving in the Treasury on the last-mentioned day the sum of \$1,762,370.44. It is estimated that the receipts of the 4th quarter of the year will exceed the demands which will be made on the Treasury during the same period, and that the amount in the Treasury on the 30th of September last will be increased on the first day of January next.

At the close of the last session it was anticipated that the progressive diminution of the public revenue in 1819 and 1820, which had been the result of the languid state of our foreign commerce in those years, had in the latter year reached its extreme point of depression. It has, however, been ascertained that that point was reached only at the termination of the first quarter of the present year. From that time until the 30th of September last the duties secured have exceeded those of the corresponding quarters of the last year \$1.172M, whilst the amount of debentures issued during the three first quarters of this year is \$952,000 less than that of the same quarters of the last year.

There are just grounds to believe that the improvement which has occurred in the revenue during the last-mentioned period will not only be maintained, but that it will progressively increase through the next and several succeeding years, so as to realize the results which were presented upon that subject by the official reports of the Treasury at the commencement of the last session of Congress.

Under the influence of the most unfavorable circumstances the revenue for the next and subsequent years to the year 1825 will exceed the demands at present authorized by law.

### **James Monroe, "Sixth Annual Message," (December 1822)**

The fiscal operations of the year have been more successful than had been anticipated at the commencement of the last session of Congress.

The receipts into the Treasury during the three first quarters of the year have exceeded the sum of \$14.745M. The payments made at the Treasury during the same period have exceeded \$12.279M, leaving the Treasury on the 30th day of September last, including \$1,168,592.24 which were in the Treasury on the first day of January last, a sum exceeding \$4.128M.

Besides discharging all demands for the current service of the year, including the interest and reimbursement of the public debt, the 6% stock of 1796, amounting to \$80,000, has been redeemed. It is estimated that, after defraying the current expenses of the present quarter and redeeming the \$2M of 6% stock of 1820, there will remain in the Treasury on the first of January next nearly \$3M. It is estimated that the gross amount of duties which have been secured from the first of January to the 30th of September last has exceeded \$19.5M, and the amount for the whole year will probably not fall short of \$23M.

So great was the amount of accounts for moneys advanced during the late war, in addition to others of a previous date which in the regular operations of the Government necessarily remained unsettled, that it required a considerable length of time for their adjustment. By a report from the first Comptroller of the Treasury it appears that on [1817-03-04], the accounts then unsettled amounted to \$103,068,876.41, of which on [1922-09-30], \$93,175,396.56 had been settled, leaving on that day a balance unsettled of \$9,893,479.85. That there have been drawn from the Treasury, in paying the public debt and sustaining the Government in all its operations and disbursements, since [1817-03-04], \$157,199,380.96, the accounts for which have been settled to the amount of \$137,501,451.12, leaving a balance unsettled of \$19,697,929.84. for precise details respecting each of these balances I refer to the report of the Comptroller and the documents which accompany it.

### **James Monroe, "Seventh Annual Message," (December 1823)**

There is established by law 88,600 miles of post roads, on which the mail is now transported 85,700 miles, and contracts have been made for its transportation on all the established routes, with one or 2 exceptions. There are 5,240 post offices in the Union, and as many post masters. The gross amount of postage which accrued from [1822-07-01] to [1823-07-01] was \$1,114,345.12. During the same period the expenditures of the Post-Office Department amounted to \$1,169,885.51 and consisted of the following items, viz:

- Compensation to post masters, \$353,995.98;
- incidental expenses, \$30,866.37;
- transportation of the mail, \$784,600.08;
- payments into the Treasury, \$423.08.
- On the first of July last there was due to the Department from post masters \$135,245.28;
- from late post masters and contractors, \$256,749.31;

making a total amount of balances due to the Department of \$391,994.59. These balances embrace all delinquencies of post masters and contractors which have taken place since the organization of the Department. There was due by the Department to contractors on the first of July last \$26,548.64.

The transportation of the mail within five years past has been greatly extended, and the expenditures of the Department proportionably increased. Although the postage which has accrued within the last three years has fallen short of the expenditures \$262,821.46, it appears that collections have been made from the outstanding balances to meet the principal part of the current demands.

It is estimated that not more than \$250,000 of the above balances can be collected, and that a considerable part of this sum can only be realized by a resort to legal process. Some improvements in the receipts for postage is expected. A prompt attention to the collection of moneys received by post masters, it is believed, will enable the Department to continue its operations without aid from the Treasury, unless the expenditures shall be increased by the establishment of new mail routes.

The actual condition of the public finances more than realizes the favorable anticipations that were entertained of it at the opening of the last session of Congress. On the first of January there was a balance in the Treasury of \$4,237,427.55. From that time to the 30th of September the receipts amounted to upward of \$16.1M, and the expenditures to \$11.4M. During the 4th quarter of the year it is estimated that the receipts will at least equal the expenditures, and that there will remain in the Treasury on the first day of January next a surplus of nearly \$9M.

On [1825-01-01], a large amount of the war debt and a part of the Revolutionary debt become redeemable. Additional portions of the former will continue to become redeemable annually until the year 1835. it is believed, however, that if the United States remain at peace the whole of that debt may be redeemed by the ordinary revenue of those years during that period under the provision of the act of [1817-03-03], creating the sinking fund, and in that case the only part of the debt that will remain after the year 1835 will be the \$7M of 5% stock subscribed to the Bank of the United States, and the 3% Revolutionary debt, amounting to \$13,296,099.06, both of which are redeemable at the pleasure of the Government.

The state of the Army in its organization and discipline has been gradually improving for several years, and has now attained a high degree of perfection. The military disbursements have been regularly made and the accounts regularly and promptly rendered for settlement. The supplies of various descriptions have been of good quality, and regularly issued at all of the posts. A system of economy and accountability has been introduced into every branch of the service which admits of little additional improvement. This desirable state has been attained by the act reorganizing the staff of the Army, passed on [1818-04-14].

The moneys appropriated for fortifications have been regularly and economically applied, and all the works advanced as rapidly as the amount appropriated would admit.

Three important works will be completed in the course of this year -- that is, Fort Washington, Fort Delaware, and the fort at the Rigolets, in Louisiana.

**James Monroe, "Eighth Annual Message," (December 1824)**

It is estimated that the receipts into the Treasury during the current year, exclusive of loans, will exceed \$18.5M, which, with the sum remaining in the Treasury at the end of the last year, amounting to \$9,463,922.81 will, after discharging the current disbursements of the year, the interest on the public debt, and upward of \$11,633,011.52 of the principal, leave a balance of more than \$3M in the Treasury on the first day of January next.

A larger amount of the debt contracted during the late war, bearing an interest of 6%, becoming redeemable in the course of the ensuing year than could be discharged by the ordinary revenue, the act of the 26th of May authorized a loan of \$5M at 4.5% to meet the same. By this arrangement an annual saving will accrue to the public of \$75,000.

Under the act of the 24th of May last a loan of \$5M was authorized, in order to meet the awards under the Florida treaty, which was negotiated at par with the Bank of the United States at 4.5%, the limit of interest fixed by the act. By this provision the claims of our citizens who had sustained so great a loss by spoliations, and from whom indemnity had been so long withheld, were promptly paid. For these advances the public will be amply repaid at no distant day by the sale of the lands in Florida. Of the great advantages resulting from the acquisition of the Territory in other respects too high an estimate can not be formed.

It is estimated that the receipts into the Treasury during the year 1825 will be sufficient to meet the disbursements of the year, including the sum of \$10M, which is annually appropriated by the act of constituting the sinking fund to the payment of the principal and interest of the public debt.

The whole amount of the public debt on the first of January next may be estimated at \$86M, inclusive of \$2.5M of the loan authorized by the act of the 26th of May last. In this estimate is included a stock of \$7M, issued for the purchase of that amount of the capital stock of the Bank of the United States, and which, as the stock of the bank still held by the Government will at least be fully equal to its reimbursement, ought not to be considered as constituting a part of the public debt.

Estimating, then, the whole amount of the public debt at \$79M and regarding the annual receipts and expenditures of the Government, a well-founded hope may be entertained that, should no unexpected event occur, the whole of the public debt may be discharged in the course of 10 years, and the Government be left at liberty thereafter to apply such portion of the revenue as may not be necessary for current expenses to such other objects as may be most conducive to the public security and welfare. That the sums applicable to these objects will be very considerable may be fairly concluded when

it is recollected that a large amount of the public revenue has been applied since the late war

- to the construction of the public buildings in this city;
- to the erection of fortifications along the coast and of arsenals in different parts of the Union;
- to the augmentation of the Navy;
- to the extinguishment of the Indian title to large tracts of fertile territory;
- to the acquisition of Florida;
- to pensions to Revolutionary officers and soldiers, and to invalids of the late war.

On many of these objects the expense will annually be diminished and cease at no distant period on most of them.

On the [1917-01-01], the public debt amounted to \$123,491,965.16, and, notwithstanding the large sums which have been applied to these objects, it has been reduced since that period \$37,446,961.78. The last portion of the public debt will be redeemable on [1835-01-01], and, while there is the best reason to believe that the resources of the Government will be continually adequate to such portions of it as may become due in the interval, it is recommended to Congress to seize every opportunity which may present itself to reduce the rate of interest on every part thereof. The high state of the public credit and the great abundance of money are at this time very favorable to such a result. It must be very gratifying to our fellow citizens to witness this flourishing state of the public finances when it is recollected that no burthen whatever has been imposed upon them.

The military establishment in all its branches, in the performance of the various duties assigned to each, justifies the favorable view which was presented of the efficiency of its organization at the last session. All the appropriations have been regularly applied to the objects intended by Congress, and so far as the disbursements have been made the accounts have been rendered and settled without loss to the public.

### **John Quincy Adams, "First Annual Message," (December 1825)**

Among the unequivocal indications of our national prosperity is the flourishing state of our finances. The revenues of the present year, from all their principal sources, will exceed the anticipations of the last. The balance in the Treasury on the first of January last was a little short of \$2,000,000, exclusive of \$2,500,000, being the moiety of the loan of \$5,000,000 authorized by the act of 1824-05-26. The receipts into the Treasury from the first of January to the 30th of September, exclusive of the other moiety of the same loan, are estimated at \$16,500,000, and it is expected that those of the current quarter will exceed \$5,000,000, forming an aggregate of receipts of nearly \$22,000,000, independent of the loan. The expenditures of the year will not exceed that sum more than \$2,000,000. By those expenditures nearly \$8,000,000 of the principal of the public debt that have been discharged.

More than \$1,500,000 has been devoted to the debt of gratitude to the warriors of the Revolution; a nearly equal sum to the construction of fortifications and the acquisition of ordnance and other permanent preparations of national defense; \$500,000 to the gradual increase of the Navy; an equal sum for purchases of territory from the Indians and payment of annuities to them; and upward of \$1,000,000 for objects of internal improvement authorized by special acts of the last Congress. If we add to these \$4,000,000 for payment of interest upon the public debt, there remains a sum of \$7,000,000, which have defrayed the whole expense of the administration of Government in its legislative, executive, and judiciary departments, including the support of the military and naval establishments and all the occasional contingencies of a government coextensive with the Union.

The amount of duties secured on merchandise imported since the commencement of the year is about \$25,500,000, and that which will accrue during the current quarter is estimated at \$5,500,000; from these \$31,000,000, deducting the draw-backs, estimated at less than \$7,000,000, a sum exceeding \$24,000,000 will constitute the revenue of the year, and will exceed the whole expenditures of the year. The entire amount of the public debt remaining due on the first of January next will be short of \$81,000,000.

By an act of Congress of the 3d of March last a loan of \$12,000,000 was authorized at 4.5%, or an exchange of stock to that amount of 4.5% for a stock of 6%, to create a fund for extinguishing an equal amount of the public debt, bearing an interest of 6%, redeemable in 1826. An account of the measures taken to give effect to this act will be laid before you by the Secretary of the Treasury. As the object which it had in view has been but partially accomplished, it will be for the consideration of Congress whether the power with which it clothed the Executive should not be renewed at an early day of the present session, and under what modifications.

The act of Congress of the 3d of March last, directing the Secretary of the Treasury to subscribe, in the name and for the use of the United States, for 1,500 shares of the capital stock of the Chesapeake and Delaware Canal Company, has been executed by the actual subscription for the amount specified; and such other measures have been adopted by that officer, under the act, as the fulfillment of its intentions requires. The latest accounts received of this important undertaking authorize the belief that it is in successful progress.

The payments into the Treasury from the proceeds of the sales of the public lands during the present year were estimated at \$1,000,000. The actual receipts of the first two quarters have fallen very little short of that sum; it is not expected that the second half of the year will be equally productive, but the income of the year from that source may now be safely estimated at \$1,500,000. The act of Congress of 1824-05-18, to provide for the extinguishment of the debt due to the United States by the purchasers of public lands, was limited in its operation of relief to the purchaser to the 10th of April last. Its effect at the end of the quarter during which it expired was to reduce that debt from \$10,000,000 to \$7,000,000 By the operation of similar prior laws of relief, from and

since that of 1821-03-02, the debt had been reduced from upward of \$22,000,000 to \$10,000,000.

### **John Quincy Adams, "Second Annual Message," (December 1826)**

In adverting to the present condition of our fiscal concerns and to the prospects of our revenue the first remark that calls our attention is that they are less exuberantly prosperous than they were at the corresponding period of the last year. The severe shock so extensively sustained by the commercial and manufacturing interests in Great Britain has not been without a perceptible recoil upon ourselves. A reduced importation from abroad is necessarily succeeded by a reduced return to the Treasury at home. The net revenue of the present year will not equal that of the last, and the receipts of that which is to come will fall short of those in the current year. The diminution, however, is in part attributable to the flourishing condition of some of our domestic manufactures, and so far is compensated by an equivalent more profitable to the nation.

It is also highly gratifying to perceive that the deficiency in the revenue, while it scarcely exceeds the anticipations of the last year's estimate from the Treasury, has not interrupted the application of more than \$11M during the present year to the discharge of the principal and interest of the debt, nor the reduction of upward of \$7,000,000 of the capital of the debt itself. The balance in the Treasury on the first of January last was \$5,201,650.43; the receipts from that time to the 30th of September last were \$19,585,932.50; the receipts of the current quarter, estimated at \$6,000,000, yield, with the sums already received, a revenue of about \$25,500,000 for the year; the expenditures for the first 3 quarters of the year have amounted to \$18,714,226.66; the expenditures of the current quarter are expected, including the \$2,000,000 of the principal of the debt to be paid, to balance the receipts; so that the expense of the year, amounting to upward of \$1,000,000 less than its income, will leave a proportionally increased balance in the Treasury on 1827-01-01, over that of the first of January last; instead of \$5,200,000 there will be \$6,400,000.

The amount of duties secured on merchandise imported from the commence of the year 'til September 30 is estimated at \$21,250,000, and the amount that will probably accrue during the present quarter is estimated at \$4,250,000, making for the whole year \$25,500,000, from which the draw-backs being deducted will leave a clear revenue from the customs receivable in the year 1827 of about \$20,400,000, which, with the sums to be received from the proceeds of public lands, the bank dividends, and other incidental receipts, will form an aggregate of about \$23,000,000, a sum falling short of the whole expenses of the present year little more than the portion of those expenditures applied to the discharge of the public debt beyond the annual appropriation of \$10,000,000 by the act of 1817-03-03. At the passage of that act the public debt amounted to \$123,500,000. On the first of January next it will be short of \$74,000,000. In the lapse of these 10 years \$50,000,000 of public debt, with the annual charge of upward of \$3,000,000 of interest upon them, have been extinguished. At the passage of that act, of the annual appropriation of \$10,000,000, \$7,000,000 were absorbed in the payment of

interest, and not more than \$3,000,000 went to reduce the capital of the debt. Of the same \$10,000,000, at this time scarcely \$4,000,000 are applicable to the interest and upward of \$6,000,000 are effective in melting down the capital.

Yet our experience has proved that a revenue consisting so largely of imposts and tonnage ebbs and flows to an extraordinary extent, with all the fluctuations incident to the general commerce of the world. It is within our recollection that even in the compass of the same last 10 years the receipts of the Treasury were not adequate to the expenditures of the year, and that in two successive years it was found necessary to resort to loans to meet the engagements of the nation. The returning tides of the succeeding years replenished the public coffers until they have again begun to feel the vicissitude of a decline. To produce these alternations of fullness and exhaustion the relative operation of abundant or unfruitful seasons, the regulations of foreign governments, political revolutions, the prosperous or decaying condition of manufactures, commercial speculations, and many other causes, not always to be traced, variously combine.

We have found the alternate swells and diminutions embracing periods of from two to three years. The last period of depression to United States was from 1819 to 1822. The corresponding revival was from 1823 to the commencement of the present year. Still, we have no cause to apprehend a depression comparable to that of the former period, or even to anticipate a deficiency which will intrench upon the ability to apply the annual \$10M to the reduction of the debt. It is well for us, however, to be admonished of the necessity of abiding by the maxims of the most vigilant economy, and of resorting to all honorable and useful expedients for pursuing with steady and inflexible perseverance the total discharge of the debt.

Besides the \$7,000,000 of the loans of 1813 which will have been discharged in the course of the present year, there are \$9,000,000 which by the terms of the contracts would have been and are now redeemable. \$13,000,000 more of the loan of 1814 will become redeemable from and after the expiration of the present month, and \$9,000,000 other from and after the close of the ensuing year. They constitute a mass of \$31,000,000, all bearing an interest of 6%, more than \$20,000,000 of which will be immediately redeemable, and the rest within little more than a year. Leaving of this amount \$15,000,000 to continue at the interest of 6%, but to be paid off as far as shall be found practicable in the years 1827 and 1828, there is scarcely a doubt that the remaining \$16,000,000 might within a few months be discharged by a loan at not exceeding 5%, redeemable in the years 1829 and 1830. By this operation a sum of nearly \$500,000 may be saved to the nation, and the discharge of the whole \$31,000,000 within the 4 years may be greatly facilitated if not wholly accomplished.

By an act of Congress of 1835-03-03, a loan for the purpose now referred to, or a subscription to stock, was authorized, at an interest not exceeding 4.5%. But at that time so large a portion of the floating capital of the country was absorbed in commercial speculations and so little was left for investment in the stocks that the measure was but partially successful. At the last session of Congress the condition of the funds was still unpropitious to the measure; but the change so soon afterwards occurred that, had the

authority existed to redeem the \$9M now redeemable by an exchange of stocks or a loan at 5%, it is morally certain that it might have been effected, and with it a yearly saving of \$90,000.

With regard to the collection of the revenue of imposts, certain occurrences have within the last year been disclosed in one or two of our principal ports, which engaged the attention of Congress at their last session and may hereafter require further consideration. Until within a very few years the execution of the laws for raising the revenue, like that of all our other laws, has been insured more by the moral sense of the community than by the rigors of a jealous precaution or by penal sanction. Confiding in the exemplary punctuality and unsullied integrity of our importing merchants, a gradual relaxation from the provisions of the collection laws, a close adherence to which have caused inconvenience and expense to them, had long become habitual, and indulgences had been extended universally because they had never been abused. It may be worthy of your serious consideration whether some further legislative provision may not be necessary to come in aid of this state of unguarded security.

In the estimates of appropriations for the ensuing year upward of \$5M will be submitted for the expenditures to be paid from the Department of War. Less than 2/5 of this will be applicable to the maintenance and support of the Army. \$1,500,000, in the form of pensions, goes as a scarcely adequate tribute to the services and sacrifices of a former age, and a more than equal sum invested in fortifications, or for the preparations of internal improvement, provides for the quiet, the comfort, and happier existence of the ages to come. The appropriations to indemnify those unfortunate remnants of another race unable alike to share in the enjoyments and to exist in the presence of civilization, though swelling in recent years to a magnitude burdensome to the Treasury, are generally not without their equivalents in profitable value, or serve to discharge the Union from engagements more burdensome than debt.

In like manner the estimate of appropriations for the Navy Department will present an aggregate sum of upward of \$3,000,000M. About half of these, however, covers the current expenditures of the Navy in actual service, and half constitutes a fund of national property, the pledge of our future glory and defense. It was scarcely one short year after the close of the late war, and when the burden of its expenses and charges was weighing heaviest upon the country, that Congress, by the act of 1816-04-29, appropriated \$1,000,000 annually for 8 years to the \*gradual increase of the Navy\*. At a subsequent period this annual appropriation was reduced to \$0,500,000 for 6 years, of which the present year is the last. A yet more recent appropriation the last two years, for building 10 sloops of war, has nearly restored the original appropriation of 1816 of \$1,000,000 for every year.

A report from the PostMaster General is likewise communicated, presenting in a highly satisfactory manner the result of a vigorous, efficient, and economical administration of that Department. The revenue of the office, even of the year including the latter half of 1824 and the first half of 1825, had exceeded its expenditures by a sum of more than \$45,000. That of the succeeding year has been still more productive. The increase of the receipts in the year preceding the first of July last over that of the year before exceeds

\$136,000, and the excess of the receipts over the expenditures of the year has swollen from \$45,000 to yearly \$80,000.

### **John Quincy Adams, "Third Annual Message," (December 1827)**

Turning from the momentous concerns of our Union in its intercourse with foreign nations to those of the deepest interest in the administration of our internal affairs, we find the revenues of the present year corresponding as nearly as might be expected with the anticipations of the last, and presenting an aspect still more favorable in the promise of the next.

The balance in the Treasury on 1827-01-01 was \$6,358,686.18. The receipts from that day to 1827-09-30, as near as the returns of them yet received can show, amount to \$16,886,581.32. The receipts of the present quarter, estimated at \$4,515,000, added to the above form an aggregate of \$21,400,000 of receipts.

The expenditures of the year may perhaps amount to \$22,300,000 presenting a small excess over the receipts. But of these \$22,000,000, upward of \$6,000,000 have been applied to the discharge of the principal of the public debt, the whole amount of which, approaching \$74,000,000 on 1827-01-01, will on 1828-01-01 fall short of \$67,500,000. The balance in the Treasury on 1828-01-01 it is expected will exceed \$5,450,000, a sum exceeding that of 1825-01-01, though falling short of that exhibited on 1827-01-01.

It was foreseen that the revenue of the present year 1827 would not equal that of the last, which had itself been less than that of the next preceding year. But the hope has been realized which was entertained, that these deficiencies would in no wise interrupt the steady operation of the discharge of the public debt by the annual \$10,000,000 devoted to that object by the act of 1817-03-03.

The amount of duties secured on merchandise imported from the commencement of the year until 1827-09-30 is \$21,226,000, and the probably amount of that which will be secured during the remainder of the year is \$5,774,000, forming a sum total of \$27,000,000. With the allowances for draw-backs and contingent deficiencies which may occur, though not specifically foreseen, we may safely estimate the receipts of the ensuing year at \$22,300,000 -- a revenue for the next equal to the expenditure of the present year.

The deep solicitude felt by our citizens of all classes throughout the Union for the total discharge of the public debt will apologize for the earnestness with which I deem it my duty to urge this topic upon the consideration of Congress -- of recommending to them again the observance of the strictest economy in the application of the public funds. The depression upon the receipts of the revenue which had commenced with the year 1826 continued with increased severity during the two first quarters of the present year.

The returning tide began to flow with the third quarter, and, so far as we can judge from experience, may be expected to continue through the course of the ensuing year. In the mean time an alleviation from the burden of the public debt will in the three years have been effected to the amount of nearly \$16,000,000, and the charge of annual interest will have been reduced upward of \$1,000,000. But among the maxims of political economy which the stewards of the public moneys should never suffer without urgent necessity to be transcended is that of keeping the expenditures of the year within the limits of its receipts.

The appropriations of the two last years, including the yearly \$10,000,000 of the sinking fund, have each equaled the promised revenue of the ensuing year. While we foresee with confidence that the public coffers will be replenished from the receipts as fast as they will be drained by the expenditures, equal in amount to those of the current year, it should not be forgotten that they could ill suffer the exhaustion of larger disbursements.

To such objects of permanent improvement to the condition of the country, of real addition to the wealth as well as to the comfort of the people by whose authority and resources they have been effected, from \$3,000,000 to \$4,000,000 of the annual income of the nation have, by laws enacted at the three most recent sessions of Congress, been applied, without intrenching upon the necessities of the Treasury, without adding a dollar to the taxes or debts of the community, without suspending even the steady and regular discharge of the debts contracted in former days, which within the same three years have been diminished by the amount of nearly \$16,000,000.

The report from the PostMaster General exhibits the condition of that Department as highly satisfactory for the present and still more promising for the future. Its receipts for the year ending 1827-07-01 amounted to \$1,473,551, and exceeded its expenditures by upward of \$100,000. It can not be an over sanguine estimate to predict that in less than 10 years, of which half have elapsed, the receipts will have been more than doubled.

### **John Quincy Adams, "Fourth Annual Message," (December 1828)**

The condition and prospects of the revenue are more favorable than our most sanguine expectations had anticipated. The balance in the Treasury on 1828-01-01, exclusive of the moneys received under the convention of 1826-11-13, with Great Britain, was \$5,861,972.83. The receipts into the Treasury from 1828-01-01 to 1828-09-30, so far as they have been ascertained to form the basis of an estimate, amount to \$18,633,580.27, which, with the receipts of the present quarter, estimated at \$5,461,283.40, form an aggregate of receipts during the year of \$24,094,863.67. The expenditures of the year may probably amount to \$25,637,111.63, and leave in the Treasury on 1829-01-01 the sum of \$5,125,638.14.

The receipts of the present year have amounted to near \$2,000,000 more than was anticipated at the commencement of the last session of Congress.

The amount of duties secured on importations from the first of January to the 30th of September was about \$22,997,000, and that of the estimated accruing revenue is \$5,000,000, forming an aggregate for the year of near \$28,000,000. This is \$1,000,000 more than the estimate last December for the accruing revenue of the present year, which, with allowances for draw-backs and contingent deficiencies, was expected to produce an actual revenue of \$22,300,000. Had these only been realized the expenditures of the year would have been also proportionally reduced, for of these \$24,000,000 received upward of \$9,000,000 have been applied to the extinction of public debt, bearing an interest of 6% a year, and of course reducing the burden of interest annually payable in future by the amount of more than \$500,000. The payments on account of interest during the current year exceed \$3,000,000, presenting an aggregate of more than \$12,000,000 applied during the year to the discharge of the public debt, the whole of which remaining due on 1829-01-01 will amount only to \$58,362,135.78.

That the revenue of the ensuing year will not fall short of that received in the one now expiring there are indications which can scarcely prove deceptive. In our country an uniform experience of 40 years has shown that what ever the tariff of duties upon articles imported from abroad has been, the amount of importations has always borne an average value nearly approaching to that of the exports, though occasionally differing in the balance, some times being more and some times less. It is, indeed, a general law of prosperous commerce that the real value of exports should by a small, and only a small, balance exceed that of imports, that balance being a permanent addition to the wealth of the nation.

The extent of the prosperous commerce of the nation must be regulated by the amount of its exports, and an important addition to the value of these will draw after it a corresponding increase of importations. It has happened in the vicissitudes of the seasons that the harvests of all Europe have in the late summer and autumn fallen short of their usual average. A relaxation of the interdict upon the importation of grain and flour from abroad has ensued, a propitious market has been opened to the granaries of our country, and a new prospect of reward presented to the labors of the husband-man, which for several years has been denied. This accession to the profits of agriculture in the middle and western portions of our Union is accidental and temporary. It may continue only for a single year. It may be, as has been often experienced in the revolutions of time, but the first of several scanty harvests in succession. We may consider it certain that for the approaching year it has added an item of large amount to the value of our exports and that it will produce a corresponding increase of importations. It may therefore confidently be foreseen that the revenue of 1829 will equal and probably exceed that of 1828, and will afford the means of extinguishing \$10,000,000 more of the principal of the public debt.

This new element of prosperity to that part of our agricultural industry which is occupied in producing the first article of human subsistence is of the most cheering character to the feelings of patriotism. Proceeding from a cause which humanity will view with concern, the sufferings of scarcity in distant lands, it yields a consolatory reflection that this scarcity is in no respect attributable to us; that it comes from the

dispensation of Him who ordains all in wisdom and goodness, and who permits evil itself only as an instrument of good; that, far from contributing to this scarcity, our agency will be applied only to the alleviation of its severity, and that in pouring forth from the abundance of our own garners the supplies which will partially restore plenty to those who are in need we shall ourselves reduce our stores and add to the price of our own bread, so as in some degree to participate in the wants which it will be the good fortune of our country to relieve.

The great interests of an agricultural, commercial, and manufacturing nation are so linked in union together that no permanent cause of prosperity to one of them can operate without extending its influence to the others. All these interests are alike under the protecting power of the legislative authority, and the duties of the representative bodies are to conciliate them in harmony together.

So far as the object of taxation is to raise a revenue for discharging the debts and defraying the expenses of the community, its operation should be adapted as much as possible to suit the burden with equal hand upon all in proportion with their ability of bearing it without oppression. But the legislation of one nation is some times intentionally made to bear heavily upon the interests of another. That legislation, adapted, as it is meant to be, to the special interests of its own people, will often press most unequally upon the several component interests of its neighbors.

### **Andrew Jackson, "First Annual Message," (December 1829)**

Looking forward to the period, not far distant, when a sinking fund will no longer be required, the duties on those articles of importation which can not come in competition with our own productions are the first that should engage the attention of Congress in the modification of the tariff. Of these, tea and coffee are the most important. They enter largely into the consumption of the country, and have become articles of necessity to all classes. A reduction, therefore, of the existing duties will be felt as a common benefit, but like all other legislation connected with commerce, to be efficacious and not injurious it should be gradual and certain.

The public prosperity is evinced in the increased revenue arising from the sales of the public lands and in the steady maintenance of that produced by imposts and tonnage, notwithstanding the additional duties imposed by the act of [1828-05-19], and the unusual importations in the early part of that year.

The balance in the Treasury on [1829-01-01] was \$5,972,435.81. The receipts of the current year are estimated at \$24,602,230 and the expenditures for the same time at \$26,164,595, leaving a balance in the Treasury on [1830-01-01] of \$4,410,070.81.

There will have been paid on account of the public debt during the present year the sum of \$12,405,005.80, reducing the whole debt of the Government on [1830-01-01] to \$48,565,406.50, including \$7M of the 5% stock subscribed to the Bank of the United

States. The payment on account of public debt made on [1829-07-01] was \$8,715,462.87. It was apprehended that the sudden withdrawal of so large a sum from the banks in which it was deposited, at a time of unusual pressure in the money market, might cause much injury to the interests dependent on bank accommodations. But this evil was wholly averted by an early anticipation of it at the Treasury, aided by the judicious arrangements of the officers of the Bank of the United States.

This state of the finances exhibits the resources of the nation in an aspect highly flattering to its industry and auspicious of the ability of Government in a very short time to extinguish the public debt. When this shall be done our population will be relieved from a considerable portion of its present burthens, and will find not only new motives to patriotic affection, but additional means for the display of individual enterprise. The fiscal power of the States will also be increased, and may be more extensively exerted in favor of education and other public objects, while ample means will remain in the Federal Government to promote the general weal in all the modes permitted to its authority.

After the extinction of the public debt it is not probable that any adjustment of the tariff upon principles satisfactory to the people of the Union will until a remote period, if ever, leave the Government without a considerable surplus in the Treasury beyond what may be required for its current service. As, then, the period approaches when the application of the revenue to the payment of debt will cease, the disposition of the surplus will present a subject for the serious deliberation of Congress; and it may be fortunate for the country that it is yet to be decided.

On an examination of the records of the Treasury I have been forcibly struck with the large amount of public money which appears to be outstanding. Of the sum thus due from individuals to the Government a considerable portion is undoubtedly desperate, and in many instances has probably been rendered so by remissness in the agents charged with its collection. By proper exertions a great part, however, may yet be recovered; and what ever may be the portions respectively belonging to these two classes, it behooves the Government to ascertain the real state of the fact. This can be done only by the prompt adoption of judicious measures for the collection of such as may be made available. It is believed that a very large amount has been lost through the inadequacy of the means provided for the collection of debts due to the public, and that this inadequacy lies chiefly in the want of legal skill habitually and constantly employed in the direction of the agents engaged in the service. It must, I think, be admitted that the supervisory power over suits brought by the public, which is now vested in an \*accounting\* officer of the Treasury, not selected with a view to his legal knowledge, and encumbered as he is with numerous other duties, operates unfavorably to the public interest.

It is important that this branch of the public service should be subjected to the supervision of such professional skill as will give it efficiency. The expense attendant upon such a modification of the executive department would be justified by the soundest principles of economy. I would recommend, therefore, that the duties now assigned to the agent of the Treasury, so far as they relate to the superintendence and management

of legal proceedings on the part of the United States, be transferred to the Attorney General, and that this officer be placed on the same footing in all respects as the heads of the other Departments, receiving like compensation and having such subordinate officers provided for his Department as may be requisite for the discharge of these additional duties. The professional skill of the Attorney General, employed in directing the conduct of marshals and district attorneys, would hasten the collection of debts now in suit and hereafter save much to the Government. It might be further extended to the superintendence of all criminal proceedings for offenses against the United States. In making this transfer great care should be taken, however, that the power necessary to the Treasury Department be not impaired, 1 of its greatest securities consisting in control over all accounts until they are audited or reported for suit.

### **Andrew Jackson, "Second Annual Message," (December 1830)**

On an examination of the records of the Treasury I have been forcibly struck with the large amount of public money which appears to be outstanding. Of the sum thus due from individuals to the Government a considerable portion is undoubtedly desperate, and in many instances has probably been rendered so by remissness in the agents charged with its collection. By proper exertions a great part, however, may yet be recovered; and what ever may be the portions respectively belonging to these two classes, it behooves the Government to ascertain the real state of the fact. This can be done only by the prompt adoption of judicious measures for the collection of such as may be made available. It is believed that a very large amount has been lost through the inadequacy of the means provided for the collection of debts due to the public, and that this inadequacy lies chiefly in the want of legal skill habitually and constantly employed in the direction of the agents engaged in the service. It must, I think, be admitted that the supervisory power over suits brought by the public, which is now vested in an \*accounting\* officer of the Treasury, not selected with a view to his legal knowledge, and encumbered as he is with numerous other duties, operates unfavorably to the public interest.

It is important that this branch of the public service should be subjected to the supervision of such professional skill as will give it efficiency. The expense attendant upon such a modification of the executive department would be justified by the soundest principles of economy. I would recommend, therefore, that the duties now assigned to the agent of the Treasury, so far as they relate to the superintendence and management of legal proceedings on the part of the United States, be transferred to the Attorney General, and that this officer be placed on the same footing in all respects as the heads of the other Departments, receiving like compensation and having such subordinate officers provided for his Department as may be requisite for the discharge of these additional duties. The professional skill of the Attorney General, employed in directing the conduct of marshals and district attorneys, would hasten the collection of debts now in suit and hereafter save much to the Government. It might be further extended to the superintendence of all criminal proceedings for offenses against the United States. In making this transfer great care should be taken, however, that the power necessary to

the Treasury Department be not impaired, 1 of its greatest securities consisting in control over all accounts until they are audited or reported for suit.

It is only necessary to refer to undoubted facts to see how far the past acts of the Government upon the subject under consideration have fallen short of this object. The expenditures heretofore made for internal improvements amount to upward of \$5M, and have been distributed in very unequal proportions amongst the States. The estimated expense of works of which surveys have been made, together with that of others projected and partially surveyed, amounts to more than \$96M.

According to the estimates at the Treasury Department, the receipts in the Treasury during the present year will amount to \$24,161,018, which will exceed by about \$300K the estimate presented in the last annual report of the Secretary of the Treasury. The total expenditure during the year, exclusive of public debt, is estimated at \$13,742,311, and the payment on account of public debt for the same period will have been \$11,354,630, leaving a balance in the Treasury on [1831-01-01] of \$4,819,781.

In connection with the condition of our finances, it affords me pleasure to remark that judicious and efficient arrangements have been made by the Treasury Department for securing the pecuniary responsibility of the public officers and the more punctual payment of the public dues. The Revenue Cutter Service has been organized and placed on a good footing, and aided by an increase of inspectors at exposed points, and regulations adopted under the act of [1830-05], for the inspection and appraisement of merchandise, has produced much improvement in the execution of the laws and more security against the commission of frauds upon the revenue. Abuses in the allowances for fishing bounties have also been corrected, and a material saving in that branch of the service thereby effected. In addition to these improvements the system of expenditure for sick sea men belonging to the merchant service has been revised, and being rendered uniform and economical the benefits of the fund applicable to this object have been usefully extended.

The prosperity of our country is also further evinced by the increased revenue arising from the sale of public lands, as will appear from the report of the Commissioner of the General Land Office and the documents accompanying it, which are herewith transmitted. I beg leave to draw your attention to this report, and to the propriety of making early appropriations for the objects which it specifies.

### **Andrew Jackson, "Third Annual Message," (December 1831)**

Among the happiest effects of the improved relations of our Republic has been an increase of trade, producing a corresponding increase of revenue beyond the most sanguine anticipations of the Treasury Department.

The state of the public finances will be fully shown by the Secretary of the Treasury in the report which he will presently lay before you. I will here, however, congratulate you

upon their prosperous condition. The revenue received in the present year will not fall short of \$27,700,000, and the expenditures for all objects other than the public debt will not exceed \$14,700,000. The payment on account of the principal and interest of the debt during the year will exceed \$16,500,000, a greater sum than has been applied to that object out of the revenue in any year since the enlargement of the sinking fund except the two years following immediately there after. The amount which will have been applied to the public debt from [1829-03-04] to [1832-01-01], which is less than three years since the Administration has been placed in my hands, will exceed \$40,000,000.

From the large importations of the present year it may be safely estimated that the revenue which will be received into the Treasury from that source during the next year, with the aid of that received from the public lands, will considerably exceed the amount of the receipts of the present year; and it is believed that with the means which the Government will have at its disposal from various sources, which will be fully stated by the proper Department, the whole of the public debt may be extinguished, either by redemption or purchase, within the four years of my Administration. We shall then exhibit the rare example of a great nation, abounding in all the means of happiness and security, altogether free from debt.

The confidence with which the extinguishment of the public debt may be anticipated presents an opportunity for carrying into effect more fully the policy in relation to import duties which has been recommended in my former messages. A modification of the tariff which shall produce a reduction of our revenue to the wants of the Government and an adjustment of the duties on imports with a view to equal justice in relation to all our national interests and to the counteraction of foreign policy so far as it may be injurious to those interests, is deemed to be one of the principal objects which demand the consideration of the present Congress. Justice to the interests of the merchant as well as the manufacturer requires that material reductions in the import duties be prospective; and unless the present Congress shall dispose of the subject the proposed reductions can not properly be made to take effect at the period when the necessity for the revenue arising from present rates shall cease. It is therefore desirable that arrangements be adopted at your present session to relieve the people from unnecessary taxation after the extinguishment of the public debt. In the exercise of that spirit of concession and conciliation which has distinguished the friends of our Union in all great emergencies, it is believed that this object may be effected without injury to any national interest.

In my annual message of [1829-12], I had the honor to recommend the adoption of a more liberal policy than that which then prevailed toward unfortunate debtors to the Government, and I deem it my duty again to invite your attention to this subject.

Our system of public accounts is extremely complicated, and it is believed may be much improved. Much of the present machinery and a considerable portion of the expenditure of public money may be dispensed with, while greater facilities can be afforded to the liquidation of claims upon the Government and an examination into their justice and

legality quite as efficient as the present secured. With a view to a general reform in the system, I recommend the subject to the attention of Congress.

**Andrew Jackson, "Fourth Annual Message," (December 1832)**

The report which the Secretary of the Treasury will in due time lay before you will exhibit the national finances in a highly prosperous state. Owing to the continued success of our commercial enterprise, which has enabled the merchants to fulfill their engagements with the Government, the receipts from customs during the year will exceed the estimate presented at the last session, and with the other means of the Treasury will prove fully adequate not only to meet the increased expenditures resulting from the large appropriations made by Congress, but to provide for the payment of all the public debt which is at present redeemable.

It is now estimated that the customs will yield to the Treasury during the present year upward of \$28,000,000. The public lands, however, have proved less productive than was anticipated, and according to present information will not much exceed \$2,000,000. The expenditures for all objects other than the public debt are estimated to amount during the year to about \$16,500,000, while a still larger sum, viz, \$18,000,000, will have been applied to the principal and interest of the public debt.

It is expected, however, that in consequence of the reduced rates of duty which will take effect after [1833-03-03] there will be a considerable falling off in the revenue from customs in the year 1833. It will never the less be amply sufficient to provide for all the wants of the public service, estimated even upon a liberal scale, and for the redemption and purchase of the remainder of the public debt. On [1833-01-01] the entire public debt of the United States, funded and unfunded, will be reduced to within a fraction of \$7,000,000, of which \$2,227,363 are not of right redeemable until [1834-01-01] and \$4,735,296 not until [1835-01-02]. The commissioners of the sinking funds, however, being invested with full authority to purchase the debt at the market price, and the means of the Treasury being ample, it may be hoped that the whole will be extinguished within the year 1833.

I can not too cordially congratulate Congress and my fellow citizens on the near approach of that memorable and happy event -- the extinction of the public debt of this great and free nation.

Faithful to the wise and patriotic policy marked out by the legislation of the country for this object, the present Administration has devoted to it all the means which a flourishing commerce has supplied and a prudent economy preserved for the public Treasury. Within the four years for which the people have confided the Executive power to my charge \$58,000,000 will have been applied to the payment of the public debt. That this has been accomplished without stinting the expenditures for all other proper objects will be seen by referring to the liberal provision made during the same period for the support and increase of our means of maritime and military defense, for internal

improvements of a national character, for the removal and preservation of the Indians, and, lastly, for the gallant veterans of the Revolution.

The final removal of this great burthen from our resources affords the means of further provision for all the objects of general welfare and public defense which the Constitution authorizes, and presents the occasion for such further reductions in the revenue as may not be required for them. From the report of the Secretary of the Treasury it will be seen that after the present year such a reduction may be made to a considerable extent, and the subject is earnestly recommended to the consideration of Congress in the hope that the combined wisdom of the representatives of the people will devise such means of effecting that salutary object as may remove those burthens which shall be found to fall unequally upon any and as may promote all the great interests of the community.

Long and patient reflection has strengthened the opinions I have heretofore expressed to Congress on this subject, and I deem it my duty on the present occasion again to urge them upon the attention of the Legislature. The soundest maxims of public policy and the principals upon which our republican institutions are founded recommend a proper adaptation of the revenue to the expenditure, and they also require that the expenditure shall be limited to what, by an economical administration, shall be consistent with the simplicity of the Government and necessary to an efficient public service.

It is my duty to acquaint you with an arrangement made by the Bank of the United States with a portion of the holders of the 3% stock, by which the Government will be deprived of the use of the public funds longer than was anticipated. By this arrangement, which will be particularly explained by the Secretary of the Treasury, a surrender of the certificates of this stock may be postponed until [1833 October], and thus may be continued by the failure of the bank to perform its duties.

Such measures as are within the reach of the Secretary of the Treasury have been taken to enable him to judge whether the public deposits in that institution may be regarded as entirely safe; but as his limited power may prove inadequate to this object, I recommend the subject to the attention of Congress, under the firm belief that it is worthy of their serious investigation. An inquiry into the transactions of the institution, embracing the branches as well as the principal bank, seems called for by the credit which is given throughout the country to many serious charges impeaching its character, and which if true may justly excite the apprehension that it is no longer a safe depository of the money of the people.

### **Andrew Jackson, "Fifth Annual Message," (December 1833)**

It gives me great pleasure to congratulate you upon the prosperous condition of the finances of the country, as will appear from the report which the Secretary of the Treasury will in due time lay before you. The receipts into the Treasury during the present year will amount to more than \$32,000,000. The revenue derived from customs will, it is believed, be more than \$28,000,000, and the public lands will yield about

\$3,0900,000. The expenditures within the year for all objects, including \$2,572,240.99 on account of the public debt, will not amount to \$25,000,000, and a large balance will remain in the Treasury after satisfying all the appropriations chargeable on the revenue for the present year.

The measures taken by the Secretary of the Treasury will probably enable to pay off in the course of the present year the residue of the exchanged 4.5% stock, redeemable on 1834-01-01. It has therefore been included in the estimated expenditures of this year, and forms a part of the sum above stated to have been paid on account of the public debt. The payment of this stock will reduce the whole debt of the United States, funded and unfunded, to the sum of \$4,760,082.08, and as provision has already been made for the 4.5% stocks above mentioned, and charged in the expenses of the present year, the sum last stated is all that now remains of the national debt; and the revenue of the coming year, together with the balance now in the Treasury, will be sufficient to discharge it, after meeting the current expenses of the Government. Under the power given to the commissioners of the sinking fund, it will, I have no doubt, be purchased on favorable terms within the year.

From this view of the state of the finances and the public engagements yet to be fulfilled you will perceive that if Providence permits me to meet you at another session I shall have the high gratification of announcing to you that the national debt is extinguished. I can not refrain from expressing the pleasure I feel at the near approach of that desirable event. The short period of time within which the public debt will have been discharged is strong evidence of the abundant resources of the country and of the prudence and economy with which the Government has heretofore been administered. We have waged two wars since we became a nation, with one of the most powerful kingdoms in the world, both of them undertaken in defense of our dearest rights, been successfully prosecuted and honorably terminated; and many of those who partook in the first struggle as well as in the second will have lived to see the last item of the debt incurred in these necessary but expensive conflicts faithfully and honestly discharged. And we shall have the proud satisfaction of bequeathing to the public servants who follow us in the administration of the Government the rare blessing of a revenue sufficiently abundant, raised without injustice or oppression to our citizens, and unencumbered with any burdens but what they themselves shall think proper to impose upon it.

The flourishing state of the finances ought not, however, to encourage us to indulge in a lavish expenditure of the public treasure. The receipts of the present year do not furnish the test by which we are to estimate the income of the next. The changes made in our revenue system by the acts of Congress of 1832 and 1833, and more especially by the former, have swelled the receipts of the present year far beyond the amount to be expected in future years upon the reduced tariff of duties. The shortened credits on revenue bonds and the cash duties on woolens which were introduced by the act of 1832, and took effect on 1832-03-04, have brought large sums into the Treasury in 1833, which, according to the credits formerly given, would not have been payable until 1834, and would have formed a part of the income of that year. These causes would of themselves produce a great diminution of the receipts in the year 1834 as compared with the present one, and they will be still more diminished by the reduced rates of

duties which take place on 1834-01-01 on some of the most important and productive articles.

Upon the best estimates that can be made the receipts of the next year, with the aid of the unappropriated amount now in the Treasury, will not be much more than sufficient to meet the expenses of the year and pay the small remnant of the national debt which yet remains unsatisfied. I can not, therefore, recommend to you any alteration in the present tariff of duties. The rate as now fixed by law on the various articles was adopted at the last session of Congress, as a matter of compromise, with unusual unanimity, and unless it is found to produce more than the necessities of the Government call for there would seem to be no reason at this time to justify a change.

But while I forbear to recommend any further reduction of the duties beyond that already provided for by the existing laws, I must earnestly and respectfully press upon Congress the importance of abstaining from all appropriations which are not absolutely required for the public interest and authorized by the powers clearly delegated to the United States. We are beginning a new era in our Government. The national debt, which has so long been a burden on the Treasury, will be finally discharged in the course of the ensuing year. No more memory will afterwards be needed than what may be necessary to meet the ordinary expenses of the Government. Now, then, is the proper moment to fix our system of expenditure on firm and durable principles, and I can not too strongly urge the necessity of a rigid economy and an inflexible determination not to enlarge the income beyond the real necessities of the Government and not to increase the wants of the Government by unnecessary and profuse expenditures.

If a contrary course should be pursued, it may happen that the revenue of 1834 will fall short of the demands upon it, and after reducing the tariff in order to lighten the burdens of the people, and providing for a still further reduction to take effect hereafter, it would be much to be deplored if at the end of another year we should find ourselves obliged to retrace our steps and impose additional taxes to meet unnecessary expenditures.

### **Andrew Jackson, "Sixth Annual Message," (December 1834)**

According to the estimate of the Treasury Department, the revenue accruing from all sources during the present year will amount to \$20,624,717, which, with the balance remaining in the Treasury on 1834-01-01 of \$11,702,905, produces an aggregate of \$32,327,623. The total expenditure during the year for all objects, including the public debt, is estimated at \$25,591,390, which will leave a balance in the Treasury on 1835-01-01 of \$6,736,232. In this balance, however, will be included about \$1,150,000 of what was heretofore reported by the Department as not effective.

Of former appropriations it is estimated that there will remain unexpended at the close of the year \$8,002,925, and that of this sum there will not be required more than \$5,141,964 to accomplish the objects of all the current appropriations. Thus it appears

that after satisfying all those appropriations and after discharging the last item of our public debt, which will be done on 1835-01-01, there will remain unexpended in the Treasury an effective balance of about \$440,000. That such should be the aspect of our finances is highly flattering to the industry and enterprise of our population and auspicious of the wealth and prosperity which await the future cultivation of their growing resources. It is not deemed prudent, however, to recommend any change for the present in our impost rates, the effect of the gradual reduction now in progress in many of them not being sufficiently tested to guide us in determining the precise amount of revenue which they will produce.

Free from public debt, at peace with all the world, and with no complicated interests to consult in our intercourse with foreign powers, the present may be hailed as the epoch in our history the most favorable for the settlement of those principles in our domestic policy which shall be best calculated to give stability to our Republic and secure the blessings of freedom to our citizens.

Among these principles, from our past experience, it can not be doubted that simplicity in the character of the Federal Government and a rigid economy in its administration should be regarded as fundamental and sacred. All must be sensible that the existence of the public debt, by rendering taxation necessary for its extinguishment, has increased the difficulties which are inseparable from every exercise of the taxing power, and that it was in this respect a remote agent in producing those disturbing questions which grew out of the discussions relating to the tariff. If such has been the tendency of a debt incurred in the acquisition and maintenance of our national rights and liberties, the obligations of which all portions of the Union cheerfully acknowledged, it must be obvious that what ever is calculated to increase the burdens of Government without necessity must be fatal to all our hopes of preserving its true character.

While we are felicitating ourselves, therefore, upon the extinguishment of the national debt and the prosperous state of our finances, let us not be tempted to depart from those sound maxims of public policy which enjoin a just adaptation of the revenue to the expenditures that are consistent with a rigid economy and an entire abstinence from all topics of legislation that are not clearly within the constitutional powers of the Government and suggested by the wants of the country. Properly regarded under such a policy, every diminution of the public burdens arising from taxation gives to individual enterprise increased power and furnishes to all the members of our happy Confederacy new motives for patriotic affection and support. But above all, its most important effect will be found in its influence upon the character of the Government by confining its action to those objects which will be sure to secure to it the attachment and support of our fellow citizens.

Circumstances make it my duty to call the attention of Congress to the Bank of the United States. Created for the convenience of the Government, that institution has become the scourge of the people. Its interference to postpone the payment of a portion of the national debt that it might retain the public money appropriated for that purpose to strengthen it in a political contest, the extraordinary extension and contraction of its accommodations to the community, its corrupt and partisan loans, its exclusion of the

public directors from a knowledge of its most important proceedings, the unlimited authority conferred on the president to expend its funds in hiring writers and procuring the execution of printing, and the use made of that authority, the retention of the pension money and books after the selection of new agents, the groundless claim to heavy damages in consequence of the protest of the bill drawn on the French Government, have through various channels been laid before Congress.

Immediately after the close of the last session the bank, through its president, announced its ability and readiness to abandon the system of unparalleled curtailment and the interruption of domestic exchanges which it had practiced upon from 1833-08-01 to 1834-06-30, and to extend its accommodations to the community. The grounds assumed in this annunciation amounted to an acknowledgment that the curtailment, in the extent to which it had been carried, was not necessary to the safety of the bank, and had been persisted in merely to induce Congress to grant the prayer of the bank in its memorial relative to the removal of the deposits and to give it a new charter. They were substantially a confession that all the real distresses which individuals and the country had endured for the preceding 6 or 8 months had been needlessly produced by it, with the view of affecting through the sufferings of the people the legislative action of Congress.

It is subject of congratulation that Congress and the country had the virtue and firmness to bear the infliction, that the energies of our people soon found relief from this wanton tyranny in vast importations of the precious metals from almost every part of the world, and that at the close of this tremendous effort to control our Government the bank found itself powerless and no longer able to loan out its surplus means. The community had learned to manage its affairs without its assistance, and trade had already found new auxiliaries, so that on 1834-10-01 the extraordinary spectacle was presented of a national more than half of whose capital was either lying unproductive in its vaults or in the hands of foreign bankers.

To the needless distresses brought on the country during the last session of Congress has since been added the open seizure of the dividends on the public stock to the amount of \$170,041, under pretense of paying damages, cost, and interest upon the protested French bill. This sum constituted a portion of the estimated revenues for the year 1834, upon which the appropriations made by Congress were based. It would as soon have been expected that our collectors would seize on the customs or the receivers of our land offices on the moneys arising from the sale of public lands under pretenses of claims against the United States as that the bank would have retained the dividends. Indeed, if the principle be established that any one who chooses to set up a claim against the United States may without authority of law seize on the public property or money wherever he can find it to pay such claim, there will remain no assurance that our revenue will reach the Treasury or that it will be applied after the appropriation to the purposes designated in the law.

The pay masters of our Army and the pursers of our Navy may under like pretenses apply to their own use moneys appropriated to set in motion the public force, and in time of war leave the country without defense. This measure resorted to by the bank is

disorganizing and revolutionary, and if generally resorted to by private citizens in like cases would fill the land with anarchy and violence.

It is a constitutional provision "*that no money shall be drawn from the Treasury but in consequence of appropriations made by law*". The palpable object of this provision is to prevent the expenditure of the public money for any purpose what so ever which shall not have been 1st approved by the representatives of the people and the States in Congress assembled. It vests the power of declaring for what purposes the public money shall be expended in the legislative department of the Government, to the exclusion of the executive and judicial, and it is not within the constitutional authority of either of those departments to pay it away without law or to sanction its payment.

According to this plain constitutional provision, the claim of the bank can never be paid without an appropriation by act of Congress. But the bank has never asked for an appropriation. It attempts to defeat the provision of the Constitution and obtain payment without an act of Congress. Instead of awaiting an appropriation passed by both Houses and approved by the President, it makes an appropriation for itself and invites an appeal to the judiciary to sanction it. That the money had not technically been paid into the Treasury does not affect the principle intended to be established by the Constitution.

The Executive and the judiciary have as little right to appropriate and expend the public money without authority of law before it is placed to the credit of the Treasury as to take it from the Treasury. In the annual report of the Secretary of the Treasury, and in his correspondence with the president of the bank, and the opinions of the Attorney General accompanying it, you will find a further examination of the claims of the bank and the course it has pursued.

It seems due to the safety of the people funds remaining in that bank and to the honor of the American people that measures be taken to separate the Government entirely from an institution so mischievous to the public prosperity and so regardless of the Constitution and laws. By transferring the public deposits, by appointing other pension agents as far as it had the power, by ordering the discontinuance of the receipt of bank checks in the payment of the public dues after 1834-01-01, the Executive has exerted all its lawful authority to sever the connection between the Government and this faithless corporation.

### **Andrew Jackson, "Seventh Annual Message," (December 1835)**

The condition of the public finances was never more flattering than at the present period.

Since my last annual communication all the remains of the public debt have been redeemed, or money has been placed in deposit for this purpose when ever the creditors choose to receive it. All the other pecuniary engagements of the Government have been

honorably and promptly fulfilled, and there will be a balance in the Treasury at the close of the year of about \$19,000,000. It is believed that after meeting all outstanding and unexpended appropriations there will remain near \$11,000,000 to be applied to any new objects which Congress may designate or to the more rapid execution of the works already in progress. In aid of these objects, and to satisfy the current expenditures of the ensuing year, it is estimated that there will be received from various sources \$20,000,000 more in 1836.

Should Congress make new appropriations in conformity with the estimates which will be submitted from the proper Departments, amounting to about \$24,000,000, still the available surplus at the close of the next year, after deducting all unexpended appropriations, will probably not be less than \$6,000,000. This sum can, in my judgment, be now usefully applied to proposed improvements in our navy yards, and to new national works which are not enumerated in the present estimates or to the more rapid completion of those already begun. Either would be constitutional and useful, and would render unnecessary any attempt in our present peculiar condition to divide the surplus revenue or to reduce it any faster than will be effected by the existing laws.

In any event, as the annual report from the Secretary of the Treasury will enter into details, shewing the probability of some decrease in the revenue during the next 7 years and a very considerable deduction in 1842, it is not recommended that Congress should undertake to modify the present tariff so as to disturb the principles on which the compromise act was passed. Taxation on some of the articles of general consumption which are not in competition with our own productions may be no doubt so diminished as to lessen to some extent the source of this revenue, and the same object can also be assisted by more liberal provisions for the subjects of public defense, which in the present state of our prosperity and wealth may be expected to engage your attention.

If, however, after satisfying all the demands which can arise from these sources the unexpended balance in the Treasury should still continue to increase, it would be better to bear with the evil until the great changes contemplated in our tariff laws have occurred and shall enable us to revise the system with that care and circumspection which are due to so delicate and important a subject.

It is certainly our duty to diminish as far as we can the burdens of taxation and to regard all the restrictions which are imposed on the trade and navigation of our citizens as evils which we shall mitigate when ever we are not prevented by the adverse legislation and policy of foreign nations or those primary duties which the defense and independence of our country enjoin upon us. That we have accomplished much toward the relief of our citizens by the changes which have accompanied the payment of the public debt and the adoption of the present revenue laws is manifest from the fact that compared to 1833 there is a diminution of near \$25,000,000 in the last two years, and that our expenditures, independently of those for the public debt, have been reduced near \$9,000,000 during the same period. Let us trust that by the continued observance of economy and by harmonizing the great interests of agriculture, manufactures, and commerce much more may be accomplished to diminish the burdens of government and to increase still further the enterprise and the patriotic affection of all classes of our

citizens and all the members of our happy Confederacy. As the data which the Secretary of the Treasury will lay before you in regard to our financial resources are full and extended, and will afford a safe guide in your future calculations, I think it unnecessary to offer any further observations on that subject here.

Among the evidences of the increasing prosperity of the country, not the least gratifying is that afforded by the receipts from the sales of the public lands, which amount in the present year to the unexpected sum of \$11,000,000. This circumstance attests the rapidity with which agriculture, the first and most important occupation of man, advances and contributes to the wealth and power of our extended territory. Being still of the opinion that it is our best policy, as far as we can consistently with the obligations under which those lands were ceded to the United States, to promote their speedy settlement, I beg leave to call the attention of the present Congress to the suggestions I have offered respecting it in my former messages.

The extraordinary receipts from the sales of the public lands invite you to consider what improvements the land system, and particularly the condition of the General Land Office, may require. At the time this institution was organized, near a quarter century ago, it would probably have been thought extravagant to anticipate for this period such an addition to its business as has been produced by the vast increase of those sales during the past and present years. It may also be observed that since the year 1812 the land offices and surveying districts have been greatly multiplied, and that numerous legislative enactments from year to year since that time have imposed a great amount of new and additional duties upon that office, while the want of a timely application of force commensurate with the care and labor required has caused the increasing embarrassment of accumulated arrears in the different branches of the establishment.

These impediments to the expedition of much duty in the General Land Office induce me to submit to your judgment whether some modification of the laws relating to its organization, or an organization of a new character, be not called for at the present juncture, to enable the office to accomplish all the ends of its institution with a greater degree of facility and promptitude than experience has proved to be practicable under existing regulations. The variety of the concerns and the magnitude and complexity of the details occupying and dividing the attention of the Commissioner appear to render it difficult, if not impracticable, for that officer by any possible assiduity to bestow on all the multifarious subjects upon which he is called to act the ready and careful attention due to their respective importance, unless the Legislature shall assist him by a law providing, or enabling him to provide, for a more regular and economical distribution of labor, with the incident responsibility among those employed under his direction. The mere manual operation of affixing his signature to the vast number of documents issuing from his office subtracts so largely from the time and attention claimed by the weighty and complicated subjects daily accumulating in that branch of the public service as to indicate the strong necessity of revising the organic law of the establishment. It will be easy for Congress hereafter to proportion the expenditure on account of this branch of the service to its real wants by abolishing from time to time the offices which can be dispensed with.

The extinction of the public debt having taken place, there is no longer any use for the offices of Commissioners of Loans and of the Sinking Fund. I recommend, therefore, that they be abolished, and that proper measures be taken for the transfer to the Treasury Department of any funds, books, and papers connected with the operations of those offices, and that the proper power be given to that Department for closing finally any portion of their business which may remain to be settled.

It is also incumbent on Congress in guarding the pecuniary interests of the country to discontinue by such a law as was passed in 1812 the receipt of the bills of the Bank of the United States in payment of the public revenue, and to provide for the designation of an agent whose duty it shall be to take charge of the books and stock of the United States in that institution, and to close all connection with it after the 3d of March, 1836 1836-03-03, when its charter expires. In making provision in regard to the disposition of this stock it will be essential to define clearly and strictly the duties and powers of the officer charged with that branch of the public service.

It will be seen from the correspondence which the Secretary of the Treasury will lay before you that notwithstanding the large amount of the stock which the United States hold in that institution no information has yet been communicated which will enable the Government to anticipate when it can receive any dividends or derive any benefit from it.

Connected with the condition of the finances and the flourishing state of the country in all its branches of industry, it is pleasing to witness the advantages which have been already derived from the recent laws regulating the value of the gold coinage. These advantages will be more apparent in the course of the next year, when the branch mints authorized to be established in North Carolina, Georgia, and Louisiana shall have gone into operation. Aided, as it is hoped they will be, by further reforms in the banking systems of the States and by judicious regulations on the part of Congress in relation to the custody of the public moneys, it may be confidently anticipated that the use of gold and silver as circulating medium will become general in the ordinary transactions connected with the labor of the country.

The great desideratum in modern times is an efficient check upon the power of banks, preventing that excessive issue of paper whence arise those fluctuations in the standard of value which render uncertain the rewards of labor. It was supposed by those who established the Bank of the United States that from the credit given to it by the custody of the public moneys and other privileges and the precautions taken to guard against the evils which the country had suffered in the bankruptcy of many of the State institutions of that period we should derive from that institution all the security and benefits of a sound currency and every good end that was attainable under the provision of the Constitution which authorizes Congress alone to coin money and regulate the value thereof. But it is scarcely necessary now to say that these anticipations have not been realized.

After the extensive embarrassment and distress recently produced by the Bank of the United States, from which the country is now recovering, aggravated as they were by pretensions to power which defied the public authority, and which if acquiesced in by

the people would have changed the whole character of our Government, every candid and intelligent individual must admit that for the attainment of the great advantages of a sound currency we must look to a course of legislation radically different from that which created such an institution.

**Andrew Jackson, "Eighth Annual Message," (December 1836)**

You will perceive from the report of the Secretary of the Treasury that the financial means of the country continue to keep pace with its improvement in all other respects. The receipts into the Treasury during the present year will amount to about \$47,691,898; those from customs being estimated at \$22,523,151, those from lands at about \$24,000,000, and the residue from miscellaneous sources. The expenditures for all objects during the year are estimated not to exceed \$32,000,000, which will leave a balance in the Treasury for public purposes on the first day of January next of about \$41,723,959. This sum, with the exception of \$5,000,000, will be transferred to the several States in accordance with the provisions of the act regulating the deposits of the public money.

The unexpended balances of appropriation on the first day of January next are estimated at \$14,636,062, exceeding by \$9,636,062 the amount which will be left in the deposit banks, subject to the draft of the Treasurer of the United States, after the contemplated transfers to the several States are made. If, therefore, the future receipts should not be sufficient to meet these outstanding and future appropriations, there may be soon a necessity to use a portion of the funds deposited with the States.

The experience of other nations admonished us to hasten the extinguishment of the public debt; but it will be in vain that we have congratulated each other upon the disappearance of this evil if we do not guard against the equally great one of promoting the unnecessary accumulation of public revenue. No political maxim is better established than that which tells us that an improvident expenditure of money is the parent of profligacy, and that no people can hope to perpetuate their liberties who long acquiesce in a policy which taxes them for objects not necessary to the legitimate and real wants of their Government. Flattering as is the condition of our country at the present period, because of its unexampled advance in all the steps of social and political improvement, it can not be disguised that there is a lurking danger already apparent in the neglect of this warning truth, and that the time has arrived when the representatives of the people should be employed in devising some more appropriate remedy than now exists to avert it.

Under our present revenue system there is every probability that there will continue to be a surplus beyond the wants of the Government, and it has become our duty to decide whether such a result be consistent with the true objects of our Government.

Should a surplus be permitted to accumulate beyond the appropriations, it must be retained in the Treasury, as it now is, or distributed among the people or the States.

To retain it in the Treasury unemployed in any way is impracticable; it is, besides, against the genius of our free institutions to lock up in vaults the treasure of the nation. To take from the people the right of bearing arms and put their weapons of defense in the hands of a standing army would be scarcely more dangerous to their liberties than to permit the Government to accumulate immense amounts of treasure beyond the supplies necessary to its legitimate wants. Such a treasure would doubtless be employed at some time, as it has been in other countries, when opportunity tempted ambition.

To collect it merely for distribution to the States would seem to be highly impolitic, if not as dangerous as the proposition to retain it in the Treasury.

The shortest reflection must satisfy everyone that to require the people to pay taxes to the Government merely that they may be paid back again is sporting with the substantial interests of the country, and no system which produces such a result can be expected to receive the public countenance. Nothing could be gained by it even if each individual who contributed a portion of the tax could receive back promptly the same portion. But it is apparent that no system of the kind can ever be enforced which will not absorb a considerable portion of the money to be distributed in salaries and commissions to the agents employed in the process and in the various losses and depreciations which arise from other causes, and the practical effect of such an attempt must ever be to burden the people with taxes, not for purposes beneficial to them, but to swell the profits of deposit banks and support a band of useless public officers.

A distribution to the people is impracticable and unjust in other respects. It would be taking one man's property and giving it to another. Such would be the unavoidable result of a rule of equality (and none other is spoken of or would be likely to be adopted), in as much as there is no mode by which the amount of the individual contributions of our citizens to the public revenue can be ascertained. We know that they contribute unequally, and a rule, therefore, that would distribute to them equally would be liable to all the objections which apply to the principle of an equal division of property. To make the General Government the instrument of carrying this odious principle into effect would be at once to destroy the means of its usefulness and change the character designed for it by the framers of the Constitution.

But the more extended and injurious consequences likely to result from a policy which would collect a surplus revenue from the purpose of distributing it may be forcibly illustrated by an examination of the effects already produced by the present deposit act. This act, although certainly designed to secure the safe-keeping of the public revenue, is not entirely free in its tendencies from any of the objections which apply to this principle of distribution. The Government had without necessity received from the people a large surplus, which, instead of being employed as heretofore and returned to them by means of the public expenditure, was deposited with sundry banks. The banks proceeded to make loans upon this surplus, and thus converted it into banking capital, and in this manner it has tended to multiply bank charters and has had a great agency in producing a spirit of wild speculation. The possession and use of the property out of which this surplus was created belonged to the people, but the Government has transferred its

possession to incorporated banks, whose interest and effort it is to make large profits out of its use. This process need only be stated to show its injustice and bad policy.

And the same observations apply to the influence which is produced by the steps necessary to collect as well as to distribute such a revenue. About 3/5 of all the duties on imports are paid in the city of New York, but it is obvious that the means to pay those duties are drawn from every quarter of the Union. Every citizen in every State who purchases and consumes an article which has paid a duty at that port contributes to the accumulating mass. The surplus collected there must therefore be made up of moneys or property withdrawn from other points and other States. Thus the wealth and business of every region from which these surplus funds proceed must be to some extent injured, while that of the place where the funds are concentrated and are employed in banking are proportionably extended. But both in making the transfer of the funds which are first necessary to pay the duties and collect the surplus and in making the re-transfer which becomes necessary when the time arrives for the distribution of that surplus there is a considerable period when the funds can not be brought into use, and it is manifest that, besides the loss inevitable from such an operation, its tendency is to produce fluctuations in the business of the country, which are always productive of speculation and detrimental to the interests of regular trade. Argument can scarcely be necessary to show that a measure of this character ought not to receive further legislative encouragement.

By examining the practical operation of the ration for distribution adopted in the deposit bill of the last session we shall discover other features that appear equally objectionable. Let it be assumed, for the sake of argument, that the surplus moneys to be deposited with the States have been collected and belong to them in the ration of their federal representative population -- an assumption founded upon the fact that any deficiencies in our future revenue from imposts and public lands must be made up by direct taxes collected from the States in that ration. It is proposed to distribute this surplus -- say \$30,000,000 -- not according to the ration in which it has been collected and belongs to the people of the States, but in that of their votes in the colleges of electors of President and Vice President. The effect of a distribution upon that ration is shown by the annexed table, marked A.

By an examination of that table it will be perceived that in the distribution of a surplus of \$30,000,000 upon that basis there is a great departure from the principle which regards representation as the true measure of taxation, and it will be found that the tendency of that departure will be to increase whatever inequalities have been supposed to attend the operation of our federal system in respect to its bearings upon the different interests of the Union. In making the basis of representation the basis of taxation the framers of the Constitution intended to equalize the burdens which are necessary to support the Government, and the adoption of that ratio, while it accomplished this object, was also the means of adjusting other great topics arising out of the conflicting views respecting the political equality of the various members of the Confederacy. What ever, therefore, disturbs the liberal spirit of the compromises which established a rule of taxation so just and equitable, and which experience has proved to be so well adapted to

the genius and habits of our people, should be received with the greatest caution and distrust.

A bare inspection in the annexed table of the differences produced by the ration used in the deposit act compared with the results of a distribution according to the ration of direct taxation must satisfy every unprejudiced mind that the former ration contravenes the spirit of the Constitution and produces a degree of injustice in the operations of the Federal Government which would be fatal to the hope of perpetuating it. By the ration of direct taxation, for example, the State of Delaware in the collection of \$30,000,000 of revenue would pay into the Treasury \$188,716, and in a distribution of \$30,000,000 she would receive back from the Government, according to the ration of the deposit bill, the sum of \$306,122; and similar results would follow the comparison between the small and the large States throughout the Union, thus realizing to the small States an advantage which would be doubtless as unacceptable to them as a motive for incorporating the principle in any system which would produce it as it would be inconsistent with the rights and expectations of the large States.

It was certainly the intention of that provision of the Constitution which declares that "*all duties, imposts, and excises*" shall "*be uniform throughout the United States*" to make the burdens of taxation fall equally upon the people in what ever State of the Union they may reside. But what would be the value of such a uniform rule if the moneys raised by it could be immediately returned by a different one which will give to the people of some States much more and to those of others much less than their fair proportions? Were the Federal Government to exempt in express terms the imports, products, and manufactures of some portions of the country from all duties while it imposed heavy ones on others, the injustice could not be greater. It would be easy to show how by the operation of such a principle the large States of the Union would not only have to contribute their just share toward the support of the Federal Government, but also have to bear in some degree the taxes necessary to support the governments of their smaller sisters; but it is deemed unnecessary to state the details where the general principle is so obvious.

A system liable to such objections can never be supposed to have been sanctioned by the framers of the Constitution when they conferred on Congress the taxing power, and I feel persuaded that a mature examination of the subject will satisfy everyone that there are insurmountable difficulties in the operation of any plan which can be devised of collecting revenue for the purpose of distributing it. Congress is only authorized to levy taxes "to pay the debts and provide for the common defense and general welfare of the United States". There is no such provision as would authorize Congress to collect together the property of the country, under the name of revenue, for the purpose of dividing it equally or unequally among the States or the people. Indeed, it is not probable that such an idea ever occurred to the States when they adopted the Constitution. But however this may be, the only safe rule for us in interpreting the powers granted to the Federal Government is to regard the absence of express authority to touch a subject so important and delicate as this as equivalent to a prohibition.

The effects of an extension of bank credits and over-issues of bank paper have been strikingly illustrated in the sales of the public lands. From the returns made by the various registers and receivers in the early part of last summer it was perceived that the receipts arising from the sales of the public lands were increasing to an unprecedented amount. In effect, however, these receipts amounted to nothing more than credits in bank. The banks lent out their notes to speculators. They were paid to the receivers and immediately returned to the banks, to be lent out again and again, being mere instruments to transfer to speculators the most valuable public land and pay the Government by a credit on the books of the banks.

Those credits on the books of some of the Western banks, usually called deposits, were already greatly beyond their immediate means of payment, and were rapidly increasing. Indeed, each speculation furnished means for another; for no sooner had one individual or company paid in the notes than they were immediately lent to another for a like purpose, and the banks were extending their business and their issues so largely as to alarm considerate men and render it doubtful whether these bank credits, if permitted to accumulate, would ultimately be of the least value to the Government. The spirit of expansion and speculation was not confined to the deposit banks, but pervaded the whole multitude of banks throughout the Union and was giving rise to new institutions to aggravate the evil.

### **Martin Van Buren, "First Annual Message," (December 1837)**

The balance in the Treasury on the 1st January, 1837, was \$45,968,523. The receipts during the present year from all sources, including the amount of Treasury notes issued, are estimated at \$23,499,981, constituting an aggregate of \$69,468,504. Of this amount about \$35,281,361 will have been expended at the end of the year on appropriations made by Congress, and the residue, amounting to \$34,187,143, will be the nominal balance in the Treasury on the 1st of January next; but of that sum only \$1,085,498 is considered as immediately available for and applicable to public purposes. Those portions of it which will be for some time unavailable consist chiefly of sums deposited with the States and due from the former deposit banks. The details upon this subject will be found in the annual report of the Secretary of the Treasury. The amount of Treasury notes which it will be necessary to issue during the year on account of those funds being unavailable will, it is supposed, not exceed four and a half millions. It seemed proper, in the condition of the country, to have the estimates on all subjects made as low as practicable without prejudice to any great public measures. The Departments were therefore desired to prepare their estimates accordingly, and I am happy to find that they have been able to graduate them on so economical a scale. In the great and often unexpected fluctuations to which the revenue is subjected it is not possible to compute the receipts beforehand with great certainty, but should they not differ essentially from present anticipations, and should the appropriations not much exceed the estimates, no difficulty seems likely to happen in defraying the current expenses with promptitude and fidelity.

Notwithstanding the great embarrassments which have recently occurred in commercial affairs, and the liberal indulgence which in consequence of these embarrassments has been extended to both the merchants and the banks, it is gratifying to be able to anticipate that the Treasury notes which have been issued during the present year will be redeemed and that the resources of the Treasury, without any resort to loans or increased taxes, will prove ample for defraying all charges imposed on it during 1838.

The report of the Secretary of the Treasury will afford you a more minute exposition of all matters connected with the administration of the finances during the current year--a period which for the amount of public moneys disbursed and deposited with the States, as well as the financial difficulties encountered and overcome, has few parallels in our history.

Your attention was at the last session invited to the necessity of additional legislative provisions in respect to the collection, safe-keeping, and transfer of the public money. No law having been then matured, and not understanding the proceedings of Congress as intended to be final, it becomes my duty again to bring the subject to your notice.

On that occasion three modes of performing this branch of the public service were presented for consideration. These were, the creation of a national bank; the revival, with modifications, of the deposit system established by the act of the 23d of June, 1836, permitting the use of the public moneys by the banks; and the discontinuance of the use of such institutions for the purposes referred to, with suitable provisions for their accomplishment through the agency of public officers. Considering the opinions of both Houses of Congress on the first two propositions as expressed in the negative, in which I entirely concur, it is unnecessary for me again to recur to them. In respect to the last, you have had an opportunity since your adjournment not only to test still further the expediency of the measure by the continued practical operation of such parts of it as are now in force, but also to discover what should ever be sought for and regarded with the utmost deference--the opinions and wishes of the people.

It was my hope that nothing would occur to make necessary on this occasion any allusion to the late national bank. There are circumstances, however, connected with the present state of its affairs that bear so directly on the character of the Government and the welfare of the citizen that I should not feel myself excused in neglecting to notice them. The charter which terminated its banking privileges on the 4th of March, 1836, continued its corporate power two years more for the sole purpose of closing its affairs, with authority "to use the corporate name, style, and capacity for the purpose of suits for a final settlement and liquidation of the affairs and acts of the corporation, and for the sale and disposition of their estate--real, personal, and mixed--but for no other purpose or in any other manner whatsoever." Just before the banking privileges ceased, its effects were transferred by the bank to a new State institution, then recently incorporated, in trust, for the discharge of its debts and the settlement of its affairs. With this trustee, by authority of Congress, an adjustment was subsequently made of the large interest which the Government had in the stock of the institution. The manner in which a trust unexpectedly created upon the act granting the charter, and involving such great public interests, has been executed would under any circumstances be a fit subject

of inquiry; but much more does it deserve your attention when it embraces the redemption of obligations to which the authority and credit of the United States have given value. The two years allowed are now nearly at an end. It is well understood that the trustee has not redeemed and canceled the outstanding notes of the bank, but has reissued and is actually reissuing, since the 3d of March, 1836, the notes which have been received by it to a vast amount. According to its own official statement, so late as the 1st of October last, nineteen months after- the banking privileges given by the charter had expired, it had under its control uncanceled notes of the late Bank of the United States to the amount of \$27,561,866, of which \$6,175,861 were in actual circulation, \$ 1,468,627 at State bank agencies, and \$3,002,390 in transitu, thus showing that upward of ten millions and a half of the notes of the old bank were then still kept outstanding.

### **Martin Van Buren, "Second Annual Message," (December 1838)**

Doubtful questions of domestic policy have been quietly settled by mutual forbearance, and agriculture, commerce, and manufactures minister to each other. Taxation and public debt, the burdens which bear so heavily upon all other countries, have pressed with comparative lightness upon us. Without one entangling alliance, our friendship is prized by every nation, and the rights of our citizens are everywhere respected, because they are known to be guarded by a united, sensitive, and watchful people.

An exposition of the fiscal affairs of the Government and of their condition for the past year will be made to you by the Secretary of the Treasury.

The available balance in the Treasury on the 1st of January next is estimated at \$2,765,342. The receipts of the year from customs and lands will probably amount to \$20,615,598. These usual sources of revenue have been increased by an issue of Treasury notes, of which less than \$8,000,000, including interest and principal, will be outstanding at the end of the year, and by the sale of one of the bonds of the Bank of the United States for \$2,254,871. The aggregate of means from these and other sources, with the balance on hand on the 1st of January last, has been applied to the payment of appropriations by Congress. The whole expenditure for the year on their account, including the redemption of more than eight millions of Treasury notes, constitutes an aggregate of about \$40,000,000, and will still leave in the Treasury the balance before stated.

Nearly \$8,000,000 of Treasury notes are to be paid during the coming year in addition to the ordinary appropriations for the support of Government. For both these purposes the resources of the Treasury will undoubtedly be sufficient if the charges upon it are not increased beyond the annual estimates. No excess, however, is likely to exist. Nor can the postponed installment of the surplus revenue be deposited with the States nor any considerable appropriations beyond the estimates be made without causing a deficiency in the Treasury. The great caution, advisable at all times, of limiting appropriations to the wants of the public service is rendered necessary at present by the prospective and

rapid reduction of the tariff, while the vigilant jealousy evidently excited among the people by the occurrences of the last few years assures us that they expect from their representatives, and will sustain them in the exercise of, the most rigid economy. Much can be effected by postponing appropriations not immediately required for the ordinary public service or for any pressing emergency, and much by reducing the expenditures where the entire and immediate accomplishment of the objects in view is not indispensable.

The progress and condition of the Post-Office Department will be seen by reference to the report of the Postmaster-General. The extent of post-roads covered by mail contracts is stated to be 134,818 miles, and the annual transportation upon them 34,580,202 miles. The number of post-offices in the United States is 12,553, and rapidly increasing. The gross revenue for the year ending on the 30th day of June last was \$4,262,145; the accruing expenditures, \$4,680,068; excess of expenditures, \$417,923. This has been made up out of the surplus previously on hand. The cash on hand on the 1st instant was \$314,068. The revenue for the year ending June 30, 1838, was \$161,540 more than that for the year ending June 30, 1837. The expenditures of the Department had been graduated upon the anticipation of a largely increased revenue. A moderate curtailment of mail service consequently became necessary, and has been effected, to shield the Department against the danger of embarrassment. Its revenue is now improving, and it will soon resume its onward course in the march of improvement.

### **Martin Van Buren, "Third Annual Message," (December 1839)**

The financial operations of the Government during the present year have, I am happy to say, been very successful. The difficulties under which the Treasury Department has labored, from known defects in the existing laws relative to the safe-keeping of the public moneys, aggravated by the suspension of specie payments by several of the banks holding public deposits or indebted to public officers for notes received in payment of public dues, have been surmounted to a very gratifying extent. The large current expenditures have been punctually met, and the faith of the Government in all its pecuniary concerns has been scrupulously maintained.

The nineteen millions of Treasury notes authorized by the act of Congress of 1837, and the modifications thereof with a view to the indulgence of merchants on their duty bonds and of the deposit banks in the payment of public moneys held by them, have been so punctually redeemed as to leave less than the original ten millions outstanding at any one time, and the whole amount unredeemed now falls short of three millions. Of these the chief portion is not due till next year, and the whole would have been already extinguished could the Treasury have realized the payments due to it from the banks. If those due from them during the next year shall be punctually made, and if Congress shall keep the appropriations within the estimates, there is every reason to believe that all the outstanding Treasury notes can be redeemed and the ordinary expenses defrayed without imposing on the people any additional burden, either of loans or increased taxes.

To avoid this and to keep the expenditures within reasonable bounds is a duty second only in importance to the preservation of our national character and the protection of our citizens in their civil and political rights. The creation in time of peace of a debt likely to become permanent is an evil for which there is no equivalent. The rapidity with which many of the States are apparently approaching to this condition admonishes us of our own duties in a manner too impressive to be disregarded. One, not the least important, is to keep the Federal Government always in a condition to discharge with ease and vigor its highest functions should their exercise be required by any sudden conjuncture of public affairs--a condition to which we are always exposed and which may occur when it is least expected. To this end it is indispensable that its finances should be untrammelled and its resources as far as practicable unencumbered. No circumstance could present greater obstacles to the accomplishment of these vitally important objects than the creation of an onerous national debt. Our own experience and also that of other nations have demonstrated the unavoidable and fearful rapidity with which a public debt is increased when the Government has once surrendered itself to the ruinous practice of supplying its supposed necessities by new loans. The struggle, therefore, on our part to be successful must be made at the threshold. To make our efforts effective, severe economy is necessary. This is the surest provision for the national welfare, and it is at the same time the best preservative of the principles on which our institutions rest. Simplicity and economy in the affairs of state have never failed to chasten and invigorate republican principles, while these have been as surely subverted by national prodigality, under whatever specious pretexts it may have been introduced or fostered.

These considerations can not be lost upon a people who have never been inattentive to the effect of their policy upon the institutions they have created for themselves, but at the present moment their force is augmented by the necessity which a decreasing revenue must impose. The check lately given to importations of articles subject to duties, the derangements in the operations of internal trade, and especially the reduction gradually taking place in our tariff of duties, all tend materially to lessen our receipts; indeed, it is probable that the diminution resulting from the last cause alone will not fall short of \$5,000,000 in the year 1842, as the final reduction of all duties to 20 per cent then takes effect. The whole revenue then accruing from the customs and from the sales of public lands, if not more, will undoubtedly be wanted to defray the necessary expenses of the Government under the most prudent administration of its affairs. These are circumstances that impose the necessity of rigid economy and require its prompt and constant exercise. With the Legislature rest the power and duty of so adjusting the public expenditure as to promote this end. By the provisions of the Constitution it is only in consequence of appropriations made by law that money can be drawn from the Treasury. No instance has occurred since the establishment of the Government in which the Executive, though a component part of the legislative power, has interposed an objection to an appropriation bill on the sole ground of its extravagance. His duty in this respect has been considered fulfilled by requesting such appropriations only as the public service may be reasonably expected to require. In the present earnest direction of the public mind toward this subject both the Executive and the Legislature have evidence of the strict responsibility to which they will be held; and while I am conscious of my own anxious efforts to perform with fidelity this portion of

my public functions, it is a satisfaction to me to be able to count on a cordial cooperation from you.

At the time I entered upon my present duties our ordinary disbursements, without including those on account of the public debt, the Post-Office, and the trust funds in charge of the Government, had been largely increased by appropriations for the removal of the Indians, for repelling Indian hostilities, and for other less urgent expenses which grew out of an overflowing Treasury. Independent of the redemption of the public debt and trusts, the gross expenditures of seventeen and eighteen millions in 1834 and 1835 had by these causes swelled to twenty-nine millions in 1836, and the appropriations for 1837, made previously to the 4th of March, caused the expenditure to rise to the very large amount of thirty-three millions. We were enabled during the year 1838, notwithstanding the continuance of our Indian embarrassments, somewhat to reduce this amount, and that for the present year (1839) will not in all probability exceed twenty-six millions, or six millions less than it was last year. With a determination, so far as depends on me, to continue this reduction, I have directed the estimates for 1840 to be subjected to the severest scrutiny and to be limited to the absolute requirements of the public service. They will be found less than the expenditures of 1839 by over \$5,000,000.

The precautionary measures which will be recommended by the Secretary of the Treasury to protect faithfully the public credit under the fluctuations and contingencies to which our receipts and expenditures are exposed, and especially in a commercial crisis like the present, are commended to your early attention.

The extent of post-roads covered by mail service on the 1st of July last was about 133,999 miles and the rate of annual transportation upon them 34,496,878 miles. The number of post-offices on that day was 12,780 and on the 30th ultimo 13,028.

The revenue of the Post-Office Department for the year ending with the 30th of June last was \$4,476,638, exhibiting an increase over the preceding year of \$241,560. The engagements and liabilities of the Department for the same period are \$4,624,117.

The excess of liabilities over the revenue for the last two years has been met out of the surplus which had previously accumulated. The cash on hand on the 30th ultimo was about \$206,701.95 and the current income of the Department varies very little from the rate of current expenditures. Most of the service suspended last year has been restored, and most of the new routes established by the act of 7th July, 1838, have been set in operation, at an annual cost of \$136,963. Notwithstanding the pecuniary difficulties of the country, the revenue of the Department appears to be increasing, and unless it shall be seriously checked by the recent suspension of payment by so many of the banks it will be able not only to maintain the present mail service, but in a short time to extend it. It is gratifying to witness the promptitude and fidelity with which the agents of this Department in general perform their public duties.

## **Martin Van Buren, “Fourth Annual Message,” (December 1840)**

The present sound condition of their finances and the success with which embarrassments in regard to them, at times apparently insurmountable, have been overcome are matters upon which the people and Government of the United States may well congratulate themselves. An overflowing Treasury, however it may be regarded as an evidence of public prosperity, is seldom conducive to the permanent welfare of any people, and experience has demonstrated its incompatibility with the salutary action of political institutions like those of the United States. Our safest reliance for financial efficiency and independence has, on the contrary, been found to consist in ample resources unencumbered with debt, and in this respect the Federal Government occupies a singularly fortunate and truly enviable position.

When I entered upon the discharge of my official duties in March, 1837, the act for the distribution of the surplus revenue was in a course of rapid execution. Nearly \$28,000,000 of the public moneys were, in pursuance of its provisions, deposited with the States in the months of January, April, and July of that year. In May there occurred a general suspension of specie payments by the banks, including, with very few exceptions, those in which the public moneys were deposited and upon whose fidelity the Government had unfortunately made itself dependent for the revenues which had been collected from the people and were indispensable to the public service.

This suspension and the excesses in banking and commerce out of which it arose, and which were greatly aggravated by its occurrence, made to a great extent unavailable the principal part of the public money then on hand, suspended the collection of many millions accruing on merchants' bonds, and greatly reduced the revenue arising from customs and the public lands. These effects have continued to operate in various degrees to the present period, and in addition to the decrease in the revenue thus produced two and a half millions of duties have been relinquished by two biennial reductions under the act of 1833, and probably as much more upon the importation of iron for railroads by special legislation.

Whilst such has been our condition for the last four years in relation to revenue, we have during the same period been subjected to an unavoidable continuance of large extraordinary expenses necessarily growing out of past transactions, and which could not be immediately arrested without great prejudice to the public interest. Of these, the charge upon the Treasurer in consequence of the Cherokee treaty alone, without adverting to others arising out of Indian treaties, has already exceeded \$5,000,000; that for the prosecution of measures for the removal of the Seminole Indians, which were found in progress, has been nearly fourteen millions, and the public buildings have required the unusual sum of nearly three millions.

It affords me, however, great pleasure to be able to say that from the commencement of this period to the present day every demand upon the Government, at home or abroad, has been promptly met. This has been done not only without creating a permanent debt or a resort to additional taxation in any form, but in the midst of a steadily progressive reduction of existing burdens upon the people, leaving still a considerable balance of

available funds which will remain in the Treasury at the end of the year. The small amount of Treasury notes, not exceeding \$4,500,000, still outstanding, and less by twenty-three millions than the United States have in deposit with the States, is composed of such only as are not yet due or have not been presented for payment. They may be redeemed out of the accruing revenue if the expenditures do not exceed the amount within which they may, it is thought, be kept without prejudice to the public interest, and the revenue shall prove to be as large as may justly be anticipated.

The policy of the Federal Government in extinguishing as rapidly as possible the national debt, and subsequently in resisting every temptation to create a new one, deserves to be regarded in the same favorable light. Among the many objections to a national debt, the certain tendency of public securities to concentrate ultimately in the coffers of foreign stockholders is one which is every day gathering strength. Already have the resources of many of the States and the future industry of their citizens been indefinitely mortgaged to the subjects of European Governments to the amount of twelve millions annually to pay the constantly accruing interest on borrowed money--a sum exceeding half the ordinary revenues of the whole United States. The pretext which this relation affords to foreigners to scrutinize the management of our domestic affairs, if not actually to intermeddle with them, presents a subject for earnest attention, not to say of serious alarm. Fortunately, the Federal Government, with the exception of an obligation entered into in behalf of the District of Columbia, which must soon be discharged, is wholly exempt from any such embarrassment. It is also, as is believed, the only Government which, having fully and faithfully paid all its creditors, has also relieved itself entirely from debt. To maintain a distinction so desirable and so honorable to our national character should be an object of earnest solicitude. Never should a free people, if it be possible to avoid it, expose themselves to the necessity of having to treat of the peace, the honor, or the safety of the Republic with the governments of foreign creditors, who, however well disposed they may be to cultivate with us in general friendly relations, are nevertheless by the law of their own condition made hostile to the success and permanency of political institutions like ours. Most humiliating may be the embarrassments consequent upon such a condition. Another objection, scarcely less formidable, to the commencement of a new debt is its inevitable tendency to increase in magnitude and to foster national extravagance. He has been an unprofitable observer of events who needs at this day to be admonished of the difficulties which a government habitually dependent on loans to sustain its ordinary expenditures has to encounter in resisting the influences constantly exerted in favor of additional loans; by capitalists, who enrich themselves by government securities for amounts much exceeding the money they actually advance--a prolific source of individual aggrandizement in all borrowing countries; by stockholders, who seek their gains in the rise and fall of public stocks; and by the selfish importunities of applicants for appropriations for works avowedly for the accommodation of the public, but the real objects of which are too frequently the advancement of private interests. The known necessity which so many of the States will be under to impose taxes for the payment of the interest on their debts furnishes an additional and very cogent reason why the Federal Governments should refrain from creating a national debt, by which the people would be exposed to double taxation for a similar object. We possess within ourselves ample resources for every emergency, and we may be quite sure that our citizens in no

future exigency will be unwilling to supply the Government with all the means asked for the defense of the country. In time of peace there can, at all events, be no justification for the creation of a permanent debt by the Federal Government. Its limited range of constitutional duties may certainly under such circumstances be performed without such a resort. It has, it is seen, been avoided during four years of greater fiscal difficulties than have existed in a similar period since the adoption of the Constitution, and one also remarkable for the occurrence of extraordinary causes of expenditures.

But to change a system operating upon so large a surface and applicable to such numerous and diversified interests and objects was more than the work of a day. The attention of every department of the Government was immediately and in good faith directed to that end, and has been so continued to the present moment. The estimates and appropriations for the year 1838 (the first over which I had any control) were somewhat diminished. The expenditures of 1839 were reduced \$6,000,000. Those of 1840, exclusive of disbursements for public debt and trust claims, will probably not exceed twenty-two and a half millions, being between two and three millions less than those of the preceding year and nine or ten millions less than those of 1837. Nor has it been found necessary in order to produce this result to resort to the power conferred by Congress of postponing certain classes of the public works, except by deferring expenditures for a short period upon a limited portion of them, and which postponement terminated some time since--at the moment the Treasury Department by further receipts from the indebted banks became fully assured of its ability to meet them without prejudice to the public service in other respects. Causes are in operation which will, it is believed, justify a still further reduction without injury to any important national interest. The expenses of sustaining the troops employed in Florida have been gradually and greatly reduced through the persevering efforts of the War Department, and a reasonable hope may be entertained that the necessity for military operations in that quarter will soon cease. The removal of the Indians from within our settled borders is nearly completed. The pension list, one of the heaviest charges upon the Treasury, is rapidly diminishing by death. The most costly of our public buildings are either finished or nearly so, and we may, I think, safely promise ourselves a continued exemption from border difficulties.

The available balance in the Treasury on the 1st of January next is estimated at \$ 1,500,000. This sum, with the expected receipts from all sources during the next year, will, it is believed, be sufficient to enable the Government to meet every engagement and have a suitable balance, in the Treasury at the end of the year, if the remedial measures connected with the customs and the public lands heretofore recommended are adopted and the new appropriations by Congress shall not carry the expenditures beyond the official estimates.

The new system established by Congress for the safe-keeping of the public money, prescribing the kind of currency to be received for the public revenue and providing additional guards and securities against losses, has now been several months in operation. Although it might be premature upon an experience of such limited duration to form a definite opinion in regard to the extent of its influences in correcting many evils under which the Federal Government and the country have hitherto suffered,

especially those that have grown out of banking expansions, a depreciated currency, and official defalcations, yet it is but right to say that nothing has occurred in the practical operation of the system to weaken in the slightest degree, but much to strengthen, the confident anticipations of its friends. The grounds of these have been heretofore so fully explained as to require no recapitulation. In respect to the facility and convenience it affords in conducting the public service, and the ability of the Government to discharge through its agency every duty attendant on the collection, transfer, and disbursement of the public money with promptitude and success, I can say with confidence that the apprehensions of those who felt it to be their duty to oppose its adoption have proved to be unfounded. On the contrary, this branch of the fiscal affairs of the Government has been, and it is believed may always be, thus carried on with every desirable facility and security. A few changes and improvements in the details of the system, without affecting any principles involved in it, will be submitted to you by the Secretary of the Treasury, and will, I am sure, receive at your hands that attention to which they may on examination be found to be entitled.

I have deemed this brief summary of our fiscal affairs necessary to the due performance of a duty specially enjoined upon me by the Constitution. It will serve also to illustrate more fully the principles by which I have been guided in reference to two contested points in our public policy which were earliest in their development and have been more important in their consequences than any that have arisen under our complicated and difficult, yet admirable, system of government. I allude to a national debt and a national bank. It was in these that the political contests by which the country has been agitated ever since the adoption of the Constitution in a great measure originated, and there is too much reason to apprehend that the conflicting interests and opposing principles thus marshaled will continue as heretofore to produce similar if not aggravated consequences. Coming into office the declared enemy of both, I have earnestly endeavored to prevent a resort to either.

The consideration that a large public debt affords an apology, and produces in some degree a necessity also, for resorting to a system and extent of taxation which is not only oppressive throughout, but is likewise so apt to lead in the end to the commission of that most odious of all offenses against the principles of republican government, the prostitution of political power, conferred for the general benefit, to the aggrandizement of particular classes and the gratification of individual cupidity, is alone sufficient, independently of the weighty objections which have already been urged, to render its creation and existence the sources of bitter and unappeasable discord. If we add to this its inevitable tendency to produce and foster extravagant expenditures of the public moneys, by which a necessity is created for new loans and new burdens on the people, and, finally, refer to the examples of every government which has existed for proof, how seldom it is that the system, when once adopted and implanted in the policy of a country, has failed to expand itself until public credit was exhausted and the people were no longer able to endure its increasing weight, it seems impossible to resist the conclusion that no benefits resulting from its career, no extent of conquest, no accession of wealth to particular classes, nor any nor all its combined advantages, can counterbalance its ultimate but certain results--a splendid government and an impoverished people.

To avoid the necessity of a permanent debt and its inevitable consequences I have advocated and endeavored to carry into effect the policy of confining the appropriations for the public service to such objects only as are clearly within the constitutional authority of the Federal Government; of excluding from its expenses those improvident and unauthorized grants of public money for works of internal improvement which were so wisely arrested by the constitutional interposition of my predecessor, and which, if they had not been so checked, would long before this time have involved the finances of the General Government in embarrassments far greater than those which are now experienced by any of the States; of limiting all our expenditures to that simple, unostentatious, and economical administration of public affairs which is alone consistent with the character of our institutions; of collecting annually from the customs, and the sales of public lands a revenue fully adequate to defray all the expenses thus incurred; but under no pretense whatsoever to impose taxes upon the people to a greater amount than was actually necessary to the public service conducted upon the principles I have stated.

### **John Tyler, "First Annual Message," (December 1841)**

From the report of the Secretary of the Treasury you will be informed of the condition of the finances. The balance in the Treasury on the 1st of January last, as stated in the report of the Secretary of the Treasury submitted to Congress at the extra session, was \$987,345.03. The receipts into the Treasury during the first three quarters of this year from all sources amount to \$23,467,072.52; the estimated receipts for the fourth quarter amount to \$6,943,095.25, amounting to \$30,410,167.77, and making with the balance in the Treasury on the 1st of January last \$31,397,512.80. The expenditures for the first three quarters of this year amount to \$24,734,346.97. The expenditures for the fourth quarter as estimated will amount to \$7,290,723.73, thus making a total of \$32,025,070.70, and leaving a deficit to be provided for on the 1st of January next of about \$627,557.90.

Of the loan of \$12,000,000 which was authorized by Congress at its late session only \$5,432,726.88 have been negotiated. The shortness of time which it had to run has presented no inconsiderable impediment in the way of its being taken by capitalists at home, while the same cause would have operated with much greater force in the foreign market. For that reason the foreign market has not been resorted to; and it is now submitted whether it would not be advisable to amend the law by making what remains undisposed of payable at a more distant day.

I am not able to perceive that any fair and candid objection can be urged against the plan, the principal outlines of which I have thus presented. I can not doubt but that the notes which it proposes to furnish at the voluntary option of the public creditor, issued in lieu of the revenue and its certificates of deposit, will be maintained at an equality with gold and silver everywhere. They are redeemable in gold and silver on demand at the places of issue. They are receivable everywhere in payment of Government dues. The Treasury notes are limited to an amount of one-fourth less than the estimated annual

receipts of the Treasury, and in addition they rest upon the faith of the Government for their redemption. If all these assurances are not sufficient to make them available, then the idea, as it seems to me, of furnishing a sound paper medium of exchange may be entirely abandoned.

If a fear be indulged that the Government may be tempted to run into excess in its issues at any future day, it seems to me that no such apprehension can reasonably be entertained until all confidence in the representatives of the States and of the people, as well as of the people themselves, shall be lost. The weightiest considerations of policy require that the restraints now proposed to be thrown around the measure should not for light causes be removed. To argue against any proposed plan its liability to possible abuse is to reject every expedient, since everything dependent on human action is liable to abuse. Fifteen millions of Treasury notes may be issued as the maximum, but a discretionary power is to be given to the board of control under that sum, and every consideration will unite in leading them to feel their way with caution. For the first eight years of the existence of the late Bank of the United States its circulation barely exceeded \$4,000,000, and for five of its most prosperous years it was about equal to \$16,000,000; furthermore, the authority given to receive private deposits to a limited amount and to issue certificates in such sums as may be called for by the depositors may so far fill up the channels of circulation as greatly to diminish the necessity of any considerable issue of Treasury notes.

### **John Tyler, "Second Annual Message," (December 1842)**

The balance in the Treasury on the 1st of January, 1842, exclusive of the amount deposited with the States, trust funds, and indemnities, was \$230,483.68. The receipts into the Treasury during the three first quarters of the present year from all sources amount to \$26,616,593.78, of which more than fourteen millions were received from customs and about one million from the public lands. The receipts for the fourth quarter are estimated at nearly eight millions, of which four millions are expected from customs and three millions and a half from loans and Treasury notes. The expenditures of the first three quarters of the present year exceed twenty-six millions, and those estimated for the fourth quarter amount to about eight millions; and it is anticipated there will be a deficiency of half a million on the 1st of January next, but that the amount of outstanding warrants (estimated at \$800,000) will leave an actual balance of about \$224,000 in the Treasury. Among the expenditures of this year are more than eight millions for the public debt and about \$600,000 on account of the distribution to the States of the proceeds of sales of the public lands.

In view of the fact that in 1830 the whole bank-note circulation within the United States amounted to but \$61,323,898, according to the Treasury statements, and that an addition had been made thereto of the enormous sum of \$88,000,000 in seven years (the circulation on the 1st of January, 1837, being stated at \$149,185,890), aided by the great facilities afforded in obtaining loans from European capitalists, who were seized with the same speculative mania which prevailed in the United States, and the large

importations of funds from abroad--the result of stock sales and loans--no one can be surprised at the apparent but unsubstantial state of prosperity which everywhere prevailed over the land; and as little cause of surprise should be felt at the present prostration of everything and the ruin which has befallen so many of our fellow-citizens in the sudden withdrawal from circulation of so large an amount of bank issues since 1837--exceeding, as is believed, the amount added to the paper currency for a similar period antecedent to 1837--it ceases to be a matter of astonishment that such extensive shipwreck should have been made of private fortunes or that difficulties should exist in meeting their engagements on the part of the debtor States; apart from which, if there be taken into account the immense losses sustained in the dishonor of numerous banks, it is less a matter of surprise that insolvency should have visited many of our fellow-citizens than that so many should have escaped the blighting influences of the times.

And in order to furnish a sound paper medium of exchange the exchequer should retain of the revenues of the Government a sum not to exceed \$5,000,000 in specie, to be set apart as required by its operations, and to pay the public creditor at his own option either in specie or Treasury notes of denominations not less than \$5 nor exceeding \$100, which notes should be redeemed at the several places of issue, and to be receivable at all times and everywhere in payment of Government dues, with a restraint upon such issue of bills that the same should not exceed the maximum of \$15,000,000. In order to guard against all the hazards incident to fluctuations in trade, the Secretary of the Treasury was invested with authority to issue \$5,000,000 of Government stock, should the same at any time be regarded as necessary in order to place beyond hazard the prompt redemption of the bills which might be thrown into circulation; thus in fact making the issue of \$15,000,000 of exchequer bills rest substantially on \$10,000,000, and keeping in circulation never more than one and one-half dollars for every dollar in specie.

### **John Tyler, "Third Annual Message," (December 1843)**

The receipts into the Treasury for the calendar year 1843, exclusive of loans, were little more than \$ 18,000,000, and the expenditures, exclusive of the payments on the public debt, will have been about \$23,000,000. By the act of 1842 a new arrangement of the fiscal year was made, so that it should commence on the 1st day of July in each year. The accounts and estimates for the current fiscal year will show that the loans and Treasury notes made and issued before the close of the last Congress to meet the anticipated deficiency have not been entirely adequate. Although on the 1st of October last there was a balance in the Treasury, in consequence of the provisions thus made, of \$3,914,082.77, yet the appropriations already made by Congress will absorb that balance and leave a probable deficiency of \$2,000,000 at the close of the present fiscal year. There are outstanding Treasury notes to about the amount of \$4,600,000, and should they be returned upon the Treasury during the fiscal year they will require provision for their redemption. I do not, however, regard this as probable, since they have obviously entered into the currency of the country and will continue to form a portion of it if the system now adopted be continued. The loan of 1841, amounting to \$5,672,976.88, falls

due on the 1st day of January, 1845, and must be provided for or postponed by a new loan; and unless the resources of revenue should be materially increased by you there will be a probable deficiency for the service of the fiscal year ending June 30, 1845, of upward of \$4,000,000.

The delusion incident to an enormously excessive paper circulation, which gave a fictitious value to everything and stimulated adventure and speculation to an extravagant extent, has been happily succeeded by the substitution of the precious metals and paper promptly redeemable in specie; and thus false values have disappeared and a sounder condition of things has been introduced. This transition, although intimately connected with the prosperity of the country, has nevertheless been attended with much embarrassment to the Government in its financial concerns. So long as the foreign importers could receive payment for their cargoes in a currency of greatly less value than that in Europe, but fully available here in the purchase of our agricultural productions (their profits being immeasurably augmented by the operation), the shipments were large and the revenues of the Government became superabundant. But the change in the character of the circulation from a nominal and apparently real value in the first stage of its existence to an obviously depreciated value in its second, so that it no longer answered the purposes of exchange or barter, and its ultimate substitution by a sound metallic and paper circulation combined, has been attended by diminished importations and a consequent falling off in the revenue. This has induced Congress, from 1837, to resort to the expedient of issuing Treasury notes, and finally of funding them, in order to supply deficiencies. I can not, however, withhold the remark that it is in no way compatible with the dignity of the Government that a public debt should be created in time of peace to meet the current expenses of the Government, or that temporary expedients should be resorted to an hour longer than it is possible to avoid them. The Executive can do no more than apply the means which Congress places in its hands for the support of Government, and, happily for the good of the country and for the preservation of its liberties, it possesses no power to levy exactions on the people or to force from them contributions to the public revenue in any form. It can only recommend such measures as may in its opinion be called for by the wants of the public service to Congress, with whom alone rests the power to "lay and collect taxes, duties, imposts, and excises." This duty has upon several occasions heretofore been performed. The present condition of things gives flattering promise that trade and commerce are rapidly reviving, and, fortunately for the country, the sources of revenue have only to be opened in order to prove abundant.

While we can anticipate no considerable increase in the proceeds of the sales of the public lands, for reasons perfectly obvious to all, for several years to come, yet the public lands can not otherwise than be regarded as the foundation of the public credit. With so large a body of the most fertile lands in the world under the control and at the disposal of this Government, no one can reasonably doubt the entire ability to meet its engagements under every emergency. In seasons of trial and difficulty similar to those through which we are passing the capitalist makes his investments in the Government cut stocks with the most assured confidence of ultimate reimbursement; and whatever may be said of a period of great financial prosperity, such as existed for some years after 1833, I should regard it as suicidal in a season of financial embarrassment either to

alienate the lands themselves or the proceeds arising from their sales. The first and paramount duty of those to whom may be intrusted the administration of public affairs is to guard the public credit. In reestablishing the credit of this central Government the readiest and most obvious mode is taken to restore the credit of the States. The extremities can only be made sound by producing a healthy action in the central Government, and the history of the present day fully establishes the fact that an increase in the value of the stocks of this Government will in a great majority of instances be attended by an increase in the value of the stocks of the States. It should therefore be a matter of general congratulation that amidst all the embarrassments arising from surrounding circumstances the credit of the Government should have been so fully restored that it has been enabled to effect a loan of \$7,000,000 to redeem that amount of Treasury notes on terms more favorable than any that have been offered for many years. And the 6 per cent stock which was created in 1842 has advanced in the hands of the holders nearly 20 per cent above its par value. The confidence of the people in the integrity of their Government has thus been signally manifested. These opinions relative to the public lands do not in any manner conflict with the observance of the most liberal policy toward those of our fellow-citizens who press forward into the wilderness and are the pioneers in the work of its reclamation. In securing to all such their rights of preemption the Government performs but an act of retributive justice for sufferings encountered and hardships endured, and finds ample remuneration in the comforts which its policy insures and the happiness which it imparts.

### **John Tyler, "Fourth Annual Message," (December 1844)**

The greatly improved condition of the Treasury affords a subject for general congratulation. The paralysis which had fallen on trade and commerce, and which subjected the Government to the necessity of resorting to loans and the issue of Treasury notes to a large amount, has passed away, and after the payment of upward of \$7,000,000 on account of the interest, and in redemption of more than \$5,000,000 of the public debt which falls due on the 1st of January next, and setting apart upward of \$2,000,000 for the payment of outstanding Treasury notes and meeting an installment of the debts of the corporate cities of the District of Columbia, an estimated surplus of upward of \$7,000,000 over and above the existing appropriations will remain in the Treasury at the close of the fiscal year. Should the Treasury notes continue outstanding as heretofore, that surplus will be considerably augmented. Although all interest has ceased upon them and the Government has invited their return to the Treasury, yet they remain outstanding, affording great facilities to commerce, and establishing the fact that under a well-regulated system of finance the Government has resources within itself which render it independent in time of need, not only of private loans, but also of bank facilities.

The only remaining subject of regret is that the remaining stocks of the Government do not fall due at an earlier day, since their redemption would be entirely within its control. As it is, it may be well worthy the consideration of Congress whether the law establishing the sinking fund (under the operation of which the debts of the Revolution

and last war with Great Britain were to a great extent extinguished) should not, with proper modifications, so as to prevent an accumulation of surpluses, and limited in amount to a specific sum, be reenacted. Such provision, which would authorize the Government to go into the market for a purchase of its own stock on fair terms, would serve to maintain its credit at the highest point and prevent to a great extent those fluctuations in the price of its securities which might under other circumstances affect its credit. No apprehension of this sort is at this moment entertained, since the stocks of the Government, which but two years ago were offered for sale to capitalists at home and abroad at a depreciation, and could find no purchasers, are now greatly above par in the hands of the holders; but a wise and prudent forecast admonishes us to place beyond the reach of contingency the public credit.

It must also be a matter of unmingled gratification that under the existing financial system (resting upon the act of 1789 and the resolution of 1816) the currency of the country has attained a state of perfect soundness; and the rates of exchange between different parts of the Union, which in 1841 denoted by their enormous amount the great depreciation and, in fact, worthlessness of the currency in most of the States, are now reduced to little more than the mere expense of transporting specie from place to place and the risk incident to the operation. In a new country like that of the United States, where so many inducements are held out for speculation, the depositories of the surplus revenue, consisting of banks of any description, when it reaches any considerable amount, require the closest vigilance on the part of the Government. All banking institutions, under whatever denomination they may pass, are governed by an almost exclusive regard to the interest of the stockholders. That interest consists in the augmentation of profits in the form of dividends, and a large surplus revenue intrusted to their custody is but too apt to lead to excessive loans and to extravagantly large issues of paper. As a necessary consequence prices are nominally increased and the speculative mania very soon seizes upon the public mind. A fictitious state of prosperity for a season exists, and, in the language of the day, money becomes plenty. Contracts are entered into by individuals resting on this unsubstantial state of things, but the delusion speedily passes away and the country is overrun with an indebtedness so weighty as to overwhelm many and to visit every department of industry with great and ruinous embarrassment. The greatest vigilance becomes necessary on the part of Government to guard against this state of things. The depositories must be given distinctly to understand that the favors of the Government will be altogether withdrawn, or substantially diminished, if its revenues shall be regarded as additions to their banking capital or as the foundation of an enlarged circulation.

The Government, through its revenue, has at all times an important part to perform in connection with the currency, and it greatly depends upon its vigilance and care whether the country be involved in embarrassments similar to those which it has had recently to encounter, or, aided by the action of the Treasury, shall be preserved in a sound and healthy condition.

The dangers to be guarded against are greatly augmented by too large a surplus of revenue. When that surplus greatly exceeds in amount what shall be required by a wise and prudent forecast to meet unforeseen contingencies, the Legislature itself may come

to be seized with a disposition to indulge in extravagant appropriations to objects many of which may, and most probably would, be found to conflict with the Constitution. A fancied expediency is elevated above constitutional authority, and a reckless and wasteful extravagance but too certainly follows.

The important power of taxation, which when exercised in its most restricted form is a burthen on labor and production, is resorted to under various pretexts for purposes having no affinity to the motives which dictated its grant, and the extravagance of Government stimulates individual extravagance until the spirit of a wild and ill-regulated speculation involves one and all in its unfortunate results. In view of such fatal consequences, it may be laid down as an axiom rounded in moral and political truth that no greater taxes should be imposed than are necessary for an economical administration of the Government, and that whatever exists beyond should be reduced or modified. This doctrine does in no way conflict with the exercise of a sound discrimination in the selection of the articles to be taxed, which a due regard to the public weal would at all times suggest to the legislative mind. It leaves the range of selection undefined; and such selection should always be made with an eye to the great interests of the country. Composed as is the Union of separate and independent States, a patriotic Legislature will not fail in consulting the interests of the parts to adopt such course as will be best calculated to advance the harmony of the whole, and thus insure that permanency in the policy of the Government without which all efforts to advance the public prosperity are vain and fruitless.

### **James Polk, "First Annual Message," (December 1845)**

The Secretary of the Treasury in his annual report to Congress will communicate a full statement of the condition of our finances. The imports for the fiscal year ending on the 30th of June last were of the value of \$117,254,564, of which the amount exported was \$15,346,830, leaving a balance of \$101,907,734 for domestic consumption. The exports for the same year were of the value of \$114,646,606, of which the amount of domestic articles was \$99,299,776. The receipts into the Treasury during the same year were \$29,769,133.56, of which there were derived from customs \$27,528,122.70, from sales of public lands \$2,077,022.30, and from incidental and miscellaneous sources \$163,998.56. The expenditures for the same period were \$29,968,206.98, of which \$8,588,157.62 were applied to the payment of the public debt. The balance in the Treasury on the 1st of July last was \$7,658,306.22. The amount of the public debt remaining unpaid on the 1st of October last was \$17,075,445.52. Further payments of the public debt would have been made, in anticipation of the period of its reimbursement under the authority conferred upon the Secretary of the Treasury by the acts of July 21, 1841, and of April 15, 1842, and March 3, 1843, had not the unsettled state of our relations with Mexico menaced hostile collision with that power. In view of such a contingency it was deemed prudent to retain in the Treasury an amount unusually large for ordinary purposes.

A few years ago our whole national debt growing out of the Revolution and the War of 1812 with Great Britain was extinguished, and we presented to the world the rare and noble spectacle of a great and growing people who had fully discharged every obligation. Since that time the existing debt has been contracted, and, small as it is in comparison with the similar burdens of most other nations, it should be extinguished at the earliest practicable period. Should the state of the country permit, and especially if our foreign relations interpose no obstacle, it is contemplated to apply all the moneys in the Treasury as they accrue, beyond what is required for the appropriations by Congress, to its liquidation. I cherish the hope of soon being able to congratulate the country on its recovering once more the lofty position which it so recently occupied. Our country, which exhibits to the world the benefits of self-government, in developing all the sources of national prosperity owes to mankind the permanent example of a nation free from the blighting influence of a public debt.

### **James Polk, "Second Annual Message," (December 1846)**

The annual report of the Secretary of the Treasury will exhibit a detailed statement of the condition of the finances. The imports for the fiscal year ending on the 30th of June last were of the value of \$121,691,797, of which the amount exported was \$11,346,623, leaving the amount retained in the country for domestic consumption \$110,345,174. The value of the exports for the same period was \$113,488,516, of which \$102,141,893 consisted of domestic productions and \$11,346,623 of foreign articles.

The receipts into the Treasury for the same year were \$29,499,247.06, of which there was derived from customs \$26,712,667.87, from the sales of public lands \$2,694,452.48, and from incidental and miscellaneous sources \$92,126.71. The expenditures for the same period were \$28,031,114.20, and the balance in the Treasury on the 1st day of July last was \$9,126,439.08.

The amount of the public debt, including Treasury notes, on the 1st of the present month was \$24,256,494.60, of which the sum of \$17,788,799.62 was outstanding on the 4th of March, 1845, leaving the amount incurred since that time \$6,467,694.98.

In order to prosecute the war with Mexico with vigor and energy, as the best means of bringing it to a speedy and honorable termination, a further loan will be necessary to meet the expenditures for the present and the next fiscal year. If the war should be continued until the 30th of June, 1848, being the end of the next fiscal year, it is estimated that an additional loan of \$23,000,000 will be required. This estimate is made upon the assumption that it will be necessary to retain constantly in the Treasury \$4,000,000 to guard against contingencies. If such surplus were not required to be retained, then a loan of \$19,000,000 would be sufficient. If, however, Congress should at the present session impose a revenue duty on the principal articles now embraced in the free list, it is estimated that an additional annual revenue of about two millions and a half, amounting, it is estimated, on the 30th of June, 1848, to \$4,000,000, would be derived from that source, and the loan required would be reduced by that amount. It is

estimated also that should Congress graduate and reduce the price of such of the public lands as have been long in the market the additional revenue derived from that source would be annually, for several years to come, between half a million and a million dollars; and the loan required may be reduced by that amount also. Should these measures be adopted, the loan required would not probably exceed \$18,000,000 or \$19,000,000, leaving in the Treasury a constant surplus of \$4,000,000. The loan proposed, it is estimated, will be sufficient to cover the necessary expenditures both for the war and for all other purposes up to the 30th of June, 1848, and an amount of this loan not exceeding one-half may be required during the present fiscal year, and the greater part of the remainder during the first half of the fiscal year succeeding.

In order that timely notice may be given and proper measures taken to effect the loan, or such portion of it as may be required, it is important that the authority of Congress to make it be given at an early period of your present session. It is suggested that the loan should be contracted for a period of twenty years, with authority to purchase the stock and pay it off at an earlier period at its market value out of any surplus which may at any time be in the Treasury applicable to that purpose. After the establishment of peace with Mexico, it is supposed that a considerable surplus will exist, and that the debt may be extinguished in a much shorter period than that for which it may be contracted. The period of twenty years, as that for which the proposed loan may be contracted, in preference to a shorter period, is suggested, because all experience, both at home and abroad, has shown that loans are effected upon much better terms upon long time than when they are reimbursable at short dates.

Necessary as this measure is to sustain the honor and the interests of the country engaged in a foreign war, it is not doubted but that Congress will promptly authorize it.

The balance in the Treasury on the 1st July last exceeded \$9,000,000, notwithstanding considerable expenditures had been made for the war during the months of May and June preceding. But for the war the whole public debt could and would have been extinguished within a short period; and it was a part of my settled policy to do so, and thus relieve the people from its burden and place the Government in a position which would enable it to reduce the public expenditures to that economical standard which is most consistent with the general welfare and the pure and wholesome progress of our institutions.

Among our just causes of complaint against Mexico arising out of her refusal to treat for peace, as well before as since the war so unjustly commenced on her part, are the extraordinary expenditures in which we have been involved. Justice to our own people will make it proper that Mexico should be held responsible for these expenditures.

Economy in the public expenditures is at all times a high duty which all public functionaries of the Government owe to the people. This duty becomes the more imperative in a period of war, when large and extraordinary expenditures become unavoidable. During the existence of the war with Mexico all our resources should be husbanded, and no appropriations made except such as are absolutely necessary for its vigorous prosecution and the due administration of the Government. Objects of

appropriation which in peace may be deemed useful or proper, but which are not indispensable for the public service, may when the country is engaged in a foreign war be well postponed to a future period. By the observance of this policy at your present session large amounts may be saved to the Treasury and be applied to objects of pressing and urgent necessity, and thus the creation of a corresponding amount of public debt may be avoided.

It is not meant to recommend that the ordinary and necessary appropriations for the support of Government should be withheld; but it is well known that at every session of Congress appropriations are proposed for numerous objects which may or may not be made without materially affecting the public interests, and these it is recommended should not be granted.

### **James Polk, "Third Annual Message," (December 1847)**

A detailed statement of the condition of the finances will be presented in the annual report of the Secretary of the Treasury. The imports for the last fiscal year, ending on the 30th of June, 1847, were of the value of \$146,545,638, of which the amount exported was \$8,011,158, leaving \$138,534,480 in the country for domestic use. The value of the exports for the same period was \$158,648,622, of which \$150,637,464 consisted of domestic productions and \$8,011,158 of foreign articles.

The receipts into the Treasury for the same period amounted to \$26,346,790.37, of which there was derived from customs \$23,747,864.66, from sales of public lands \$2,498,335.20, and from incidental and miscellaneous sources \$100,570.51. The last fiscal year, during which this amount was received, embraced five months under the operation of the tariff act of 1842 and seven months during which the tariff act of 1846 was in force. During the five months under the act of 1842 the amount received from customs was \$7,842,306.90, and during the seven months under the act of 1846 the amount received was \$15,905,557.76.

The net revenue from customs during the year ending on the 1st of December, 1846, being the last year under the operation of the tariff act of 1842, was \$22,971,403.10, and the net revenue from customs during the year ending on the 1st of December, 1847, being the first year under the operations of the tariff act of 1846, was about \$31,500,000, being an increase of revenue for the first year under the tariff of 1846 of more than \$8,500,000 over that of the last year under the tariff of 1842.

The expenditures during the fiscal year ending on the 30th of June last were \$59,451,177.65, of which \$3,522,082.37 was on account payment of principal and interest of the public debt, including Treasury notes redeemed and not funded. The expenditures exclusive of payment of public debt were \$55,929,095.28.

It is estimated that the receipts into the Treasury for the fiscal year ending on the 30th of June, 1848, including the balance in the Treasury on the 1st of July last, will amount

to \$42,886,545.80, of which \$31,000,000, it is estimated, will be derived from customs, \$3,500,000 from the sale of the public lands, \$400,000 from incidental sources, eluding sales made by the Solicitor of the Treasury, and \$6,285,294.55 from loans already authorized by law, which, together with the balance in the Treasury on the 1st of July last, make the sum estimated.

The expenditures for the same period, if peace with Mexico shall not be concluded and the Army shall be increased as is proposed, will amount, including the necessary payments on account of principal and interest of the public debt and Treasury notes, to \$58,615,660.07. On the 1st of the present month the amount of the public debt actually incurred, including Treasury notes, was \$45,659,659.40. The public debt due on the 4th of March, 1845, including Treasury notes, was \$17,788,799.62, and consequently the addition made to the public debt since that time is \$27,870,859.78.

Of the loan of twenty-three millions authorized by the act of the 28th of January, 1847, the sum of five millions was paid out to the public creditors or exchanged at par for specie; the remaining eighteen millions was offered for specie to the highest bidder not below par, by an advertisement issued by the Secretary of the Treasury and published from the 9th of February until the 10th of April, 1847, when it was awarded to the several highest bidders at premiums varying from one-eighth of per cent to 2 per cent above par. The premium has been paid into the Treasury and the sums awarded deposited in specie in the Treasury as fast as it was required by the wants of the Government.

To meet the expenditures for the remainder of the present and for the next fiscal year, ending on the 30th of June, 1849, a further loan in aid of the ordinary revenues of the Government will be necessary. Retaining a sufficient surplus in the Treasury, the loan required for the remainder of the present fiscal year will be about \$18,500,000. If the duty on tea and coffee be imposed and the graduation of the price of the public lands shall be made at an early period of your session, as recommended, the loan for the present fiscal year may be reduced to \$17,000,000. The loan may be further reduced by whatever amount of expenditures can be saved by military contributions collected in Mexico. The most vigorous measures for the augmentation of these contributions have been directed and a very considerable sum is expected from that source. Its amount can not, however, be calculated with any certainty. It is recommended that the loan to be made be authorized upon the same terms and for the same time as that which was authorized under the provisions of the act of the 28th of January, 1847.

Should the war with Mexico be continued until the 30th of June, 1849, it is estimated that a further loan of \$20,500,000 will be required for the fiscal year ending on that day, in case no duty be imposed on tea and coffee, and the public lands be not reduced and graduated in price, and no military contributions shall be collected in Mexico. If the duty on tea and coffee be imposed and the lands be reduced and graduated in price as proposed, the loan may be reduced to \$17,000,000, and will be subject to be still further reduced by the amount of the military contributions which may be collected in Mexico. It is not proposed, however, at present to ask Congress for authority to negotiate this loan for the next fiscal year, as it is hoped that the loan asked for the remainder of the

present fiscal year, aided by military contributions which may be collected in Mexico, may be sufficient. If, contrary to my expectation, there should be a necessity for it, the fact will be communicated to Congress in time for their action during the present session. In no event will a sum exceeding \$6,000,000 of this amount be needed before the meeting of the session of Congress in December, 1848.

### **James Polk, "Fourth Annual Message," (December 1848)**

The Secretary of the Treasury will present in his annual report a highly satisfactory statement of the condition of the finances.

The imports for the fiscal year ending on the 30th of June last were of the value of \$154,977,876, of which the amount exported was \$21,128,010, leaving \$133,849,866 in the country for domestic use. The value of the exports for the same period was \$154,032,131, consisting of domestic productions amounting to \$132,904,121 and \$21,128,010 of foreign articles. The receipts into the Treasury for the same period, exclusive of loans, amounted to \$35,436,750.59, of which there was derived from customs \$31,757,070.96, from sales of public lands \$3,328,642.56, and from miscellaneous and incidental sources \$351,037.07.

It will be perceived that the revenue from customs for the last fiscal year exceeded by \$757,070.96 the estimate of the Secretary of the Treasury in his last annual report, and that the aggregate receipts during the same period from customs, lands, and miscellaneous sources also exceeded the estimate by the sum of \$536,750.59, indicating, however, a very near approach in the estimate to the actual result.

The expenditures during the fiscal year ending on the 30th of June last, including those for the war and exclusive of payments of principal and interest for the public debt, were \$42,811,970.03.

It is estimated that the receipts into the Treasury for the fiscal year ending on the 30th of June, 1849, including the balance in the Treasury on the 1st of July last, will amount to the sum of \$57,048,969.90, of which \$32,000,000, it is estimated, will be derived from customs, \$3,000,000 from the sales of the public lands, and \$1,200,000 from miscellaneous and incidental sources, including the premium upon the loan, and the amount paid and to be paid into the Treasury on account of military contributions in Mexico, and the sales of arms and vessels and other public property rendered unnecessary for the use of the Government by the termination of the war, and \$20,695,435.30 from loans already negotiated, including Treasury notes funded, which, together with the balance in the Treasury on the 1st of July last, make the sum estimated.

The expenditures for the same period, including the necessary payment on account of the principal and interest of the public debt, and the principal and interest of the first installment due to Mexico on the 30th of May next, and other expenditures growing out

of the war to be paid during the present year, will amount, including the reimbursement of Treasury notes, to the sum of \$54,195,275.06, leaving an estimated balance in the Treasury on the 1st of July, 1849, of \$2,853,694.84.

The Secretary of the Treasury will present, as required by law, the estimate of the receipts and expenditures for the next fiscal year. The expenditures as estimated for that year are \$33,213,152.73, including \$3,799,102.18 for the interest on the public debt and \$3,540,000 for the principal and interest due to Mexico on the 30th of May, 1850, leaving the sum of \$25,874,050.35, which, it is believed, will be ample for the ordinary peace expenditures.

### **Zachary Taylor, "Annual Message," (December 1849)**

The receipts into the Treasury for the fiscal year ending on the 30th of June last were, in cash, \$48,830,097.50, and in Treasury notes funded \$10,833,000, making an aggregate of \$59,663,097.50; and the expenditures for the same time were, in cash, \$46,798,667.82, and in Treasury notes funded \$10,833,000, making an aggregate of \$57,631,667.82.

The accounts and estimates which will be submitted to Congress in the report of the Secretary of the Treasury show that there will probably be a deficit occasioned by the expenses of the Mexican War and treaty on the 1st day of July next of \$5,828,121.66, and on the 1st day of July, 1851, of \$10,547,092.73, making in the whole a probable deficit to be provided for of \$16,375,214.39. The extraordinary expenses of the war with Mexico and the purchase of California and New Mexico exceed in amount this deficit, together with the loans heretofore made for those objects. I therefore recommend that authority be given to borrow what ever sum may be necessary to cover that deficit. I recommend the observance of strict economy in the appropriation and expenditure of public money.

I recommend a revision of the existing tariff and its adjustment on a basis which may augment the revenue. I do not doubt the right or duty of Congress to encourage domestic industry, which is the great source of national as well as individual wealth and prosperity. I look to the wisdom and patriotism of Congress for the adoption of a system which may place home labor at last on a sure and permanent footing and by due encouragement of manufactures give a new and increased stimulus to agriculture and promote the development of our vast resources and the extension of our commerce. Believing that to the attainment of these ends, as well as the necessary augmentation of the revenue and the prevention of frauds, a system of specific duties is best adapted, I strongly recommend to Congress the adoption of that system, fixing the duties at rates high enough to afford substantial and sufficient encouragement to our own industry and at the same time so adjusted as to insure stability.

The question of the continuance of the subtreasury system is respectfully submitted to the wisdom of Congress. If continued, important modifications of it appear to be indispensable.

For further details and views on the above and other matters connected with commerce, the finances, and revenue I refer to the report of the Secretary of the Treasury.

### **Millard Fillmore, "First Annual Message," (December 1850)**

I refer you to the report of the Secretary of the Treasury for a detailed statement of the finances.

The total receipts into the Treasury for the year ending 30th of June last were \$47,421,748.90. The total expenditures during the same period were \$43,002,168.90. The public debt has been reduced since the last annual report from the Treasury Department \$495,276.79.

By the nineteenth section of the act of 28th January, 1847, the proceeds of the sales of the public lands were pledged for the interest and principal of the public debt. The great amount of those lands subsequently granted by Congress for military bounties will, it is believed, very nearly supply the public demand for several years to come, and but little reliance can, therefore, be placed on that hitherto fruitful source of revenue. Aside from the permanent annual expenditures, which have necessarily largely increased, a portion of the public debt, amounting to \$8,075,986.59, must be provided for within the next two fiscal years. It is most desirable that these accruing demands should be met without resorting to new loans.

All experience has demonstrated the wisdom and policy of raising a large portion of revenue for the support of Government from duties on goods imported. The power to lay these duties is unquestionable, and its chief object, of course, is to replenish the Treasury. But if in doing this an incidental advantage may be gained by encouraging the industry of our own citizens, it is our duty to avail ourselves of that advantage.

### **Millard Fillmore, "Second Annual Message," (December 1851)**

By reference to the report of the Secretary of the Treasury it will be seen that the aggregate receipts for the last fiscal year amounted to \$52,312,979.87, which, with the balance in the Treasury on the 1st July, 1850, gave as the available means for the year the sum of \$58,917,524.36.

The total expenditures for the same period were \$48,005,878.68. The total imports for the year ending June 30, 1851, were \$215,725,995, of which there were in specie \$4,967,901. The exports for the same period were \$217,517,130, of which there were of

domestic products \$178,546,555; foreign goods reexported, \$9,738,695; specie, \$29,231,880.

Since the 1st of December last the payments in cash on account of the public debt, exclusive of interest, have amounted to \$7,501,456.56, which, however, includes the sum of \$3,242,400, paid under the twelfth article of the treaty with Mexico, and the further sum of \$2,591,213.45, being the amount of awards to American citizens under the late treaty with Mexico, for which the issue of stock was authorized, but which was paid in cash from the Treasury.

The public debt on the 20th ultimo, exclusive of the stock authorized to be issued to Texas by the act of 9th September, 1850, was \$62,560,395.26.

The receipts for the next fiscal year are estimated at \$51,800,000, which, with the probable unappropriated balance in the Treasury on the 30th June next, will give as the probable available means for that year the sum of \$63,258,743.09.

It has been deemed proper, in view of the large expenditures consequent upon the acquisition of territory from Mexico, that the estimates for the next fiscal year should be laid before Congress in such manner as to distinguish the expenditures so required from the otherwise ordinary demands upon the Treasury.

The total expenditures for the next fiscal year are estimated at \$42,892,299.19, of which there is required for the ordinary purposes of the Government, other than those consequent upon the acquisition of our new territories, and deducting the payments on account of the public debt, the sum of \$33,343,198.08, and for the purposes connected, directly or indirectly, with those territories and in the fulfillment of the obligations of the Government contracted in consequence of their acquisition the sum of \$9,549,101.11.

If the views of the Secretary of the Treasury in reference to the expenditures required for these territories shall be met by corresponding action on the part of Congress, and appropriations made in accordance therewith, there will be an estimated unappropriated balance in the Treasury on the 30th June, 1853, of \$20,366,443.90 wherewith to meet that portion of the public debt due on the 1st of July following, amounting to \$6,237,931.35, as well as any appropriations which may be made beyond the estimates.

In thus referring to the estimated expenditures on account of our newly acquired territories, I may express the hope that Congress will concur with me in the desire that a liberal course of policy may be pursued toward them, and that every obligation, express or implied, entered into in consequence of their acquisition shall be fulfilled by the most liberal appropriations for that purpose.

The values of our domestic exports for the last fiscal year, as compared with those of the previous year, exhibit an increase of \$43,646,322. At first view this condition of our trade with foreign nations would seem to present the most flattering hopes of its future

prosperity. An examination of the details of our exports, however, will show that the increased value of our exports for the last fiscal year is to be found in the high price of cotton which prevailed during the first half of that year, which price has since declined about one-half.

The value of our exports of breadstuffs and provisions, which it was supposed the incentive of a low tariff and large importations from abroad would have greatly augmented, has fallen from \$68,701,921 in 1847 to \$26,051,373 in 1850 and to \$21,948,653 in 1851, with a strong probability, amounting almost to a certainty, of a still further reduction in the current year.

### **Millard Fillmore, "Third Annual Message," (December 1852)**

The condition of the Treasury is exhibited in the annual report from that Department.

The cash receipts into the Treasury for the fiscal year ending the 30th June last, exclusive of trust funds, were \$49,728,386.89, and the expenditures for the same period, likewise exclusive of trust funds, were \$46,007,896.20, of which \$9,455,815.83 was on account of the principal and interest of the public debt, including the last installment of the indemnity to Mexico under the treaty of Guadalupe Hidalgo, leaving a balance of \$14,632,136.37 in the Treasury on the 1st day of July last. Since this latter period further purchases of the principal of the public debt have been made to the extent of \$2,456,547.49, and the surplus in the Treasury will continue to be applied to that object whenever the stock can be procured within the limits as to price authorized by law.

The value of foreign merchandise imported during the last fiscal year was \$207,240,101, and the value of domestic productions exported was \$149,861,911, besides \$17,204,026 of foreign merchandise exported, making the aggregate of the entire exports \$167,065,937. Exclusive of the above, there was exported \$42,507,285 in specie, and imported from foreign ports \$5,262,643.

In my first annual message to Congress I called your attention to what seemed to me some defects in the present tariff, and recommended such modifications as in my judgment were best adapted to remedy its evils and promote the prosperity of the country. Nothing has since occurred to change my views on this important question.

While the flower of their numerous armies was wasted by disease or perished by hundreds of thousands upon the battlefield, the youth of this favored land were permitted to enjoy the blessings of peace beneath the paternal roof. While the States of Europe incurred enormous debts, under the burden of which their subjects still groan, and which must absorb no small part of the product of the honest industry of those countries for generations to come, the United States have once been enabled to exhibit the proud spectacle of a nation free from public debt, and if permitted to pursue our prosperous way for a few years longer in peace we may do the same again.

## **Franklin Pierce, "First Annual Message," (December 1853)**

Happily, I have no occasion to suggest any radical changes in the financial policy of the Government. Ours is almost, if not absolutely, the solitary power of Christendom having a surplus revenue drawn immediately from imposts on commerce, and therefore measured by the spontaneous enterprise and national prosperity of the country, with such indirect relation to agriculture, manufactures, and the products of the earth and sea as to violate no constitutional doctrine and yet vigorously promote the general welfare. Neither as to the sources of the public treasure nor as to the manner of keeping and managing it does any grave controversy now prevail, there being a general acquiescence in the wisdom of the present system.

The report of the Secretary of the Treasury will exhibit in detail the state of the public finances and the condition of the various branches of the public service administered by that Department of the Government.

The revenue of the country, levied almost insensibly to the taxpayer, goes on from year to year, increasing beyond either the interests or the prospective wants of the Government.

At the close of the fiscal year ending June 30, 1852, there remained in the Treasury a balance of \$14,632,136. The public revenue for the fiscal year ending June 30, 1853, amounted to \$58,931,865 from customs and to \$2,405,708 from public lands and other miscellaneous sources, amounting together to \$61,337,574, while the public expenditures for the same period, exclusive of payments on account of the public debt, amounted to \$43,554,262, leaving a balance of \$32,425,447 of receipts above expenditures.

This fact of increasing surplus in the Treasury became the subject of anxious consideration at a very early period of my Administration, and the path of duty in regard to it seemed to me obvious and clear, namely: First, to apply the surplus revenue to the discharge of the public debt so far as it could judiciously be done, and, secondly, to devise means for the gradual reduction of the revenue to the standard of the public exigencies.

Of these objects the first has been in the course of accomplishment in a manner and to a degree highly satisfactory. The amount of the public debt of all classes was on the 4th of March, 1853, \$69,190,037, payments on account of which have been made since that period to the amount of \$12,703,329, leaving unpaid and in continuous course of liquidation the sum of \$56,486,708. These payments, although made at the market price of the respective classes of stocks, have been effected readily and to the general advantage of the Treasury, and have at the same time proved of signal utility in the relief they have incidentally afforded to the money market and to the industrial and commercial pursuits of the country.

The second of the above-mentioned objects, that of the reduction of the tariff, is of great importance, and the plan suggested by the Secretary of the Treasury, which is to reduce

the duties on certain articles and to add to the free list many articles now taxed, and especially such as enter into manufactures and are not largely, or at all, produced in the country, is commended to your candid and careful consideration.

You will find in the report of the Secretary of the Treasury, also, abundant proof of the entire adequacy of the present fiscal system to meet all the requirements of the public service, and that, while properly administered, it operates to the advantage of the community in ordinary business relations.

I respectfully ask your attention to sundry suggestions of improvements in the settlement of accounts, especially as regards the large sums of outstanding arrears due to the Government, and of other reforms in the administrative action of his Department which are indicated by the Secretary; as also to the progress made in the construction of marine hospitals, custom-houses, and of a new mint in California and assay office in the city of New York, heretofore provided for by Congress, and also to the eminently successful progress of the Coast Survey and of the Light House Board.

### **Franklin Pierce, "Second Annual Message," (December 1854)**

Passing from foreign to domestic affairs, your attention is naturally directed to the financial condition of the country, always a subject of general interest. For complete and exact information regarding the finances and the various branches of the public service connected therewith I refer you to the report of the Secretary of the Treasury, from which it will appear that the amount of revenue during the last fiscal year from all sources was \$73,549,705, and that the public expenditures for the same period, exclusive of payments on account of the public debt, amounted to \$51, 018,249. During the same period the payments made in redemption of the public debt, including interest and premium, amounted to \$24,336,380. To the sum total of the receipts of that year is to be added a balance remaining in the Treasury at the commencement thereof, amounting to \$21,942,892; and at the close of the same year a corresponding balance, amounting to \$20,137,967, of receipts above expenditures also remained in the Treasury. Although, in the opinion of the Secretary of the Treasury, the receipts of the current fiscal year are not likely to equal in amount those of the last, yet they will undoubtedly exceed the amount of expenditures by at least \$15,000,000. I shall therefore continue to direct that the surplus revenue be applied, so far as it can be judiciously and economically done, to the reduction of the public debt, the amount of which at the commencement of the last fiscal year was \$67,340,628; of which there had been paid on the 20th day of November, 1854, the sum of \$22,365,172, leaving a balance of outstanding public debt of only \$44,975,456, redeemable at different periods within fourteen years. There are also remnants of other Government stocks, most of which are already due, and on which the interest has ceased, but which have not yet been presented for payment, amounting to \$233,179. This statement exhibits the fact that the annual income of the Government greatly exceeds the amount of its public debt, which latter remains unpaid only because the time of payment has not yet matured, and it can not be discharged at once except at the option of public creditors, who prefer to retain

the securities of the United States; and the other fact, not less striking, that the annual revenue from all sources exceeds by many millions of dollars the amount needed for a prudent and economical administration of the Government.

The estimates presented to Congress from the different Executive Departments at the last session amounted to \$38,406,581 and the appropriations made to the sum of \$58,116,958. Of this excess of appropriations over estimates, however, more than twenty millions was applicable to extraordinary objects, having no reference to the usual annual expenditures. Among these objects was embraced ten millions to meet the third article of the treaty between the United States and Mexico; so that, in fact, for objects of ordinary expenditure the appropriations were limited to considerably less than \$40,000,000. I therefore renew my recommendation for a reduction of the duties on imports. The report of the Secretary of the Treasury presents a series of tables showing the operation of the revenue system for several successive years; and as the general principle of reduction of duties with a view to revenue, and not protection, may now be regarded as the settled policy of the country, I trust that little difficulty will be encountered in settling the details of a measure to that effect.

In connection with this subject I recommend a change in the laws, which recent experience has shown to be essential to the protection of the Government. There is no express provision of law requiring the records and papers of a public character of the several officers of the Government to be left in their offices for the use of their successors, nor any provision declaring it felony on their part to make false entries in the books or return false accounts. In the absence of such express provision by law, the outgoing officers in many instances have claimed and exercised the right to take into their own possession important books and papers, on the ground that these were their private property, and have placed them beyond the reach of the Government. Conduct of this character, brought in several instances to the notice of the present Secretary of the Treasury, naturally awakened his suspicion, and resulted in the disclosure that at four ports--namely, Oswego, Toledo, Sandusky, and Milwaukee--the Treasury had, by false entries, been defrauded within the four years next preceding March, 1853, of the sum of \$198,000. The great difficulty with which the detection of these frauds has been attended, in consequence of the abstraction of books and papers by the retiring officers, and the facility with which similar frauds in the public service may be perpetrated render the necessity of new legal enactments in the respects above referred to quite obvious. For other material modifications of the revenue laws which seem to me desirable, I refer you to the report of the Secretary of the Treasury. That report and the tables which accompany it furnish ample proofs of the solid foundation on which the financial security of the country rests and of the salutary influence of the independent-treasury system upon commerce and all monetary operations.

The experience of the last year furnishes additional reasons, I regret to say, of a painful character, for the recommendation heretofore made to provide for increasing the military force employed in the Territory inhabited by the Indians. The settlers--on the frontier have suffered much from the incursions of predatory bands, and large parties of emigrants to our Pacific possessions have been massacred with impunity. The

recurrence of such scenes can only be prevented by teaching these wild tribes the power of and their responsibility to the United States.

### **Franklin Pierce, "Third Annual Message," (December 1855)**

The statements made in my last annual message respecting the anticipated receipts and expenditures of the Treasury have been substantially verified.

It appears from the report of the Secretary of the Treasury that the receipts during the last fiscal year, ending June 30, 1855, from all sources were \$65,003,930, and that the public expenditures for the same period, exclusive of payments on account of the public debt, amounted to \$56,365,393. During the same period the payments made in redemption of the public debt, including interest and premium, amounted to \$9,844,528.

The balance in the Treasury at the beginning of the present fiscal year, July 1, 1855., was \$18,931,976; the receipts for the first quarter and the estimated receipts for the remaining three quarters amount together to \$67,918,734; thus affording in all, as the available resources of the current fiscal year, the sum of \$86,856,710.

If to the actual expenditures of the first quarter of the current fiscal year be added the probable expenditures for the remaining three quarters, as estimated by the Secretary of the Treasury, the sum total will be \$71,226,846, thereby leaving an estimated balance in the Treasury on July 1, 1856, of \$15,623,863.41.

In the above-estimated expenditures of the present fiscal year are included \$3,000,000 to meet the last installment of the ten millions provided for in the late treaty with Mexico and \$7,750,000 appropriated on account of the debt due to Texas, which two sums make an aggregate amount of \$10,750,000 and reduce the expenditures, actual or estimated, for ordinary objects of the year to the sum of \$60,476,000.

The amount of the public debt at the commencement of the present fiscal year was \$40,583,631, and, deduction being made of subsequent payments, the whole public debt of the Federal Government remaining at this time is less than \$40,000,000. The remnant of certain other Government stocks, amounting to \$243,000, referred to in my last message as outstanding, has since been paid.

I am fully persuaded that it would be difficult to devise a system superior to that by which the fiscal business of the Government is now conducted. Notwithstanding the great number of public agents of collection and disbursement, it is believed that the checks and guards provided, including the requirement of monthly returns, render it scarcely possible for any considerable fraud on the part of those agents or neglect involving hazard of serious public loss to escape detection. I renew, however, the recommendation heretofore made by me of the enactment of a law declaring it felony on the part of public officers to insert false entries in their books of record or account or to

make false returns, and also requiring them on the termination of their service to deliver to their successors all books, records, and other objects of a public nature in their custody.

Derived, as our public revenue is, in chief part from duties on imports, its magnitude affords gratifying evidence of the prosperity, not only of our commerce, but of the other great interests upon which that depends.

The principle that all moneys not required for the current expenses of the Government should remain for active employment in the hands of the people and the conspicuous fact that the annual revenue from all sources exceeds by many millions of dollars the amount needed for a prudent and economical administration of public affairs can not fail to suggest the propriety of an early revision and reduction of the tariff of duties on imports. It is now so generally conceded that the purpose of revenue alone can justify the imposition of duties on imports that in readjusting the impost tables and schedules, which unquestionably require essential modifications, a departure from the principles of the present tariff is not anticipated.

### **Franklin Pierce, "Fourth Annual Message," (December 1856)**

I refer you to the report of the Secretary of the Treasury for particular information concerning the financial condition of the Government and the various branches of the public service connected with the Treasury Department.

During the last fiscal year the receipts from customs were for the first time more than \$64,000,000, and from all sources \$73,918,141, which, with the balance on hand up to the 1st of July, 1855, made the total resources of the year amount to \$92,850,117. The expenditures, including \$3,000,000 in execution of the treaty with Mexico and excluding sums paid on account of the public debt, amounted to \$60,172,401, and including the latter to \$72,948,792, the payment on this account having amounted to \$12,776,390.

On the 4th of March, 1853, the amount of the public debt was \$69,129,937. There was a subsequent increase of \$2,750,000 for the debt of Texas, making a total of \$71,879,937. Of this the sum of \$45,525,319, including premium, has been discharged, reducing the debt to \$30,963,909, all which might be paid within a year without embarrassing the public service, but being not yet due and only redeemable at the option of the holder, can not be pressed to payment by the Government.

On examining the expenditures of the last five years it will be seen that the average, deducting payments on account of the public debt and \$10,000,000 paid by treaty to Mexico, has been but about \$48,000,000. It is believed that under an economical administration of the Government the average expenditure for the ensuing five years will not exceed that sum, unless extraordinary occasion for its increase should occur. The acts granting bounty lands will soon have been executed, while the extension of our

frontier settlements will cause a continued demand for lands and augmented receipts, probably, from that source. These considerations will justify a reduction of the revenue from customs so as not to exceed forty-eight or fifty million dollars. I think the exigency for such reduction is imperative, and again urge it upon the consideration of Congress.

The amount of reduction, as well as the manner of effecting it, are questions of great and general interest, it being essential to industrial enterprise and the public prosperity, as well as the dictate of obvious justice, that the burden of taxation be made to rest as equally as possible upon all classes and all sections and interests of the country.

I have heretofore recommended to your consideration the revision of the revenue laws, prepared under the direction of the Secretary of the Treasury, and also legislation upon some special questions affecting the business of that Department, more especially the enactment of a law to punish the abstraction of official books or papers from the files of the Government and requiring all such books and papers and all other public property to be turned over by the outgoing officer to his successor; of a law requiring disbursing officers to deposit all public money in the vaults of the Treasury or in other legal depositories, where the same are conveniently accessible, and a law to extend existing penal provisions to all persons who may become possessed of public money by deposit or otherwise and who shall refuse or neglect on due demand to pay the same into the Treasury. I invite your attention anew to each of these objects.

### **James Buchanan, "First Annual Message to Congress on the State of the Union," (December 1857)**

The report of the Secretary of the Treasury will furnish a detailed statement of the condition of the public finances and of the respective branches of the public service devolved upon that Department of the Government. By this report it appears that the amount of revenue received from all sources into the Treasury during the fiscal year ending the 30th June, 1857, was \$68,631,513.67, which amount, with the balance of \$19,901,325.45 remaining in the Treasury at the commencement of the year, made an aggregate for the service of the year of \$88,532,839.12.

The public expenditures for the fiscal year ending 30th June, 1857, amounted to \$70,822,724.85, of which \$5,943,896.91 were applied to the redemption of the public debt, including interest and premium, leaving in the Treasury at the commencement of the present fiscal year, on the 1st July, 1857, \$17,710,114.27.

The receipts into the Treasury for the first quarter of the present fiscal year, commencing 1st July, 1857, were \$20,929,819.81, and the estimated receipts of the remaining three quarters to the 30th June, 1858, are \$36,750,000, making, with the balance before stated, an aggregate of \$75,389,934.08 for the service of the present fiscal year.

The actual expenditures during the first quarter of the present fiscal year were \$23,714,528.37, of which \$3,895,232.39 were applied to the redemption of the public debt, including interest and premium. The probable expenditures of the remaining three quarters to 30th June, 1858, are \$51,248,530.04, including interest on the public debt, making an aggregate of \$74,963,058.41, leaving an estimated balance in the Treasury at the close of the present fiscal year of \$426,875.67.

The amount of the public debt at the commencement of the present fiscal year was \$29,060,386.90.

The amount redeemed since the 1st of July was \$3,895,232.39, leaving a balance unredeemed at this time of \$25,165,154.51.

The amount of estimated expenditures for the remaining three quarters of the present fiscal year will in all probability be increased from the causes set forth in the report of the Secretary. His suggestion, therefore, that authority should be given to supply any temporary deficiency by the issue of a limited amount of Treasury notes is approved, and I accordingly recommend the passage of such a law.

As stated in the report of the Secretary, the tariff of March 3, 1857, has been in operation for so short a period of time and under circumstances so unfavorable to a just development of its results as a revenue measure that I should regard it as inexpedient, at least for the present, to undertake its revision.

### **James Buchanan, "Second Annual Message to Congress on the State of the Union," (December 1858)**

The report of the Secretary of the Treasury will explain in detail the operations of that Department of the Government. The receipts into the Treasury from all sources during the fiscal year ending June 30, 1858, including the Treasury notes authorized by the act of December 23, 1857, were \$70,273,869.59, which amount, with the balance of \$17,710,114.27 remaining in the Treasury at the commencement of the year, made an aggregate for the service of the year of \$87,983,983.86.

The public expenditures during the fiscal year ending June 30, 1858, amounted to \$81,585,667.76, of which \$9,684,537.99 were applied to the payment of the public debt and the redemption of Treasury notes with the interest thereon, leaving in the Treasury on July 1, 1858, being the commencement of the present fiscal year, \$6,398,316.10.

The receipts into the Treasury during the first quarter of the present fiscal year, commencing the 1st of July, 1858, including one-half of the loan of \$20,000,000, with the premium upon it, authorized by the act of June 14, 1858, were \$25,230,879.46, and the estimated receipts for the remaining three quarters to the 30th of June, 1859, from ordinary sources are \$38,500,000, making, with the balance before stated, an aggregate of \$70,129,195.56.

The expenditures during the first quarter of the present fiscal year were \$21,708,198.51, of which \$1,010,142.37 were applied to the payment of the public debt and the redemption of Treasury notes and the interest thereon. The estimated expenditures during the remaining three quarters to June 30, 1859, are \$52,357,698.48, making an aggregate of \$74,065,896.99, being an excess of expenditure beyond the estimated receipts into the Treasury from ordinary sources during the fiscal year to the 30th of June, 1859, of \$3,936,701.43. Extraordinary means are placed by law within the command of the Secretary of the Treasury, by the reissue of Treasury notes redeemed and by negotiating the balance of the loan authorized by the act of June 14, 1858, to the extent of \$11,000,000, which, if realized during the present fiscal year, will leave a balance in the Treasury on the 1st day of July, 1859, of \$7,063,298.57.

The estimated receipts during the next fiscal year, ending June 30, 1860, are \$62,000,000, which, with the above-estimated balance of \$7,063,298.57 make an aggregate for the service of the next fiscal year of \$69,063,298.57. The estimated expenditures during the next fiscal year, ending June 30, 1860, are \$73,139,147.46, which leaves a deficit of estimated means, compared with the estimated expenditures, for that year, commencing on July 1, 1859, of \$4,075,848.89.

In addition to this sum the Postmaster-General will require from the Treasury for the service of the Post-Office Department \$3,838,728, as explained in the report of the Secretary of the Treasury, which will increase the estimated deficit on June 30, 1860, to \$7,914,576.89. To provide for the payment of this estimated deficiency, which will be increased by such appropriations as may be made by Congress not estimated for in the report of the Treasury Department, as well as to provide for the gradual redemption from year to year of the outstanding Treasury notes, the Secretary of the Treasury recommends such a revision of the present tariff as will raise the required amount. After what I have already said I need scarcely add that I concur in the opinion expressed in his report--that the public debt should not be increased by an additional loan--and would therefore strongly urge upon Congress the duty of making at their present session the necessary provision for meeting these liabilities.

The public debt on July 1, 1858, the commencement of the present fiscal year, was \$25,155,977.66.

During the first quarter of the present year the sum of \$10,000,000 has been negotiated of the loan authorized by the act of June 14, 1858, making the present outstanding public debt, exclusive of Treasury notes, \$35,155,977.66. There was on the 1st of July, 1858, of Treasury notes issued by authority of the act of December 23, 1857, unredeemed, the sum of \$19,754,800, making the amount of actual indebtedness at that date \$54,910,777.66. To this will be added \$10,000,000 during the present fiscal year, this being the remaining half of the loan of \$20,000,000 not yet negotiated.

The rapid increase of the public debt and the necessity which exists for a modification of the tariff to meet even the ordinary expenses of the Government ought to admonish us all, in our respective spheres of duty, to the practice of rigid economy. The objects of expenditure should be limited in number, as far as this may be practicable, and the

appropriations necessary to carry them into effect ought to be disbursed under the strictest accountability. Enlightened economy does not consist in the refusal to appropriate money for constitutional purposes essential to the defense, progress, and prosperity of the Republic, but in taking care that none of this money shall be wasted by mismanagement in its application to the objects designated by law.

Comparisons between the annual expenditure at the present time and what it was ten or twenty years ago are altogether fallacious. The rapid increase of our country in extent and population renders a corresponding increase of expenditure to some extent unavoidable. This is constantly creating new objects of expenditure and augmenting the amount required for the old. The true questions, then, are, Have these objects been unnecessarily multiplied, or has the amount expended upon any or all of them been larger than comports with due economy? In accordance with these principles, the heads of the different Executive Departments of the Government have been instructed to reduce their estimates for the next fiscal year to the lowest standard consistent with the efficiency of the service, and this duty they have performed in a spirit of just economy. The estimates of the Treasury, War, Navy, and Interior Departments have each been in some degree reduced, and unless a sudden and unforeseen emergency should arise it is not anticipated that a deficiency will exist in either within the present or the next fiscal year. The Post-Office Department is placed in a peculiar position, different from the other Departments, and to this I shall hereafter refer.

I invite Congress to institute a rigid scrutiny to ascertain whether the expenses in all the Departments can not be still further reduced, and I promise them all the aid in my power in pursuing the investigation.

### **James Buchanan, "Third Annual Message to Congress on the State of the Union," (December 1859)**

It will appear from the report of the Secretary of the Treasury that it is extremely doubtful, to say the least, whether we shall be able to pass through the present and the next fiscal year without providing additional revenue. This can only be accomplished by strictly confining the appropriations within the estimates of the different Departments, without making an allowance for any additional expenditures which Congress may think proper, in their discretion, to authorize, and without providing for the redemption of any portion of the \$20,000,000 of Treasury notes which have been already issued. In the event of a deficiency, which I consider probable, this ought never to be supplied by a resort to additional loans. It would be a ruinous practice in the days of peace and prosperity to go on increasing the national debt to meet the ordinary expenses of the Government. This policy would cripple our resources and impair our credit in case the existence of war should render it necessary to borrow money. Should such a deficiency occur as I apprehend, I would recommend that the necessary revenue be raised by an increase of our present duties on imports. I need not repeat the opinions expressed in my last annual message as to the best mode and manner of accomplishing this object, and shall now merely observe that these have since undergone no change. The report of

the Secretary of the Treasury will explain in detail the operations of that Department of the Government. The receipts into the Treasury from all sources during the fiscal year ending June 30, 1859, including the loan authorized by the act of June 14, 1858, and the issues of Treasury notes authorized by existing laws, were \$81,692,471.01, which sum, with the balance of \$6,398,316.10 remaining in the Treasury at the commencement of that fiscal year, made an aggregate for the service of the year of \$88,090,787.11.

The public expenditures during the fiscal year ending June 30, 1859, amounted to \$83,751,511.57. Of this sum \$17,405,285.44 were applied to the payment of interest on the public debt and the redemption of the issues of Treasury notes. The expenditures for all other branches of the public service during that fiscal year were therefore \$66,346,226.13. The balance remaining in the Treasury on the 1st July, 1859, being the commencement of the present fiscal year, was \$4,339,275.54. The receipts into the Treasury during the first quarter of the present fiscal year, commencing July 1, 1859, were \$20,618,865.85. Of this amount \$3,821,300 was received on account of the loan and the issue of Treasury notes, the amount of \$16,797,565.85 having been received during the quarter from the ordinary sources of public revenue. The estimated receipts for the remaining three quarters of the present fiscal year, to June 30, 1860, are \$50,426,400. Of this amount it is estimated that \$5,756,400 will be received for Treasury notes which may be reissued under the fifth section of the act of 3d March last, and \$1,170,000 on account of the loan authorized by the act of June 14, 1858, making \$6,926,400 from these extraordinary sources, and \$43,500,000 from the ordinary sources of the public revenue, making an aggregate, with the balance in the Treasury on the 1st July, 1859, of \$75,384,541.89 for the estimated means of the present fiscal year, ending June 30, 1860.

The expenditures during the first quarter of the present fiscal year were \$20,007,174.76. Four million six hundred and sixty-four thousand three hundred and sixty-six dollars and seventy-six cents of this sum were applied to the payment of interest on the public debt and the redemption of the issues of Treasury notes, and the remainder, being \$15,342,808, were applied to ordinary expenditures during the quarter. The estimated expenditures during the remaining three quarters, to June 30, 1860, are \$40,995,558.23, of which sum \$2,886,621.34 are estimated for the interest on the public debt. The ascertained and estimated expenditures for the fiscal year ending June 30, 1860, on account of the public debt are accordingly \$7,550,988.10, and for the ordinary expenditures of the Government \$53,451,744.89, making an aggregate of \$61,002,732.99, leaving an estimated balance in the Treasury on June 30, 1860, of \$14,381,808.40.

The estimated receipts during the next fiscal year, ending June 30, 1861, are \$66,225,000, which, with the balance estimated, as before stated, as remaining in the Treasury on the 30th June, 1860, will make an aggregate for the service of the next fiscal year of \$80,606,808.40.

The estimated expenditures during the next fiscal year, ending 30th June, 1861, are \$66,714,928.79. Of this amount \$3,386,621.34 will be required to pay the interest on the public debt, leaving the sum of \$63,328,307.45 for the estimated ordinary expenditures

during the fiscal year ending 30th June, 1861. Upon these estimates a balance will be left in the Treasury on the 30th June, 1861, of \$13,891,879.61. But this balance, as well as that estimated to remain in the Treasury on the 1st July, 1860, will be reduced by such appropriations as shall be made by law to carry into effect certain Indian treaties during the present fiscal year, asked for by the Secretary of the Interior, to the amount of \$539,350; and upon the estimates of the postmaster-General for the service of his Department the last fiscal year, ending 30th June, 1859, amounting to \$4,296,009, together with the further estimate of that officer for the service of the present fiscal year, ending 30th June, 1860, being \$5,526,324, making an aggregate of \$10,361,683.

Should these appropriations be made as requested by the proper Departments, the balance in the Treasury on the 30th June, 1861, will not, it is estimated, exceed \$3,530,196.61.

I transmit herewith the reports of the Secretaries of War, of the Navy, of the Interior, and of the postmaster-General. They each contain valuable information and important recommendations well worthy of the serious consideration of Congress. It will appear from the report of the Secretary of War that the Army expenditures have been materially reduced by a system of rigid economy, which in his opinion offers every guaranty that the reduction will be permanent. The estimates of the Department for the next have been reduced nearly \$2,000,000 below the estimates for the present fiscal year and \$500,000 below the amount granted for this year at the last session of Congress.

The expenditures of the Post-Office Department during the past fiscal year, ending on the 30th June, 1859, exclusive of payments for mail service specially provided for by Congress out of the general Treasury, amounted to \$14,964,493.33 and its receipts to \$7,968,484.07, showing a deficiency to be supplied from the Treasury of \$6,996,009.26, against \$5,235,677.15 for the year ending 30th June, 1858. The increased cost of transportation, growing out of the expansion of the service required by Congress, explains this rapid augmentation of the expenditures. It is gratifying, however, to observe an increase of receipts for the year ending on the 30th of June, 1859, equal to \$481,691.21 compared with those in the year ending on the 30th June, 1858.

It is estimated that the deficiency for the current fiscal year will be \$5,988,424.04, but that for the year ending 30th June, 1861, it will not exceed \$1,342,473.90 should Congress adopt the measures of reform proposed and urged by the Postmaster-General. Since the month of March retrenchments have been made in the expenditures amounting to \$1,826,471 annually, which, however, did not take effect until after the commencement of the present fiscal year. The period seems to have arrived for determining the question whether this Department shall become a permanent and ever-increasing charge upon the Treasury, or shall be permitted to resume the self-sustaining policy which had so long controlled its administration. The course of legislation recommended by the Postmaster-General for the relief of the Department from its present embarrassments and for restoring it to its original independence is deserving of your early and earnest consideration.

## **James Buchanan, "Fourth Annual Message to Congress on the State of the Union," (December 1860)**

In my first annual message I promised to employ my best exertions in cooperation with Congress to reduce the expenditures of the Government within the limits of a wise and judicious economy. An overflowing Treasury had produced habits of prodigality and extravagance which could only be gradually corrected. The work required both time and patience. I applied myself diligently to this task from the beginning and was aided by the able and energetic efforts of the heads of the different Executive Departments. The result of our labors in this good cause did not appear in the sum total of our expenditures for the first two years, mainly in consequence of the extraordinary expenditure necessarily incurred in the Utah expedition and the very large amount of the contingent expenses of Congress during this period. These greatly exceeded the pay and mileage of the members. For the year ending June 30, 1858, whilst the pay and mileage amounted to \$1,490,214, the contingent expenses rose to \$2,093,309.79; and for the year ending June 30, 1859, whilst the pay and mileage amounted to \$859,093.66, the contingent expenses amounted to \$1,431,565.78. I am happy, however, to be able to inform you that during the last fiscal year, ending June 30, 1860, the total expenditures of the Government in all its branches--legislative, executive, and judicial--exclusive of the public debt, were reduced to the sum of \$55,402,465.46. This conclusively appears from the books of the Treasury. In the year ending June 30, 1858, the total expenditure, exclusive of the public debt, amounted to \$71,901,129.77, and that for the year ending June 30, 1859, to \$66,346,226.13. Whilst the books of the Treasury show an actual expenditure of \$59,848,474.72 for the year ending June 30, 1860, including \$1,040,667.71 for the contingent expenses of Congress, there must be deducted from this amount the sum of \$4,296,009.26, with the interest upon it of \$150,000, appropriated by the act of February 15, 1860, "for the purpose of supplying the deficiency in the revenues and defraying the expenses of the Post-Office Department for the year ending June 30, 1859." This sum therefore justly chargeable to the year 1859, must be deducted from the sum of \$59,848,474.72 in order to ascertain the expenditure for the year ending June 30, 1860, which leaves a balance for the expenditures of that year of \$55,402,465.46. The interest on the public debt, including Treasury notes, for the same fiscal year, ending June 30, 1860, amounted to \$3,177,314.62, which, added to the above sum of \$55,402,465.46, makes the aggregate of \$58,579,780.08.

It ought in justice to be observed that several of the estimates from the Departments for the year ending June 30, 1860, were reduced by Congress below what was and still is deemed compatible with the public interest. Allowing a liberal margin of \$2,500,000 for this reduction and for other causes, it may be safely asserted that the sum of \$61,000,000, or, at the most, \$62,000,000, is amply sufficient to administer the Government and to pay the interest on the public debt, unless contingent events should hereafter render extraordinary expenditures necessary.

This result has been attained in a considerable degree by the care exercised by the appropriate Departments in entering into public contracts. I have myself never interfered with the award of any such contract, except in a single case, with the

Colonization Society, deeming it advisable to cast the whole responsibility in each case on the proper head of the Department, with the general instruction that these contracts should always be given to the lowest and best bidder. It has ever been my opinion that public contracts are not a legitimate source of patronage to be conferred upon personal or political favorites, but that in all such cases a public officer is bound to act for the Government as a prudent individual would act for himself.

### **Abraham Lincoln, "First Annual Message," (December 1861)**

The operations of the Treasury during the period which has elapsed since your adjournment have been conducted with signal success. The patriotism of the people has placed at the disposal of the Government the large means demanded by the public exigencies. Much of the national loan has been taken by citizens of the industrial classes, whose confidence in their country's faith and zeal for their country's deliverance from present peril have induced them to contribute to the support of the Government the whole of their limited acquisitions. This fact imposes peculiar obligations to economy in disbursement and energy in action.

The revenue from all sources, including loans, for the financial year ending on the 30th of June, 1861, was \$86,835,900.27, and the expenditures for the same period, including payments on account of the public debt, were \$84,578,834.47, leaving a balance in the Treasury on the 1st of July of 52,257,065.80. For the first quarter of the financial year ending on the 30th of September, 1861, the receipts from all sources, including the balance of the 1st of July, were \$102,532,509.27, and the expenses \$98,239,733.09, leaving a balance on the 1st of October, 1861, of \$4,292,776.18.

Estimates for the remaining three quarters of the year and for the financial year 1863, together with his views of ways and means for meeting the demands contemplated by them, will be submitted to Congress by the Secretary of the Treasury. It is gratifying to know that the expenditures made necessary by the rebellion are not beyond the resources of the loyal people, and to believe that the same patriotism which has thus far sustained the Government will continue to sustain it till peace and union shall again bless the land.

### **Abraham Lincoln, "Second Annual Message," (December 1862)**

The receipts into the treasury from all sources, including loans and balance from the preceding year, for the fiscal year ending on the 30th June, 1862, were \$583,885,247.06, of which sum \$49,056,397.62 were derived from customs; \$1,795,331.73 from the direct tax; from public lands, \$152,203.77; from miscellaneous sources, \$931,787.64; from loans in all forms, \$529,692,460.50. The remainder, \$2,257,065.80, was the balance from last year.

The disbursements during the same period were: For Congressional, executive, and judicial purposes, \$5,939,009.29; for foreign intercourse, \$1,339,710.35; for miscellaneous expenses, including the mints, loans, Post-Office deficiencies, collection of revenue, and other like charges, \$14,129,771.50; for expenses under the Interior Department, 985.52; under the War Department, \$394,368,407.36; under the Navy Department, \$42,674,569.69; for interest on public debt, \$13,190,324.45; and for payment of public debt, including reimbursement of temporary loan and redemptions, \$96,096,922.09; making an aggregate of \$570,841,700.25, and leaving a balance in the Treasury on the 1st day of July, 1862, of \$13,043,546.81.

It should be observed that the sum of \$96,096,922.09, expended for reimbursements and redemption of public debt, being included also in the loans made, may be properly deducted both from receipts and expenditures, leaving the actual receipts for the year \$487,788,324.97, and the expenditures \$474,744,778.16.

Other information on the subject of the finances will be found in the report of the Secretary of the Treasury, to whose statements and views I invite your most candid and considerate attention.

### **Abraham Lincoln, "Third Annual Message," (December 1863)**

The operations of the Treasury during the last year have been successfully conducted. The enactment by Congress of a national banking law has proved a valuable support of the public credit and the general legislation in relation to loans has fully answered the expectations of its favorers. Some amendments may be required to perfect existing laws, but no change in their principles or general scope is believed to be needed.

Since these measures have been in operation all demands on the Treasury, including the pay of the Army and Navy, have been promptly met and fully satisfied. No considerable body of troops, it is believed, were ever more amply provided and more liberally and punctually paid, and it may be added that by no people were the burdens incident to a great war ever more cheerfully borne.

The receipts during the year from all sources, including loans and balance in the Treasury at its commencement, were \$901,125,674.86, and the aggregate disbursements \$895,796,630.65, leaving a balance on the 1st of July, 1863, of \$5,329,044.21. Of the receipts there were derived from customs \$69,059,642.40, from internal revenue \$37,640,787.95, from direct tax \$1,485,103.61, from lands \$167,617.17, from miscellaneous sources \$3,046,615.35, and from loans \$776,682,361.57, making the aggregate \$901,125,674.86. Of the disbursements there were for the civil service \$23,253,922.08, for pensions and Indians \$4,216,520.79, for interest on public debt \$24,729,846.51, for the War Department \$599,298,600.83, for the Navy Department \$63,211,105.27, for payment of funded and temporary debt \$181,086,635.07, making the aggregate \$895,796,630.65 and leaving the balance of \$5,329,044.21. But the payment of funded and temporary debt, having been made from moneys borrowed

during the year, must be regarded as merely nominal payments and the moneys borrowed to make them as merely nominal receipts, and their amount, \$181,086,635.07, should therefore be deducted both from receipts and disbursements. This being done there remains as actual receipts \$720,039,039.79 and the actual disbursements \$714,709,995.58, leaving the balance as already stated.

The actual receipts and disbursements for the first quarter and the estimated receipts and disbursements for the remaining three quarters of the current fiscal year (1864) will be shown in detail by the report of the Secretary of the Treasury, to which I invite your attention. It is sufficient to say here that it is not believed that actual results will exhibit a state of the finances less favorable to the country than the estimates of that officer heretofore submitted, while it is confidently expected that at the close of the year both disbursements and debt will be found very considerably less than has been anticipated.

### **Abraham Lincoln, "Fourth Annual Message," (December 1864)**

The financial affairs of the Government have been successfully administered during the last year. The legislation of the last session of Congress has beneficially affected the revenues, although sufficient time has not yet elapsed to experience the full effect of several of the provisions of the acts of Congress imposing increased taxation.

The receipts during the year from all sources, upon the basis of warrants signed by the Secretary of the Treasury, including loans and the balance in the Treasury on the 1st day of July, 1863, were \$1,394,796,007.62, and the aggregate disbursements, upon the same basis, were \$1,298,056,101.89, leaving a balance in the Treasury, as shown by warrants, of \$96,739,905.73.

Deduct from these amounts the amount of the principal of the public debt redeemed and the amount of issues in substitution therefor, and the actual cash operations of the Treasury were: Receipts, \$884,076,646.57; disbursements, \$865,234,087.86; which leaves a cash balance in the Treasury of \$18,842,558.71.

Of the receipts there were derived from customs \$102,316,152.99, from lands \$588,333.29, from direct taxes \$475,648.96, from internal revenue \$109,741,134.10, from miscellaneous sources \$47,511,448.10, and from loans applied to actual expenditures, including former balance, \$623,443,929.13.

There were disbursed for the civil service \$27,505,599.46, for pensions and Indians \$7,517,930.97, for the War Department \$690,791,842.97, for the Navy Department \$85,733,292.77, for interest on the public debt \$53,685,421.69, making an aggregate of \$865,234,087.86 and leaving a balance in the Treasury of \$18,842,558.71, as before stated.

For the actual receipts and disbursements for the first quarter and the estimated receipts and disbursements for the three remaining quarters of the current fiscal year,

and the general operations of the Treasury in detail, I refer you to the report of the Secretary of the Treasury. I concur with him in the opinion that the proportion of moneys required to meet the expenses consequent upon the war derived from taxation should be still further increased; and I earnestly invite your attention to this subject, to the end that there may be such additional legislation as shall be required to meet the just expectations of the Secretary.

The public debt on the 1st day of July last, as appears by the books of the Treasury, amounted to \$1,740,690,489.49. Probably, should the war continue for another year, that amount may be increased by not far from five hundred millions. Held, as it is, for the most part by our own people, it has become a substantial branch of national, though private, property. For obvious reasons the more nearly this property can be distributed among all the people the better. To favor such general distribution, greater inducements to become owners might, perhaps, with good effect and without injury be presented to persons of limited means. With this view I suggest whether it might not be both competent and expedient for Congress to provide that a limited amount of some future issue of public securities might be held by any bona fide purchaser exempt from taxation and from seizure for debt, under such restrictions and limitations as might be necessary to guard against abuse of so important a privilege. This would enable every prudent person to set aside a small annuity against a possible day of want.

Privileges like these would render the possession of such securities to the amount limited most desirable to every person of small means who might be able to save enough for the purpose. The great advantage of citizens being creditors as well as debtors with relation to the public debt is obvious. Men readily perceive that they can not be much oppressed by a debt which they owe to themselves.

The public debt on the 1st day of July last, although somewhat exceeding the estimate of the Secretary of the Treasury made to Congress at the commencement of the last session, falls short of the estimate of that officer made in the preceding December as to its probable amount at the beginning of this year by the sum of \$3,995,097.31. This fact exhibits a satisfactory condition and conduct of the operations of the Treasury.

### **Andrew Johnson, "First Annual Message," (December 1865)**

The revenue system of the country is a subject of vital interest to its honor and prosperity, and should command the earnest consideration of Congress. The Secretary of the Treasury will lay before you a full and detailed report of the receipts and disbursements of the last fiscal year, of the first quarter of the present fiscal year, of the probable receipts and expenditures for the other three quarters, and the estimates for the year following the 30th of June, 1866. I might content myself with a reference to that report, in which you will find all the information required for your deliberations and decision, but the paramount importance of the subject so presses itself on my own mind that I can not but lay before you my views of the measures which are required for the good character, and I might almost say for the existence, of this people. The life of a

republic lies certainly in the energy, virtue, and intelligence of its citizens; but it is equally true that a good revenue system is the life of an organized government. I meet you at a time when the nation has voluntarily burdened itself with a debt unprecedented in our annals. Vast as is its amount, it fades away into nothing when compared with the countless blessings that will be conferred upon our country and upon man by the preservation of the nation's life. Now, on the first occasion of the meeting of Congress since the return of peace, it is of the utmost importance to inaugurate a just policy, which shall at once be put in motion, and which shall commend itself to those who come after us for its continuance. We must aim at nothing less than the complete effacement of the financial evils that necessarily followed a state of civil war. We must endeavor to apply the earliest remedy to the deranged state of the currency, and not shrink from devising a policy which, with-out being oppressive to the people, shall immediately begin to effect a reduction of the debt, and, if persisted in, discharge it fully within a definitely fixed number of years.

It is our first duty to prepare in earnest for our recovery from the ever-increasing evils of an irredeemable currency without a sudden revulsion, and yet without untimely procrastination. For that end we must each, in our respective positions, prepare the way. I hold it the duty of the Executive to insist upon frugality in the expenditures, and a sparing economy is itself a great national resource. Of the banks to which authority has been given to issue notes secured by bonds of the United States we may require the greatest moderation and prudence, and the law must be rigidly enforced when its limits are exceeded. We may each one of us counsel our active and enterprising countrymen to be constantly on their guard, to liquidate debts contracted in a paper currency, and by conducting business as nearly as possible on a system of cash payments or short credits to hold themselves prepared to return to the standard of gold and silver. To aid our fellow-citizens in the prudent management of their monetary affairs, the duty devolves on us to diminish by law the amount of paper money now in circulation. Five years ago the bank-note circulation of the country amounted to not much more than two hundred millions; now the circulation, bank and national, exceeds seven hundred millions. The simple statement of the fact recommends more strongly than any words of mine could do the necessity of our restraining this expansion. The gradual reduction of the currency is the only measure that can save the business of the country from disastrous calamities, and this can be almost imperceptibly accomplished by gradually funding the national circulation in securities that may be made redeemable at the pleasure of the Government.

Our debt is doubly secure--first in the actual wealth and still greater undeveloped resources of the country, and next in the character of our institutions. The most intelligent observers among political economists have not failed to remark that the public debt of a country is safe in proportion as its people are free; that the debt of a republic is the safest of all. Our history confirms and establishes the theory, and is, I firmly believe, destined to give it a still more signal illustration. The secret of this superiority springs not merely from the fact that in a republic the national obligations are distributed more widely through countless numbers in all classes of society; it has its root in the character of our laws. Here all men contribute to the public welfare and bear their fair share of the public burdens. During the war, under the impulses of patriotism,

the men of the great body of the people, without regard to their own comparative want of wealth, thronged to our armies and filled our fleets of war, and held themselves ready to offer their lives for the public good. Now, in their turn, the property and income of the country should bear their just proportion of the burden of taxation, while in our impost system, through means of which increased vitality is incidentally imparted to all the industrial interests of the nation, the duties should be so adjusted as to fall most heavily on articles of luxury leaving the necessaries of life as free from taxation as the absolute wants of the Government economically administered will justify. No favored class should demand freedom from assessment, and the taxes should be so distributed as not to fall unduly on the poor, but rather on the accumulated wealth of the country. We should look at the national debt just as it is--not as a national blessing, but as a heavy burden on the industry of the country, to be discharged without unnecessary delay.

It is estimated by the Secretary of the Treasury that the expenditures for the fiscal year ending the 30th of June, 1866, will exceed the receipts \$112,194,947. It is gratifying, however, to state that it is also estimated that the revenue for the year ending the 30th of June, 1867, will exceed the expenditures in the sum of \$111,682,818. This amount, or so much as may be deemed sufficient for the purpose, may be applied to the reduction of the public debt, which on the 31st day of October, 1865, was \$2,740,854,750. Every reduction will diminish the total amount of interest to be paid, and so enlarge the means of still further reductions, until the whole shall be liquidated; and this, as will be seen from the estimates of the Secretary of the Treasury, may be accomplished by annual payments even within a period not exceeding thirty years. I have faith that we shall do all this within a reasonable time; that as we have amazed the world by the suppression of a civil war which was thought to be beyond the control of any government, so we shall equally show the superiority of our institutions by the prompt and faithful discharge of our national obligations.

### **Andrew Johnson, "Second Annual Message," (December 1866)**

The report of the Secretary of the Treasury affords much information respecting the revenue and commerce of the country. His views upon the currency and with reference to a proper adjustment of our revenue system, internal as well as impost, are commended to the careful consideration of Congress. In my last annual message I expressed my general views upon these subjects. I need now only call attention to the necessity of carrying into every department of the Government a system of rigid accountability, thorough retrenchment, and wise economy. With no exceptional nor unusual expenditures, the oppressive burdens of taxation can be lessened by such a modification of our revenue laws as will be consistent with the public faith and the legitimate and necessary wants of the Government.

The report presents a much more satisfactory condition of our finances than one year ago the most sanguine could have anticipated. During the fiscal year ending the 30th June, 1865 (the last year of the war), the public debt was increased \$941,902,537, and on the 31st of October, 1865, it amounted to \$2,740,854,750. On the 31st day of October,

1866, it had been reduced to \$2,552,310,006, the diminution during a period of fourteen months, commencing September 1, 1865, and ending October 31, 1866, having been \$206,379,565. In the last annual report on the state of the finances it was estimated that during the three quarters of the fiscal year ending the 30th of June last the debt would be increased \$112,194,947. During that period, however, it was reduced \$31,196,387, the receipts of the year having been \$89,905,905 more and the expenditures \$200,529,235 less than the estimates. Nothing could more clearly indicate than these statements the extent and availability of the national resources and the rapidity and safety with which under our form of government, great military and naval establishments can be disbanded and expenses reduced from a war to a peace footing.

During the fiscal year ending June 30, 1866, the receipts were \$558,032,620 and the expenditures \$520,750,940, leaving an available surplus of \$37,281,680. It is estimated that the receipts for the fiscal year ending the 30th June, 1867, will be \$475,061,386, and that the expenditures will reach the sum of \$316,428,078, leaving in the Treasury a surplus of \$158,633,308. For the fiscal year ending June 30, 1886, it is estimated that the receipts will amount to \$436,000,000 and that the expenditures will be \$350,247,641, showing an excess of \$85,752,359 in favor of the Government. These estimated receipts may be diminished by a reduction of excise and import duties, but after all necessary reductions shall have been made the revenue of the present and of following years will doubtless be sufficient to cover all legitimate charges upon the Treasury and leave a large annual surplus to be applied to the payment of the principal of the debt. There seems now to be no good reason why taxes may not be reduced as the country advances in population and wealth, and yet the debt be extinguished within the next quarter of a century.

### **Andrew Johnson, "Third Annual Message," (December 1867)**

The condition of our finances and the operations of our revenue system are set forth and fully explained in the able and instructive report of the Secretary of the Treasury. On the 30th of June, 1866, the public debt amounted to \$2,783,425,879; on the 30th of June last it was \$2,692,199,215, showing a reduction during the fiscal year of \$91,226,664. During the fiscal year ending June 30, 1867, the receipts were \$490,634,010 and the expenditures \$346,729,129, leaving an available surplus of \$143,904,880. It is estimated that the receipts for the fiscal year ending June 30, 1868, will be \$417,161,928 and that the expenditures will reach the sum of \$393,269,226, leaving in the Treasury a surplus of \$23,892,702. For the fiscal year ending June 30, 1869, it is estimated that the receipts will amount to \$381,000,000 and that the expenditures will be \$372,000,000, showing an excess of \$9,000,000 in favor of the Government.

The attention of Congress is earnestly invited to the necessity of a thorough revision of our revenue system. Our internal-revenue laws and impost system should be so adjusted as to bear most heavily on articles of luxury, leaving the necessaries of life as free from taxation as may be consistent with the real wants of the Government, economically administered. Taxation would not then fall unduly on the man of moderate means; and

while none would be entirely exempt from assessment, all, in proportion to their pecuniary abilities, would contribute toward the support of the State. A modification of the internal-revenue system, by a large reduction in the number of articles now subject to tax, would be followed by results equally advantageous to the citizen and the Government. It would render the execution of the law less expensive and more certain, remove obstructions to industry, lessen the temptations to evade the law, diminish the violations and frauds perpetrated upon its provisions, make its operations less inquisitorial, and greatly reduce in numbers the army of taxgatherers created by the system, who "take from the mouth of honest labor the bread it has earned." Retrenchment, reform, and economy should be carried into every branch of the public service, that the expenditures of the Government may be reduced and the people relieved from oppressive taxation; a sound currency should be restored, and the public faith in regard to the national debt sacredly observed. The accomplishment of these important results, together with the restoration of the Union of the States upon the principles of the Constitution, would inspire confidence at home and abroad in the stability of our institutions and bring to the nation prosperity, peace, and good will.

#### **Andrew Johnson, "Fourth Annual Message," (December 1868)**

The annual expenditures of the Federal Government in 1791 were \$4,200,000; in 1820, \$18,200,000; in 1850, forty-one millions; in 1860, sixty-three millions; in 1865, nearly thirteen hundred millions; and in 1869 it is estimated by the Secretary of the Treasury, in his last annual report, that they will be three hundred and seventy-two millions.

By comparing the public disbursements of 1869, as estimated, with those of 1791, it will be seen that the increase of expenditure since the beginning of the Government has been 8,618 per cent, while the increase of the population for the same period was only 868 per cent. Again, the expenses of the Government in 1860, the year of peace immediately preceding the war, were only sixty--three millions, while in 1869, the year of peace three years after the war it is estimated they will be three hundred and seventy-two millions, an increase of 489 per cent, while the increase of population was only 21 per cent for the same period.

These statistics further show that in 1791 the annual national expenses, compared with the population, were little more than \$1 per capita, and in 1860 but \$2 per capita; while in 1869 they will reach the extravagant sum of \$9.78 per capita.

It will be observed that all these statements refer to and exhibit the disbursements of peace periods. It may, therefore, be of interest to compare the expenditures of the three war periods--the war with Great Britain, the Mexican War, and the War of the Rebellion.

In 1814 the annual expenses incident to the War of 1812 reached their highest amount--about thirty-one millions--while our population slightly exceeded 8,000,000, showing an expenditure of only \$3.80 per capita. In 1847 the expenditures growing out of the war with Mexico reached fifty-five millions, and the population about 21,000,000,

giving only \$2.60 per capita for the war expenses of that year. In 1865 the expenditures called for by the rebellion reached the vast amount of twelve hundred and ninety millions, which, compared with a population of 34,000,000, gives \$38.20 per capita.

From the 4th day of March, 1789, to the 30th of June, 1861, the entire expenditures of the Government were \$1,700,000,000. During that period we were engaged in wars with Great Britain and Mexico, and were involved in hostilities with powerful Indian tribes; Louisiana was purchased from France at a cost of \$15,000,000; Florida was ceded to us by Spain for five millions; California was acquired from Mexico for fifteen millions, and the territory of New Mexico was obtained from Texas for the sum of ten millions. Early in 1861 the War of the Rebellion commenced; and from the 1st of July of that year to the 30th of June, 1865, the public expenditures reached the enormous aggregate of thirty-three hundred millions. Three years of peace have intervened, and during that time the disbursements of the Government have successively been five hundred and twenty millions, three hundred and forty-six millions, and three hundred and ninety-three millions. Adding to these amounts three hundred and seventy-two millions, estimated as necessary for the fiscal year ending the 30th of June, 1869, we obtain a total expenditure of \$1,600,000,000 during the four years immediately succeeding the war, or nearly as much as was expended during the seventy-two years that preceded the rebellion and embraced the extraordinary expenditures already named.

These startling facts clearly illustrate the necessity of retrenchment in all branches of the public service. Abuses which were tolerated during the war for the preservation of the nation will not be endured by the people, now that profound peace prevails. The receipts from internal revenues and customs have during the past three years gradually diminished, and the continuance of useless and extravagant expenditures will involve us in national bankruptcy, or else make inevitable an increase of taxes, already too onerous and in many respects obnoxious on account of their inquisitorial character. One hundred millions annually are expended for the military force, a large portion of which is employed in the execution of laws both unnecessary and unconstitutional; one hundred and fifty millions are required each year to pay the interest on the public debt: an army of taxgatherers impoverishes the nation, and public agents, placed by Congress beyond the control of the Executive, divert from their legitimate purposes large sums of money which they collect from the people in the name of the Government. Judicious legislation and prudent economy can alone remedy defects and avert evils which, if suffered to exist, can not fail to diminish confidence in the public councils and weaken the attachment and respect of the people toward their political institutions. Without proper care the small balance which it is estimated will remain in the Treasury at the close of the present fiscal year will not be realized, and additional millions be added to a debt which is now enumerated by billions.

It is shown by the able and comprehensive report of the Secretary of the Treasury that the receipts for the fiscal year ending June 30, 1868, were \$405,638,083, and that the expenditures for the same period were \$377,340,284, leaving in the Treasury a surplus of \$28,297,798. It is estimated that the receipts during the present fiscal year, ending June 30, 1869, will be \$341,392,868 and the expenditures \$336,152,470, showing a

small balance of \$5,240,398 in favor of the Government. For the fiscal year ending June 30, 1870, it is estimated that the receipts will amount to \$327,000,000 and the expenditures to \$303,000,000, leaving an estimated surplus of \$24,000,000.

It becomes proper in this connection to make a brief reference to our public indebtedness, which has accumulated with such alarming rapidity and assumed such colossal proportions.

In 1789, when the Government commenced operations under the Federal Constitution, it was burdened with an indebtedness of \$75,000,000, created during the War of the Revolution. This amount had been reduced to \$45,000,000 when, in 1812, war was declared against Great Britain. The three years' struggle that followed largely increased the national obligations, and in 1816 they had attained the sum of \$127,000,000. Wise and economical legislation, however, enabled the Government to pay the entire amount within a period of twenty years, and the extinguishment of the national debt filled the land with rejoicing and was one of the great events of President Jackson's Administration. After its redemption a large fund remained in the Treasury, which was deposited for safe-keeping with the several States, on condition that it should be returned when required by the public wants. In 1849--the year after the termination of an expensive war with Mexico--we found ourselves involved in a debt of \$64,000,000; and this was the amount owed by the Government in 1860, just prior to the outbreak of the rebellion. In the spring of 1861 our civil war commenced. Each year of its continuance made an enormous addition to the debt: and when, in the spring of 1865, the nation successfully emerged from the conflict, the obligations of the Government had reached the immense sum of \$2,873,992,909. The Secretary of the Treasury shows that on the 1st day of November, 1867, this amount had been reduced to \$2,491,504,450; but at the same time his report exhibits an increase during the past year of \$35,625,102, for the debt on the 1st day of November last is stated to have been \$2,527,129,552. It is estimated by the Secretary that the returns for the past month will add to our liabilities the further sum of \$11,000,000, making a total increase during thirteen months of \$46,500,000.

In my message to Congress December 4, 1865, it was suggested that a policy should be devised which, without being oppressive to the people, would at once begin to effect a reduction of the debt, and, if persisted in, discharge it fully within a definite number of years. The Secretary of the Treasury forcibly recommends legislation of this character, and justly urges that the longer it is deferred the more difficult must become its accomplishment. We should follow the wise precedents established in 1789 and 1816, and without further delay make provision for the payment of our obligations at as early a period as may be practicable. The fruits of their labors should be enjoyed by our citizens rather than used to build up and sustain moneyed monopolies in our own and other lands. Our foreign debt is already computed by the Secretary of the Treasury at \$850,000,000; citizens of foreign countries receive interest upon a large portion of our securities, and American taxpayers are made to contribute large sums for their support. The idea that such a debt is to become permanent should be at all times discarded as involving taxation too heavy to be borne, and payment once in every sixteen years, at the present rate of interest, of an amount equal to the original sum. This vast debt, if

permitted to become permanent and increasing, must eventually be gathered into the hands of a few, and enable them to exert a dangerous and controlling power in the affairs of the Government. The borrowers would become servants to the lenders, the lenders the masters of the people. We now pride ourselves upon having given freedom to 4,000,000 of the colored race; it will then be our shame that 40,000,000 of people, by their own toleration of usurpation and profligacy, have suffered themselves to become enslaved, and merely exchanged slave owners for new taskmasters in the shape of bondholders and taxgatherers. Besides, permanent debts pertain to monarchical governments, and, tending to monopolies, perpetuities, and class legislation, are totally irreconcilable with free institutions. introduced into our republican system, they would gradually but surely sap its foundations, eventually subvert our governmental fabric, and erect upon its ruins a moneyed aristocracy. It is our sacred duty to transmit unimpaired to our posterity the blessings of liberty which were bequeathed to us by the founders of the Republic. and by our example teach those who are to follow us carefully to avoid the dangers which threaten a free and independent people.

Various plans have been proposed for the payment of the public debt. However they may have varied as to the time and mode in which it should be redeemed. there seems to be a general concurrence as to the propriety and justness of a reduction in the present rate of interest. The Secretary of the Treasury in his report recommends 5 per cent; Congress, in a bill passed prior to adjournment on the 27th of July last. agreed upon 4 and 4 1/2 per cent; while by many 3 per cent has been held to be an amply sufficient return for the investment. The general impression as to the exorbitancy of the existing rate of interest has led to an inquiry in the public mind respecting the consideration which the Government has actually received for its bonds, and the conclusion is becoming prevalent that the amount which it obtained was in real money three or four hundred per cent less than the obligations which it issued in return. It can not be denied that we are paying an extravagant percentage for the use of the money borrowed, which was paper currency, greatly depreciated below the value of coin. This fact is made apparent when we consider that bondholders receive from the Treasury upon each dollar they own in Government securities 6 per cent in gold, which is nearly or quite equal to 9 per cent in currency; that the bonds are then converted into capital for the national banks, upon which those institutions issue their circulation, bearing 6 per cent interest; and that they are exempt from taxation by the Government and the States, and thereby enhanced 2 per cent in the hands of the holders. We thus have an aggregate of 17 per cent which may be received upon each dollar by the owners of Government securities. A system that produces such results is justly regarded as favoring a few at the expense of the many, and has led to the further inquiry whether our bondholders, in view of the large profits which they have enjoyed, would themselves be averse to a settlement of our indebtedness upon a plan which would yield them a fair remuneration and at the same time be just to the taxpayers of the nation. Our national credit should be sacredly observed, but in making provision for our creditors we should not forget what is due to the masses of the people. It may be assumed that the holders of our securities have already received upon their bonds a larger amount than their original investment, measured by a gold standard. Upon this statement of facts it would seem but just and equitable that the 6 per cent interest now paid by the Government should be applied to the reduction of the principal in semiannual installments, which in sixteen years and

eight months would liquidate the entire national debt. Six per cent in gold would at present rates be equal to 9 per cent in currency, and equivalent to the payment of the debt one and a half times in a fraction less than seventeen years. This, in connection with all the other advantages derived from their investment, would afford to the public creditors a fair and liberal compensation for the use of their capital, and with this they should be satisfied. The lessons of the past admonish the lender that it is not well to be over-anxious in exacting from the borrower rigid compliance with the letter of the bond.

If provision be made for the payment of the indebtedness of the Government in the manner suggested, our nation will rapidly recover its wonted prosperity. Its interests require that some measure should be taken to release the large amount of capital invested in the securities of the Government. It is not now merely unproductive, but in taxation annually consumes \$150,000,000, which would otherwise be used by our enterprising people in adding to the wealth of the nation. Our commerce, which at one time successfully rivaled that of the great maritime powers, has rapidly diminished, and our industrial interests are in a depressed and languishing condition. The development of our inexhaustible resources is checked, and the fertile fields of the South are becoming waste for want of means to till them. With the release of capital, new life would be infused into the paralyzed energies of our people and activity and vigor imparted to every branch of industry. Our people need encouragement in their efforts to recover from the effects of the rebellion and of injudicious legislation, and it should be the aim of the Government to stimulate them by the prospect of an early release from the burdens which impede their prosperity. If we can not take the burdens from their shoulders, we should at least manifest a willingness to help to bear them.

### **Ulysses S. Grant, "First Annual Message," (December 1869)**

With the funding of the national debt, as here suggested, I feel safe in saying that taxes and the revenue from imports may be reduced safely from sixty to eighty millions per annum at once, and may be still further reduced from year to year, as the resources of the country are developed.

The report of the Secretary of the Treasury shows the receipts of the Government for the fiscal year ending June 30, 1869, to be \$370,943,747, and the expenditures, including interest, bounties, etc., to be \$321,490,597. The estimates for the ensuing year are more favorable to the Government, and will no doubt show a much larger decrease of the public debt.

The vast resources of the nation, both developed and undeveloped, ought to make our credit the best on earth. With a less burden of taxation than the citizen has endured for six years past, the entire public debt could be paid in ten years. But it is not desirable that the people should be taxed to pay it in that time. Year by year the ability to pay increases in a rapid ratio. But the burden of interest ought to be reduced as rapidly as can be done without the violation of contract. The public debt is represented in great part by bonds having from five to twenty and from ten to forty years to run, bearing

interest at the rate of 6 per cent and 5 per cent, respectively. It is optional with the Government to pay these bonds at any period after the expiration of the least time mentioned upon their face. The time has already expired when a great part of them may be taken up, and is rapidly approaching when all may be. It is believed that all which are now due may be replaced by bonds bearing a rate of interest not exceeding 4 1/2 per cent, and as rapidly as the remainder become due that they may be replaced in the same way. To accomplish this it may be necessary to authorize the interest to be paid at either of three or four of the money centers of Europe, or by any assistant treasurer of the United States, at the option of the holder of the bond. I suggest this subject for the consideration of Congress, and also, simultaneously with this, the propriety of redeeming our currency, as before suggested, at its market value at the time the law goes into effect, increasing the rate at which currency shall be bought and sold from day to day or week to week, at the same rate of interest as Government pays upon its bonds.

The receipts in the Treasury beyond expenditures have exceeded the amount necessary to place to the credit of the sinking fund, as provided by law. To lock up the surplus in the Treasury and withhold it from circulation would lead to such a contraction of the currency as to cripple trade and seriously affect the prosperity of the country. Under these circumstances the Secretary of the Treasury and myself heartily concurred in the propriety of using all the surplus currency in the Treasury in the purchase of Government bonds, thus reducing the interest-bearing indebtedness of the country, and of submitting to Congress the question of the disposition to be made of the bonds so purchased. The bonds now held by the Treasury amount to about seventy-five millions, including those belonging to the sinking fund. I recommend that the whole be placed to the credit of the sinking fund.

Your attention is respectfully invited to the recommendations of the Secretary of the Treasury for the creation of the office of commissioner of customs revenue; for the increase of salaries to certain classes of officials; the substitution of increased national-bank circulation to replace the outstanding 3 per cent certificates; and most especially to his recommendation for the repeal of laws allowing shares of fines, penalties, forfeitures, etc., to officers of the Government or to informers.

The report of the Secretary of War shows the expenditures of the War Department for the year ending June 30, 1869, to be \$80,644,042, of which \$23,882,310 was disbursed in the payment of debts contracted during the war, and is not chargeable to current army expenses. His estimate of \$34,531,031 for the expenses of the Army for the next fiscal year is as low as it is believed can be relied on. The estimates of bureau officers have been carefully scrutinized, and reduced wherever it has been deemed practicable. If, however, the condition of the country should be such by the beginning of the next fiscal year as to admit of a greater concentration of troops, the appropriation asked for will not be expended.

The report of the Postmaster-General furnishes a clear and comprehensive exhibit of the operations of the postal service and of the financial condition of the Post-Office Department. The ordinary postal revenues for the year ending the 30th of June, 1869, amounted to \$18,344,510, and the expenditures to \$23,698,131, showing an excess of

expenditures over receipts of \$5,353,620. The excess of expenditures over receipts for the previous year amounted to \$6,437,992. The increase of revenues for 1869 over those of 1868 was \$2,051,909, and the increase of expenditures was \$967,538. The increased revenue in 1869 exceeded the increased revenue in 1868 by \$996,336, and the increased expenditure in 1869 was \$2,527,570 less than the increased expenditure in 1868, showing by comparison this gratifying feature of improvement, that while the increase of expenditures over the increase of receipts in 1868 was \$2,439,535, the increase of receipts over the increase of expenditures in 1869 was \$1,084,371.

### **Ulysses S. Grant, "Second Annual Message," (December 1870)**

The estimates for the expenses of the Government for the next fiscal year are \$18,244,346.01 less than for the current one, but exceed the appropriations for the present year for the same items \$8,972,127.56. In this estimate, however, is included \$22,338,278.37 for public works heretofore begun under Congressional provision, and of which only so much is asked as Congress may choose to give. The appropriation for the same works for the present fiscal year was \$11,984,518.08.

The average value of gold, as compared with national currency, for the whole of the year 1869 was about 134, and for eleven months of 1870 the same relative value has been about 115. The approach to a specie basis is very gratifying, but the fact can not be denied that the instability of the value of our currency is prejudicial to our prosperity, and tends to keep up prices, to the detriment of trade. The evils of a depreciated and fluctuating currency are so great that now, when the premium on gold has fallen so much, it would seem that the time has arrived when by wise and prudent legislation Congress should look to a policy which would place our currency at par with gold at no distant day.

The tax collected from the people has been reduced more than \$80,000,000 per annum. By steadiness in our present course there is no reason why in a few short years the national tax gatherer may not disappear from the door of the citizen almost entirely. With the revenue stamp dispensed by postmasters in every community, a tax upon liquors of all sorts and tobacco in all its forms, and by a wise adjustment of the tariff, which will put a duty only upon those articles which we could dispense with, known as luxuries, and on those which we use more of than we produce, revenue enough may be raised after a few years of peace and consequent reduction of indebtedness to fulfill all our obligations. A further reduction of expenses, in addition to a reduction of interest account, may be relied on to make this practicable. Revenue reform, if it means this, has my hearty support. If it implies a collection of all the revenue for the support of the Government, for the payment of principal and interest of the public debt, pensions, etc., by directly taxing the people, then I am against revenue reform, and confidently believe the people are with me. If it means failure to provide the necessary means to defray all the expenses of Government, and thereby repudiation of the public debt and pensions, then I am still more opposed to such kind of revenue reform. Revenue reform has not

been defined by any of its advocates to my knowledge, but seems to be accepted as something which is to supply every man's wants without any cost or effort on his part.

A true revenue reform can not be made in a day, but must be the work of national legislation and of time. As soon as the revenue can be dispensed with, all duty should be removed from coffee, tea and other articles of universal use not produced by ourselves. The necessities of the country compel us to collect revenue from our imports. An army of assessors and collectors is not a pleasant sight to the citizen, but that of a tariff for revenue is necessary. Such a tariff, so far as it acts as an encouragement to home production, affords employment to labor at living wages, in contrast to the pauper labor of the Old World, and also in the development of home resources.

The expenses of the Navy for the whole of the last year--i.e., from December 1, 1869, the date of the last report--are less than \$19,000,000, or about \$1,000,000 less than they were the previous year. The expenses since the commencement of this fiscal year--i.e., since July 1--show for the five months a decrease of over \$2,400,000 from those of the corresponding months last year. The estimates for the current year were \$28,205,671.37. Those for next year are \$20,683,317, with \$955,100 additional for necessary permanent improvements. These estimates are made closely for the mere maintenance of the naval establishment as now is, without much in the nature of permanent improvement. The appropriations made for the last and current years were evidently intended by Congress, and are sufficient only, to keep the Navy on its present footing by the repairing and refitting of our old ships.

### **Ulysses S. Grant, "Third Annual Message," (December 1871)**

The national debt has been reduced to the extent of \$86,057, 126.80 during the year, and by the negotiation of national bonds at a lower rate of interest the interest on the public debt has been so far diminished that now the sum to be raised for the interest account is nearly \$17,000,000 less than on the 1st of March, 1869. It was highly desirable that this rapid diminution should take place, both to strengthen the credit of the country and to convince its citizens of their entire ability to meet every dollar of liability without bankrupting them. But in view of the accomplishment of these desirable ends: of the rapid development of the resources of the country; its increasing ability to meet large demands, and the amount already paid, it is not desirable that the present resources of the country should continue to be taxed in order to continue this rapid payment. I therefore recommend a modification of both the tariff and internal-tax law. I recommend that all taxes from internal sources be abolished, except those collected from spirituous, vinous, and malt liquors, tobacco in its various forms, and from stamps.

In readjusting the tariff I suggest that a careful estimate be made of the amount of surplus revenue collected under the present laws, after providing for the current expenses of the Government, the interest count, and a sinking fund, and that this surplus be reduced in such a manner as to afford the greatest relief to the greatest number. There are many articles not produced at home, but which enter largely into

general consumption through articles which are manufactured at home, such as medicines compounded, etc., etc., from which very little revenue is derived, but which enter into general use. All such articles I recommend to be placed on the "free list." Should a further reduction prove advisable, I would then recommend that it be made upon those articles which can best bear it without disturbing home production or reducing the wages of American labor.

I have not entered into figures, because to do so would be to repeat what will be laid before you in the report of the Secretary of the Treasury. The present laws for collecting revenue pay collectors of customs small salaries, but provide for moieties (shares in all seizures), which, at principal ports of entry particularly, raise the compensation of those officials to a large sum. It has always seemed to me as if this system must at times work perniciously. It holds out an inducement to dishonest men, should such get possession of those offices, to be lax in their scrutiny of goods entered, to enable them finally to make large seizures. Your attention is respectfully invited to this subject.

Continued fluctuations in the value of gold, as compared with the national currency, has a most damaging effect upon the increase and development of the country, in keeping up prices of all articles necessary in everyday life. It fosters a spirit of gambling, prejudicial alike to national morals and the national finances. If the question can be met as to how to get a fixed value to our currency, that value constantly and uniformly approaching par with specie, a very desirable object will be gained.

### **Ulysses S. Grant, "Fourth Annual Message," (December 1872)**

The moneys received and covered into the Treasury during the fiscal year ended June 30, 1872, were:

From customs	\$216,370,286.77
From sales of public lands	2,575,714.19
From internal revenue	130,642,177.72
From tax on national-bank circulation, etc	6,523,396.39
From Pacific railway companies	749,861.87
From customs fines, etc	1,136,442.34
From fees--consular, patent, lands, etc	2,284,095.92
From miscellaneous	412,254.71
<b>Total ordinary receipts</b>	<b>364,694,229.91</b>
From premium on sales of coin	9,412,637.65
<b>Total net receipts</b>	<b>374,106,867.65</b>
Balance in Treasury June 30, 1871	109,935,705.59

(including \$18,228.35 received from "unavailable")

Total available cash	<u>484,042,573.15</u>
----------------------	-----------------------

The net expenditures by warrants during the same period were:

For civil expenses	\$16,187,059.20
For foreign intercourse	1,839,369.14
For Indians	7,061,728.82
For pensions	28,533,402.76
For military establishment, including fortifications, river and harbor improvements, and arsenals	35,372,157.20
For naval establishments, including vessels and machinery and improvements at navy-yards	21,249,809.99
For miscellaneous civil, including public buildings, light-houses, and collecting the revenue	42,958,329.08
For interest on the public debt	<u>117,357,839.72</u>
Total, exclusive of principal and premium on the public debt	270,559,695.91
For premium on bonds purchased	\$6,958,266.76
For redemption of the public debt	99,960,253.54
	<u>106,918,520.30</u>
Total net disbursements	377,478,216.21
Balance in Treasury June 30, 1872	<u>106,564,356.94</u>
<b>Total</b>	<b>484,042,573.15</b>

From the foregoing statement it appears that the net reduction of the principal of the debt during the fiscal year ending June 30, 1872, was \$99,960,253.54.

The source of this reduction is as follows:

Net ordinary receipts during the year	\$364,694,229.91
Net ordinary expenditures, including interest on the public debt	270,559,695.91
	<u>94,134,534.00</u>
Leaving surplus revenue	2,454,370.89

on sales of gold, in excess  
of the premium paid on bonds  
purchased

Add the amount of the reduction of  
the cash balance at the close of the  
year, accompanied with same at  
commencement of the year 3,371,348.65

**Total** 99,960,253.54

This statement treats solely of the principal of the public debt.

By the monthly statement of the public debt, which adds together the principal, interest due and unpaid, and interest accrued to date, not due, and deducts the cash in the Treasury as ascertained on the day of publication, the reduction was \$100,544,491.28.

The source of this reduction is as follows:

Reduction in principal account	\$99,960,003.54
Reduction in unpaid-interest account	<u>3,330,952.96</u>
Reduction in cash on hand	103,290,956.50
	<u>2,746,465.22</u>
	100,544,491.28

On the basis of the last table the statements show a reduction of the public debt from the 1st of March, 1869, to the present time as follows:

From March 1, 1869, to March 1, 1870	\$87,134,782.84
From March 1, 1870, to March 1, 1871	117,619,630.25
From March 1, 1871, to March 1, 1872	94,895,348.94
From March 1, 1872, to November 1, 1872 (eight months)	64,047,237.84
<b>Total</b>	<b>363,696,999.87</b>

With the great reduction of taxation by the acts of Congress at its last session, the expenditure of the Government in collecting the revenue will be much reduced for the next fiscal year. It is very doubtful, however, whether any further reduction of so vexatious a burden upon any people will be practicable for the present. At all events, as a measure of justice to the holders of the nation's certificates of indebtedness, I would recommend that no more legislation be had on this subject, unless it be to correct errors

of omission or commission in the present laws, until sufficient time has elapsed to prove that it can be done and still leave sufficient revenue to meet current expenses of Government, pay interest on the public debt, and provide for the sinking fund established by law. The preservation of our national credit is of the highest importance; next in importance to this comes a solemn duty to provide a national currency of fixed, unvarying value as compared with gold, and as soon as practicable, having due regard for the interests of the debtor class and the vicissitudes of trade and commerce, convertible into gold at par.

## **WAR DEPARTMENT.**

The report of the Secretary of War shows the expenditures of the War Department for the fiscal year ending June 30, 1871, to be \$35,799,991.82, and for the fiscal year ending June 30, 1872, to be \$35,372,157.20, showing a reduction in favor of the last fiscal year of \$427,834.62.

The estimates for military appropriations for the next fiscal year, ending June 30, 1874, are \$33,801,378.78.

## **Ulysses S. Grant, "Fourth Annual Message," (December 1872)**

The moneys received and covered into the Treasury during the fiscal year ended June 30, 1872, were:

From customs	\$216,370,286.77
From sales of public lands	2,575,714.19
From internal revenue	130,642,177.72
From tax on national-bank circulation, etc	6,523,396.39
From Pacific railway companies	749,861.87
From customs fines, etc	1,136,442.34
From fees--consular, patent, lands, etc	2,284,095.92
From miscellaneous	412,254.71
<b>Total ordinary receipts</b>	<b>364,694,229.91</b>
From premium on sales of coin	9,412,637.65
<b>Total net receipts</b>	<b>374,106,867.65</b>
Balance in Treasury June 30, 1871 (including \$18,228.35 received from "unavailable")	109,935,705.59

Total available cash 484,042,573.15

The net expenditures by warrants during the same period were:

For civil expenses	\$16,187,059.20
For foreign intercourse	1,839,369.14
For Indians	7,061,728.82
For pensions	28,533,402.76
For military establishment, including fortifications, river and harbor improvements, and arsenals	35,372,157.20
For naval establishments, including vessels and machinery and improvements at navy-yards	21,249,809.99
For miscellaneous civil, including public buildings, light-houses, and collecting the revenue	42,958,329.08
For interest on the public debt	117,357,839.72
Total, exclusive of principal and premium on the public debt	270,559,695.91
For premium on bonds purchased	\$6,958,266.76
For redemption of the public debt	99,960,253.54
	<hr/>
	106,918,520.30
Total net disbursements	377,478,216.21
Balance in Treasury June 30, 1872	106,564,356.94
<b>Total</b>	484,042,573.15

From the foregoing statement it appears that the net reduction of the principal of the debt during the fiscal year ending June 30, 1872, was \$99,960,253.54.

The source of this reduction is as follows:

Net ordinary receipts during the year	\$364,694,229.91
Net ordinary expenditures, including interest on the public debt	270,559,695.91
	<hr/>
Leaving surplus revenue	94,134,534.00
Add amount received from premium on sales of gold, in excess of the premium paid on bonds purchased	2,454,370.89

Add the amount of the reduction of the cash balance at the close of the year, accompanied with same at commencement of the year	3,371,348.65
---	--------------

<b>Total</b>	<b>99,960,253.54</b>
--------------	----------------------

This statement treats solely of the principal of the public debt.

By the monthly statement of the public debt, which adds together the principal, interest due and unpaid, and interest accrued to date, not due, and deducts the cash in the Treasury as ascertained on the day of publication, the reduction was \$100,544,491.28.

The source of this reduction is as follows:

Reduction in principal account	\$99,960,003.54
Reduction in unpaid-interest account	3,330,952.96
	<hr/>
Reduction in cash on hand	103,290,956.50
	2,746,465.22
	<hr/>
	100,544,491.28

On the basis of the last table the statements show a reduction of the public debt from the 1st of March, 1869, to the present time as follows:

From March 1, 1869, to March 1, 1870	\$87,134,782.84
From March 1, 1870, to March 1, 1871	117,619,630.25
From March 1, 1871, to March 1, 1872	94,895,348.94
From March 1, 1872, to November 1, 1872 (eight months)	64,047,237.84
<b>Total</b>	<b>363,696,999.87</b>

With the great reduction of taxation by the acts of Congress at its last session, the expenditure of the Government in collecting the revenue will be much reduced for the next fiscal year. It is very doubtful, however, whether any further reduction of so vexatious a burden upon any people will be practicable for the present. At all events, as a measure of justice to the holders of the nation's certificates of indebtedness, I would recommend that no more legislation be had on this subject, unless it be to correct errors of omission or commission in the present laws, until sufficient time has elapsed to prove that it can be done and still leave sufficient revenue to meet current expenses of Government, pay interest on the public debt, and provide for the sinking fund established by law. The preservation of our national credit is of the highest importance;

next in importance to this comes a solemn duty to provide a national currency of fixed, unvarying value as compared with gold, and as soon as practicable, having due regard for the interests of the debtor class and the vicissitudes of trade and commerce, convertible into gold at par.

## **WAR DEPARTMENT.**

The report of the Secretary of War shows the expenditures of the War Department for the fiscal year ending June 30, 1871, to be \$35,799,991.82, and for the fiscal year ending June 30, 1872, to be \$35,372,157.20, showing a reduction in favor of the last fiscal year of \$427,834.62.

The estimates for military appropriations for the next fiscal year, ending June 30, 1874, are \$33,801,378.78.

## **Ulysses S. Grant, "Fifth Annual Message," (December 1873)**

The receipts of the Government from all sources for the last fiscal year were \$333,738,204, and expenditures on all accounts \$290,345,245, thus showing an excess of receipts over expenditures of \$43,392,959. But it is not probable that this favorable exhibit will be shown for the present fiscal year. Indeed, it is very doubtful whether, except with great economy on the part of Congress in making appropriations and the same economy in administering the various Departments of Government, the revenues will not fall short of meeting actual expenses, including interest on the public debt.

I commend to Congress such economy, and point out two sources where it seems to me it might commence, to wit, in the appropriations for public buildings in the many cities where work has not yet been commenced; in the appropriations for river and harbor improvement in those localities where the improvements are of but little benefit to general commerce, and for fortifications.

There is a still more fruitful source of expenditure, which I will point out later in this message. I refer to the easy method of manufacturing claims for losses incurred in suppressing the late rebellion.

I would not be understood here as opposing the erection of good, substantial, and even ornamental buildings by the Government wherever such buildings are needed. In fact, I approve of the Government owning its own buildings in all sections of the country, and hope the day is not far distant when it will not only possess them, but will erect in the capital suitable residences for all persons who now receive commutation for quarters or rent at Government expense, and for the Cabinet, thus setting an example to the States which may induce them to erect buildings for their Senators. But I would have this work conducted at a time when the revenues of the country would abundantly justify it.

The revenues have materially fallen off for the first five months of the present fiscal year from what they were expected to produce, owing to the general panic now prevailing, which commenced about the middle of September last. The full effect of this disaster, if it should not prove a "blessing in disguise," is yet to be demonstrated. In either event it is your duty to heed the lesson and to provide by wise and well-considered legislation, as far as it lies in your power, against its recurrence, and to take advantage of all benefits that may have accrued.

**Ulysses S. Grant, "Sixth Annual Message," (December 1874)**

The report of the Secretary of the Treasury, which by law is made directly to Congress, and forms no part of this message, will show the receipts and expenditures of the Government for the last fiscal year, the amount received from each source of revenue, and the amount paid out for each of the Departments of Government. It will be observed from this report that the amount of receipts over expenditures has been but \$2,344,882.30 for the fiscal year ending June 30, 1874, and that for the current fiscal year the estimated receipts over expenditures will not much exceed \$9,000,000. In view of the large national debt existing and the obligation to add 1 per cent per annum to the sinking fund, a sum amounting now to over \$34,000,000 per annum, I submit whether revenues should not be increased or expenditures diminished to reach this amount of surplus. Not to provide for the sinking fund is a partial failure to comply with the contracts and obligations of the Government. At the last session of Congress a very considerable reduction was made in rates of taxation and in the number of articles submitted to taxation; the question may well be asked, whether or not, in some instances, unwisely. In connection with this subject, too, I venture the opinion that the means of collecting the revenue, especially from imports, have been so embarrassed by legislation as to make it questionable whether or not large amounts are not lost by failure to collect, to the direct loss of the Treasury and to the prejudice of the interests of honest importers and taxpayers.

The Secretary of the Treasury in his report favors legislation looking to an early return to specie payments, thus supporting views previously expressed in this message. He also recommends economy in appropriations; calls attention to the loss of revenue from repealing the tax on tea and coffee, without benefit to the consumer; recommends an increase of 10 cents a gallon on whisky, and, further, that no modification be made in the banking and currency bill passed at the last session of Congress, unless modification should become necessary by reason of the adoption of measures for returning to specie payments. In these recommendations I cordially join.

**Ulysses S. Grant, "Seventh Annual Message," (December 1875)**

The report of the Secretary of the Treasury shows the receipts from customs for the fiscal year ending June 30, 1874, to have been \$163,103,833.69, and for the fiscal year

ending June 30, 1875, to have been \$157,267,722.35, a decrease for the last fiscal year of \$5,936,111.34. Receipts from internal revenue for the year ending the 30th of June, 1874, were \$102,409,784.90, and for the year ending June 30, 1875, \$110,007,493.58; increase, \$7,597,708.68.

The report also shows a complete history of the workings of the Department for the last year, and contains recommendations for reforms and for legislation which I concur in, but can not comment on so fully as I should like to do if space would permit, but will confine myself to a few suggestions which I look upon as vital to the best interests of the whole people--coming within the purview of "Treasury;" I mean specie resumption. Too much stress can not be laid upon this question, and I hope Congress may be induced, at the earliest day practicable, to insure the consummation of the act of the last Congress, at its last session, to bring about specie resumption "on and after the 1st of January, 1879," at furthest. It would be a great blessing if this could be consummated even at an earlier day.

Nothing seems to me more certain than that a full, healthy, and permanent reaction can not take place in favor of the industries and financial welfare of the country until we return to a measure of values recognized throughout the civilized world. While we use a currency not equivalent to this standard the world's recognized standard, specie, becomes a commodity like the products of the soil, the surplus seeking a market wherever there is a demand for it.

### **Ulysses S. Grant, "Eighth Annual Message," (December 1876)**

Hence at the beginning of my first Administration the work of reconstruction, much embarrassed by the long delay, virtually commenced. It was the work of the legislative branch of the Government. My province was wholly in approving their acts, which I did most heartily, urging the legislatures of States that had not yet done so to ratify the fifteenth amendment to the Constitution. The country was laboring under an enormous debt, contracted in the suppression of rebellion, and taxation was so oppressive as to discourage production. Another danger also threatened us--a foreign war. The last difficulty had to be adjusted and was adjusted without a war and in a manner highly honorable to all parties concerned. Taxes have been reduced within the last seven years nearly \$300,000,000, and the national debt has been reduced in the same time over \$435,000,000. By refunding the 6 per cent bonded debt for bonds bearing 5 and 4 1/2 per cent interest, respectively, the annual interest has been reduced from over \$130,000,000 in 1869 to but little over \$100,000,000 in 1876. The balance of trade has been changed from over \$130,000,000 against the United States in 1869 to more than \$120,000,000 in our favor in 1876.

It is confidently believed that the balance of trade in favor of the United States will increase, not diminish, and that the pledge of Congress to resume specie payments in 1879 will be easily accomplished, even in the absence of much-desired further legislation on the subject.

## **Rutherford B. Hayes, "First Annual Message," (December 1877)**

The annual report of the Secretary of the Treasury on the state of the finances presents important questions for the action of Congress, upon some of which I have already remarked.

The revenues of the Government during the fiscal year ending June 30, 1877, were \$269,000,586.62; the total expenditures for the same period were \$238,660,008.93, leaving a surplus revenue of \$30,340,577.69. This has substantially supplied the requirements of the sinking fund for that year. The estimated revenues of the current fiscal year are \$265,500,000, and the estimated expenditures for the same period are \$232,430,643.72. If these estimates prove to be correct, there will be a surplus revenue of \$33,069,356.28--an amount nearly sufficient for the sinking fund for that year. The estimated revenues for the next fiscal year are \$269,250,000. It appears from the report that during the last fiscal year the revenues of the Government, compared with the previous year, have largely decreased. This decrease, amounting to the sum of \$18,481,452.54, was mainly in customs duties, caused partly by a large falling off of the amount of imported dutiable goods and partly by the general fall of prices in the markets of production of such articles as pay ad valorem taxes.

In adapting the new silver coinage to the ordinary uses of currency in the everyday transactions of life and prescribing the quality of legal tender to be assigned to it, a consideration of the first importance should be so to adjust the ratio between the silver and the gold coinage, which now constitutes our specie currency, as to accomplish the desired end of maintaining the circulation of the two metallic currencies and keeping up the volume of the two precious metals as our intrinsic money. It is a mixed question, for scientific reasoning and historical experience to determine, how far and by what methods a practical equilibrium can be maintained which will keep both metals in circulation in their appropriate spheres of common use.

An absolute equality of commercial value, free from disturbing fluctuations, is hardly attainable, and without it an unlimited legal tender for private transactions assigned to both metals would irresistibly tend to drive out of circulation the clearer coinage and disappoint the principal object proposed by the legislation in view. I apprehend, therefore, that the two conditions of a near approach to equality of commercial value between the gold and silver coinage of the same denomination and of a limitation of the amounts for which the silver coinage is to be a legal tender are essential to maintaining both in circulation. If these conditions can be successfully observed, the issue from the mint of silver dollars would afford material assistance to the community in the transition to redeemable paper money, and would facilitate the resumption of specie payment and its permanent establishment. Without these conditions I fear that only mischief and misfortune would flow from a coinage of silver dollars with the quality of unlimited legal tender, even in private transactions.

While this is felt injuriously in the diminution of the revenue, it has been accompanied with a very large increase of exportations. The total exports during the last fiscal year, including coin, have been \$658,637,457, and the imports have been \$492,097,540,

leaving a balance of trade in favor of the United States amounting to the sum of \$166,539,917, the beneficial effects of which extend to all branches of business.

The estimated revenue for the next fiscal year will impose upon Congress the duty of strictly limiting appropriations, including the requisite sum for the maintenance of the sinking fund, within the aggregate estimated receipts.

While the aggregate of taxes should not be increased, amendments might be made to the revenue laws that would, without diminishing the revenue, relieve the people from unnecessary burdens. A tax on tea and coffee is shown by the experience not only of our own country, but of other countries, to be easily collected, without loss by undervaluation or fraud, and largely borne in the country of production. A tax of 10 cents a pound on tea and 2 cents a pound on coffee would produce a revenue exceeding \$12,000,000, and thus enable Congress to repeal a multitude of annoying taxes yielding a revenue not exceeding that sum. The internal-revenue system grew out of the necessities of the war, and most of the legislation imposing taxes upon domestic products under this system has been repealed. By the substitution of a tax on tea and coffee all forms of internal taxation may be repealed, except that on whisky, spirits, tobacco, and beer. Attention is also called to the necessity of enacting more vigorous laws for the protection of the revenue and for the punishment of frauds and smuggling. This can best be done by judicious provisions that will induce the disclosure of attempted fraud by undervaluation and smuggling. All revenue laws should be simple in their provisions and easily understood. So far as practicable, the rates of taxation should be in the form of specific duties, and not ad valorem, requiring the judgment of experienced men to ascertain values and exposing the revenue to the temptation of fraud.

My attention has been called during the recess of Congress to abuses existing in the collection of the customs, and strenuous efforts have been made for their correction by Executive orders. The recommendations submitted to the Secretary of the Treasury by a commission appointed to examine into the collection of customs duties at the port of New York contain many suggestions for the modification of the customs laws, to which the attention of Congress is invited.

It is matter of congratulation that notwithstanding the severe burdens caused by the war the public faith with all creditors has been preserved, and that as the result of this policy the public credit has continuously advanced and our public securities are regarded with the highest favor in the markets of the world. I trust that no act of the Government will cast a shadow upon its credit.

The progress of refunding the public debt has been rapid and satisfactory. Under the contract existing when I entered upon the discharge of the duties of my office, bonds bearing interest at the rate of 4 1/2 per cent were being rapidly sold, and within three months the aggregate sales of these bonds had reached the sum of \$200,000,000. With my sanction the Secretary of the Treasury entered into a new contract for the sale of 4 per cent bonds, and within thirty days after the popular subscription for such bonds was opened subscriptions were had amounting to \$75,496,550, which were paid for within

ninety days after the date of subscription. By this process, within but little more than one year, the annual interest on the public debt was reduced in the sum of \$3,775,000.

I recommended that suitable provision be made to enable the people to easily convert their savings into Government securities, as the best mode in which small savings may be well secured and yield a moderate interest. It is an object of public policy to retain among our own people the securities of the United States. In this way our country is guarded against their sudden return from foreign countries, caused by war or other disturbances beyond our limits.

The public debt of the United States to the amount of \$729,000,000 bears interest at the rate of 6 per cent, and \$708,000,000 at the rate of 5 per cent, and the only way in which the country can be relieved from the payment of these high rates of interest is by advantageously refunding the indebtedness. Whether the debt is ultimately paid in gold or in silver coin is of but little moment compared with the possible reduction of interest one-third by refunding it at such reduced rate. If the United States had the unquestioned right to pay its bonds in silver coin, the little benefit from that process would be greatly overbalanced by the injurious effect of such payment if made or proposed against the honest convictions of the public creditors.

All the bonds that have been issued since February 12, 1873, when gold became the only unlimited legal-tender metallic currency of the country, are justly payable in gold coin or in coin of equal value. During the time of these issues the only dollar that could be or was received by the Government in exchange for bonds was the gold dollar. To require the public creditors to take in repayment any dollar of less commercial value would be regarded by them as a repudiation of the full obligation assumed. The bonds issued prior to 1873 were issued at a time when the gold dollar was the only coin in circulation or contemplated by either the Government or the holders of the bonds as the coin in which they were to be paid. It is far better to pay these bonds in that coin than to seem to take advantage of the unforeseen fall in silver bullion to pay in a new issue of silver coin thus made so much less valuable. The power of the United States to coin money and to regulate the value thereof ought never to be exercised for the purpose of enabling the Government to pay its obligations in a coin of less value than that contemplated by the parties when the bonds were issued. Any attempt to pay the national indebtedness in a coinage of less commercial value than the money of the world would involve a violation of the public faith and work irreparable injury to the public credit.

It was the great merit of the act of March, 1869, in strengthening the public credit, that it removed all doubt as to the purpose of the United States to pay their bonded debt in coin. That act was accepted as a pledge of public faith. The Government has derived great benefit from it in the progress thus far made in refunding the public debt at low rates of interest. An adherence to the wise and just policy of an exact observance of the public faith will enable the Government rapidly to reduce the burden of interest on the national debt to an amount exceeding \$20,000,000 per annum, and effect an aggregate saving to the United States of more than \$300,000,000 before the bonds can be fully paid.

## **Rutherford B. Hayes, "Second Annual Message," (December 1878)**

The report of the Secretary of the Treasury furnishes a detailed statement of the operations of that Department of the Government and of the condition of the public finances.

The ordinary revenues from all sources for the fiscal year ended June 30, 1878, were \$257,763,878.70; the ordinary expenditures for the same period were \$236,964,326.80, leaving a surplus revenue for the year of \$20,799,551.90. The receipts for the present fiscal year, ending June 30, 1879, actual and estimated, are as follows: Actual receipts for the first quarter, commencing July 1, 1878, \$73,389,743.43; estimated receipts for the remaining three quarters of the year, \$191,110,256.57; total receipts for the current fiscal year, actual and estimated, \$264,500,000. The expenditures for the same period will be, actual and estimated, as follows: For the quarter commencing July 1, 1878, actual expenditures, \$73,344,573.27; and for the remaining three quarters of the year the expenditures are estimated at \$166,755,426.73, making the total expenditures \$240,100,000, and leaving an estimated surplus revenue for the year ending June 30, 1879, of \$24,400,000. The total receipts during the next fiscal year, ending June 30, 1880, estimated according to existing laws, will be \$264,500,000, and the estimated ordinary expenditures for the same period will be \$236,320,412.68, leaving a surplus of \$28,179,587.32 for that year.

In the foregoing statements of expenditures, actual and estimated, no amount is allowed for the sinking fund provided for by the act approved February 25, 1862, which requires that 1 per cent of the entire debt of the United States shall be purchased or paid within each fiscal year, to be set apart as a sinking fund. There has been, however, a substantial compliance with the conditions of the law. By its terms the public debt should have been reduced between 1862 and the close of the last fiscal year \$518,361,806.28; the actual reduction of the ascertained debt in that period has been \$720,644,739.61, being in excess of the reduction required by the sinking fund act \$202,282,933.33.

The amount of the public debt, less cash in the Treasury, November 1, 1878, was \$2,024,200,083.18 a reduction since the same date last year of \$23,150,617.39.

The progress made during the last year in refunding the public debt at lower rates of interest is very gratifying. The amount of 4 per cent bonds sold during the present year prior to November 23, 1878, is \$100,270,900, and 6 per cent bonds, commonly known as five-twenties, to an equal amount, have been or will be redeemed as calls mature.

It has been the policy of the Department to place the 4 per cent bonds within easy reach of every citizen who desires to invest his savings, whether small or great, in these securities. The Secretary of the Treasury recommends that the law be so modified that small sums may be invested, and that through the post-offices or other agents of the Government the freest opportunity may be given in all parts of the country for such investments.

The best mode suggested is that the Department be authorized to issue certificates of deposit, of the denomination of \$10, bearing interest at the rate of 3.65 per cent per annum and convertible at any time within one year after their issue into the 4 per cent bonds authorized by the refunding act, and to be issued only in exchange for United States notes sent to the Treasury by mail or otherwise. Such a provision of law, supported by suitable regulations, would enable any person readily, without cost or risk, to convert his money into an interest-bearing security of the United States, and the money so received could be applied to the redemption of 6 per cent bonds.

The coinage of gold during the last fiscal year was \$52,798,980. The coinage of silver dollars under the act passed February 28, 1878, amounted on the 23d of November, 1878, to \$19,814,550, of which amount \$4,984,947 are in circulation, and the balance, \$14,829,603, is still in the possession of the Government.

### **Rutherford B. Hayes, "Third Annual Message," (December 1879)**

The attention of Congress is called to the annual report of the Secretary of the Treasury on the condition of the public finances.

The ordinary revenues from all sources for the fiscal year ended June 30, 1879, were \$273,827,184.46; the ordinary expenditures for the same period were \$266,947,883.53, leaving a surplus revenue for the year of \$6,879,300.93.

The receipts for the present fiscal year, ending June 30, 1880, actual and estimated, are as follows: Actual receipts for the first quarter, commencing July 1, 1879, \$79,843,663.61; estimated receipts for the remaining three quarters of the year, \$208,156,336.39; total receipts for the current fiscal year, actual and estimated, \$288,000,000.

The expenditures for the same period will be, actual and estimated, as follows: For the quarter commencing July 1, 1879, actual expenditures, \$91,683,385.10; and for the remaining three quarters of the year the expenditures are estimated at \$172,316,614.90, making the total expenditures \$264,000,000, and leaving an estimated surplus revenue for the year ending June 30, 1880, of \$24,000,000. The total receipts during the next fiscal year, ending June 30, 1881, estimated according to existing laws, will be \$288,000,000, and the estimated ordinary expenditures for the same period will be \$278,097,364.39, leaving a surplus of \$9,902,635.61 for that year.

The large amount expended for arrears of pensions during the last and the present fiscal year, amounting to \$21,747,249.60, has prevented the application of the full amount required by law to the sinking fund for the current year; but these arrears having been substantially paid, it is believed that the sinking fund can hereafter be maintained without any change of existing law.

The Secretary of War reports that the War Department estimates for the fiscal year ending June 30, 1881, are \$40,380,428.93, the same being for a less sum of money than any annual estimate rendered to Congress from that Department during a period of at least twelve years.

The resumption of specie payments has been followed by a very great revival of business. With a currency equivalent in value to the money of the commercial world, we are enabled to enter upon an equal competition with other nations in trade and production. The increasing foreign demand for our manufactures and agricultural products has caused a large balance of trade in our favor, which has been paid in gold, from the 1st of July last to November 15, to the amount of about \$59,000,000. Since the resumption of specie payments there has also been a marked and gratifying improvement of the public credit. The bonds of the Government bearing only 4 per cent interest have been sold at or above par, sufficient in amount to pay off all of the national debt which was redeemable under present laws. The amount of interest saved annually by the process of refunding the debt since March 1, 1877, is \$14,297,177. The bonds sold were largely in small sums, and the number of our citizens now holding the public securities is much greater than ever before. The amount of the national debt which matures within less than two years is \$792,121,700, of which \$500,000,000 bear interest at the rate of 5 per cent, and the balance is in bonds bearing 6 per cent interest. It is believed that this part of the public debt can be refunded by the issue of 4 per cent bonds, and, by the reduction of interest which will thus be effected, about \$11,000,000 can be annually saved to the Treasury. To secure this important reduction of interest to be paid by the United States further legislation is required, which it is hoped will be provided by Congress during its present session.

The coinage of gold by the mints of the United States during the last fiscal year was \$40,986,912. The coinage of silver dollars since the passage of the act for that purpose up to November 1, 1879, was \$45,000,850, of which \$12,700,344 have been issued from the Treasury and are now in circulation, and \$32,300,506 are still in the possession of the Government.

### **Rutherford B. Hayes, "Fourth Annual Message," (December 1880)**

The condition of the financial affairs of the Government, as shown by the report of the Secretary of the Treasury, is very satisfactory. It is believed that the present financial situation of the United States, whether considered with respect to trade, currency, credit, growing wealth, or the extent and variety of our resources, is more favorable than that of any other country of our time, and has never been surpassed by that of any country at any period of its history. All our industries are thriving; the rate of interest is low; new railroads are being constructed; a vast immigration is increasing our population, capital, and labor; new enterprises in great number are in progress, and our commercial relations with other countries are improving.

The ordinary revenues from all sources for the fiscal year ended June 30, 1880, were--

From customs	\$186,522,064.60
From internal revenue	124,009,373.92
From sales of public lands	1,016,506.60
From tax on circulation and deposits of national banks	7,014,971.44
From repayment of interest by Pacific Railway companies	1,707,367.18
From sinking fund for Pacific Railway companies	786,621.22
From customs fees, fines, penalties, etc	1,148,800.16
From fees-consular, letters patent, and lands	2,337,029.00
From proceeds of sales of Government property	282,616.50
From profits on coinage, etc	2,792,186.78
From revenues of the District of Columbia	1,809,469.70
From miscellaneous sources	4,099,603.88
<b>Total ordinary receipts</b>	<b>333,526,610.98</b>

The ordinary expenditures for the same period were--

For civil expenses	\$15,693,963.55
For foreign intercourse	1,211,490.58
For Indians	5,945,457.09
For pensions (including \$19,341,025.20 arrears of pensions)	56,777,174.44
For the military establishment, including river and harbor improvements and arsenals	38,116,916.22
For the naval establishment,	13,536,984.74

including vessels, machinery, and improvements at navy- yards	
For miscellaneous expenditures, including public buildings, light- houses, and collecting the revenue	34,535,691.00
For expenditures on account of the District of Columbia	3,272,384.63
For interest on the public debt	95,757,575.11
For premium on bonds purchased	2,795,320.42

leaving a surplus revenue of \$65,883,653.20, which, with an amount drawn from the cash balance in Treasury of \$8,084,434.21, making \$73,968,087.41, was applied to the redemption--

Of bonds for the sinking fund	\$73,652,900.00
Of fractional currency	251,717.41
Of the loan of 1858	40,000.00
Of temporary loan	100.00
Of bounty land scrip	25.00
Of compound-interest notes	16,500.00
Of 7.30 notes of 1864-65	2,650.00
Of one and two year notes	3,700.00
Of old demand notes	495.00
<b>Total</b>	<b>73,968,087.41</b>

The amount due the sinking fund for this year was \$37,931,643.55. There was applied thereto the sum of \$73,904,617.41, being \$35,972,973.86 in excess of the actual requirements for the year.

The aggregate of the revenues from all sources during the fiscal year ended June 30, 1880, was \$333,526,610.98, an increase over the preceding year of \$59,699,426.52. The receipts thus far of the current year, together with the estimated receipts for the

remainder of the year, amount to \$350,000,000, which will be sufficient to meet the estimated expenditures of the year and leave a surplus of \$90,000,000.

It is fortunate that this large surplus revenue occurs at a period when it may be directly applied to the payment of the public debt soon to be redeemable. No public duty has been more constantly cherished in the United States than the policy of paying the nation's debt as rapidly as possible.

The debt of the United States, less cash in the Treasury and exclusive of accruing interest, attained its maximum of \$2,756,431,571.43 in August, 1865, and has since that time been reduced to \$1,886,019,504.65. Of the principal of the debt, \$108,758,100 has been paid since March 1, 1877, effecting an annual saving of interest of \$6,107,593. The burden of interest has also been diminished by the sale of bonds bearing a low rate of interest and the application of the proceeds to the redemption of bonds bearing a higher rate. The annual saving thus secured since March 1, 1877, is \$14,290,453.50. Within a short period over six hundred millions of 5 and 6 per cent bonds will become redeemable. This presents a very favorable opportunity not only to further reduce the principal of the debt, but also to reduce the rate of interest on that which will remain unpaid. I call the attention of Congress to the views expressed on this subject by the Secretary of the Treasury in his annual report, and recommend prompt legislation to enable the Treasury Department to complete the refunding of the debt which is about to mature.

The continuance of specie payments has not been interrupted or endangered since the date of resumption. It has contributed greatly to the revival of business and to our remarkable prosperity. The fears that preceded and accompanied resumption have proved groundless. No considerable amount of United States notes have been presented for redemption, while very large sums of gold bullion, both domestic and imported, are taken to the mints and exchanged for coin or notes. The increase of coin and bullion in the United States since January 1, 1879, is estimated at \$227,399,428.

There are still in existence, uncanceled, \$346,681,016 of United States legal-tender notes. These notes were authorized as a war measure, made necessary by the exigencies of the conflict in which the United States was then engaged. The preservation of the nation's existence required, in the judgment of Congress, an issue of legal-tender paper money. That it served well the purpose for which it was created is not questioned, but the employment of the notes as paper money indefinitely, after the accomplishment of the object for which they were provided, was not contemplated by the framers of the law under which they were issued. These notes long since became, like any other pecuniary obligation of the Government, a debt to be paid, and when paid to be canceled as mere evidence of an indebtedness no longer existing. I therefore repeat what was said in the annual message of last year, that the retirement from circulation of United States notes with the capacity of legal tender in private contracts is a step to be taken in our progress toward a safe and stable currency which should be accepted as the policy and duty of the Government and the interest and security of the people.

The Constitution of the United States, sound financial principles, and our best interests all require that the country should have as its legal-tender money both gold and silver coin of an intrinsic value, as bullion, equivalent to that which upon its face it purports to possess. The Constitution in express terms recognizes both gold and silver as the only true legal-tender money. To banish either of these metals from our currency is to narrow and limit the circulating medium of exchange to the disparagement of important interests.

In financial legislation every measure in the direction of greater fidelity in the discharge of pecuniary obligations has been found by experience to diminish the rates of interest which debtors are required to pay and to increase the facility with which money can be obtained for every legitimate purpose. Our own recent financial history shows how surely money becomes abundant whenever confidence in the exact performance of moneyed obligations is established.

### **Chester Arthur, “First Annual Message,” (December 1881)**

The report of the Secretary of the Treasury presents in detail a highly satisfactory exhibit of the state of the finances and the condition of the various branches of the public service administered by that Department.

The ordinary revenues from all sources for the fiscal year ending June 30, 1881, were:

From customs	\$198,159,676.02
From internal revenue	135,264,385.51
From sales of public lands	2,201,863.17
From tax on circulation and deposits of national banks	8,116,115.72
From repayment of interest by Pacific Railway companies	810,833.80
From sinking fund for Pacific Railway companies	805,180.54
From customs fees, fines, penalties, etc	1,225,514.86
From fees--consular, letters patent, and lands	2,244,983.98
From proceeds of sales of Government property	262,174.00
From profits on coinage	3,468,485.61
From revenues of the District of Columbia	2,016,199.23
From miscellaneous sources	6,206,880.13

<b>Total ordinary receipts</b>	<b>360,782,292.57</b>
--------------------------------	-----------------------

The ordinary expenditures for the same period were:

For civil expenses	\$17,941,177.19
For foreign intercourse	1,093,954.92
For Indians	6,514,161.09
For pensions	50,059,279.62
For the military establishment, including river and harbor improvements and arsenals	40,466,460.55
For the naval establishment, including vessels, machinery, and improvements at navy-yards	15,686,671.66
For miscellaneous expenditures, including public buildings, light-houses, and collecting the revenue	41,837,280.57
For expenditures on account of the District of Columbia	3,543,912.03
For interest on the public debt	82,508,741.18
For premium on bonds purchased	1,061,248.78
<b>Total ordinary expenditures</b>	<b>260,712,887.59</b>

Leaving a surplus revenue of \$100,069,404.98, which was applied as follows:

To the redemption of--	
Bonds for the sinking fund	\$74,371,200.00
Fractional currency for the sinking fund	109,001.05
Loan of February, 1861	7,418,000.00
Ten-forties of 1864	2,016,150.00
Five-twenties of 1862	18,300.00
Five-twenties of 1864	3,400.00
Five-twenties of 1865	37,300.00
Consols of 1865	143,150.00
Consols of 1867	959,150.00
Consols of 1868	337,400.00

Texan indemnity stock	1,000.00
Old demand, compound-interest, and other notes	18,330.00
And to the increase of cash in the Treasury	14,637,023.93
	<b>100,069,404.98</b>

The requirements of the sinking fund for the year amounted to \$90,786,064.02, which sum included a balance of \$49,817,128.78, not provided for during the previous fiscal year. The sum of \$74,480,201.05 was applied to this fund, which left a deficit of \$16,305,873.47. The increase of the revenues for 1881 over those of the previous year was \$29,352,901.10. It is estimated that the receipts during the present fiscal year will reach \$400,000,000 and the expenditures \$270,000,000, leaving a surplus of \$130,000,000 applicable to the sinking fund and the redemption of the public debt.

I approve the recommendation of the Secretary of the Treasury that provision be made for the early retirement of silver certificates and that the act requiring their issue be repealed. They were issued in pursuance of the policy of the Government to maintain silver at or near the gold standard, and were accordingly made receivable for all customs, taxes, and public dues. About sixty-six millions of them are now outstanding. They form an unnecessary addition to the paper currency, a sufficient amount of which may be readily supplied by the national banks.

In the last annual report of the Secretary of the Treasury the attention of Congress was called to the fact that \$469,651,050 in 5 per cent bonds and \$203,573,750 in 6 per cent bonds would become redeemable during the year, and Congress was asked to authorize the refunding of these bonds at a lower rate of interest. The bill for such refunding having failed to become a law, the Secretary of the Treasury in April last notified the holders of the \$195,690,400 6 per cent bonds then outstanding that the bonds would be paid at par on the 1st day of July following, or that they might be "continued" at the pleasure of the Government, to bear interest at the rate of 3 1/2 per cent per annum.

Under this notice \$178,055,150 of the 6 per cent bonds were continued at the lower rate and \$17,635,250 were redeemed.

In the month of May a like notice was given respecting the redemption or continuance of the \$439,841,350 of 5 per cent bonds then outstanding, and of these \$401,504,900 were continued at 3 1/2 per cent per annum and \$38,336,450 redeemed.

The 6 per cent bonds of the loan of February 8, 1861, and of the Oregon war debt, amounting together to \$14,125,800, having matured during the year, the Secretary of the Treasury gave notice of his intention to redeem the same, and such as have been presented have been paid from the surplus revenues. There have also been redeemed at par \$16,179,100 of the 3 1/2 per cent "continued" bonds, making a total of bonds redeemed or which have ceased to bear interest during the year of \$123,969,650.

The reduction of the annual interest on the public debt through these transactions is as follows:

By reduction of interest to 3 1/2 per cent	\$10,473,952.25
By redemption of bonds	6,352,340.00
<b>Total</b>	<b>16,826,292.25</b>

The 3 1/2 per cent bonds, being payable at the pleasure of the Government, are available for the investment of surplus revenues without the payment of premiums.

Unless these bonds can be funded at a much lower rate of interest than they now bear, I agree with the Secretary of the Treasury that no legislation respecting them is desirable.

It is a matter for congratulation that the business of the country has been so prosperous during the past year as to yield by taxation a large surplus of income to the Government. If the revenue laws remain unchanged, this surplus must year by year increase, on account of the reduction of the public debt and its burden of interest and because of the rapid increase of our population. In 1860, just prior to the institution of our internal-revenue system, our population but slightly exceeded 30,000,000; by the census of 1880 it is now found to exceed 50,000,000. It is estimated that even if the annual receipts and expenditures should continue as at present the entire debt could be paid in ten years.

### **Chester Arthur, "Second Annual Message," (December 1882)**

A full and interesting exhibit of the operations of the Treasury Department is afforded by the report of the Secretary.

It appears that the ordinary revenues from all sources for the fiscal year ended June 30, 1882, were as follows:

From customs	\$220,410,730.25
From internal revenue	146,497,595.45
From sales of public lands	4,753,140.37
From tax on circulation and deposits of national banks	8,956,794.45
From repayment of interest by Pacific Railway companies	840,554.37
From sinking fund for Pacific Railway companies	796,271.42

From customs fees, fines, penalties, etc	1,343,348.00
From fees--consular, letters patent, and lands	2,638,990.97
From proceeds of sales of Government property	314,959.85
From profits on coinage, bullion deposits, and assays	4,116,693.73
From Indian trust funds	5,705,243.22
From deposits by individuals for surveying public lands	2,052,306.36
From revenues of the District of Columbia	1,715,176.41
From miscellaneous sources	3,383,445.43
<b>Total ordinary receipts</b>	<b>403,525,250.28</b>

The ordinary expenditures for the same period were--

For civil expenses	\$18,042,386.42
For foreign intercourse	1,307,583.19
For Indians	9,736,747.40
For pensions	61,345,193.95
For the military establishment, including river and harbor improvements, and arsenals	43,570,494.19
For the naval establishment, including vessels, machinery, and improvements at navy-yards	15,032,046.26
For miscellaneous expenditures, including public buildings, light- houses, and collecting the revenue	34,539,237.50
For expenditures on account of the District of Columbia	3,330,543.87
For interest on the public debt	71,077,206.79
<b>Total ordinary expenditures</b>	<b>257,981,439.57</b>

Leaving a surplus revenue of \$145,543,810.71, which, with an amount drawn from the cash balance in the Treasury of \$20,737,694.84, making \$166,281,505.55, was applied to the redemption--

Of bonds for the sinking fund	\$60,079,150.00
Of fractional currency for the sinking fund	58,705.55
Of loan of July and August, 1861	62,572,050.00
Of loan of March, 1863	4,472,900.00
Of funded loan of 1881	37,194,450.00
Of loan of 1858	303,000.00
Of loan of February, 1861	1,000.00
Of five-twenties of 1862	2,100.00
Of five-twenties of 1864	7,400.00
Of five-twenties of 1865	6,500.00
Of ten-forties of 1864	254,550.00
Of consols of 1865	86,450.00
Of consols of 1867	408,250.00
Of consols of 1868	141,400.00
Of Oregon War debt	675,250.00
Of old demand, compound-interest, and other notes	18,350.00
	166,281,505.55

The foreign commerce of the United States during the last fiscal year, including imports and exports of merchandise and specie, was as follows:

Exports:	
Merchandise	\$750,542,257
Specie	49,417,479
<b>Total</b>	<b>799,959,736</b>
<hr/>	
Imports:	
Merchandise	724,639,574
Specie	42,472,390
<b>Total</b>	<b>767,111,964</b>
<hr/>	
<b>Excess of exports over imports of merchandise</b>	<b>25,902,683</b>

This excess is less than it has been before for any of the previous six years, as appears by the following table:

<b>Year Ended June 30</b>	<b>Excess of exports over imports of merchandise</b>
1876	\$79,643,481
1877	151,152,094
1878	257,814,234
1879	264,661,666
1880	167,683,912
1881	259,712,718
1882	25,902,683

During the year there have been organized 171 national banks, and of those institutions there are now in operation 2,269, a larger number than ever before. The value of their notes in active circulation on July 1, 1882, was \$324,656,458.

I commend to your attention the Secretary's views in respect to the likelihood of a serious contraction of this circulation, and to the modes by which that result may, in his judgment, be averted.

In respect to the coinage of silver dollars and the retirement of silver certificates, I have seen nothing to alter but much to confirm the sentiments to which I gave expression last year.

A comparison between the respective amounts of silver-dollar circulation on November 1, 1881, and on November 1, 1882, shows a slight increase of a million and a half of dollars; but during the interval there had been in the whole number coined an increase of twenty-six millions. Of the one hundred and twenty-eight millions thus far minted, little more than thirty-five millions are in circulation. The mass of accumulated coin has grown so great that the vault room at present available for storage is scarcely sufficient to contain it. It is not apparent why it is desirable to continue this coinage, now so enormously in excess of the public demand.

As to the silver certificates, in addition to the grounds which seemed last year to justify their retirement may be mentioned the effect which is likely to ensue from the supply of gold certificates for whose issuance Congress recently made provision, and which are now in active circulation.

You can not fail to note with interest the discussion by the Secretary as to the necessity of providing by legislation some mode of freeing the Treasury of an excess of assets in the event that Congress fails to reach an early agreement for the reduction of taxation.

I heartily approve the Secretary's recommendation of immediate and extensive reductions in the annual revenues of the Government.

It will be remembered that I urged upon the attention of Congress at its last session the importance of relieving the industry and enterprise of the country from the pressure of unnecessary taxation. It is one of the tritest maxims of political economy that all taxes are burdensome, however wisely and prudently imposed; and though there have always been among our people wide differences of sentiment as to the best methods of raising the national revenues, and, indeed, as to the principles upon which taxation should be based, there has been substantial accord in the doctrine that only such taxes ought to be levied as are necessary for a wise and economical administration of the Government. Of late the public revenues have far exceeded that limit, and unless checked by appropriate legislation such excess will continue to increase from year to year. For the fiscal year ended June 30, 1881, the surplus revenue amounted to \$100,000,000; for the fiscal year ended on the 30th of June last the surplus was more than one hundred and forty-five millions.

The report of the Secretary shows what disposition has been made of these moneys. They have not only answered the requirements of the sinking fund, but have afforded a large balance applicable to other reductions of the public debt.

But I renew the expression of my conviction that such rapid extinguishment of the national indebtedness as is now taking place is by no means a cause for congratulation; it is a cause rather for serious apprehension.

If it continues, it must speedily be followed by one of the evil results so clearly set forth in the report of the Secretary.

Either the surplus must lie idle in the Treasury or the Government will be forced to buy at market rates its bonds not then redeemable, and which under such circumstances can not fail to command an enormous premium, or the swollen revenues will be devoted to extravagant expenditure, which, as experience has taught, is ever the bane of an overflowing treasury.

### **Chester Arthur, "Third Annual Message," (December 1883)**

The report of the Secretary of the Treasury gives a full and interesting exhibit of the financial condition of the country.

It shows that the ordinary revenues from all sources for the fiscal year ended June 30, 1883, amounted to \$398,287,581.95, whereof there was received--

From customs	\$214,706,496.93
From internal revenue	144,720,368.98

From sales of public lands	7,955,864.42
From tax on circulation and deposits of national banks	9,111,008.85
From profits on coinage, bullion deposits, and assays	4,460,205.17
From other sources	17,333,637.60
<b>Total</b>	<b>398,287,581.95</b>

For the same period the ordinary expenditures were:

For civil expenses	\$22,343,285.76
For foreign intercourse	2,419,275.24
For Indians	7,362,590.34
For Pensions	66,012,573.64
For the military establishment, including river and harbor improvements and arsenals	48,911,382.93
For the naval establishment, including vessels, machinery, and improvements at navy-yards	15,283,437.17
For miscellaneous expenditures, including public buildings, light-houses, and collecting the revenue	40,098,432.73
For expenditures on account of the District of Columbia	3,817,028.48
For interest on the public debt	59,160,131.25
<b>Total</b>	<b>265,408,137.54</b>

Leaving a surplus revenue of \$132,879,444.41, which, with an amount drawn from the cash balance in the Treasury of \$1,299,312.55, making \$134,178,756.96, was applied to the redemption--

Of bonds for the sinking fund	\$44,850,700.00
Of fractional currency for the sinking fund	46,556.96
Of funded loan of 1881, continued at 3 1/2 per cent	65,380,250.00
Of loan of July and August, 1861, continued at 3 1/2 per cent	20,594,600.00

Of funded loan of 1907	1,418,850.00
Of funded loan of 1881	719,150.00
Of loan of February, 1861	18,000.00
Of loan of July and August, 1861	266,600.00
Of loan of March, 1863	116,850.00
Of loan of July, 1882	47,650.00
Of five-twenties of 1862	10,300.00
Of five-twenties of 1864	7,050.00
Of five-twenties of 1865	9,600.00
Of ten-forties of 1864	133,550.00
Of consols of 1865	40,800.00
Of consols of 1867	235,700.00
Of consols of 1868	154,650.00
Of Oregon War debt	5,450.00
Of refunding certificates	109,150.00
Of old demand, compound-interest and other notes	13,300.00
<b>Total</b>	<b>134,178,756.96</b>

The revenue for the present fiscal year, actual and estimated, is as follows:

<b>Source</b>	<b>For the quarter ended September 30, 1883 (actual)</b>	<b>For the remaining three quarters of the year (estimated)</b>
From customs	\$57,402,975.67	\$137,597,024.33
From internal revenue	29,662,078.60	90,337,921.40
From sales of public lands	2,932,635.17	5,067,634.83
From tax on circulation and deposits of national banks	1,557,800.88	1,542,199.12
From repayment of interest and sinking fund, Pacific Railway companies	521,059.51	1,478,940.49

From customs fees, fines, penalties, etc	298,696.78	901,303.22
From fees--consular, letters patent, and lands	863,209.80	2,436,790.20
From proceeds of sales of Government property	112,562.23	167,437.77
From profits on coinage, etc	950,229.46	3,149,770.54
From deposits for surveying public lands	172,461.31	327,538.69
From revenues of the District of Columbia	256,017.99	1,643,982.01
From miscellaneous sources	1,237,189.63	2,382,810.37
<b>Total receipts</b>	<b>95,966,917.03</b>	<b>247,033,082.97</b>

The actual and estimated expenses for the same period are:

<b>Object</b>	<b>For the quarter ended September 30, 1883 (actual)</b>	<b>For the remaining three quarters of the year (estimated)</b>
For civil and miscellaneous expenses, including public buildings, light-houses, and collecting the revenue	\$15,385,799.42	\$51,114,200.58
For Indians	2,623,390.54	4,126,609.46
For pensions	16,285,261.98	53,714,738.02
For military establishment,	13,512,204.33	26,487,795.67

including fortifications, river and harbor improvements, and arsenals		
For naval establishment, including vessels and machinery,	4,199,299.69	12,300,700.31
and improvements at navy-yards		
For expenditures on account of the District of Columbia	1,138,836.41	2,611,163.59
For interest on the public debt	14,797,297.96	39,702,702.04
<b>Total ordinary expenditures</b>	<b>67,942,090.33</b>	<b>190,057,909.67</b>

Total receipts, actual and estimated	\$343,000,000.00
Total expenditures, actual and estimated	258,000,000.00
	<hr/>
	85,000,000.00
Estimated amount due the sinking fund	45,816,741.07
	<hr/>
Leaving a balance of	39,183,258.93

If the revenue for the fiscal year which will end on June 30, 1885, be estimated upon the basis of existing laws, the Secretary is of the opinion that for that year the receipts will exceed by \$60,000,000 the ordinary expenditures including the amount devoted to the sinking fund.

Hitherto the surplus, as rapidly as it has accumulated, has been devoted to the reduction of the national debt.

As a result the only bonds now outstanding which are redeemable at the pleasure of the Government are the 3 percents, amounting to about \$305,000,000.

The 4 1/2 percents, amounting to \$250,000,000, and the \$737,000,000 4 percents are not payable until 1891 and 1907, respectively.

If the surplus shall hereafter be as large as the Treasury estimates now indicate, the 3 per cent bonds may all be redeemed at least four years before any of the 4 1/2 percents can be called in. The latter at the same rate of accumulation of surplus can be paid at maturity, and the moneys requisite for the redemption of the 4 percents will be in the Treasury many years before those obligations become payable.

There are cogent reasons, however, why the national indebtedness should not be thus rapidly extinguished. Chief among them is the fact that only by excessive taxation is such rapidity attainable.

In a communication to the Congress at its last session I recommended that all excise taxes be abolished except those relating to distilled spirits and that substantial reductions be also made in the revenues from customs. A statute has since been enacted by which the annual tax and tariff receipts of the Government have been cut down to the extent of at least fifty or sixty millions of dollars.

While I have no doubt that still further reductions may be wisely made, I do not advise the adoption at this session of any measures for large diminution of the national revenues. The results of the legislation of the last session of the Congress have not as yet become sufficiently apparent to justify any radical revision or sweeping modifications of existing law.

In the interval which must elapse before the effects of the act of March 3, 1883, can be definitely ascertained a portion at least of the surplus revenues may be wisely applied to the long-neglected duty of rehabilitating our Navy and providing coast defenses for the protection of our harbors. This is a matter to which I shall again advert.

Immediately associated with the financial subject just discussed is the important question what legislation is needed regarding the national currency.

The aggregate amount of bonds now on deposit in the Treasury to support the national-bank circulation is about \$350,000,000. Nearly \$200,000,000 of this amount consists of 3 percents, which, as already stated, are payable at the pleasure of the Government and are likely to be called in within less than four years unless meantime the surplus revenues shall be diminished.

### **Grover Cleveland, "First Annual Message," (December 1885)**

The report of the Secretary of the Treasury fully exhibits the condition of the public finances and of the several branches of the Government connected with his Department. The suggestions of the Secretary relating to the practical operations of this important Department, and his recommendations in the direction of simplification and economy, particularly in the work of collecting customs duties, are especially urged upon the attention of Congress.

The ordinary receipts from all sources for the fiscal year ended June 30, 1885, were \$322,690,706.38. Of this sum \$181,471,939.34 was received from customs and \$112,498,725.54 from internal revenue. The total receipts, as given above, were \$24,829,163.54 less than those for the year ended June 30, 1884. This diminution embraces a falling off of \$13,595,550.42 in the receipts from customs and \$9,687,346.97 in the receipts from internal revenue.

The total ordinary expenditures of the Government for the fiscal year were \$260,226,935.50, leaving a surplus in the Treasury at the close of the year of \$63,463,771.27. This is \$40,929,854.32 less than the surplus reported at the close of the previous year.

The expenditures are classified as follows:

The amount paid on the public debt during the fiscal year ended June 30, 1885, was \$45,993,235.43, and there has been paid since that date and up to November 1, 1885, the sum of \$369,828, leaving the amount of the debt at the last-named date \$1,514,475,860.47. There was however, at that time in the Treasury, applicable to the general purposes of the Government, the sum of \$66,818,292.38.

The total receipts for the current fiscal year ending June 30, 1886, ascertained to October 1, 1885, and estimated for the remainder of the year, are \$315,000,000. The expenditures ascertained and estimated for the same time are \$245,000,000, leaving a surplus at the close of the year estimated at \$70,000,000.

The fact that our revenues are in excess of the actual needs of all economical administration of the Government justifies a reduction in the amount exacted from the people for its support. Our Government is but the means established by the will of a free people by which certain principles are applied which they have adopted for their benefit and protection; and it is never better administered and its true spirit is never better observed than when the people's taxation for its support is scrupulously limited to the actual necessity of expenditure and distributed according to a just and equitable plan.

The proposition with which we have to deal is the reduction of the revenue received by the Government, and indirectly paid by the people, from customs duties. The question of free trade is not involved, nor is there now any occasion for the general discussion of the wisdom or expediency of a protective system.

### **Grover Cleveland, "Second Annual Message," (December 1886)**

The income of the Government, by its increased volume and through economies in its collection, is now more than ever in excess of public necessities. The application of the surplus to the payment of such portion of the public debt as is now at our option subject to extinguishment, if continued at the rate which has lately prevailed, would retire that class of indebtedness within less than one year from this date. Thus a continuation of our present revenue system would soon result in the receipt of an annual income much

greater than necessary to meet Government expenses, with no indebtedness upon which it could be applied. We should then be confronted with a vast quantity of money, the circulating medium of the people, hoarded in the Treasury when it should be in their hands, or we should be drawn into wasteful public extravagance, with all the corrupting national demoralization which follows in its train.

But it is not the simple existence of this surplus and its threatened attendant evils which furnish the strongest argument against our present scale of Federal taxation. Its worst phase is the exaction of such a surplus through a perversion of the relations between the people and their Government and a dangerous departure from the rules which limit the right of Federal taxation.

Nothing can be accomplished, however, in the direction of this much-needed reform unless the subject is approached in a patriotic spirit of devotion to the interests of the entire country and with a willingness to yield something for the public good.

The sum paid upon the public debt during the fiscal year ended June 30, 1886, was \$44,551,043.36.

During the twelve months ended October 31, 1886, 3 per cent bonds were called for redemption amounting to \$127,283,100, of which \$80,643,200 was so called to answer the requirements of the law relating to the sinking fund and \$46,639,900 for the purpose of reducing the public debt by application of a part of the surplus in the Treasury to that object. Of the bonds thus called \$102,269,450 became subject under such calls to redemption prior to November 1, 1886. The remainder, amounting to \$25,013,650, matured under the calls after that date.

In addition to the amount subject to payment and cancellation prior to November 1, there were also paid before that day certain of these bonds, with the interest thereon, amounting to \$5,072,350, which were anticipated as to their maturity, of which \$2,664,850 had not been called. Thus \$107,341,800 had been actually applied prior to the 1st of November, 1886, to the extinguishment of our bonded and interest-bearing debt, leaving on that day still outstanding the sum of \$1,153,443,112. Of this amount \$86,848,700 were still represented by 3 per cent bonds. They however, have been since November 1, or will at once be, further reduced by \$22,606,150, being bonds which have been called, as already stated, but not redeemed and canceled before the latter date.

### **Grover Cleveland, "Third Annual Message," (December 1887)**

This wrong inflicted upon those who bear the burden of national taxation, like other wrongs, multiplies a brood of evil consequences. The public Treasury, which should only exist as a conduit conveying the people's tribute to its legitimate objects of expenditure, becomes a hoarding place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies, suspending our country's development,

preventing investment in productive enterprise, threatening financial disturbance, and inviting schemes of public plunder.

This condition of our Treasury is not altogether new, and it has more than once of late been submitted to the people's representatives in the Congress, who alone can apply a remedy. And yet the situation still continues, with aggravated incidents, more than ever presaging financial convulsion and widespread disaster.

It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist none the less certainly, and await the unforeseen and unexpected occasion when suddenly they will be precipitated upon us.

On the 30th day of June, 1885, the excess of revenues over public expenditures, after complying with the annual requirement of the sinking-fund act, was \$17,859,735.84; during the year ended June 30, 1886, such excess amounted to \$49,405,545.20, and during the year ended June 30, 1887, it reached the sum of \$55,567,849.54.

The annual contributions to the sinking fund during the three years above specified, amounting in the aggregate to \$138,058,320.94, and deducted from the surplus as stated, were made by calling in for that purpose outstanding 3 per cent bonds of the Government. During the six months prior to June 30, 1887, the surplus revenue had grown so large by repeated accumulations, and it was feared the withdrawal of this great sum of money needed by the people would so affect the business of the country, that the sum of \$79,864,100 of such surplus was applied to the payment of the principal and interest of the 3 per cent bonds still outstanding, and which were then payable at the option of the Government. The precarious condition of financial affairs among the people still needing relief, immediately after the 30th day of June, 1887, the remainder of the 3 per cent bonds then outstanding, amounting with principal and interest to the sum of \$18,877,500, were called in and applied to the sinking-fund contribution for the current fiscal year. Notwithstanding these operations of the Treasury Department, representations of distress in business circles not only continued, but increased, and absolute peril seemed at hand. In these circumstances the contribution to the sinking fund for the current fiscal year was at once completed by the expenditure of \$27,684,283.55 in the purchase of Government bonds not yet due bearing 4 and 41/2 per cent interest, the premium paid thereon averaging about 24 per cent for the former and 8 per cent for the latter. In addition to this, the interest accruing during the current year upon the outstanding bonded indebtedness of the Government was to some extent anticipated, and banks selected as depositories of public money were permitted to somewhat increase their deposits.

While the expedients thus employed to release to the people the money lying idle in the Treasury served to avert immediate danger, our surplus revenues have continued to accumulate, the excess for the present year amounting on the 1st day of December to \$55,258,701.19, and estimated to reach the sum of \$113,000,000 on the 30th of June next, at which date it is expected that this sum, added to prior accumulations, will swell the surplus in the Treasury to \$140,000,000.

There seems to be no assurance that, with such a withdrawal from use of the people's circulating medium, our business community may not in the near future be subjected to the same distress which was quite lately produced from the same cause. And while the functions of our National Treasury should be few and simple, and while its best condition would be reached, I believe, by its entire disconnection with private business interests, yet when, by a perversion of its purposes, it idly holds money uselessly subtracted from the channels of trade, there seems to be reason for the claim that some legitimate means should be devised by the Government to restore in an emergency, without waste or extravagance, such money to its place among the people.

If such an emergency arises, there now exists no clear and undoubted executive power of relief. Heretofore the redemption of 3 per cent bonds, which were payable at the option of the Government, has afforded a means for the disbursement of the excess of our revenues; but these bonds have all been retired, and there are no bonds outstanding the payment of which we have a right to insist upon. The contribution to the sinking fund which furnishes the occasion for expenditure in the purchase of bonds has been already made for the current year, so that there is no outlet in that direction.

In the present state of legislation the only pretense of any existing executive power to restore at this time any part of our surplus revenues to the people by its expenditure consists in the supposition that the Secretary of the Treasury may enter the market and purchase the bonds of the Government not yet due, at a rate of premium to be agreed upon. The only provision of law from which such a power could be derived is found in an appropriation bill passed a number of years ago, and it is subject to the suspicion that it was intended as temporary and limited in its application, instead of conferring a continuing discretion and authority. No condition ought to exist which would justify the grant of power to a single official, upon his judgment of its necessity, to withhold from or release to the business of the people, in an unusual manner, money held in the Treasury, and thus affect at his will the financial situation of the country; and if it is deemed wise to lodge in the Secretary of the Treasury the authority in the present juncture to purchase bonds, it should be plainly vested, and provided, as far as possible, with such checks and limitations as will define this official's right and discretion and at the same time relieve him from undue responsibility.

In considering the question of purchasing bonds as a means of restoring to circulation the surplus money accumulating in the Treasury, it should be borne in mind that premiums must of course be paid upon such purchase, that there may be a large part of these bonds held as investments which can not be purchased at any price, and that combinations among holders who are willing to sell may unreasonably enhance the cost of such bonds to the Government.

It has been suggested that the present bonded debt might be refunded at a less rate of interest and the difference between the old and new security paid in cash, thus finding use for the surplus in the Treasury. The success of this plan, it is apparent, must depend upon the volition of the holders of the present bonds; and it is not entirely certain that the inducement which must be offered them would result in more financial benefit to

the Government than the purchase of bonds, while the latter proposition would reduce the principal of the debt by actual payment instead of extending it.

The proposition to deposit the money held by the Government in banks throughout the country for use by the people is, it seems to me, exceedingly objectionable in principle, as establishing too close a relationship between the operations of the Government Treasury and the business of the country and too extensive a commingling of their money, thus fostering an unnatural reliance in private business upon public funds. If this scheme should be adopted, it should only be done as a temporary expedient to meet an urgent necessity. Legislative and executive effort should generally be in the opposite direction, and should have a tendency to divorce, as much and as fast as can be safely done, the Treasury Department from private enterprise.

Of course it is not expected that unnecessary and extravagant appropriations will be made for the purpose of avoiding the accumulation of an excess of revenue. Such expenditure, besides the demoralization of all just conceptions of public duty which it entails, stimulates a habit of reckless improvidence not in the least consistent with the mission of our people or the high and beneficent purposes of our Government.

I have deemed it my duty to thus bring to the knowledge of my countrymen, as well as to the attention of their representatives charged with the responsibility of legislative relief, the gravity of our financial situation. The failure of the Congress heretofore to provide against the dangers which it was quite evident the very nature of the difficulty must necessarily produce caused a condition of financial distress and apprehension since your last adjournment which taxed to the utmost all the authority and expedients within executive control; and these appear now to be exhausted. If disaster results from the continued inaction of Congress, the responsibility must rest where it belongs.

Though the situation thus far considered is fraught with danger which should be fully realized, and though it presents features of wrong to the people as well as peril to the country, it is but a result growing out of a perfectly palpable and apparent cause, constantly reproducing the same alarming circumstances--a congested National Treasury and a depleted monetary condition in the business of the country. It need hardly be stated that while the present situation demands a remedy, we can only be saved from a like predicament in the future by the removal of its cause.

Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public Treasury, consists of a tariff or duty levied upon importations from abroad and internal-revenue taxes levied upon the consumption of tobacco and spirituous and malt liquors. It must be conceded that none of the things subjected to internal-revenue taxation are, strictly speaking, necessaries. There appears to be no just complaint of this taxation by the consumers of these articles, and there seems to be nothing so well able to bear the burden without hardship to any portion of the people.

## **Grover Cleveland, "Fourth Annual Message," (December 1888)**

The report of the Secretary of the Treasury exhibits in detail the condition of our national finances and the operations of the several branches of the Government related to his Department.

The total ordinary revenues of the Government for the fiscal year ended June 30, 1888, amounted to \$379,266,074.76, of which \$219,091,173.63 was received from customs duties and \$124,296,871.98 from internal revenue taxes.

The total receipts from all sources exceeded those for the fiscal year ended June 30, 1887, by \$7,862,797.10.

The ordinary expenditures of the Government for the fiscal year ending June 30, 1888, were \$259,653,958.67, leaving a surplus of \$119,612,116.09.

The decrease in these expenditures as compared with the fiscal year ended June 30, 1887, was \$8,278,221.30, notwithstanding the payment of more than \$5,000,000 for pensions in excess of what was paid for that purpose in the latter-mentioned year.

The revenues of the Government for the year ending June 30, 1889, ascertained for the quarter ended September 30, 1888, and estimated for the remainder of the time, amount to \$377,000,000, and the actual and estimated ordinary expenditures for the same year are \$273,000,000, leaving an estimated surplus of \$104,000,000.

The estimated receipts for the year ending June 30, 1890, are \$377,000,000, and the estimated ordinary expenditures for the same time are \$275,767,488.34, showing a surplus of \$101,232,511.66.

The foregoing statements of surplus do not take into account the sum necessary to be expended to meet the requirements of the sinking-fund act, amounting to more than \$47,000,000 annually.

The cost of collecting the customs revenues for the last fiscal year was 2.44 per cent; for the year 1885 it was 3.77 per cent.

The excess of internal-revenue taxes collected during the last fiscal year over those collected for the year ended June 30, 1887, was \$5,489,174.26, and the cost of collecting this revenue decreased from 3.4 per cent in 1887 to less than 3.2 per cent for the last year. The tax collected on oleomargarine was \$723,948.04 for the year ending June 30, 1887, and \$864,139.88 for the following year.

The requirements of the sinking-fund act have been met for the year ended June 30, 1888, and for the current year also, by the purchase of bonds. After complying with this law as positively required, and bonds sufficient for that purpose had been bought at a premium, it was not deemed prudent to further expend the surplus in such purchases until the authority to do so should be more explicit. A resolution, however, having been

passed by both Houses of Congress removing all doubt as to Executive authority, daily purchases of bonds were commenced on the 23d day of April, 1888, and have continued until the present time. By this plan bonds of the Government not yet due have been purchased up to and including the 30th day of November, 1888, amounting to \$94,700,400, the premium paid thereon amounting to \$17,508,613.08.

The premium added to the principal of these bonds represents an investment yielding about 2 per cent interest for the time they still had to run, and the saving to the Government represented by the difference between the amount of interest at 2 per cent upon the sum paid for principal and premium and what it would have paid for interest at the rate specified in the bonds if they had run to their maturity is about \$27,165,000.

At first sight this would seem to be a profitable and sensible transaction on the part of the Government, but, as suggested by the Secretary of the Treasury, the surplus thus expended for the purchase of bonds was money drawn from the people in excess of any actual need of the Government and was so expended rather than allow it to remain idle in the Treasury. If this surplus, under the operation of just and equitable laws, had been left in the hands of the people, it would have been worth in their business at least 6 per cent per annum. Deducting from the amount of interest upon the principal and premium of these bonds for the time they had to run at the rate of 6 per cent the saving of 2 per cent made for the people by the purchase of such bonds, the loss will appear to be \$55,760,000.

This calculation would seem to demonstrate that if excessive and unnecessary taxation is continued and the Government is forced to pursue this policy of purchasing its own bonds at the premiums which it will be necessary to pay, the loss to the people will be hundreds of millions of dollars.

Since the purchase of bonds was undertaken as mentioned nearly all that have been offered were at last accepted. It has been made quite apparent that the Government was in danger of being subjected to combinations to raise their price, as appears by the instance cited by the Secretary of the offering of bonds of the par value of only \$326,000 so often that the aggregate of the sums demanded for their purchase amounted to more than \$ 19,700,000.

Notwithstanding the large sums paid out in the purchase of bonds, the surplus in the Treasury on the 30th day of November, 1888, was \$52,234,610.01, after deducting about \$20,000,000 just drawn out for the payment of pensions.

At the close of the fiscal year ended June 30, 1887, there had been coined under the compulsory silver-coinage act \$266,988,280 in silver dollars, \$55,504,310 of which were in the hands of the people.

On the 30th day of June, 1888, there had been coined \$299,708,790; and of this \$55,829,303 was in circulation in coin, and \$200,387,376 in silver certificates, for the redemption of which silver dollars to that amount were held by the Government.

On the 30th day of November, 1888, \$312,570,990 had been coined, \$60,970,990 of the silver dollars were actually in circulation, and \$237,418,346 in certificates.

### **Benjamin Harrison “First Annual Message,” (December 1889)**

The report of the Secretary of the Treasury for the fiscal year ending June 30, 1889, has been prepared and will be presented to Congress. It presents with clearness the fiscal operations of the Government, and I avail myself of it to obtain some facts for use here.

The aggregate receipts from all sources for the year were \$387,050,058.84, derived as follows:

From customs	\$223, 832, 741.69
From internal revenue	130,881,513.92
From miscellaneous sources	32,335,803.23

The ordinary expenditures for the same period were \$281,996,615.60, and the total expenditures, including the sinking fund, were \$329,579,929.25. The excess of receipts over expenditures was, after providing for the sinking fund, \$57,470,129.59.

For the current fiscal year the total revenues, actual and estimated are \$385,000,000, and the ordinary expenditures, actual and estimated, are \$293,000,000, making with the sinking fund a total expenditure of \$341,321,116.99, leaving an estimated surplus of \$43,678,883.01.

During the fiscal year there was applied to the purchase of bonds, in addition to those for the sinking fund, \$90,456,172.35, and during the first quarter of the current year the sum of \$37,838,937.77, all of which were credited to the sinking fund. The revenues for the fiscal year ending June 30, 1891, are estimated by the Treasury Department at \$385,000,000, and the expenditures for the same period, including the sinking fund, at \$341,430,477.70. This shows an estimated surplus for that year of \$43,569,522.30, which is more likely to be increased than reduced when the actual transactions are written up.

The existence of so large an actual and anticipated surplus should have the immediate attention of Congress, with a view to reducing the receipts of the Treasury to the needs of the Government as closely as may be. The collection of moneys not needed for public uses imposes an unnecessary burden upon our people, and the presence of so large a surplus in the public vaults is a disturbing element in the conduct of private business. It has called into use expedients for putting it into circulation of very questionable propriety. We should not collect revenue for the purpose of anticipating our bonds beyond the requirements of the sinking fund, but any unappropriated surplus in the

Treasury should be so used, as there is no other lawful way of returning the money to circulation, and the profit realized by the Government offers a substantial advantage.

The loaning of public funds to the banks without interest upon the security of Government bonds I regard as an unauthorized and dangerous expedient. It results in a temporary and unnatural increase of the banking capital of favored localities and compels a cautious and gradual recall of the deposits to avoid injury to the commercial interests. It is not to be expected that the banks having these deposits will sell their bonds to the Treasury so long as the present highly beneficial arrangement is continued. They now practically get interest both upon the bonds and their proceeds. No further use should be made of this method of getting the surplus into circulation, and the deposits now outstanding should be gradually withdrawn and applied to the purchase of bonds. It is fortunate that such a use can be made of the existing surplus, and for some time to come of any casual surplus that may exist after Congress has taken the necessary steps for a reduction of the revenue. Such legislation should be promptly but very considerately enacted.

A table presented by the Secretary of the Treasury showing the amount of money of all kinds in circulation each year from 1878 to the present time is of interest. It appears that the amount of national-bank notes in circulation has decreased during that period \$114,109,729, of which \$37,799,229 is chargeable to the last year. The withdrawal of bank circulation will necessarily continue under existing conditions. It is probable that the adoption of the suggestions made by the Comptroller of the Currency, namely, that the minimum deposit of bonds for the establishment of banks be reduced and that an issue of notes to the par value of the bonds be allowed, would help to maintain the bank circulation. But while this withdrawal of bank notes has been going on there has been a large increase in the amount of gold and silver coin in circulation and in the issues of gold and silver certificates.

The total amount of money of all kinds in circulation on March 1, 1878, was \$805,793,807, while on October 1, 1889, the total was \$1,405,018,000. There was an increase of \$293,417,552 in gold coin, of \$57,554,100 in standard silver dollars, of \$72,311,249 in gold certificates, of \$276,619,715 in silver certificates, and of \$14,073,787 in United States notes, making a total of \$713,976,403. There was during the same period a decrease of \$114,109,729 in bank circulation and of \$642,481 in subsidiary silver. The net increase was \$599,224,193. The circulation per capita has increased about \$5 during the time covered by the table referred to.

The total coinage of silver dollars was on November 1, 1889, \$343,638,001, of which \$283,539,521 were in the Treasury vaults and \$60,098,480 were in circulation. Of the amount in the vaults \$277,319,944 were represented by outstanding silver certificates, leaving \$6,219,577 not in circulation and not represented by certificates.

## **Benjamin Harrison "Second Annual Message," (December 1890)**

The revenues of the Government from all sources for the fiscal year ending June 30, 1890, were \$463,963,080.55 and the total expenditures for the same period were \$358,618,584.52. The postal receipts have not heretofore been included in the statement of these aggregates, and for the purpose of comparison the sum of \$60,882,097.92 should be deducted from both sides of the account. The surplus for the year, including the amount applied to the sinking fund, was \$105,344,496.03. The receipts for 1890 were \$16,030,923.79 and the expenditures \$15,739,871 in excess of those of 1889. The customs receipts increased \$5,835,842.88 and the receipts from internal revenue \$11,725,191.89, while on the side of expenditures that for pensions was \$19,312,075.96 in excess of the preceding year.

The Treasury statement for the current fiscal year, partly actual and partly estimated, is as follows: Receipts from all sources, \$406,000,000; total expenditures, \$354,000,000, leaving a surplus of \$52,000,000, not taking the postal receipts into the account on either side. The loss of revenue from customs for the last quarter is estimated at \$25,000,000, but from this is deducted a gain of about \$16,000,000 realized during the first four months of the year.

For the year 1892 the total estimated receipts are \$373,000,000 and the estimated expenditures \$357,852,209.42, leaving an estimated surplus of \$15,247,790.58, which, with a cash balance of \$52,000,000 at the beginning of the year, will give \$67,247,790.58 as the sum available for the redemption of outstanding bonds or other uses. The estimates of receipts and expenditures for the Post-Office Department, being equal, are not included in this statement on either side.

The efforts of the Secretary to increase the volume of money in circulation by keeping down the Treasury surplus to the lowest practicable limit have been unremitting and in a very high degree successful. The tables presented by him showing the increase of money in circulation during the last two decades, and especially the table showing the increase during the nineteen months he has administered the affairs of the Department, are interesting and instructive. The increase of money in circulation during the nineteen months has been in the aggregate \$93,866,813, or about \$1.50 per capita, and of this increase only \$7,100,000 was due to the recent silver legislation. That this substantial and needed aid given to commerce resulted in an enormous reduction of the public debt and of the annual interest charge is matter of increased satisfaction. There have been purchased and redeemed since March 4, 1889, 4 and 4 12 per cent bonds to the amount of \$211,832,450, at a cost of \$246,620,741, resulting in the reduction of the annual interest charge of \$8,967,609 and a total saving of interest of \$51,576,706.

I notice with great pleasure the statement of the Secretary that the receipts from internal revenue have increased during the last fiscal year nearly \$12,000,000, and that the cost of collecting this larger revenue was less by \$90,617 than for the same purpose in the preceding year. The percentage of cost of collecting the customs revenue was less for the last fiscal year than ever before.

### **Benjamin Harrison “Third Annual Message,” (December 1891)**

The report of the Secretary of the Treasury shows that the total receipts of the Government from all sources for the fiscal year ending June 30, 1891, were \$458,544,233.03, while the expenditures for the same period were \$421,304,470.46, leaving a surplus of \$37,239,762.57.

The receipts of the fiscal year ending June 30, 1892, actual and estimated, are \$433,000,000 and the expenditures \$409,000,000. For the fiscal year ending June 30, 1893, the estimated receipts are \$455,336,350 and the expenditures \$441,300,093.

Under the law of July 14, 1890, the Secretary of the Treasury has purchased (since August 13) during the fiscal year 48,393,113 ounces of silver bullion at an average cost of \$1.045 per ounce. The highest price paid during the year was \$1.2025 and the lowest \$0.9636. In exchange for this silver bullion there have been issued \$50,577,498 of the Treasury notes authorized by the act. The lowest price of silver reached during the fiscal year was \$0.9636 on April 22, 1891; but on November 1 the market price was only \$0.96, which would give to the silver dollar a bullion value of 74 1/4 cents.

Before the influence of the prospective silver legislation was felt in the market silver was worth in New York about \$0.955 per ounce. The ablest advocates of free coinage in the last Congress were most confident in their predictions that the purchases by the Government required by the law would at once bring the price of silver to \$1.2929 per ounce, which would make the bullion value of a dollar 100 cents and hold it there. The prophecies of the antisilver men of disasters to result from the coinage of \$2,000,000 per month were not wider of the mark. The friends of free silver are not agreed, I think, as to the causes that brought their hopeful predictions to naught. Some facts are known. The exports of silver from London to India during the first nine months of this calendar year fell off over 50 per cent, or \$17,202,730, compared with the same months of the preceding year. The exports of domestic silver bullion from this country, which had averaged for the last ten years over \$17,000,000, fell in the last fiscal year to \$13,797,391, while for the first time in recent years the imports of silver into this country exceeded the exports by the sum of \$2,745,365. In the previous year the net exports of silver from the United States amounted to \$8,545,455. The production of the United States increased from 50,000,000 ounces in 1889 to 54,500,000 in 1890. The Government is now buying and putting aside annually 54,000,000 ounces, which, allowing for 7,140,000 ounces of new bullion used in the arts, is 6,640,000 more than our domestic products available for coinage.

The presence of a large cash surplus in the Treasury has for many years been the subject of much unfavorable criticism, and has furnished an argument to those who have desired to place the tariff upon a purely revenue basis. It was agreed by all that the withdrawal from circulation of so large an amount of money was an embarrassment to the business of the country and made necessary the intervention of the Department at frequent intervals to relieve threatened monetary panics. The surplus on March 1, 1889, was \$183,827,190.29. The policy of applying this surplus to the redemption of the interest-bearing securities of the United States was thought to be preferable to that of

depositing it without interest in selected national banks. There have been redeemed since the date last mentioned of interest-bearing securities \$259,079,350, resulting in a reduction of the annual interest charge of \$11,684,675. The money which had been deposited in banks without interest has been gradually withdrawn and used in the redemption of bonds.

The result of this policy, of the silver legislation, and of the refunding of the 4 1/2 per cent bonds has been a large increase of the money in circulation. At the date last named the circulation was \$1,404,205,896, or \$23.03 per capita, while on the 1st day of December, 1891, it had increased to \$1,577,262,070, or \$24.38 per capita. The offer of the Secretary of the Treasury to the holders of the 4 1/2 per cent bonds to extend the time of redemption, at the option of the Government, at an interest of 2 per cent, was accepted by the holders of about one-half the amount, and the unextended bonds are being redeemed on presentation.

### **Benjamin Harrison "Fourth Annual Message," (December 1892)**

The report of the Secretary of the Treasury will attract especial interest in view of the many misleading statements that have been made as to the state of the public revenues. Three preliminary facts should not only be stated but emphasized before looking into details: First, that the public debt has been reduced since March 4, 1889, \$259,074,200, and the annual interest charge \$11,684,469; second, that there have been paid out for pensions during this Administration up to November 1, 1892, \$432,564,178.70, an excess of \$114,466,386.09 over the sum expended during the period from March 1, 1885, to March 1, 1889; and, third, that under the existing tariff up to December 1 about \$93,000,000 of revenue which would have been collected upon imported sugars if the duty had been maintained has gone into the pockets of the people, and not into the public Treasury, as before. If there are any who still think that the surplus should have been kept out of circulation by hoarding it in the Treasury, or deposited in favored banks without interest while the Government continued to pay to these very banks interest upon the bonds deposited as security for the deposits, or who think that the extended pension legislation was a public robbery, or that the duties upon sugar should have been maintained, I am content to leave the argument where it now rests while we wait to see whether these criticisms will take the form of legislation.

The revenues for the fiscal year ending June 30, 1892, from all sources were \$425,868,260.22, and the expenditures for all purposes were \$415,953,806.56, leaving a balance of \$9,914,453.66. There were paid during the year upon the public debt \$40,570,467.98. The surplus in the Treasury and the bank redemption fund passed by the act of July 14, 1890, to the general fund furnished in large part the cash available and used for the payments made upon the public debt. Compared with the year 1891, our receipts from customs duties fell off \$42,069,241.08, while our receipts from internal revenue increased \$8,284,823.13, leaving the net loss of revenue from these principal sources \$33,784,417.95. The net loss of revenue from all sources was \$32,675,972.81.

The revenues, estimated and actual, for the fiscal year ending June 30, 1893, are placed by the Secretary at \$463,336,350.44, and the expenditures at \$461,336,350.44, showing a surplus of receipts over expenditures of \$2,000,000. The cash balance in the Treasury at the end of the fiscal year it is estimated will be \$20,992,377.03. So far as these figures are based upon estimates of receipts and expenditures for the remaining months of the current fiscal year, there are not only the usual elements of uncertainty, but some added elements. New revenue legislation, or even the expectation of it, may seriously reduce the public revenues during the period of uncertainty and during the process of business adjustment to the new conditions when they become known. But the Secretary has very wisely refrained from guessing as to the effect of possible changes in our revenue laws, since the scope of those changes and the time of their taking effect can not in any degree be forecast or foretold by him. His estimates must be based upon existing laws and upon a continuance of existing business conditions, except so far as these conditions may be affected by causes other than new legislation.

The estimated receipts for the fiscal year ending June 30, 1894, are \$490,121,365.38, and the estimated appropriations \$457,261,335.33, leaving an estimated surplus of receipts over expenditures of \$32,860,030.05. This does not include any payment to the sinking fund. In the recommendation of the Secretary that the sinking-fund law be repealed I concur. The redemption of bonds since the passage of the law to June 30, 1892, has already exceeded the requirements by the sum of \$990,510,681.49. The retirement of bonds in the future before maturity should be a matter of convenience, not of compulsion. We should not collect revenue for that purpose, but only use any casual surplus. To the balance of \$32,860,030.05 of receipts over expenditures for the year 1894 should be added the estimated surplus at the beginning of the year, \$20,992,377.03, and from this aggregate there must be deducted, as stated by the Secretary, about \$44,000,000 of estimated unexpended appropriations.

The public confidence in the purpose and ability of the Government to maintain the parity of all of our money issues, whether coin or paper, must remain unshaken. The demand for gold in Europe and the consequent calls upon us are in a considerable degree the result of the efforts of some of the European Governments to increase their gold reserves, and these efforts should be met by appropriate legislation on our part. The conditions that have created this drain of the Treasury gold are in an important degree political, and not commercial. In view of the fact that a general revision of our revenue laws in the near future seems to be probable, it would be better that any changes should be a part of that revision rather than of a temporary nature.

The report of the Postmaster-General shows a most gratifying increase and a most efficient and progressive management of the great business of that Department. The remarkable increase in revenues, in the number of post-offices, and in the miles of mail carriage furnishes further evidence of the high state of prosperity which our people are enjoying. New offices mean new hamlets and towns, new routes mean the extension of our border settlements, and increased revenues mean an active commerce. The Postmaster-General reviews the whole period of his administration of the office and brings some of his statistics down to the month of November last. The postal revenues have increased during the last year nearly \$5,000,000. The deficit for the year ending

June 30, 1892, is \$848,341 less than the deficiency of the preceding year. The deficiency of the present fiscal year it is estimated will be reduced to \$1,552,423, which will not only be extinguished during the next fiscal year but a surplus of nearly \$1,000,000 should then be shown. In these calculations the payments to be made under the contracts for ocean mail service have not been included. There have been added 1,590 new mail routes during the year, with a mileage of 8,563 miles, and the total number of new miles of mail trips added during the year is nearly 17,000,000. The number of miles of mail journeys added during the last four years is about 76,000,000, this addition being 21,000,000 miles more than were in operation in the whole country in 1861.

### **Grover Cleveland, "First Annual Message (second term)," (December 1893)**

The Secretary of the Treasury reports that the receipts of the Government from all sources during the fiscal year ended June 30, 1893, amounted to \$461,716,561.94 and its expenditures to \$459,374,674.29. There was collected from customs \$205,355,016.73 and from internal revenue \$161,027,623.93. Our dutiable imports amounted to \$421,856,711, an increase of \$52,453,907 over the preceding year, and importations free of duty amounted to \$444,544,211, a decrease from the preceding year of \$13,455,447. Internal-revenue receipts exceeded those of the preceding year by \$7,147,445.32. The total tax collected on distilled spirits was \$94,720,260.55, on manufactured tobacco \$31,889,711.74, and on fermented liquors \$32,548,983.07. We exported merchandise during the year amounting to \$847,665,194, a decrease of \$182,612,954 from the preceding year. The amount of gold exported was larger than any previous year in the history of the Government, amounting to \$108,680,844, and exceeding the amount exported during the preceding year by \$58,485,517.

The sum paid from the Treasury for sugar bounty was \$9,375,130.88, an increase over the preceding year of \$2,033,053.09.

It is estimated upon the basis of present revenue laws that the receipts of the Government for the year ending June 30, 1894, will be \$430,121,365.38 and its expenditures \$458,121,365.28, resulting in a deficiency of \$28,000,000.

On the 1st day of November, 1893, the amount of money of all kinds in circulation, or not included in Treasury holdings, was \$1,718,544,682, an increase for the year of \$112,404,947. Estimating our population at 67,426,000 at the time mentioned, the per capita circulation was \$25.49. On the same date there was in the Treasury gold bullion amounting to \$96,657,273 and silver bullion which was purchased at a cost of \$126,261,553.

The purchases of silver under the law of July 14, 1890, during the last fiscal year aggregated 54,008,162.59 fine ounces, which cost \$45,531,374.53. The total amount of silver purchased from the time that law became operative until the repeal of its purchasing clause, on the 1st day of November, 1893, was 168,674,590.46 fine ounces, which cost \$155,930,940.84. Between the 1st day of March, 1873, and the 1st day of November, 1893, the Government purchased under all laws 503,003,717 fine ounces of

silver, at a cost of \$516,622,948. The silver dollars that have been coined under the act of July 14, 1890, number 36,087,285. The seigniorage arising from such coinage was \$6,977,098.39, leaving on hand in the mints 140,699,760 fine ounces of silver, which cost \$126,758,218.

Our total coinage of all metals during the last fiscal year consisted of 97,280,875 pieces, valued at \$43,685,178.80, of which there was \$30,038,140 in gold coin, \$5,343,715 in silver dollars, \$7,217,220.90 in subsidiary silver coin, and \$1,086,102.90 in minor coins.

During the calendar year 1892 the production of precious metals in the United States was estimated to be 1,596,375 fine ounces of gold of the commercial and coinage value of \$33,000,000 and 58,000,000 fine ounces of silver of the bullion or market value of \$50,750,000 and of the coinage value of \$74,989,900.

The Secretary of War reports that the strength of the Army on the 30th day of September last was 25,778 enlisted men and 2,144 officers.

The total expenditures of the Department for the year ending June 30, 1893, amounted to \$51,966,074.89. Of this sum \$1,992,581.95 was for salaries and contingent expenses, \$23,377,828.35 for the support of the military establishment, \$6,077,033.18 for miscellaneous objects, and 518,631.41 for public works. This latter sum includes \$15,296,876.46 for river and harbor improvements and \$3,266,141.20 for fortifications and other works of defense.

Economy in public expenditure is a duty that can not innocently be neglected by those intrusted with the control of money drawn from the people for public uses. It must be confessed that our apparently endless resources, the familiarity of our people with immense accumulations of wealth, the growing sentiment among them that the expenditure of public money should in some manner be to their immediate and personal advantage, the indirect and almost stealthy manner in which a large part of our taxes is exacted, and a degenerated sense of official accountability have led to growing extravagance in governmental appropriations.

At this time, when a depleted public Treasury confronts us, when many of our people are engaged in a hard struggle for the necessaries of life, and when enforced economy is pressing upon the great mass of our countrymen, I desire to urge with all the earnestness at my command that Congressional legislation be so limited by strict economy as to exhibit an appreciation of the condition of the Treasury and a sympathy with the straitened circumstances of our fellow-citizens.

The duty of public economy is also of immense importance in its intimate and necessary relation to the task now in hand of providing revenue to meet Government expenditures and yet reducing the people's burden of Federal taxation.

## **Grover Cleveland, "Second Annual Message (second term)," (December 1894)**

The Secretary of the Treasury reports that the receipts of the Government from all sources of revenue during the fiscal year ending June 30, 1894, amounted to \$372,802,498.29 and its expenditures to \$442,605,758.87, leaving a deficit of \$69,803,260.58. There was a decrease of \$15,952,674.66 in the ordinary expense of the Government as compared with the fiscal year 1893.

There was collected from customs \$131,818,530.62 and from internal revenue \$147,168,449.70. The balance of the income for the year, amounting to \$93,815,517.97, was derived from the sales of lands and other sources.

The value of our total dutiable imports amounted to \$275,199,086, being \$146,657,625 less than during the preceding year, and the importations free of duty amounted to \$379,795,536, being \$64,748,675 less than during the preceding year. The receipts from customs were \$73,536,486.11 less and from internal revenue \$13,836,539.97 less than in 1893.

The total tax collected from distilled spirits was \$85,259,250.25, on manufactured tobacco \$28,617,898.62, and on fermented liquors \$31,414,788.04.

Our exports of merchandise, domestic and foreign, amounted during the year to \$892,140,572, being an increase over the preceding year of \$44,495,378.

The total amount of gold exported during the fiscal year was \$76,898,061, as against \$108,680,444 during the fiscal year 1893. The amount imported was \$72,449,119, as against \$21,174,381 during the previous year.

The imports of silver were \$13,186,552 and the exports were \$50,451,265.

The total bounty paid upon the production of sugar in the United States for the fiscal year was \$12,100,208.89, being an increase of \$2,725,078.01 over the payments made during the preceding year. The amount of bounty paid from July 1, 1894, to August 28, 1894, the time when further payments ceased by operation of law, was \$966,185.84. The total expenses incurred in the payment of the bounty upon sugar during the fiscal year was \$130,140.85.

It is estimated that upon the basis of the present revenue laws the receipts of the Government during the current fiscal year, ending June 30, 1895, will be \$424,427,748.44 and its expenditures \$444,427,748.44, resulting in a deficit of \$20,000,000.

On the 1st day of November, 1894, the total stock of money of all kinds in the country was \$2,240,773,88.8, as against \$2,204,651,000 on the 1st day of November, 1893, and the money of all kinds in circulation, or not included in the Treasury holdings, was \$1,672,093,422, or \$24.27 per capita upon an estimated population of 68,887,000. At

the same date there was held in the Treasury gold bullion amounting to \$44,615,177.55 and silver bullion which was purchased at a cost of \$127,772,988. The purchase of silver bullion under the act of July 14, 1890, ceased on the 1st day of November, 1893, and up to that time there had been purchased during the fiscal year 11,917,658.78 fine ounces, at a cost of \$8,715,521.32, an average cost of \$0.7313 per fine ounce. The total amount of silver purchased from the time that law took effect until the repeal of its purchasing clause, on the date last mentioned, was 168,674,682.53 fine ounces, which cost \$155,931,002.25, the average price per fine ounce being \$0.9244.

### **Grover Cleveland, "Third Annual Message (second term)," (December 1895)**

The compulsory purchase and coinage of silver by the Government, unchecked and unregulated by business conditions and heedless of our currency needs, which for more than fifteen years diluted our circulating medium, undermined confidence abroad in our financial ability, and at last culminated in distress and panic at home, has been recently stopped by the repeal of the laws which forced this reckless scheme upon the country.

The things thus accomplished, notwithstanding their extreme importance and beneficent effects, fall far short of curing the monetary evils from which we suffer as a result of long indulgence in ill-advised financial expedients.

The currency denominated United States notes and commonly known as greenbacks was issued in large volume during the late Civil War and was intended originally to meet the exigencies of that period. It will be seen by a reference to the debates in Congress at the time the laws were passed authorizing the issue of these notes that their advocates declared they were intended for only temporary use and to meet the emergency of war. In almost if not all the laws relating to them some provision was made contemplating their voluntary or compulsory retirement. A large quantity of them, however, were kept on foot and mingled with the currency of the country, so that at the close of the year 1874 they amounted to \$381,999,073.

Immediately after that date, and in January, 1875, a law was passed providing for the resumption of specie payments, by which the Secretary of the Treasury was required whenever additional circulation was issued to national banks to retire United States notes equal in amount to 80 per cent of such additional national-bank circulation until such notes were reduced to \$300,000,000. This law further provided that on and after the 1st day of January, 1879, the United States notes then outstanding should be redeemed in coin, and in order to provide and prepare for such redemption the Secretary of the Treasury was authorized not only to use any surplus revenues of the Government, but to issue bonds of the United States and dispose of them for coin and to use the proceeds for the purposes contemplated by the statute.

In May, 1878, and before the date thus appointed for the redemption and retirement of these notes, another statute was passed forbidding their further cancellation and

retirement. Some of them had, however, been previously redeemed and canceled upon the issue of additional national-bank circulation, as permitted by the law of 1875, so that the amount outstanding at the time of the passage of the act forbidding their further retirement was \$346,681,016.

The law of 1878 did not stop at distinct prohibition, but contained in addition the following express provision:

And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever, and shall belong to the United States, they shall not be retired, canceled, or destroyed, but they shall be reissued and paid out again and kept in circulation.

This was the condition of affairs on the 1st day of January, 1879, which had been fixed upon four years before as the date for entering upon the redemption and retirement of all these notes, and for which such abundant means had been provided.

The Government was put in the anomalous situation of owing to the holders of its notes debts payable in gold on demand which could neither be retired by receiving such notes in discharge of obligations due the Government nor canceled by actual payment in gold. It was forced to redeem without redemption and to pay without acquittance.

There had been issued and sold \$95,500,000 of the bonds authorized by the resumption act of 1875, the proceeds of which, together with other gold in the Treasury, created a gold fund deemed sufficient to meet the demands which might be made upon it for the redemption of the outstanding United States notes. This fund, together with such other gold as might be from time to time in the Treasury available for the same purpose, has been since called our gold reserve, and \$100,000,000 has been regarded as an adequate amount to accomplish its object. This fund amounted on the 1st day of January, 1879, to \$114,193,360, and though thereafter constantly fluctuating it did not fall below that sum until July, 1892. In April, 1893, for the first time since its establishment, this reserve amounted to less than \$100,000,000, containing at that date only \$97,011,330.

In the meantime, and in July, 1890, an act had been passed directing larger governmental monthly purchases of silver than had been required under previous laws, and providing that in payment for such silver Treasury notes of the United States should be issued payable on demand in gold or silver coin, at the discretion of the Secretary of the Treasury. It was, however, declared in the act to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio or such ratio as may be provided by law." In view of this declaration it was not deemed permissible for the Secretary of the Treasury to exercise the discretion in terms conferred on him by refusing to pay gold on these notes when demanded, because by such discrimination in favor of the gold dollar the so-called parity of the two metals would be destroyed and grave and dangerous consequences would be precipitated by affirming or accentuating the constantly widening disparity between their actual values under the existing ratio.

It thus resulted that the Treasury notes issued in payment of silver purchases under the law of 1890 were necessarily treated as gold obligations at the option of the holder. These notes on the 1st day of November, 1893, when the law compelling the monthly purchase of silver was repealed, amounted to more than \$155,000,000. The notes of this description now outstanding added to the United States notes still undiminished by redemption or cancellation constitute a volume of gold obligations amounting to nearly \$500,000,000.

These obligations are the instruments which ever since we had a gold reserve have been used to deplete it.

This reserve, as has been stated, had fallen in April, 1893, to \$97,111,330. It has from that time to the present, with very few and unimportant upward movements, steadily decreased, except as it has been temporarily replenished by the sale of bonds.

Among the causes for this constant and uniform shrinkage in this fund may be mentioned the great falling off of exports under the operation of the tariff law until recently in force, which crippled our exchange of commodities with foreign nations and necessitated to some extent the payment of our balances in gold; the unnatural infusion of silver into our currency and the increasing agitation for its free and unlimited coinage, which have created apprehension as to our disposition or ability to continue gold payments; the consequent hoarding of gold at home and the stoppage of investments of foreign capital, as well as the return of our securities already sold abroad; and the high rate of foreign exchange, which induced the shipment of our gold to be drawn against as a matter of speculation.

In consequence of these conditions the gold reserve on the 1st day of February, 1894, was reduced to \$65,438,377, having lost more than \$31,000,000 during the preceding nine months, or since April, 1893. Its replenishment being necessary and no other manner of accomplishing it being possible, resort was had to the issue and sale of bonds provided for by the resumption act of 1875. Fifty millions of these bonds were sold, yielding \$58,633,295.71, which was added to the reserve fund of gold then on hand. As a result of this operation this reserve, which had suffered constant and large withdrawals in the meantime, stood on the 6th day of March, 1894, at the sum of \$107,446,802. Its depletion was, however, immediately thereafter so accelerated that on the 30th day of June, 1894, it had fallen to \$64,873,025, thus losing by withdrawals more than \$42,000,000 in five months and dropping slightly below its situation when the sale of \$50,000,000 in bonds was effected for its replenishment.

This depressed condition grew worse, and on the 24th day of November, 1894, our gold reserve being reduced to \$57,669,701, it became necessary to again strengthen it.

This was done by another sale of bonds amounting to \$50,000,000, from which there was realized \$58,538,500, with which the fund was increased to \$111,142,021 on the 4th day of December, 1894.

Again disappointment awaited the anxious hope for relief. There was not even a lull in the exasperating withdrawals of gold. On the contrary, they grew larger and more persistent than ever. Between the 4th day of December, 1894, and early in February, 1895, a period of scarcely more than two months after the second reenforcement of our gold reserve by the sale of bonds, it had lost by such withdrawals more than \$69,000,000 and had fallen to \$41,340,181. Nearly \$43,000,000 had been withdrawn within the month immediately preceding this situation.

In anticipation of impending trouble I had on the 28th day of January, 1895, addressed a communication to the Congress fully setting forth our difficulties and dangerous position and earnestly recommending that authority be given the Secretary of the Treasury to issue bonds bearing a low rate of interest, payable by their terms in gold, for the purpose of maintaining a sufficient gold reserve and also for the redemption and cancellation of outstanding United States notes and the Treasury notes issued for the purchase of silver under the law of 1890. This recommendation did not, however, meet with legislative approval.

In February, 1895, therefore, the situation was exceedingly critical. With a reserve perilously low and a refusal of Congressional aid, everything indicated that the end of gold payments by the Government was imminent. The results of prior bond issues had been exceedingly unsatisfactory, and the large withdrawals of gold immediately succeeding their public sale in open market gave rise to a reasonable suspicion that a large part of the gold paid into the Treasury upon such sales was promptly drawn out again by the presentation of United States notes or Treasury notes, and found its way to the hands of those who had only temporarily parted with it in the purchase of bonds.

In this emergency, and in view of its surrounding perplexities, it became entirely apparent to those upon whom the struggle for safety was devolved not only that our gold reserve must, for the third time in less than thirteen months, be restored by another issue and sale of bonds bearing a high rate of interest and badly suited to the purpose, but that a plan must be adopted for their disposition promising better results than those realized on previous sales. An agreement was therefore made with a number of financiers and bankers whereby it was stipulated that bonds described in the resumption act of 1875, payable in coin thirty years after their date, bearing interest at the rate of 4 per cent per annum, and amounting to about \$62,000,000, should be exchanged for gold, receivable by weight, amounting to a little more than \$65,000,000.

This gold was to be delivered in such installments as would complete its delivery within about six months from the date of the contract, and at least one-half of the amount was to be furnished from abroad. It was also agreed by those supplying this gold that during the continuance of the contract they would by every means in their power protect the Government against gold withdrawals. The contract also provided that if Congress would authorize their issue bonds payable by their terms in gold and bearing interest at the rate of 3 per cent per annum might within ten days be substituted at par for the 4 per cent bonds described in the agreement.

On the day this contract was made its terms were communicated to Congress by a special Executive message, in which it was stated that more than \$16,000,000 would be saved to the Government if gold bonds bearing 3 per cent interest were authorized to be substituted for those mentioned in the contract.

The Congress having declined to grant the necessary authority to secure this saving, the contract, unmodified, was carried out, resulting in a gold reserve amounting to \$107,571,230 on the 8th day of July, 1895. The performance of this contract not only restored the reserve, but checked for a time the withdrawals of gold and brought on a period of restored confidence and such peace and quiet in business circles as were of the greatest possible value to every interest that affects our people. I have never had the slightest misgiving concerning the wisdom or propriety of this arrangement, and am quite willing to answer for my full share of responsibility for its promotion. I believe it averted a disaster the imminence of which was, fortunately, not at the time generally understood by our people.

Though the contract mentioned stayed for a time the tide of gold withdrawal, its good results could not be permanent. Recent withdrawals have reduced the reserve from \$107,571,230 on the 8th day of July, 1895, to \$79,333,966. How long it will remain large enough to render its increase unnecessary is only matter of conjecture, though quite large withdrawals for shipment in the immediate future are predicted in well-informed quarters. About \$16,000,000 has been withdrawn during the month of November.

The foregoing statement of events and conditions develops the fact that after increasing our interest-bearing bonded indebtedness more than \$162,000,000 to save our gold reserve we are nearly where we started, having now in such reserve \$79,333,966, as against \$65,438,377 in February, 1894, when the first bonds were issued.

Though the amount of gold drawn from the Treasury appears to be very large as gathered from the facts and figures herein presented, it actually was much larger, considerable sums having been acquired by the Treasury within the several periods stated without the issue of bonds. On the 28th of January, 1895, it was reported by the Secretary of the Treasury that more than \$172,000,000 of gold had been withdrawn for hoarding or shipment during the year preceding. He now reports that from January 1, 1879, to July 14, 1890, a period of more than eleven years, only a little over \$28,000,000 was withdrawn, and that between July 14, 1890, the date of the passage of the law for an increased purchase of silver, and the 1st day of December, 1895, or within less than five and a half years, there was withdrawn nearly \$375,000,000, making a total of more than \$403,000,000 drawn from the Treasury in gold since January 1, 1879, the date fixed in 1875 for the retirement of the United States notes.

Nearly \$327,000,000 of the gold thus withdrawn has been paid out on these United States notes, and yet every one of the \$346,000,000 is still uncanceled and ready to do service in future gold depletions.

More than \$76,000,000 in gold has since their creation in 1890 been paid out from the Treasury upon the notes given on the purchase of silver by the Government, and yet the

whole, amounting to \$155,000,000, except a little more than \$16,000,000 which has been retired by exchanges for silver at the request of the holders, remains outstanding and prepared to join their older and more experienced allies in future raids upon the Treasury's gold reserve.

In other words, the Government has paid in gold more than nine-tenths of its United States notes and still owes them all. It has paid in gold about one-half of its notes given for silver purchases without extinguishing by such payment one dollar of these notes.

When, added to all this, we are reminded that to carry on this astounding financial scheme the Government has incurred a bonded indebtedness of \$95,500,000 in establishing a gold reserve and of \$162,315,400 in efforts to maintain it; that the annual interest charge on such bonded indebtedness is more than \$11,000,000; that a continuance of our present course may result in further bond issues, and that we have suffered or are threatened with all this for the sake of supplying gold for foreign shipment or facilitating its hoarding at home, a situation is exhibited which certainly ought to arrest attention and provoke immediate legislative relief.

I am convinced the only thorough and practicable remedy for our troubles is found in the retirement and cancellation of our United States notes, commonly called greenbacks, and the outstanding Treasury notes issued by the Government in payment of silver purchases under the act of 1890.

I believe this could be quite readily accomplished by the exchange of these notes for United States bonds, of small as well as large denominations, bearing a low rate of interest. They should be long-term bonds, thus increasing their desirability as investments, and because their payment could be well postponed to a period far removed from present financial burdens and perplexities, when with increased prosperity and resources they would be more easily met.

To further insure the cancellation of these notes and also provide a way by which gold may be added to our currency in lieu of them, a feature in the plan should be an authority given to the Secretary of the Treasury to dispose of the bonds abroad for gold if necessary to complete the contemplated redemption and cancellation, permitting him to use the proceeds of such bonds to take up and cancel any of the notes that may be in the Treasury or that may be received by the Government on any account.

The increase of our bonded debt involved in this plan would be amply compensated by renewed activity and enterprise in all business circles, the restored confidence at home, the reinstated faith in our monetary strength abroad, and the stimulation of every interest and industry that would follow the cancellation of the gold-demand obligations now afflicting us. In any event, the bonds proposed would stand for the extinguishment of a troublesome indebtedness, while in the path we now follow there lurks the menace of unending bonds, with our indebtedness still undischarged and aggravated in every feature. The obligations necessary to fund this indebtedness would not equal in amount those from which we have been relieved since 1884 by anticipation and payment beyond the requirements of the sinking fund out of our surplus revenues.

The currency withdrawn by the retirement of the United States notes and Treasury notes, amounting to probably less than \$486,000,000, might be supplied by such gold as would be used on their retirement or by an increase in the circulation of our national banks. Though the aggregate capital of those now in existence amounts to more than \$664,000,000, their outstanding circulation based on bond security amounts to only about \$190,000,000. They are authorized to issue notes amounting to 90 per cent of the bonds deposited to secure their circulation, but in no event beyond the amount of their capital stock, and they are obliged to pay 1 per cent tax on the circulation they issue.

I think they should be allowed to issue circulation equal to the par value of the bonds they deposit to secure it, and that the tax on their circulation should be reduced to one-fourth of 1 per cent, which would undoubtedly meet all the expense the Government incurs on their account. In addition they should be allowed to substitute or deposit in lieu of the bonds now required as security for their circulation those which would be issued for the purpose of retiring the United States notes and Treasury notes.

The banks already existing, if they desired to avail themselves of the provisions of law thus modified, could issue circulation, in addition to that already outstanding, amounting to \$478,000,000, which would nearly or quite equal the currency proposed to be canceled. At any rate, I should confidently expect to see the existing national banks or others to be organized avail themselves of the proposed encouragements to issue circulation and promptly fill any vacuum and supply every currency need.

It has always seemed to me that the provisions of law regarding the capital of national banks, which operate as a limitation to their location, fail to make proper compensation for the suppression of State banks, which came near to the people in all sections of the country and readily furnished them with banking accommodations and facilities. Any inconvenience or embarrassment arising from these restrictions on the location of national banks might well be remedied by better adapting the present system to the creation of banks in smaller communities or by permitting banks of large capital to establish branches in such localities as would serve the people, so regulated and restrained as to secure their safe and conservative control and management.

But there might not be the necessity for such an addition to the currency by new issues of bank circulation as at first glance is indicated. If we should be relieved from maintaining a gold reserve under conditions that constitute it the barometer of our solvency, and if our Treasury should no longer be the foolish purveyor of gold for nations abroad or for speculation and hoarding by our citizens at home, I should expect to see gold resume its natural and normal functions in the business affairs of the country and cease to be an object attracting the timid watch of our people and exciting their sensitive imaginations.

I do not overlook the fact that the cancellation of the Treasury notes issued under the silver-purchasing act of 1890 would leave the Treasury in the actual ownership of sufficient silver, including seigniorage, to coin nearly \$178,000,000 in standard dollars. It is worthy of consideration whether this might not from time to time be converted into

dollars or fractional coin and slowly put into circulation, as in the judgment of the Secretary of the Treasury the necessities of the country should require.

Whatever is attempted should be entered upon fully appreciating the fact that by careless, easy descent we have reached a dangerous depth, and that our ascent will not be accomplished without laborious toil and struggle. We shall be wise if we realize that we are financially ill and that our restoration to health may require heroic treatment and unpleasant remedies.

In the present stage of our difficulty it is not easy to understand how the amount of our revenue receipts directly affects it. The important question is not the quantity of money received in revenue payments, but the kind of money we maintain and our ability to continue in sound financial condition. We are considering the Government's holdings of gold as related to the soundness of our money and as affecting our national credit and monetary strength.

If our gold reserve had never been impaired; if no bonds had ever been issued to replenish it; if there had been no fear and timidity concerning our ability to continue gold payments; if any part of our revenues were now paid in gold, and if we could look to our gold receipts as a means of maintaining a safe reserve, the amount of our revenues would be an influential factor in the problem. But, unfortunately, all the circumstances that might lend weight to this consideration are entirely lacking.

In our present predicament no gold is received by the Government in payment of revenue charges, nor would there be if the revenues were increased. The receipts of the Treasury, when not in silver certificates, consist of United States notes and Treasury notes issued for silver purchases. These forms of money are only useful to the Government in paying its current ordinary expenses, and its quantity in Government possession does not in the least contribute toward giving us that kind of safe financial standing or condition which is built on gold alone.

If it is said that these notes if held by the Government can be used to obtain gold for our reserve, the answer is easy. The people draw gold from the Treasury on demand upon United States notes and Treasury notes, but the proposition that the Treasury can on demand draw gold from the people upon them would be regarded in these days with wonder and amusement; and even if this could be done there is nothing to prevent those thus parting with their gold from regaining it the next day or the next hour by the presentation of the notes they received in exchange for it.

The Secretary of the Treasury might use such notes taken from a surplus revenue to buy gold in the market. Of course he could not do this without paying a premium. Private holders of gold, unlike the Government, having no parity to maintain, would not be restrained from making the best bargain possible when they furnished gold to the Treasury; but the moment the Secretary of the Treasury bought gold on any terms above par he would establish a general and universal premium upon it, thus breaking down the parity between gold and silver, which the Government is pledged to maintain, and opening the way to new and serious complications. In the meantime the premium would

not remain stationary, and the absurd spectacle might be presented of a dealer selling gold to the Government and with United States notes or Treasury notes in his hand immediately clamoring for its return and a resale at a higher premium.

It may be claimed that a large revenue and redundant receipts might favorably affect the situation under discussion by affording an opportunity of retaining these notes in the Treasury when received, and thus preventing their presentation for gold. Such retention to be useful ought to be at least measurably permanent; and this is precisely what is prohibited, so far as United States notes are concerned, by the law of 1878, forbidding their further retirement. That statute in so many words provides that these notes when received into the Treasury and belonging to the United States shall be "paid out again and kept in circulation."

It will, moreover, be readily seen that the Government could not refuse to pay out United States notes and Treasury notes in current transactions when demanded, and insist on paying out silver alone, and still maintain the parity between that metal and the currency representing gold. Besides, the accumulation in the Treasury of currency of any kind exacted from the people through taxation is justly regarded as an evil, and it can not proceed far without vigorous protest against an unjustifiable retention of money from the business of the country and a denunciation of a scheme of taxation which proves itself to be unjust when it takes from the earnings and income of the citizen money so much in excess of the needs of Government support that large sums can be gathered and kept in the Treasury. Such a condition has heretofore in times of surplus revenue led the Government to restore currency to the people by the purchase of its unmatured bonds at a large premium and by a large increase of its deposits in national banks, and we easily remember that the abuse of Treasury accumulation has furnished a most persuasive argument in favor of legislation radically reducing our tariff taxation.

Perhaps it is supposed that sufficient revenue receipts would in a sentimental way improve the situation by inspiring confidence in our solvency and allaying the fear of pecuniary exhaustion. And yet through all our struggles to maintain our gold reserve there never has been any apprehension as to our ready ability to pay our way with such money as we had, and the question whether or not our current receipts met our current expenses has not entered into the estimate of our solvency. Of course the general state of our funds, exclusive of gold, was entirely immaterial to the foreign creditor and investor. His debt could only be paid in gold, and his only concern was our ability to keep on hand that kind of money.

On July 1, 1892, more than a year and a half before the first bonds were issued to replenish the gold reserve, there was a net balance in the Treasury, exclusive of such reserve, of less than \$13,000,000, but the gold reserve amounted to more than \$114,000,000, which was the quieting feature of the situation. It was when the stock of gold began rapidly to fall that fright supervened and our securities held abroad were returned for sale and debts owed abroad were pressed for payment. In the meantime extensive shipments of gold and other unfavorable indications caused restlessness and fright among our people at home. Thereupon the general state of our funds, exclusive of gold, became also immaterial to them, and they too drew gold from the Treasury for

hoarding against all contingencies. This is plainly shown by the large increase in the proportion of gold withdrawn which was retained by our own people as time and threatening incidents progressed. During the fiscal year ending June 30, 1894, nearly \$85,000,000 in gold was withdrawn from the Treasury and about \$77,000,000 was sent abroad, while during the fiscal year ending June 30, 1895, over \$117,000,000 was drawn out, of which only about \$66,000,000 was shipped, leaving the large balance of such withdrawals to be accounted for by domestic hoarding.

Inasmuch as the withdrawal of our gold has resulted largely from fright, there is nothing apparent that will prevent its continuance or recurrence, with its natural consequences, except such a change in our financial methods as will reassure the frightened and make the desire for gold less intense. It is not clear how an increase of revenue, unless it be in gold, can satisfy those whose only anxiety is to gain gold from the Government's store.

It can not, therefore, be safe to rely upon increased revenues as a cure for our present troubles.

It is possible that the suggestion of increased revenue as a remedy for the difficulties we are considering may have originated in an intimation or distinct allegation that the bonds which have been issued ostensibly to replenish our gold reserve were really issued to supply insufficient revenue. Nothing can be further from the truth. Bonds were issued to obtain gold for the maintenance of our national credit. As has been shown, the gold thus obtained has been drawn again from the Treasury upon United States notes and Treasury notes. This operation would have been promptly prevented if possible; but these notes having thus been passed to the Treasury, they became the money of the Government, like any other ordinary Government funds, and there was nothing to do but to use them in paying Government expenses when needed.

At no time when bonds have been issued has there been any consideration of the question of paying the expenses of Government with their proceeds. There was no necessity to consider that question. At the time of each bond issue we had a safe surplus in the Treasury for ordinary operations, exclusive of the gold in our reserve. In February, 1894, when the first issue of bonds was made, such surplus amounted to over \$18,000,000; in November, when the second issue was made, it amounted to more than \$42,000,000, and in February, 1895, when bonds for the third time were issued, such surplus amounted to more than \$100,000,000. It now amounts to \$98,072,420.30.

Besides all this, the Secretary of the Treasury had no authority whatever to issue bonds to increase the ordinary revenues or pay current expenses.

I can not but think there has been some confusion of ideas regarding the effects of the issue of bonds and the results of the withdrawal of gold. It was the latter process, and not the former, that, by substituting in the Treasury United States notes and Treasury notes for gold, increased by their amount the money which was in the first instance subject to ordinary Government expenditure.

Although the law compelling an increased purchase of silver by the Government was passed on the 14th day of July, 1890, withdrawals of gold from the Treasury upon the notes given in payment on such purchases did not begin until October, 1891. Immediately following that date the withdrawals upon both these notes and United States notes increased very largely, and have continued to such an extent that since the passage of that law there has been more than thirteen times as much gold taken out of the Treasury upon United States notes and Treasury notes issued for silver purchases as was thus withdrawn during the eleven and a half years immediately prior thereto and after the 1st day of January, 1879, when specie payments were resumed.

It is neither unfair nor unjust to charge a large share of our present financial perplexities and dangers to the operation of the laws of 1878 and 1890 compelling the purchase of silver by the Government, which not only furnished a new Treasury obligation upon which its gold could be withdrawn, but so increased the fear of an overwhelming flood of silver and a forced descent to silver payments that even the repeal of these laws did not entirely cure the evils of their existence.

### **Grover Cleveland, "Fourth Annual Message (second term)," (December 1896)**

The Secretary of the Treasury reports that during the fiscal year ended June 30, 1896, the receipts of the Government from all sources amounted to \$409,475,408.78. During the same period its expenditures were \$434,678,654.48, the excess of expenditures over receipts thus amounting to \$25,203,245.70. The ordinary expenditures during the year were \$4,015,852.21 less than during the preceding fiscal year. Of the receipts mentioned there was derived from customs the sum of \$160,021,751.67 and from internal revenue \$146,830,615.66. The receipts from customs show an increase of \$7,863,134.22 over those from the same source for the fiscal year ended June 30, 1895, and the receipts from internal revenue an increase of \$3,584,537.91.

The value of our imported dutiable merchandise during the last fiscal year was \$369,757,470 and the value of free goods imported \$409,967,470, being an increase of \$6,523,675 in the value of dutiable goods and \$41,231,034 in the value of free goods over the preceding year. Our exports of merchandise, foreign and domestic, amounted in value to \$882,606,938, being an increase over the preceding year of \$75,068,773. The average ad valorem duty paid on dutiable goods imported during the year was 39.94 per cent and on free and dutiable goods taken together 20.55 per cent.

The cost of collecting our internal revenue was 2.78 per cent, as against 2.81 per cent for the fiscal year ending June 30, 1895. The total production of distilled spirits, exclusive of fruit brandies, was 86,588,703 taxable gallons, being an increase of 6,639,108 gallons over the preceding year. There was also an increase of 1,443,676 gallons of spirits produced from fruit as compared with the preceding year. The number of barrels of beer produced was 35,859,250, as against 33,589,784 produced in the preceding fiscal year, being all increase of 2,269,466 barrels.

The total amount of gold exported during the last fiscal year was \$112,409,947 and of silver \$60,541,670, being an increase of \$45,941,466 of gold and \$13,246,384 of silver over the exportations of the preceding fiscal year. The imports of gold were \$33,525,065 and of silver \$28,777,186, being \$2,859,695 less of gold and \$8,566,007 more of silver than during the preceding year.

The total stock of metallic money in the United States at the close of the last fiscal year, ended on the 30th day of June, 1896, was \$1,228,326,035, of which \$599,597,964 was in gold and \$628,728,071 in silver.

On the 1st day of November, 1896, the total stock of money of all kinds in the country was \$2,285,410,590, and the amount in circulation, not including that in the Treasury holdings, was \$1,627,055,641, being \$22.63 per capita upon an estimated population of 71,902,000.

The production of the precious metals in the United States during the calendar year 1895 is estimated to have been 2,254,760 fine ounces of gold, of the value of \$46,610,000, and 55,727,000 fine ounces of silver, of the commercial value of \$36,445,000 and the coinage value of \$72,051,000. The estimated production of these metals throughout the world during the same period was 9,688,821 fine ounces of gold, amounting to \$200,285,700 in value, and 169,189,249 fine ounces of silver, of the commercial value of \$110,654,000 and of the coinage value of \$218,738,100 according to our ratio.

The Secretary calls attention to the public interests involved in an adjustment of the obligations of the Pacific railroads to the Government. I deem it to be an important duty to especially present this subject to the consideration of the Congress.

On January 1, 1897, with the amount already matured, more than \$13,000,000 of the principal of the subsidy bonds issued by the United States in aid of the construction of the Union Pacific Railway, including its Kansas line, and more than \$6,000,000 of like bonds issued in aid of the Central Pacific Railroad, including those issued to the Western Pacific Railroad Company, will have fallen due and been paid or must on that day be paid by the Government. Without any reference to the application of the sinking fund now in the Treasury, this will create such a default on the part of these companies to the Government as will give it the right to at once institute proceedings to foreclose its mortgage lien. In addition to this indebtedness, which will be due January 1, 1897, there will mature between that date and January 1, 1899, the remaining principal of such subsidy bonds, which must also be met by the Government. These amount to more than \$20,000,000 on account of the Union Pacific lines and exceed \$21,000,000 on account of the Central Pacific lines.

Our Post-Office Department is in good condition, and the exhibit made of its operations during the fiscal year ended June 30, 1896, if allowance is made for imperfections in the laws applicable to it, is very satisfactory. The total receipts during the year were \$82,499,208.40. The total expenditures were \$90,626,296.84, exclusive of the \$1,559,898.27 which was earned by the Pacific Railroad for transportation and credited

on their debt to the Government. There was an increase of receipts over the previous year of \$5,516,080.21, or 7.1 per cent, and an increase of expenditures of \$3,836,124.02, or 4.42 per cent. The deficit was \$1,679,956.19 less than that of the preceding year. The chief expenditures of the postal service are regulated by law and are not in the control of the Postmaster-General. All that he can accomplish by the most watchful administration and economy is to enforce prompt and thorough collection and accounting for public moneys and such minor savings in small expenditures and in letting those contracts, for post-office supplies and star service, which are not regulated by statute.

### **William McKinley, "First Annual Message," (December 1897)**

The work of putting our finances upon a sound basis, difficult as it may seem, will appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had been reduced to \$443,889,495.88. Of our interest-bearing obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the 1st day of July, 1893, this sum had been reduced to \$585,137,100, or an aggregate reduction of \$1,747,294,108. The interest-bearing debt of the United States on the 1st day of December, 1897, was \$847,365,620. The Government money now outstanding (December 1) consists of \$346,681,016 of United States notes, \$107,793,280 of Treasury notes issued by authority of the law of 1890, \$384,963,504 of silver certificates, and \$61,280,761 of standard silver dollars.

With the great resources of the Government, and with the honorable example of the past before us, we ought not to hesitate to enter upon a currency revision which will make our demand obligations less onerous to the Government and relieve our financial laws from ambiguity and doubt.

The brief review of what was accomplished from the close of the war to 1893, makes unreasonable and groundless any distrust either of our financial ability or soundness; while the situation from 1893 to 1897 must admonish Congress of the immediate necessity of so legislating as to make the return of the conditions then prevailing impossible.

There are many plans proposed as a remedy for the evil. Before we can find the true remedy we must appreciate the real evil. It is not that our currency of every kind is not good, for every dollar of it is good; good because the Government's pledge is out to keep it so, and that pledge will not be broken. However, the guaranty of our purpose to keep the pledge will be best shown by advancing toward its fulfillment.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money, that is, keeping all of them at par with gold. We surely cannot be longer heedless of the burden this imposes upon the people, even under fairly prosperous conditions, while the past four years have

demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the National credit.

It is manifest that we must devise some plan to protect the Government against bond issues for repeated redemptions. We must either curtail the opportunity for speculation, made easy by the multiplied redemptions of our demand obligations, or increase the gold reserve for their redemption. We have \$900,000,000 of currency which the Government by solemn enactment has undertaken to keep at par with gold. Nobody is obliged to redeem in gold but the Government. The banks are not required to redeem in gold. The Government is obliged to keep equal with gold all its outstanding currency and coin obligations, while its receipts are not required to be paid in gold. They are paid in every kind of money but gold, and the only means by which the Government can with certainty get gold is by borrowing. It can get it in no other way when it most needs it. The Government without any fixed gold revenue is pledged to maintain gold redemption, which it has steadily and faithfully done, and which, under the authority now given, it will continue to do.

The law which requires the Government, after having redeemed its United States notes, to pay them out again as current funds, demands a constant replenishment of the gold reserve. This is especially so in times of business panic and when the revenues are insufficient to meet the expenses of the Government. At such times the Government has no other way to supply its deficit and maintain redemption but through the increase of its bonded debt, as during the Administration of my predecessor, when \$262,315,400 of four-and-a-half per cent bonds were issued and sold and the proceeds used to pay the expenses of the Government in excess of the revenues and sustain the gold reserve. While it is true that the greater part of the proceeds of these bonds were used to supply deficient revenues, a considerable portion was required to maintain the gold reserve.

With our revenues equal to our expenses, there would be no deficit requiring the issuance of bonds. But if the gold reserve falls below \$100,000,000, how will it be replenished except by selling more bonds? Is there any other way practicable under existing law? The serious question then is, Shall we continue the policy that has been pursued in the past; that is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserve? If no further legislation is had and the policy of selling bonds is to be continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a less rate of interest than is now authorized by law.

I earnestly recommend, as soon as the receipts of the Government are quite sufficient to pay all the expenses of the Government, that when any of the United States notes are presented for redemption in gold and are redeemed in gold, such notes shall be kept and set apart, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the Government issues an interest-bearing debt to provide gold for the redemption of United States notes--a non-

interest-bearing debt. Surely it should not pay them out again except on demand and for gold. If they are put out in any other way, they may return again to be followed by another bond issue to redeem them--another interest-bearing debt to redeem a non-interest-bearing debt.

In my view, it is of the utmost importance that the Government should be relieved from the burden of providing all the gold required for exchanges and export. This responsibility is alone borne by the Government, without any of the usual and necessary banking powers to help itself. The banks do not feel the strain of gold redemption. The whole strain rests upon the Government, and the size of the gold reserve in the Treasury has come to be, with or without reason, the signal of danger or of security. This ought to be stopped.

If we are to have an era of prosperity in the country, with sufficient receipts for the expenses of the Government, we may feel no immediate embarrassment from our present currency; but the danger still exists, and will be ever present, menacing us so long as the existing system continues. And, besides, it is in times of adequate revenues and business tranquillity that the Government should prepare for the worst. We cannot avoid, without serious consequences, the wise consideration and prompt solution of this question.

The Secretary of the Treasury has outlined a plan, in great detail, for the purpose of removing the threatened recurrence of a depleted gold reserve and save us from future embarrassment on that account. To this plan I invite your careful consideration.

I concur with the Secretary of the Treasury in his recommendation that National banks be allowed to issue notes to the face value of the bonds which they have deposited for circulation, and that the tax on circulating notes secured by deposit of such bonds be reduced to one-half of one per cent per annum. I also join him in recommending that authority be given for the establishment of National banks with a minimum capital of \$25,000. This will enable the smaller villages and agricultural regions of the country to be supplied with currency to meet their needs.

I recommend that the issue of National bank notes be restricted to the denomination of ten dollars and upwards. If the suggestions I have herein made shall have the approval of Congress, then I would recommend that National banks be required to redeem their notes in gold.

### **William McKinley, "Second Annual Message," (December 1898)**

The Secretary of the Treasury reports that the receipts of the Government from all sources during the fiscal year ended June 30, 1898, including \$64,751,223 received from sale of Pacific railroads, amounted to \$405,321,335, and its expenditures to \$443,168,582. There was collected from customs \$149,575,062 and from internal revenue \$170,900,641. Our dutiable imports amounted to \$324,635,479, a decrease of

\$58,156,690 over the preceding year, and importations free of duty amounted to \$291,414,175, a decrease from the preceding year of \$90,524,068. Internal-revenue receipts exceeded those of the preceding year by \$24,212,067.

The total tax collected on distilled spirits was \$92,546,999; on manufactured tobacco, \$36,230,522, and on fermented liquors, \$39,515,421. We exported merchandise during the year amounting to \$1,231,482,330, an increase of \$180,488,774 from the preceding year.

It is estimated upon the basis of present revenue laws that the receipts of the Government for the year ending June 30, 1899, will be \$577,874,647, and its expenditures \$689,874,647, resulting in a deficiency of \$112,000,000.

On the 1st of December, 1898, there was held in the Treasury gold coin amounting to \$138,441,547, gold bullion amounting to \$138,502,545, silver bullion amounting to \$93,359,250, and other forms of money amounting to \$451,963,981.

On the same date the amount of money of all kinds in circulation, or not included in Treasury holdings, was \$1,886,879,504, an increase for the year of \$165,794,966. Estimating our population at 75,194,000 at the time mentioned, the per capita circulation was \$25.09. On the same date there was in the Treasury gold bullion amounting to \$138,502,545.

The provisions made for strengthening the resources of the Treasury in connection with the war have given increased confidence in the purpose and power of the Government to maintain the present standard, and have established more firmly than ever the national credit at home and abroad. A marked evidence of this is found in the inflow of gold to the Treasury. Its net gold holdings on November 1, 1898, were \$239,885,162 as compared with \$153,573,147 on November 1, 1897, and an increase of net cash of \$207,756,100, November 1, 1897, to \$300,238,275, November 1, 1898. The present ratio of net Treasury gold to outstanding Government liabilities, including United States notes, Treasury notes of 1890, silver certificates, currency certificates, standard silver dollars, and fractional silver coin, November 1, 1898, was 25.35 per cent, as compared with 16.96 per cent, November 1, 1897.

It is a gratifying fact that the result of these proceedings against the Union Pacific system and the Kansas Pacific line is that the Government has received on account of its subsidy claim the sum of \$64,751,223.75, an increase of \$18,997,163.76 over the sum which the reorganization committee originally agreed to bid for the joint property, the Government receiving its whole claim, principal and interest, on the Union Pacific, and the principal of its debt on the Kansas Pacific Railroad.

The public lands disposed of by the Government during the year reached 8,453,896.92 acres, an increase of 614,780.26 acres over the previous year. The total receipts from public lands during the fiscal year amounted to \$2,277,995.18, an increase of \$190,063.90 over the preceding year. The lands embraced in the eleven forest reservations which were suspended by the act of June 4, 1897, again became subject to

the operations of the proclamations of February 22, 1897, creating them, which added an estimated amount of 19,951,360 acres to the area embraced in the reserves previously created. In addition thereto two new reserves were created during the year--the Pine Mountain and Zaca Lake Reserve, in California, embracing 1,644,594 acres, and the Prescott Reserve, in Arizona, embracing 10,240 acres--while the Pecos River Reserve, in New Mexico, has been changed and enlarged to include 120,000 additional acres.

### **William McKinley, "Third Annual Message," (December 1899)**

The Fifty-sixth Congress convenes in its first regular session with the country in a condition of unusual prosperity, of universal good will among the people at home, and in relations of peace and friendship with every government of the world. Our foreign commerce has shown great increase in volume and value. The combined imports and exports for the year are the largest ever shown by a single year in all our history. Our exports for 1899 alone exceeded by more than a billion dollars our imports and exports combined in 1870. The imports per capita are 20 per cent less than in 1870, while the exports per capita are 58 per cent more than in 1870, showing the enlarged capacity of the United States to satisfy the wants of its own increasing population, as well as to contribute to those of the peoples of other nations.

Exports of agricultural products were \$784,776,142. Of manufactured products we exported in value \$339,592,146, being larger than any previous year. It is a noteworthy fact that the only years in all our history when the products of our manufactories sold abroad exceeded those bought abroad were 1898 and 1899.

Government receipts from all sources for the fiscal year ended June 30, 1899, including \$11,798,314.14, part payment of the Central Pacific Railroad indebtedness, aggregated \$610,982,004.35. Customs receipts were \$206,128,481.75, and those from internal revenue \$273,437,161.51.

For the fiscal year the expenditures were \$700,093,564.02, leaving a deficit of \$89,111,559.67.

The Secretary of the Treasury estimates that the receipts for the current fiscal year will aggregate \$640,958,112, and upon the basis of present appropriations the expenditures will aggregate \$600,958,112, leaving a surplus of \$40,000,000.

For the fiscal year ended June 30, 1899, the internal-revenue receipts were increased about \$100,000,000.

The present gratifying strength of the Treasury is shown by the fact that on December 1, 1899, the available cash balance was \$278,004,837.72, Of which \$239,744,905.36 was in gold coin and bullion. The conditions of confidence which prevail throughout the country have brought gold into more general use and customs receipts are now almost entirely paid in that coin.

The strong position of the Treasury with respect to cash on hand and the favorable showing made by the revenues have made it possible for the Secretary of the Treasury to take action under the provisions of section 3694, Revised Statutes, relating to the sinking fund. Receipts exceeded expenditures for the first five months of the current fiscal year by \$13,413,389.91, and, as mentioned above, the Secretary of the Treasury estimates that there will be a surplus of approximately \$40,000,000 at the end of the year. Under such conditions it was deemed advisable and proper to resume compliance with the provisions of the sinking-fund law, which for eight years has not been done because of deficiencies in the revenues. The Treasury Department therefore offered to purchase during November \$25,000,000 of the 5 per cent loan of 1904, or the 4 per cent funded loan of 1907, at the current market price. The amount offered and purchased during November was \$18,408,600. The premium paid by the Government on such purchases was \$2,263,521 and the net saving in interest was about \$2,885,000. The success of this operation was sufficient to induce the Government to continue the offer to purchase bonds to and including the 23d day of December, instant, unless the remainder of the \$25,000,000 called for should be presented in the meantime for redemption.

Under the authority of the act of Congress approved July 7, 1898, the commission consisting of the Secretary of the Treasury, the Attorney-General, and the Secretary of the Interior has made an agreement of settlement, which has had my approval, of the indebtedness to the Government growing out of the issue of bonds to aid in the construction of the Central Pacific and Western Pacific rail. roads. The agreement secures to the Government the principal and interest of said bonds, amounting to \$58,812,715.48. There has been paid thereon \$11,762,543.12, which has been covered into the Treasury, and the remainder, payable within ten years, with interest at the rate of 3 per cent per annum, payable semiannually, is secured by the deposit of an equal amount of first-mortgage bonds of the Pacific Railway companies. The amounts paid and secured to be paid to the Government on account of the Pacific Railroad subsidy claims are:

Union Pacific, cash	\$58,448,223.75
Kansas Pacific, cash	6,303,000.00
Central and Western Pacific, cash	11,798,314.14
Notes, secured	47,050,172.36
Kansas Pacific--dividends for deficiency due United States, cash	821,897.70
<b>Making a total of</b>	<b>124,421,607.95</b>

The whole indebtedness was about \$130,000,000, more than half of which consisted of accrued interest, for which sum the Government has realized the entire amount less about \$6,000,000 within a period of two years.

## **William McKinley, "Fourth Annual Message," (December 1900)**

It is gratifying to be able to state that the surplus revenues for the fiscal year ended June 30, 1900, were \$79,527,060.18. For the six preceding years we had only deficits, the aggregate of which from 1894 to 1899, inclusive, amounted to \$283,022,991.14. The receipts for the year from all sources, exclusive of postal revenues, aggregated \$567,240,851.89, and expenditures for all purposes, except for the administration of the postal department, aggregated \$487,713,791.71. The receipts from customs were \$233,164,871.16, an increase over the preceding year Of \$27,036,389.41. The receipts from internal revenue were \$295,327,926.76, an increase Of \$21,890,765.25 over 1899. The receipts from miscellaneous sources were \$38,748,053.97, as against \$36,394,976.92 for the previous year.

It is gratifying also to note that during the year a considerable reduction is shown in the expenditures of the Government. The War Department expenditures for the fiscal year 1900 were \$134,774,767.78, a reduction of \$95,066,486.69 over those of 1899. In the Navy Department the expenditures were \$55,953,077.72 for the year 1900, as against \$63,942,104.25 for the preceding year, a decrease of \$7,989,026.53. In the expenditures on account of Indians there was a decrease in 1900 over 1899 Of \$2,630,604.38; and in the civil and miscellaneous expenses for 1900 there was a reduction Of \$13,418,065.74.

Because of the excess of revenues over expenditures the Secretary of the Treasury was enabled to apply bonds and other securities to the sinking fund to the amount Of \$56,544,556.06. The details of the sinking fund are set forth in the report of the Secretary of the Treasury, to which I invite attention. The Secretary of the Treasury estimates that the receipts for the current fiscal year will aggregate \$580,000,000 and the expenditures \$500,000,000, leaving an excess of revenues over expenditures of \$80,000,000. The present condition of the Treasury is one of undoubted strength. The available cash balance November 30 was \$139,303,794.50. Under the form of statement prior to the financial law of March 14 last there would have been included in the statement of available cash gold coin and bullion held for the redemption of United States notes.

If this form were pursued, the cash balance including the present gold reserve of \$150,000,000, would be \$289,303,794.50. Such balance November 30, 1899, was \$296,495,301.55. In the general fund, which is wholly separate from the reserve and trust funds, there was on November 30, \$70,090,073.15 in gold coin and bullion, to which should be added \$22,957,300 in gold certificates subject to issue, against which there is held in the Division of Redemption gold coin and bullion, making a total holding of free gold amounting to \$93,047,373.15.

It will be the duty as I am sure it will be the disposition of the Congress to provide whatever further legislation is needed to insure the continued parity under all conditions between our two forms of metallic money, silver and gold.

Our surplus revenues have permitted the Secretary of the Treasury since the close of the fiscal year to call in the funded loan of 1891 continued at 2 per cent, in the sum of

\$25,364,500. To and including November 30, \$23,458,100 Of these bonds have been paid. This sum, together with the amount which may accrue from further redemptions under the call, will be applied to the sinking fund.

The law of March 14, 1900, provided for refunding into 2 per cent thirty-year bonds, payable, principal and interest, in gold coin of the present standard value, that portion of the public debt represented by the 3 per cent bonds of 1908, the 4 percents Of 1907, and the 5 percents of 1904, Of which there was outstanding at the date of said law \$839,149,930, The holders of the old bonds presented them for exchange between March 14 and November 30 to the amount of \$364,943,750. The net saving to the Government on these transactions aggregates \$9,106,166.

Another effect of the operation, as stated by the Secretary, is to reduce the charge upon the Treasury for the payment of interest from the dates of refunding to February 1, 1904, by the sum of more than seven million dollars annually. From February 1, 1904, to July 1, 1907, the annual interest charge will be reduced by the sum of more than five millions, and for the thirteen months ending August 1, 1908, by about one million. The full details of the refunding are given in the annual report of the Secretary of the Treasury.

The beneficial effect of the financial act of 1900, so far as it relates to a modification of the national banking act, is already apparent. The provision for the incorporation of national banks with a capital of not less than \$25,000 in places not exceeding three thousand inhabitants has resulted in the extension of banking facilities to many small communities hitherto unable to provide themselves with banking institutions under the national system. There were organized from the enactment of the law up to and including November 30, 369 national banks, of which 266 were with capital less than \$50,000, and 103 with capital of \$50,000 or more.

### **Theodore Roosevelt, "First Annual Message," (December 1901)**

The collections from duties on imports and internal taxes continue to exceed the ordinary expenditures of the Government, thanks mainly to the reduced army expenditures. The utmost care should be taken not to reduce the revenues so that there will be any possibility of a deficit; but, after providing against any such contingency, means should be adopted which will bring the revenues more nearly within the limit of our actual needs. In his report to the Congress the Secretary of the Treasury considers all these questions at length, and I ask your attention to the report and recommendations.

The Act of March 14, 1900, intended unequivocally to establish gold as the standard money and to maintain at a parity therewith all forms of money medium in use with us, has been shown to be timely and judicious. The price of our Government bonds in the world's market, when compared with the price of similar obligations issued by other

nations, is a flattering tribute to our public credit. This condition it is evidently desirable to maintain.

I call special attention to the need of strict economy in expenditures. The fact that our national needs forbid us to be niggardly in providing whatever is actually necessary to our well-being, should make us doubly careful to husband our national resources, as each of us husbands his private resources, by scrupulous avoidance of anything like wasteful or reckless expenditure. Only by avoidance of spending money on what is needless or unjustifiable can we legitimately keep our income to the point required to meet our needs that are genuine.

The remarkable growth of the postal service is shown in the fact that its revenues have doubled and its expenditures have nearly doubled within twelve years. Its progressive development compels constantly increasing outlay, but in this period of business energy and prosperity its receipts grow so much faster than its expenses that the annual deficit has been steadily reduced from \$11,411,779 in 1897 to \$3,923,727 in 1901. Among recent postal advances the success of rural free delivery wherever established has been so marked, and actual experience has made its benefits so plain, that the demand for its extension is general and urgent.

A great debt is owing from the public to the men of the Army and Navy.

The first essential in determining how to deal with the great industrial combinations is knowledge of the facts--publicity. In the interest of the public, the Government should have the right to inspect and examine the workings of the great corporations engaged in interstate business. Publicity is the only sure remedy which we can now invoke. What further remedies are needed in the way of governmental regulation, or taxation, can only be determined after publicity has been obtained, by process of law, and in the course of administration. The first requisite is knowledge, full and complete--knowledge which may be made public to the world.

Artificial bodies, such as corporations and joint stock or other associations, depending upon any statutory law for their existence or privileges, should be subject to proper governmental supervision, and full and accurate information as to their operations should be made public regularly at reasonable intervals.

### **Theodore Roosevelt, "Second Annual Message," (December 1902)**

Secretary of Treasury goes unmentioned

Receipts only 3 times, in post-office, e.g. overall finances ignored

One references to expenses, expenditures – in Attorney General Office

The word debt doesn't appear

Dollars quantified only three times, in post office

### **Theodore Roosevelt, “Third Annual Message,” (December 1903)**

From all sources, exclusive of the postal service, the receipts of the Government for the last fiscal year aggregated \$560,396,674. The expenditures for the same period were \$506,099,007, the surplus for the fiscal year being \$54,297,667. The indications are that the surplus for the present fiscal year will be very small, if indeed there be any surplus. From July to November the receipts from customs were, approximately, nine million dollars less than the receipts from the same source for a corresponding portion of last year. Should this decrease continue at the same ratio throughout the fiscal year, the surplus would be reduced by, approximately, thirty million dollars. Should the revenue from customs suffer much further decrease during the fiscal year, the surplus would vanish. A large surplus is certainly undesirable. Two years ago the war taxes were taken off with the express intention of equalizing the governmental receipts and expenditures, and though the first year thereafter still showed a surplus, it now seems likely that a substantial equality of revenue and expenditure will be attained. Such being the case it is of great moment both to exercise care and economy in appropriations, and to scan sharply any change in our fiscal revenue system which may reduce our income. The need of strict economy in our expenditures is emphasized by the fact that we can not afford to be parsimonious in providing for what is essential to our national well-being. Careful economy wherever possible will alone prevent our income from falling below the point required in order to meet our genuine needs.

The integrity of our currency is beyond question, and under present conditions it would be unwise and unnecessary to attempt a reconstruction of our entire monetary system. The same liberty should be granted the Secretary of the Treasury to deposit customs receipts as is granted him in the deposit of receipts from other sources. In my Message of December 2, 1902, I called attention to certain needs of the financial situation, and I again ask the consideration of the Congress for these questions.

### **Theodore Roosevelt, “Fourth Annual Message,” (December 1904)**

The enlargement of scope of the functions of the National Government required by our development as a nation involves, of course, increase of expense; and the period of prosperity through which the country is passing justifies expenditures for permanent improvements far greater than would be wise in hard times. Battle ships and forts, public buildings, and improved waterways are investments which should be made when we have the money; but abundant revenues and a large surplus always invite extravagance, and constant care should be taken to guard against unnecessary increase of the ordinary expenses of government. The cost of doing Government business should be regulated with the same rigid scrutiny as the cost of doing a private business.

In the Post-Office Department the service has increased in efficiency, and conditions as to revenue and expenditure continue satisfactory. The increase of revenue during the year was \$9,358,181.10, or 6.9 per cent, the total receipts amounting to \$143,382,624.34. The expenditures were \$152,362,116.70, an increase of about 9 per cent over the previous year, being thus \$8,979,492.36 in excess of the current revenue. Included in these expenditures was a total appropriation of \$152,956,637.35 for the continuation and extension of the rural free-delivery service, which was an increase of \$4,902,237.35 over the amount expended for this purpose in the preceding fiscal year. Large as this expenditure has been the beneficent results attained in extending the free distribution of mails to the residents of rural districts have justified the wisdom of the outlay.

The word “debt” does not appear

### **Theodore Roosevelt, “Fifth Annual Message,” (December 1905)**

Uniquely devoid of description of nation’s overall finances

### **Theodore Roosevelt, “Sixth Annual Message,” (1906)**

Ditto

### **Theodore Roosevelt, “Seventh Annual Message,” (December 1907)**

The income account of the Nation is in a most satisfactory condition. For the six fiscal years ending with the 1st of July last, the total expenditures and revenues of the National Government, exclusive of the postal revenues and expenditures, were, in round numbers, revenues, \$3,465,000,000, and expenditures, \$3,275,000,000. The net excess of income over expenditures, including in the latter the fifty millions expended for the Panama Canal, was one hundred and ninety million dollars for the six years, an average of about thirty-one millions a year. This represents an approximation between income and outgo which it would be hard to improve. The satisfactory working of the present tariff law has been chiefly responsible for this excellent showing. Nevertheless, there is an evident and constantly growing feeling among our people that the time is rapidly approaching when our system of revenue legislation must be revised.

### **Theodore Roosevelt, “Eighth Annual Message,” (December 1908)**

Gets some religion. The word “FINANCES” appears at the top in bold

The financial standing of the Nation at the present time is excellent, and the financial management of the Nation's interests by the Government during the last seven years has shown the most satisfactory results. But our currency system is imperfect, and it is earnestly to be hoped that the Currency Commission will be able to propose a thoroughly good system which will do away with the existing defects.

During the period from July 1, 1901, to September 30, 1908, there was an increase in the amount of money in circulation of \$902,991,399. The increase in the per capita during this period was \$7.06. Within this time there were several occasions when it was necessary for the Treasury Department to come to the relief of the money market by purchases or redemptions of United States bonds; by increasing deposits in national banks; by stimulating additional issues of national bank notes, and by facilitating importations from abroad of gold. Our imperfect currency system has made these proceedings necessary, and they were effective until the monetary disturbance in the fall of 1907 immensely increased the difficulty of ordinary methods of relief. By the middle of November the available working balance in the Treasury had been reduced to approximately \$5,000,000. Clearing house associations throughout the country had been obliged to resort to the expedient of issuing clearing house certificates, to be used as money. In this emergency it was determined to invite subscriptions for \$50,000,000 Panama Canal bonds, and \$100,000,000 three per cent certificates of indebtedness authorized by the act of June 13, 1898. It was proposed to re-deposit in the national banks the proceeds of these issues, and to permit their use as a basis for additional circulating notes of national banks. The moral effect of this procedure was so great that it was necessary to issue only \$24,631,980 of the Panama Canal bonds and \$15,436,500 of the certificates of indebtedness.

During the period from July 1, 1901, to September 30, 1908, the balance between the net ordinary receipts and the net ordinary expenses of the Government showed a surplus in the four years 1902, 1903, 1906 and 1907, and a deficit in the years 1904, 1905, 1908 and a fractional part of the fiscal year 1909. The net result was a surplus of \$99,283,413.54. The financial operations of the Government during this period, based upon these differences between receipts and expenditures, resulted in a net reduction of the interest-bearing debt of the United States from \$987,141,040 to \$897,253,990, notwithstanding that there had been two sales of Panama Canal bonds amounting in the aggregate to \$54,631,980, and an issue of three per cent certificates of indebtedness under the act of June 13, 1908, amounting to \$15,436,500. Refunding operations of the Treasury Department under the act of March 14, 1900, resulted in the conversion into two per cent consols of 1930 of \$200,309,400 bonds bearing higher rates of interest. A decrease of \$8,687,956 in the annual interest charge resulted from these operations.

In short, during the seven years and three months there has been a net surplus of nearly one hundred millions of receipts over expenditures, a reduction of the interest-bearing debt by ninety millions, in spite of the extraordinary expense of the Panama Canal, and a saving of nearly nine millions on the annual interest charge. This is an exceedingly satisfactory showing, especially in view of the fact that during this period the Nation has never hesitated to undertake any expenditure that it regarded as necessary. There have

been no new taxes and no increase of taxes; on the contrary, some taxes have been taken off; there has been a reduction of taxation.

### **William Howard Taft, "First Annual Message," (December 1909)**

Perhaps the most important question presented to this Administration is that of economy in expenditures and sufficiency of revenue. The deficit of the last fiscal year, and the certain deficit of the current year, prompted Congress to throw a greater responsibility on the Executive and the Secretary of the Treasury than had heretofore been declared by statute. This declaration imposes upon the Secretary of the Treasury the duty of assembling all the estimates of the Executive Departments, bureaus, and offices, of the expenditures necessary in the ensuing fiscal year, and of making an estimate of the revenues of the Government for the same period; and if a probable deficit is thus shown, it is made the duty of the President to recommend the method by which such deficit can be met.

The report of the Secretary shows that the ordinary expenditures for the current fiscal year ending June 30, 1910, will exceed the estimated receipts by \$34,075,620. If to this deficit is added the sum to be disbursed for the Panama Canal, amounting to \$38,000,000, and \$1,000,000 to be paid on the public debt, the deficit of ordinary receipts and expenditures will be increased to a total deficit of \$73,075,620. This deficit the Secretary proposes to meet by the proceeds of bonds issued to pay the cost of constructing the Panama Canal. I approve this proposal.

The policy of paying for the construction of the Panama Canal, not out of current revenue, but by bond issues, was adopted in the Spooner Act of 1902, and there seems to be no good reason for departing from the principle by which a part at least of the burden of the cost of the canal shall fall upon our posterity who are to enjoy it; and there is all the more reason for this view because the actual cost to date of the canal, which is now half done and which will be completed January 1, 1915, shows that the cost of engineering and construction will be \$297,766,000, instead of \$139,705,200, as originally estimated. In addition to engineering and construction, the other expenses, including sanitation and government, and the amount paid for the properties, the franchise, and the privilege of building the canal, increase the cost by \$75,435,000, to a total of \$375,201,000. The increase in the cost of engineering and construction is due to a substantial enlargement of the plan of construction by widening the canal 100 feet in the Culebra cut and by increasing the dimensions of the locks, to the underestimate of the quantity of the work to be done under the original plan, and to an underestimate of the cost of labor and materials both of which have greatly enhanced in price since the original estimate was made.

In order to avoid a deficit for the ensuing fiscal year, I directed the heads of Departments in the preparation of their estimates to make them as low as possible consistent with imperative governmental necessity. The result has been, as I am advised by the Secretary of the Treasury, that the estimates for the expenses of the Government

for the next fiscal year ending June 30, 1911, are less than the appropriations for this current fiscal year by \$42,818,000. So far as the Secretary of the Treasury is able to form a judgment as to future income, and compare it with the expenditures for the next fiscal year ending June 30, 1911, and excluding payments on account of the Panama Canal, which will doubtless be taken up by bonds, there will be a surplus of \$35,931,000.

In the present estimates the needs of the Departments and of the Government have been cut to the quick, so to speak, and any assumption on the part of Congress, so often made in times past, that the estimates have been prepared with the expectation that they may be reduced, will result in seriously hampering proper administration.

The Secretary of the Treasury points out what should be carefully noted in respect to this reduction in governmental expenses for the next fiscal year, that the economies are of two kinds--first, there is a saving in the permanent administration of the Departments, bureaus, and offices of the Government; and, second, there is a present reduction in expenses by a postponement of projects and improvements that ultimately will have to be carried out but which are now delayed with the hope that additional revenue in the future will permit their execution without producing a deficit.

It has been impossible in the preparation of estimates greatly to reduce the cost of permanent administration. This can not be done without a thorough reorganization of bureaus, offices, and departments. For the purpose of securing information which may enable the executive and the legislative branches to unite in a plan for the permanent reduction of the cost of governmental administration, the Treasury Department has instituted an investigation by one of the most skilled expert accountants in the United States. The result of his work in two or three bureaus, which, if extended to the entire Government, must occupy two or more years, has been to show much room for improvement and opportunity for substantial reductions in the cost and increased efficiency of administration. The object of the investigation is to devise means to increase the average efficiency of each employee. There is great room for improvement toward this end, not only by the reorganization of bureaus and departments and in the avoidance of duplication, but also in the treatment of the individual employee.

I am aware that there is a strong feeling in both Houses of Congress, and possibly in the country, against the establishment of civil pensions, and that this has naturally grown out of the heavy burden of military pensions, which it has always been the policy of our Government to assume; but I am strongly convinced that no other practical solution of the difficulties presented by the superannuation of civil servants can be found than that of a system of civil pensions.

The business and expenditures of the Government have expanded enormously since the Spanish war, but as the revenues have increased in nearly the same proportion as the expenditures until recently, the attention of the public, and of those responsible for the Government, has not been fastened upon the question of reducing the cost of administration. We can not, in view of the advancing prices of living, hope to save money by a reduction in the standard of salaries paid. Indeed, if any change is made in that regard, an increase rather than a decrease will be necessary; and the only means of

economy will be in reducing the number of employees and in obtaining a greater average of efficiency from those retained in the service.

### **William Howard Taft, "Second Annual Message," (December 1910)**

The final estimates for the year ending June 30, 1912, as they have been sent to the Treasury, on November 29 of this year, for the ordinary expenses of the Government, including those for public buildings, rivers and harbors, and the navy building program, amount to \$630,494,013.12. This is \$52,964,887.36 less than the appropriations for the fiscal year ending June 30, 1911. It is \$16,883,153.44 less than the total estimates, including supplemental estimates submitted to Congress by the Treasury for the year 1911, and is \$5,574,659.39 less than the original estimates submitted by the Treasury for 1911.

These figures do not include the appropriations for the Panama Canal, the policy in respect to which ought to be, and is, to spend as much each year as can be economically and effectively expended in order to complete the Canal as promptly as possible, and, therefore, the ordinary motive for cutting down the expense of the Government does not apply to appropriations for this purpose. It will be noted that the estimates for the Panama Canal for the ensuing year are more than fifty-six millions of dollars, an increase of twenty millions over the amount appropriated for this year--a difference due to the fact that the estimates for 1912 include something over nineteen millions for the fortification of the Canal. Against the estimated expenditures of \$630,494,013.12, the Treasury has estimated receipts for next year \$680,000,000, making a probable surplus of ordinary receipts over ordinary expenditures of about \$50,000,000. A table showing in detail the estimates and the comparisons referred to follows.

The auditing system in vogue is as old as the Government and the methods used are antiquated. There are six Auditors and seven Assistant Auditors for the nine departments, and under the present system the only function which the Auditor of a department exercises is to determine, on accounts presented by disbursing officers, that the object of the expenditure was within the law and the appropriation made by Congress for the purpose on its face, and that the calculations in the accounts are correct. He does not examine the merits of the transaction or determine the reasonableness of the price paid for the articles purchased, nor does he furnish any substantial check upon disbursing officers and the heads of departments or bureaus with sufficient promptness to enable the Government to recoup itself in full measure for unlawful expenditure. A careful plan is being devised and will be presented to Congress with the recommendation that the force of auditors and employees under them be greatly reduced, thereby effecting substantial economy. But this economy will be small compared with the larger economy that can be effected by consolidation and change of methods. The possibilities in this regard have been shown in the reduction of expenses and the importance of methods and efficiency in the office of the Auditor for the Post Office Department, who, without in the slightest degree impairing the

comprehensiveness and efficiency of his work, has cut down the expenses of his office \$120,000 a year.

**Statement of estimates of appropriations for the fiscal years 1912 and 1911, and of appropriations for 1911, showing increases and decreases.**

	<b>Final Estimates for 1912 as of November 29</b>	<b>Original Estimates submitted by the Treasury for 1911</b>	<b>Total Estimates for 1911 including supplementals</b>	<b>Appropriations for 1911</b>	<b>Increase (+) and decrease (-) , 1912 estimates against 1911 total estimates</b>
Legislature	\$13,426,805.73	\$13,169,679.70	\$13,169,679.70	\$12,938,048.00	+ \$257,126.03
Executive	998,170.00	472,270.00	722,270.00	870,750.00	+ 275,900.00
State Department:	4,875,576.41	4,875,301.41	4,749,801.41	5,046,701.41	+ 125,775.00
<b>TREASURY DEPARTMENT:</b>					
Treasury Department proper	68,735,451.00	69,865,240.00	70,393,543.75	69,973,434.61	- 1,658,092.75
Public buildings and works	11,864,545.60	6,198,365.60	7,101,465.60	5,565,164.00	+ 4,763,080.00
Territorial governments	202,150.00	287,350.00	292,350.00	282,600.00	- 90,200.00
Independent offices	2,638,695.12	2,400,695.12	2,492,695.12	2,128,695.12	+ 146,000.00
District of Columbia	13,602,785.90	11,884,928.49	12,108,878.49	11,440,346.99	+ 1,492,907.41
<b>WAR DEPARTMENT:</b>					
War Department proper	120,104,260.12	124,165,656.28	125,717,204.77	122,322,178.12	- 5,612,944.65
Rivers and harbors	28,232,438.00	28,232,465.00	28,232,465.00	49,390,541.50	- 27.00
<b>NAVY DEPARTMENT:</b>					
Navy Department proper	116,101,730.24	117,029,914.38	119,768,860.83	119,596,870.46	- 3,667,130.59
New navy	12,840,428.00	12,844,122.00	12,844,122.00	14,790,122.00	- 3,694.00

	building program					
Interior Department	189,151,875.00	191,224,182.90	193,948,582.02	214,754,278.00	-	4,796,707.02
Post-Office Department proper	1,697,490.00	1,695,690.00	1,695,690.00	2,085,005.33	+ 1,800.00	
Deficiency in postal revenues	-----	10,634,122.63	10,634,122.63	10,634,122.63	-	10,634,122.65
Department of Agriculture	19,681,066.00	17,681,136.00	17,753,931.24	17,821,836.00	+	1,927,134.76
Department of Commerce and Labor	16,276,970.00	14,187,913.00	15,789,271.00	14,169,969.32	+	487,699.00
Department of Justice	10,063,576.00	9,518,640.00	9,962,233.00	9,648,237.99	+	101,343.00
<b>Total ordinary</b>	<b>630,494,013.12</b>	<b>636,068,672.51</b>	<b>647,377,166.56</b>	<b>683,458,900.48</b>	-	<b>16,883,153.44</b>
Panama Canal	56,920,847.69	48,063,524.70	52,063,524.70	37,855,000.00	+	4,857,322.99
<b>Total</b>	<b>687,414,860.81</b>	<b>684,132,197.21</b>	<b>699,440,691.26</b>	<b>721,313,900.48</b>	-	<b>12,025,830.45</b>

### **William Howard Taft, "Third Annual Message," (December 1911)**

The financial condition of the Government, as shown at the close of the last fiscal year, June 30, 1911, was very satisfactory. The ordinary receipts into the general fund, excluding postal revenues, amounted to \$701,372,374.99, and the disbursements from the general fund for current expenses and capital outlays, excluding postal and Panama Canal disbursements, including the interest on the public debt, amounted to \$654,137,907-89, leaving a surplus Of \$47,234,377.10.

The postal revenue receipts amounted to \$237,879,823,60, while the payments made for the postal service from the postal revenues amounted to \$237,660,705.48, which left a surplus of postal receipts over disbursements Of \$219,118.12, the first time in 27 years in which a surplus occurred.

The interest-bearing debt of the United States June 30, 1911, amounted to \$915,353,igo. The debt on which interest had ceased amounted to \$1,879,830.26, and the debt bearing no interest, including greenbacks, national bank notes to be redeemed, and fractional currency, amounted to \$386,751,917-43, or a total of interest and noninterest bearing debt amounting to \$1,303,984,937.69.

The actual disbursements, exclusive of those for the Panama Canal and for the postal service for the year ending June 30, 1911, were \$654,137,997.89. The actual disbursements for the year ending June 30, 1910, exclusive of the Panama Canal and the postal service disbursements, were \$659,705,391.08, making a decrease Of \$5,567,393.19 in yearly expenditures in the year 1911 under that of 1910. For the year ending June 30, 1912, the estimated receipts, exclusive of the postal revenues, are \$666,000,000, while the total estimates, exclusive of those for the Panama Canal and the postal expenditures payable from the postal revenues, amount to \$645,842,799.34. This is a decrease in the 1912 estimates from that of the 1911 estimates of \$1,534,367-22.

For the year ending June 30, 1913, the estimated receipts, exclusive of the postal revenues, are \$667,000,000, while the total estimated appropriations, exclusive of the Panama Canal and postal disbursements payable from postal revenues, will amount to \$637,920,803.35. This is a decrease in the 1913 estimates from that of the 1912 estimates of \$7,921,995.99.

As to the postal revenues, the expansion of the business in that department, the normal increase in the Post Office and the extension of the service, will increase the outlay to the SUM Of \$260,938,463 ; but as the department was self-sustaining this year the Postmaster General is assured that next year the receipts will at least equal the expenditures, and probably exceed them by more than the surplus of this year. It is fair and equitable, therefore, in determining the economy with which the Government has been run, to exclude the transactions of a department like the Post Office Department, which relies for its support upon its receipts. In calculations heretofore made for comparison of economy in each year, it has been the proper custom only to include in the statement the deficit in the Post Office Department which was paid out of the Treasury.

A calculation of the actual increase in the expenses of Government arising from the increase in the population and the general expansion of governmental functions, except those of the Post Office, for a number of years shows a normal increase of about 4 per cent a year. By directing the exercise of great care to keep down the expenses and the estimates we have succeeded in reducing the total disbursements each year.

The credit of this Government was shown to be better than that of any other Government by the sale of the Panama Canal 3 per cent bonds. These bonds did not give their owners the privilege of using them as a basis for bank-note circulation, nor was there any other privilege extended to them which would affect their general market value. Their sale, therefore, measured the credit of the Government. The premium which was realized upon the bonds made the actual interest rate of the transaction 2.909 per cent.

### **William Howard Taft, "Fourth Annual Message," (December 1912)**

The condition of the Treasury is very satisfactory. The total interest-bearing debt is \$963,777,770, of which \$134,631,980 constitute the Panama Canal loan. The noninterest-bearing debt is \$378,301,284.90, including \$346,681,016 of greenbacks. We have in the Treasury \$150,000,000 in gold coin as a reserve against the outstanding greenbacks; and in addition we have a cash balance in the Treasury as a general fund of \$167,152,478.99, or an increase of \$26,975,552 over the general fund last year.

For three years the expenditures of the Government have decreased under the influence of an effort to economize. This year presents an apparent exception. The estimate by the Secretary of the Treasury of the ordinary receipts, exclusive of postal revenues, for the year ending June 30, 1914, indicates that they will amount to \$710,000,000. The sum of the estimates of the expenditures for that same year, exclusive of Panama Canal disbursements and postal disbursements payable from postal revenues, is \$732,000,000, indicating a deficit Of \$22,000,000. For the year ending June 30, 1913, similarly estimated receipts were \$667,000,000, while the total corresponding estimate of expenditures for that year, submitted through the Secretary of the Treasury to Congress, amounted to \$656,000,000. This shows an increase of \$76,000,000 in the estimates for 1914 over the total estimates of 1913. This is due to an increase Of \$25,000,000 in the estimate for rivers and harbors for the next year on projects and surveys authorized by Congress; to an increase under the new pension bill Of \$32,500,000; and to an increase in the estimates for expenses of the Navy Department Of \$24,000,000. The estimate for the Navy Department for the year 1913 included two battleships. Congress made provision for only one battleship, and therefore the Navy Department has deemed it necessary and proper to make an estimate which includes the first year's expenditure for three battleships in addition to the amount required for work on the uncompleted ships now under construction. In addition to the natural increase in the expenditures for the uncompleted ships, and the additional battleship estimated for, the other increases are due to the pay required for 4,000 or more additional enlisted men in the Navy; and to this must be added the additional cost of construction imposed by the change in the eight-hour law which makes it applicable to ships built in private shipyards.

With the exceptions of these three items, the estimates show a reduction this year below the total estimates for 1913 of more than \$5,000,000.

The estimates for Panama Canal construction for 1914 are \$17,000,000 less than for 1913

### **Woodrow Wilson, "First Annual Address," (December 1913)**

First oral message. No dollar signs. No receipts, expenditures. No report from Secretary of Treasury. The word 'debt' is not mentioned.

I shall ask your indulgence if I venture to depart in some degree from the usual custom of setting before you in formal review the many matters which have engaged the attention and called for the action of the several departments of the Government or which look to them for early treatment in the future, because the list is long, very long, and would suffer in the abbreviation to which I should have to subject it. I shall submit to you the reports of the heads of the several departments, in which these subjects are set forth in careful detail, and beg that they may receive the thoughtful attention of your committees and of all Members of the Congress who may have the leisure to study them. Their obvious importance, as constituting the very substance of the business of the Government, makes comment and emphasis on my part unnecessary.

I turn to matters of domestic concern. You already have under consideration a bill for the reform of our system of banking and currency, for which the country waits with impatience, as for something fundamental to its whole business life and necessary to set credit free from arbitrary and artificial restraints. I need not say how earnestly I hope for its early enactment into law. I take leave to beg that the whole energy and attention of the Senate be concentrated upon it till the matter is successfully disposed of. And yet I feel that the request is not needed-that the Members of that great House need no urging in this service to the country.

### **Woodrow Wilson, "Second Annual Address," (December 1914)**

No debt, no receipt, no reference to Secretary of the Treasury

One of these is economy in government expenditures. The duty of economy is not debatable. It is manifest and imperative. In the appropriations we pass we are spending the money of the great people whose servants we are,-not our own. We are trustees and responsible stewards in the spending. The only thing debatable and upon which we should be careful to make our thought and purpose clear is the kind of economy demanded of us. I assert with the greatest confidence that the people of the United States are not jealous of the amount their Government costs if they are sure that they get what they need and desire for the outlay, that the money is being spent for objects of which they approve, and that it is being applied with good business sense and management.

Governments grow, piecemeal, both in their tasks and in the means by which those tasks are to be performed, and very few Governments are organized, I venture to say, as wise and experienced business men would organize them if they had a clean sheet of paper to write upon. Certainly the Government of the United States is not. I think that it is generally agreed that there should be a systematic reorganization and reassembling of its parts so as to secure greater efficiency and effect considerable savings in expense. But the amount of money saved in that way would, I believe, though no doubt considerable in itself, running, it may be, into the millions, be relatively small,-small, I mean, in proportion to the total necessary outlays of the Government. It would be thoroughly worth effecting, as every saving would, great or small. Our duty is not altered by the

scale of the saving. But my point is that the people of the United States do not wish to curtail the activities of this Government; they wish, rather, to enlarge them; and with every enlargement, with the mere growth, indeed, of the country itself, there must come, of course, the inevitable increase of expense. The sort of economy we ought to practice may be effected, and ought to be effected, by a careful study and assessment of the tasks to be performed; and the money spent ought to be made to yield the best possible returns in efficiency and achievement. And, like good stewards, we should so account for every dollar of our appropriations as to make it perfectly evident what it was spent for and in what way it was spent.

It is not expenditure but extravagance that we should fear being criticized for; not paying for the legitimate enterprise and undertakings of a great Government whose people command what it should do, but adding what will benefit only a few or pouring money out for what need not have been undertaken at all or might have been postponed or better and more economically conceived and carried out. The Nation is not niggardly; it is very generous. It will chide us only if we forget for whom we pay money out and whose money it is we pay. These are large and general standards, but they are not very difficult of application to particular cases.

### **Woodrow Wilson, "Third Annual Address," (December 1915)**

The plans for the armed forces of the nation which I have outlined, and for the general policy of adequate preparation for mobilization and defense, involve of course very large additional expenditures of money,-expenditures which will considerably exceed the estimated revenues of the government. It is made my duty by law, whenever the estimates of expenditure exceed the estimates of revenue, to call the attention of the Congress to the fact and suggest any means of meeting the deficiency that it may be wise or possible for me to suggest. I am ready to believe that it would be my duty to do so in any case; and I feel particularly bound to speak of the matter when it appears that the deficiency will arise directly out of the adoption by the Congress of measures which I myself urge it to adopt. Allow me, therefore, to speak briefly of the present state of the Treasury and of the fiscal problems which the next year will probably disclose.

On the thirtieth of June last there was an available balance in the general fund of the Treasury Of \$104,170,105.78. The total estimated receipts for the year 1916, on the assumption that the emergency revenue measure passed by the last Congress will not be extended beyond its present limit, the thirty-first of December, 1915, and that the present duty of one cent per pound on sugar will be discontinued after the first of May, 1916, will be \$670,365,500. The balance of June last and these estimated revenues come, therefore, to a grand total of \$774,535,605.78. The total estimated disbursements for the present fiscal year, including twenty-five millions for the Panama Canal, twelve millions for probable deficiency appropriations, and fifty thousand dollars for miscellaneous debt redemptions, will be \$753,891,000; and the balance in the general fund of the Treasury will be reduced to \$20,644,605.78. The emergency revenue act, if continued beyond its present time limitation, would produce, during the half year then

remaining, about forty-one millions. The duty of one cent per pound on sugar, if continued, would produce during the two months of the fiscal year remaining after the first of May, about fifteen millions. These two sums, amounting together to fifty-six millions, if added to the revenues of the second half of the fiscal year, would yield the Treasury at the end of the year an available balance Of \$76,644,605-78.

The additional revenues required to carry out the programme of military and naval preparation of which I have spoken, would, as at present estimated, be for the fiscal year, 1917, \$93,800,000. Those figures, taken with the figures for the present fiscal year which I have already given, disclose our financial problem for the year 1917. Assuming that the taxes imposed by the emergency revenue act and the present duty on sugar are to be discontinued, and that the balance at the close of the present fiscal year will be only \$20,644,605.78, that the disbursements for the Panama Canal will again be about twenty-five millions, and that the additional expenditures for the army and navy are authorized by the Congress, the deficit in the general fund of the Treasury on the thirtieth of June, 1917, will be nearly two hundred and thirty-five millions. To this sum at least fifty millions should be added to represent a safe working balance for the Treasury, and twelve millions to include the usual deficiency estimates in 1917; and these additions would make a total deficit of some two hundred and ninety-seven millions. If the present taxes should be continued throughout this year and the next, however, there would be a balance in the Treasury of some seventy-six and a half millions at the end of the present fiscal year, and a deficit at the end of the next year of only some fifty millions, or, reckoning in sixty-two millions for deficiency appropriations and a safe Treasury balance at the end of the year, a total deficit of some one hundred and twelve millions. The obvious moral of the figures is that it is a plain counsel of prudence to continue all of the present taxes or their equivalents, and confine ourselves to the problem of providing one hundred and twelve millions of new revenue rather than two hundred and ninety-seven millions.

How shall we obtain the new revenue? We are frequently reminded that there are many millions of bonds which the Treasury is authorized under existing law to sell to reimburse the sums paid out of current revenues for the construction of the Panama Canal; and it is true that bonds to the amount of approximately \$222,000,000 are now available for that purpose. Prior to 1913, \$134,631,980 of these bonds had actually been sold to recoup the expenditures at the Isthmus; and now constitute a considerable item of the public debt. But I, for one, do not believe that the people of this country approve of postponing the payment of their bills. Borrowing money is short-sighted finance. It can be justified only when permanent things are to be accomplished which many generations will certainly benefit by and which it seems hardly fair that a single generation should pay for. The objects we are now proposing to spend money for cannot be so classified, except in the sense that everything wisely done may be said to be done in the interest of posterity as well as in our own. It seems to me a clear dictate of prudent statesmanship and frank finance that in what we are now, I hope, about to undertake we should pay as we go. The people of the country are entitled to know just what burdens of taxation they are to carry, and to know from the outset, now. The new bills should be paid by internal taxation.

To what sources, then, shall we turn? This is so peculiarly a question which the gentlemen of the House of Representatives are expected under the Constitution to propose an answer to that you will hardly expect me to do more than discuss it in very general terms. We should be following an almost universal example of modern governments if we were to draw the greater part or even the whole of the revenues we need from the income taxes. By somewhat lowering the present limits of exemption and the figure at which the surtax shall begin to be imposed, and by increasing, step by step throughout the present graduation, the surtax itself, the income taxes as at present apportioned would yield sums sufficient to balance the books of the Treasury at the end of the fiscal year 1917 without anywhere making the burden unreasonably or oppressively heavy. The precise reckonings are fully and accurately set out in the report of the Secretary of the Treasury which will be immediately laid before you.

And there are many additional sources of revenue which can justly be resorted to without hampering the industries of the country or putting any too great charge upon individual expenditure. A tax of one cent per gallon on gasoline and naphtha would yield, at the present estimated production, \$10,000,000; a tax of fifty cents per horse power on automobiles and internal explosion engines, \$15,000,000; a stamp tax on bank cheques, probably \$18,000,000; a tax of twenty-five cents per ton on pig iron, \$10,000,000; a tax of twenty-five cents per ton on fabricated iron and steel, probably \$10,000,000. In a country of great industries like this it ought to be easy to distribute the burdens of taxation without making them anywhere bear too heavily or too exclusively upon any one set of persons or undertakings. What is clear is, that the industry of this generation should pay the bills of this generation.

**Woodrow Wilson, "Fourth Annual Address," (December 1916)**

No "Treasury," no "debt," no "receipt," no "tax" minimal "expenditures"

**Woodrow Wilson, "Fifth Annual Address," (December 1917)**

No "Treasury," no "debt," no "receipt," no "tax" minimal "expenditures"

**Woodrow Wilson, "Sixth Annual Address," (December 1918)**

No "Treasury," no "debt," no "receipt," no "tax" minimal "expenditures"

## **Woodrow Wilson, "Seventh Annual Address," (December 1919)**

Written address. No report on trends in finances, but policy, yes

I hope that Congress will bring to a conclusion at this session legislation looking to the establishment of a budget system. That there should be one single authority responsible for the making of all appropriations and that appropriations should be made not independently of each other, but with reference to one single comprehensive plan of expenditure properly related to the nation's income, there can be no doubt I believe the burden of preparing the budget must, in the nature of the case, if the work is to be properly done and responsibility concentrated instead of divided, rest upon the executive. The budget so prepared should be submitted to and approved or amended by a single committee of each House of Congress and no single appropriation should be made by the Congress, except such as may have been included in the budget prepared by the executive or added by the particular committee of Congress charged with the budget legislation.

Another and not less important aspect of the problem is the ascertainment of the economy and efficiency with which the moneys appropriated are expended. Under existing law the only audit is for the purpose of ascertaining whether expenditures have been lawfully made within the appropriations. No one is authorized or equipped to ascertain whether the money has been spent wisely, economically and effectively. The auditors should be highly trained officials with permanent tenure in the Treasury Department, free of obligations to or motives of consideration for this or any subsequent administration, and authorized and empowered to examine into and make report upon the methods employed and the results obtained by the executive departments of the Government. Their reports should be made to the Congress and to the Secretary of the Treasury.

I trust that the Congress will give its immediate consideration to the problem of future taxation. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed indispensable service during the war. They must, however, be simplified, not only to save the taxpayer inconvenience and expense, but in order that his liability may be made certain and definite.

With reference to the details of the Revenue Law, the Secretary of the Treasury and the Commissioner of Internal Revenue will lay before you for your consideration certain amendments necessary or desirable in connection with the administration of the law—recommendations which have my approval and support. It is of the utmost importance that in dealing with this matter the present law should not be disturbed so far as regards taxes for the calendar year 1920 payable in the calendar year 1921. The Congress might well consider whether the higher rates of income and profits taxes can in peace times be effectively productive of revenue, and whether they may not, on the contrary, be destructive of business activity and productive of waste and inefficiency. There is a point at which in peace times high rates of income and profits taxes discourage energy, remove the incentive to new enterprises, encourage extravagant expenditures and

produce industrial stagnation with consequent unemployment and other attendant evils.

The problem is not an easy one. A fundamental change has taken place with reference to the position of America in the world's affairs. The prejudice and passions engendered by decades of controversy between two schools of political and economic thought, -the one believers in protection of American industries, the other believers in tariff for revenue only, -must be subordinated to the single consideration of the public interest in the light of utterly changed conditions. Before the war America was heavily the debtor of the rest of the world and the interest payments she had to make to foreign countries on American securities held abroad, the expenditures of American travelers abroad and the ocean freight charges she had to pay to others, about balanced the value of her pre-war favorable balance of trade.

### **Woodrow Wilson, "Eighth Annual Address," (December 1920)**

I reluctantly vetoed the budget bill passed by the last session of the Congress because of a constitutional objection. The House of Representatives subsequently modified the bill in order to meet this objection. In the revised form, I believe that the bill, coupled with action already taken by the Congress to revise its rules and procedure, furnishes the foundation for an effective national budget system. I earnestly hope, therefore, that one of the first steps to be taken by the present session of the Congress will be to pass the budget bill.

The nation's finances have shown marked improvement during the last year. The total ordinary receipts of \$6,694,000,000 for the fiscal year 1920 exceeded those for 1919 by \$1,542,000,000, while the total net ordinary expenditures decreased from \$18,514,000,000 to \$6,403,000,000. The gross public debt, which reached its highest point on August 31, 1919, when it was \$26,596,000,000, had dropped on November 30, 1920, to \$24,175,000,000.

There has also been a marked decrease in holdings of government war securities by the banking institutions of the country, as well as in the amount of bills held by the Federal Reserve Banks secured by government war obligations. This fortunate result has relieved the banks and left them freer to finance the needs of Agriculture, Industry, and Commerce. It has been due in large part to the reduction of the public debt, especially of the floating debt, but more particularly to the improved distribution of government securities among permanent investors. The cessation of the Government's borrowings, except through short-term certificates of indebtedness, has been a matter of great consequence to the people of the country at large, as well as to the holders of Liberty Bonds and Victory Notes, and has had an important bearing on the matter of effective credit control.

The year has been characterized by the progressive withdrawal of the Treasury from the domestic credit market and from a position of dominant influence in that market. The

future course will necessarily depend upon the extent to which economies are practiced and upon the burdens placed upon the Treasury, as well as upon industrial developments and the maintenance of tax receipts at a sufficiently high level. The fundamental fact which at present dominates the Government's financial situation is that seven and a half billions of its war indebtedness mature within the next two and a half years. Of this amount, two and a half billions are floating debt and five billions, Victory Notes and War Savings Certificates. The fiscal program of the Government must be determined with reference to these maturities. Sound policy demands that Government expenditures be reduced to the lowest amount which will permit the various services to operate efficiently and that Government receipts from taxes and salvage be maintained sufficiently high to provide for current requirements, including interest and sinking fund charges on the public debt, and at the same time retire the floating debt and part of the Victory Loan before maturity.

With rigid economy, vigorous salvage operations, and adequate revenues from taxation, a surplus of current receipts over current expenditures can be realized and should be applied to the floating debt. All branches of the Government should cooperate to see that this program is realized. I cannot overemphasize the necessity of economy in Government appropriations and expenditures and the avoidance by the Congress of practices which take money from the Treasury by indefinite or revolving fund appropriations. The estimates for the present year show that over a billion dollars of expenditures were authorized by the last Congress in addition to the amounts shown in the usual compiled statements of appropriations. This strikingly illustrates the importance of making direct and specific appropriations. The relation between the current receipts and current expenditures of the Government during the present fiscal year, as well as during the last half of the last fiscal year, has been disturbed by the extraordinary burdens thrown upon the Treasury by the Transportation Act, in connection with the return of the railroads to private control. Over \$600,000,000 has already been paid to the railroads under this act—\$350,000,000 during the present fiscal year; and it is estimated that further payments aggregating possibly \$650,000,000 must still be made to the railroads during the current year. It is obvious that these large payments have already seriously limited the Government's progress in retiring the floating debt.

Closely connected with this, it seems to me, is the necessity for an immediate consideration of the revision of our tax laws. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed an indispensable service during the war. The need for their simplification, however, is very great, in order to save the taxpayer inconvenience and expense and in order to make his liability more certain and definite. Other and more detailed recommendations with regard to taxes will no doubt be laid before you by the Secretary of the Treasury and the Commissioner of Internal Revenue.

### **Warren Harding, "First Annual Message," (December 1921)**

There are it full score of topics concerning which it would be becoming to address you, and on which I hope to make report at a later time. I have alluded to the things requiring your earlier attention. However, I can not end this limited address without a suggested amendment to the organic law.

Many of us belong to that school of thought which is hesitant about altering the fundamental law. I think our tax problems, the tendency of wealth to seek nontaxable investment, and the menacing increase of public debt, Federal, State and municipal-all justify a proposal to change the Constitution so as to end the issue of nontaxable bonds. No action can change the status of the many billions outstanding, but we can guard against future encouragement of capital's paralysis, while a halt in the growth of public indebtedness would be beneficial throughout our whole land.

Such a change in the Constitution must be very thoroughly considered before submission. There ought to be known what influence it will have on the inevitable refunding of our vast national debt, how it will operate on the necessary refunding of State and municipal debt, how the advantages of Nation over State and municipality, or the contrary, may be avoided. Clearly the States would not ratify to their own apparent disadvantage. I suggest the consideration because the drift of wealth into nontaxable securities is hindering the flow of large capital to our industries, manufacturing, agricultural, and carrying, until we are discouraging the very activities which make our wealth.

### **Warren Harding, "Second Annual Message," (December 1922)**

So many problems are calling for solution that a recital of all of them, in the face of the known limitations of a short session of Congress, would seem to lack sincerity of purpose. It is four years since the World War ended, but the inevitable readjustment of the social and economic order is not more than barely begun. There is no acceptance of pre-war conditions anywhere in the world. In a very general way humanity harbors individual wishes to go on with war-time compensation for production, with pre-war requirements in expenditure. In short, everyone, speaking broadly, craves readjustment for everybody except himself, while there can be no just and permanent readjustment except when all participate.

One year ago I suggested the submission of an amendment so that we may lawfully restrict the issues of tax exempt securities, and I renew that recommendation now. Tax-exempt securities are drying up the sources of Federal taxation and they are encouraging unproductive and extravagant expenditures by States and municipalities. There is more than the menace in mounting public debt, there is the dissipation of capital which should be made available to the needs of productive industry. The proposed amendment will place the State and Federal Governments and all political subdivisions on an exact equality, and will correct the growing menace of public borrowing, which if left unchecked may soon threaten the stability of our institutions.

We are so vast and so varied in our national interests that scores of problems are pressing for attention. I must not risk the wearying of your patience with detailed reference.

It would be folly to ignore that we live in a motor age. The motor car reflects our standard of living and gauges the speed of our present-day life. It long ago ran down Simple Living, and never halted to inquire about the prostrate figure which fell as its victim. With full recognition of motor-car transportation we must turn it to the most practical use. It can not supersede the railway lines, no matter how generously we afford it highways out of the Public Treasury. If freight traffic by motor were charged with its proper and proportionate share of highway construction, we should find much of it wasteful and more costly than like service by rail. Yet we have paralleled the railways, a most natural line of construction, and thereby taken away from the agency of expected service much of its profitable traffic, which the taxpayers have been providing the highways, whose cost of maintenance is not yet realized.

The Federal Government has a right to inquire into the wisdom of this policy, because the National Treasury is contributing largely to this highway construction. Costly highways ought to be made to serve as feeders rather than competitors of the railroads, and the motor truck should become a coordinate factor in our great distributing system.

### **Calvin Coolidge, "First Annual Message," (December 1923)**

Our main problems are domestic problems. Financial stability is the first requisite of sound government. We can not escape the effect of world conditions. We can not avoid the inevitable results of the economic disorders which have reached all nations. But we shall diminish their harm to us in proportion as we continue to restore our Government finances to a secure and endurable position. This we can and must do. Upon that firm foundation rests the only hope of progress and prosperity. From that source must come relief for the people.

This is being accomplished by a drastic but orderly retrenchment, which is bringing our expenses within our means. The origin of this has been the determination of the American people, the main support has been the courage of those in authority, and the effective method has been the Budget System. The result has involved real sacrifice by department heads, but it has been made without flinching. This system is a law of the Congress. It represents your will. It must be maintained, and ought to be strengthened by the example of your observance. Without a Budget System there can be no fixed responsibility and no constructive scientific economy.

This great concentration of effort by the administration and Congress has brought the expenditures, exclusive of the self-supporting Post Office Department, down to three billion dollars. It is possible, in consequence, to make a large reduction in the taxes of the people, which is the sole object of all curtailment. This is treated at greater length in the Budget message, and a proposed plan has been presented in detail in a statement by

the Secretary of the Treasury which has my unqualified approval. I especially commend a decrease on earned incomes, and further abolition of admission, message, and nuisance taxes. The amusement and educational value of moving pictures ought not to be taxed. Diminishing charges against moderate incomes from investment will afford immense relief, while a revision of the surtaxes will not only provide additional money for capital investment, thus stimulating industry and employing more but will not greatly reduce the revenue from that source, and may in the future actually increase it.

Being opposed to war taxes in time of peace, I am not in favor of excess-profits taxes. A very great service could be rendered through immediate enactment of legislation relieving the people of some of the burden of taxation. To reduce war taxes is to give every home a better chance.

For seven years the people have borne with uncomplaining courage the tremendous burden of national and local taxation. These must both be reduced. The taxes of the Nation must be reduced now as much as prudence will permit, and expenditures must be reduced accordingly. High taxes reach everywhere and burden everybody. They gear most heavily upon the poor. They diminish industry and commerce. They make agriculture unprofitable. They increase the rates on transportation. They are a charge on every necessary of life. Of all services which the Congress can render to the country, I have no hesitation in declaring to neglect it, to postpone it, to obstruct it by unsound proposals, is to become unworthy of public confidence and untrue to public trust. The country wants this measure to have the right of way over all others.

Another reform which is urgent in our fiscal system is the abolition of the right to issue tax-exempt securities. The existing system not only permits a large amount of the wealth of the Nation to escape its just burden but acts as a continual stimulant to municipal extravagance. This should be prohibited by constitutional amendment. All the wealth of the Nation ought to contribute its fair share to the expenses of the Nation.

### **Calvin Coolidge, "Second Annual Message," (December 1924)**

Written.

Our domestic problems are for the most part economic. We have our enormous debt to pay, and we are paying it. We have the high cost of government to diminish, and we are diminishing it. We have a heavy burden of taxation to reduce, and we are reducing it. But while remarkable progress has been made in these directions, the work is yet far from accomplished. We still owe over \$21,000,000,000, the cost of the National Government is still about \$3,500,000,000, and the national taxes still amount to about \$27 for each one of our inhabitants. There yet exists this enormous field for the application of economy.

In my opinion the Government can do more to remedy the economic ills of the people by a system of rigid economy in public expenditure than can be accomplished through any

other action. The costs of our national and local governments combined now stand at a sum close to \$100 for each inhabitant of the land. A little less than one-third of this is represented by national expenditure, and a little more than two-thirds by local expenditure. It is an ominous fact that only the National Government is reducing its debt. Others are increasing theirs at about \$1,000,000,000 each year. The depression that overtook business, the disaster experienced in agriculture, the lack of employment and the terrific shrinkage in all values which our country experienced in a most acute form in 1920, resulted in no small measure from the prohibitive taxes which were then levied on all productive effort. The establishment of a system of drastic economy in public expenditure, which has enabled us to pay off about one-fifth of the national debt since 1919, and almost cut in two the national tax burden since 1921, has been one of the main causes in reestablishing a prosperity which has come to include within its benefits almost every one of our inhabitants. Economy reaches everywhere. It carries a blessing to everybody.

The fallacy of the claim that the costs of government are borne by the rich and those who make a direct contribution to the National Treasury can not be too often exposed. No system has been devised, I do not think any system could be devised, under which any person living in this country could escape being affected by the cost of our government. It has a direct effect both upon the rate and the purchasing power of wages. It is felt in the price of those prime necessities of existence, food, clothing, fuel and shelter. It would appear to be elementary that the more the Government expends the more it must require every producer to contribute out of his production to the Public Treasury, and the less he will have for his own benefit. The continuing costs of public administration can be met in only one way -- by the work of the people. The higher they become, the more the people must work for the Government. The less they are, the more the people can work for themselves.

The present estimated margin between public receipts and expenditures for this fiscal year is very small. Perhaps the most important work that this session of the Congress can do is to continue a policy of economy and further reduce the cost of government, in order that we may have a reduction of taxes for the next fiscal year. Nothing is more likely to produce that public confidence which is the forerunner and the mainstay of prosperity, encourage and enlarge business opportunity with ample opportunity for employment at good wages, provide a larger market for agricultural products, and put our country in a stronger position to be able to meet the world competition in trade, than a continuing policy of economy. Of course necessary costs must be met, proper functions of the Government performed, and constant investments for capital account and reproductive effort must be carried on by our various departments. But the people must know that their Government is placing upon them no unnecessary burden.

Everyone desires a reduction of taxes, and there is a great preponderance of sentiment in favor of taxation reform. When I approved the present tax law, I stated publicly that I did so in spite of certain provisions which I believed unwise and harmful. One of the most glaring of these was the making public of the amounts assessed against different income-tax payers. Although that damage has now been done, I believe its continuation

to be detrimental To the public welfare and bound to decrease public revenues, so that it ought to be repealed.

Anybody can reduce taxes, but it is not so easy to stand in the gap and resist the passage of increasing appropriation bills which would make tax reduction impossible. It will be very easy to measure the strength of the attachment to reduced taxation by the power with which increased appropriations are resisted. If at the close of the present session the Congress has kept within the budget which I propose to present, it will then be possible to have a moderate amount of tax reduction and all the tax reform that the Congress may wish for during the next fiscal year. The country is now feeling the direct stimulus which came from the passage of the last revenue bill, and under the assurance of a reasonable system of taxation there is every prospect of an era of prosperity of unprecedented proportions. But it would be idle to expect any such results unless business can continue free from excess profits taxation and be accorded a system of surtaxes at rates which have for their object not the punishment of success or the discouragement of business, but the production of the greatest amount of revenue from large incomes. I am convinced that the larger incomes of the country would actually yield more revenue to the Government if the basis of taxation were scientifically revised downward. Moreover the effect of the present method of this taxation is to increase the cost of interest. on productive enterprise and to increase the burden of rent. It is altogether likely that such reduction would so encourage and stimulate investment that it would firmly establish our country in the economic leadership of the world.

### **Calvin Coolidge, "Third Annual Message," (December 1925)**

It is a fundamental principle of our country that the people are sovereign. While they recognize the undeniable authority of the state, they have established as its instrument a Government of limited powers. They hold inviolate in their own hands the jurisdiction over their own freedom and the ownership of their own property. Neither of these can be impaired except by due process of law. The wealth of our country is not public wealth, but private wealth. It does not belong to the Government, it belongs to the people. The Government has no justification in taking private Property except for a public purpose. It is always necessary to keep these principles in mind in the laying of taxes and in the making of appropriations. No right exists to levy on a dollar, or to order the expenditure of a dollar, of the money of the people, except for a necessary public purpose duly authorized by the Constitution. The power over the purse is the power over liberty.

That is the legal limitation within which the Congress can act, How it will, proceed within this limitation is always a question of policy. When the country is prosperous and free from debt, when the rate of taxation is low, opportunity exists for assuming new burdens and undertaking new enterprises. Such a condition now prevails only to a limited extent. All proposals for assuming new obligations ought to be postponed, unless they are reproductive capital investments or are such as are absolutely necessary at this time. We still have an enormous debt of over \$20,000,000,000, on which the interest and sinking-fund requirements are \$1,320,000,000. Our appropriations for the Pension

Office and the Veterans' Bureau are \$600,000,000. The War and Navy Departments call for \$642,000,000. Other requirements, exclusive of the Post Office ' which is virtually self-sustaining, brought the appropriations for the current year up to almost \$3,100,060,000. This shows an expenditure of close to \$30 for every inhabitant of our country. For the average family of five it means a tax, directly or indirectly paid, of about \$150 for national purposes alone. The local tax adds much more. These enormous expenditures ought not to be increased, but through every possible effort they ought to be reduced.

Only one of these great items can be ultimately extinguished. That is the item of our war debt. Already this has been reduced to about \$6,000,000,000, which means an annual saving in interest of close to \$250,000,000. The present interest charge is about \$820,000,000 yearly. It would seem to be obvious that the sooner this debt can be retired the more the taxpayers will save in interest and the easier it will be to secure funds with which to prosecute needed running expenses, constructions, and improvements. This item of \$820,000,000 for interest is a heavy charge on all the people of the country, and it seems to me that we might well consider whether it is not greatly worthwhile to dispense with it as early as possible by retiring the principal debt which it is required to serve.

It has always been our policy to retire our debts. That of the Revolutionary War period, notwithstanding the additions made in 1812, was paid by 1835. and the Civil War debt within 23 years. Of the amount already paid, over \$1,000,000,000 is a reduction in cash balances. That source is exhausted. Over one and two-thirds billions of dollars was derived from excess receipts. Tax reduction eliminates that. The sale of surplus war materials has been another element of our income. That is practically finished. With these eliminated, the reduction of the debt has been only about \$500,000,000 each year, not an excessive sum on so large a debt.

Proposals have been made to extend the payment over a period of 62 years. If \$1,000,000,000 is paid at the end of 20 years, the cost to the taxpayers is the principal and, if the interest is 4% per cent, a total of \$1,850,000,000. If the same sum is paid at the end of 62 years, the cost is \$3,635,000,000, or almost double. Here is another consideration: Compared with its purchasing power in 1913, the dollar we borrowed represented but 52 cents. As the value of our dollar increases, due to the falling prices of commodities, the burden of our debt increases. It has now risen to 63 1/2 cents. The taxpayer will be required to produce nearly twice the amount of commodities to pay his debt if the dollar returns to the 1913 value. The more we pay while prices are high, the easier it will be.

Deflation of government after a war period is slower than deflation of business, where curtailment is either prompt and effective or disaster follows. There is room for further economy in the cost of the Federal Government, but a comparison of current expenditures with pre-war expenditures is not able to the efficiency with which Government business is now being done. The expenditures of 1916 the last pre-war year, were \$742,000,000, and in 1925 over \$3,500,000,000, or nearly five times as great. If we subtract expenditures for debt retirements and interest, veterans' relief, increase of pensions,

and other special outlays, consisting of refunds, trust investments, and like charges, we find that the general expenditures of the Government in 1925 were slightly more than twice as large as in 1916.

As prices in 1925 were approximately 40 per cent higher than in 1916, the cost of the same Government must also have increased. But the Government is not 'the same. It is more expensive to collect the much greater revenue necessary and to administer our great debt. We have given enlarged and improved services to agriculture and commerce. Above all, America has grown in population and wealth. Government expenditures must always share in this growth. Taking into account the factors I have mentioned, I believe that present Federal expenses are not far out of line with pre-war expenses. We have nearly accomplished the deflation.

This does not mean that further economies will not come. As we reduce our debt our interest charges decline. There are many details yet to correct. The real improvement, however, must come not from additional curtailment of expenses, but by a more intelligent, more ordered spending. Our economy must be constructive. While we should avoid as far as possible increases in permanent current expenditures, oftentimes a capital outlay like internal improvements will result in actual constructive saving. That is economy in its best sense. It is an avoidance of waste that there may be the means for an outlay to-day which will bring larger returns to-morrow. We should constantly engage in scientific studies of our future requirements and adopt an orderly program for their service. Economy is the method by which we prepare to-day to afford the improvements of to-morrow.

A mere policy of economy without any instrumentalities for putting it into operation would be very ineffective. The Congress has wisely set up the Bureau of the Budget to investigate and inform the President what recommendations he ought to make for current appropriations. This gives a centralized authority where a general and comprehensive understanding can be reached of the sources of income and the most equitable distribution of expenditures. How well it has worked is indicated by the fact that the departmental estimates for 1922, before the budget law, were \$4,068,000,000 while the Budget estimates for 1927 are \$3,156,000,000. This latter figure shows the reductions in departmental estimates for the coming year made possible by the operation of the Budget system that the Congress has provided.

But it is evidently not enough to have care in making appropriations without any restraint upon expenditure. The Congress has provided that check by establishing the office of Comptroller General.

The purpose of maintaining the Budget Director and the Comptroller General is to secure economy and efficiency in Government expenditure. No better method has been devised for the accomplishment of that end. These offices can not be administered in all the various details without making some errors both of fact and of judgment. But the important consideration remains that these are the instrumentalities of the Congress and that no other plan has ever been adopted which was so successful in promoting

economy and efficiency. The Congress has absolute authority over the appropriations and is free to exercise its judgment, as the evidence may warrant, in increasing or decreasing budget recommendations. But it ought to resist every effort to weaken or break down this most beneficial system of supervising appropriations and expenditures. Without it all the claim of economy would be a mere pretense.

The purpose of reducing expenditures is to secure a reduction in taxes. That purpose is about to be realized. With commendable promptness the Ways and Means Committee of the House has undertaken in advance of the meeting of the Congress to frame a revenue act. As the bill has proceeded through the committee it has taken on a nonpartisan character, and both Republicans and Democrats have joined in a measure which embodies many sound principles of tax reform. The bill will correct substantially the economic defects injected into the revenue act of 1924, as well as many which have remained as war-time legacies. In its present form it should provide sufficient revenue for the Government.

The excessive surtaxes have been reduced, estate tax rates are restored to more reasonable figures, with every prospect of withdrawing from the field when the States have had the opportunity to correct the abuses in their own inheritance tax laws, the gift tax and publicity section are to be repealed many miscellaneous taxes are lowered or abandoned, and the Board of Tax Appeals and the administrative features of the law are improved and strengthened. I approve of the bill in principle. In so far as income-tax exemptions are concerned, it seems, to me the committee has gone as far as it is safe to go and somewhat further than I should have gone. Any further extension along these lines would, in my opinion, impair the integrity of our income-tax system.

I am advised that the bill will be through the House by Christmas. For this prompt action the country can thank the good sense of the Ways and Means Committee in framing an economic measure upon economic considerations. If this attitude continues to be reflected through the Congress, the taxpayer will have his relief by the time his March 15th installment of income taxes is due. Nonpartisan effort means certain, quick action. Determination of a revenue law definitely, promptly and solely as a revenue law, is one of the greatest gifts a legislature can bestow upon its constituents. I commend the example of the Ways and Means Committee. If followed, it will place sound legislation upon the books in time to give the taxpayers the full benefit of tax reduction next year. This means that the bill should reach me prior to March 15.

All these economic results are being sought not to benefit the rich, but to benefit the people. They are for the purpose of encouraging industry in order that employment may be plentiful. They seek to make business good in order that wages may be good. They encourage prosperity in order that poverty may be banished from the home. They seek to lay the foundation which, through increased production, may give the people a more bountiful supply of the necessities of life, afford more leisure for the improvement of the mind, the appreciation of the arts of music and literature, sculpture and painting, and the beneficial enjoyment of outdoor sports and recreation, enlarge the resources which minister to charity and by all these means attempting to strengthen the spiritual life of the Nation.

## **Calvin Coolidge, "Fourth Annual Message," (December 1926)**

Our present state of prosperity has been greatly promoted by three important causes, one of which is economy, resulting in reduction and reform in national taxation. Another is the elimination of many kinds of waste. The third is a general raising of the standards of efficiency. This combination has brought the perfectly astonishing result of a reduction in the index price of commodities and an increase in the index rate of wages. We have secured a lowering of the cost to produce and a raising of the ability to consume. Prosperity resulting from these causes rests on the securest of all foundations. It gathers strength from its own progress.

In promoting this progress the chief part which the National Government plays lies in the field of economy. Whatever doubts may have been entertained as to the necessity of this policy and the beneficial results which would accrue from it to all the people of the Nation, its wisdom must now be considered thoroughly demonstrated. It may not have appeared to be a novel or perhaps brilliant conception, but it has turned out to be preeminently sound. It has not failed to work. It has surely brought results. It does not have to be excused as a temporary expedient adopted as the lesser evil to remedy some abuse, it is not a palliative seeking to treat symptoms, but a major operation for the eradication at the source of a large number of social diseases.

Nothing is easier than the expenditure of public money. It does not appear to belong to anybody. The temptation is overwhelming to bestow it on somebody. But the results of extravagance are ruinous. The property of the country, like the freedom of the country, belongs to the people of the country. They have not empowered their Government to take a dollar of it except for a necessary public purpose. But if the Constitution conferred such right, sound economics would forbid it. Nothing is more destructive of the progress of the Nation than government extravagance. It means an increase in the burden of taxation, dissipation of the returns from enterprise, a decrease in the real value of wages, with ultimate stagnation and decay. The whole theory of our institutions is based on the liberty and independence of the individual. He is dependent on himself for support and therefore entitled to the rewards of his own industry. He is not to be deprived of what he earns that others may be benefited by what they do not earn. What he saves through his private effort is not to be wasted by Government extravagance.

Our national activities have become so vast that it is necessary to scrutinize each item of public expenditure if we are to apply the principle of economy. At the last session we made an immediate increase in the annual budget of more than \$100,000,000 in benefits conferred on the veterans of three wars, public buildings, and river and harbor improvement. Many projects are being broached requiring further large outlays. I am convinced that it would be greatly for the welfare of the country if we avoid at the present session all commitments except those of the most pressing nature. From a reduction of the debt and taxes will accrue a wider benefit to all the people of this country than from embarking on any new enterprise. When our war debt is decreased we shall have resources for expansion. Until that is accomplished we should confine ourselves to expenditures of the most urgent necessity.

The Department of Commerce has performed a most important function in making plans and securing support of all kinds of national enterprise for the elimination of waste. Efficiency has been greatly promoted through good management and the constantly increasing cooperation of the wage earners throughout the whole realm of private business. It is my opinion that this whole development has been predicated on the foundation of a protective tariff.

As a result of economy of administration by the Executive and of appropriation by the Congress, the end of this fiscal year will leave a surplus in the Treasury estimated at \$383,000,000. Unless otherwise ordered, such surplus is used for the retirement of the war debt. A bond which can be retired today for 100 cents will cost the people 104 1/4 cents to retire a year from now. While I favor a speedy reduction of the debt as already required by law and in accordance with the promises made to the holders of our Liberty bonds when they were issued, there is no reason why a balanced portion of surplus revenue should not be applied to a reduction of taxation. It can not be repeated too often that the enormous revenues of this Nation could not be collected without becoming a charge on all the people whether or not they directly pay taxes. Everyone who is paying for the bare necessities of food and shelter and clothing, without considering the better things of life, is indirectly paying a national tax. The nearly 20,000,000 owners of securities, the additional scores of millions of holders of insurance policies and depositors in savings banks, are all paying a national tax. Millions of individuals and corporations are making a direct contribution to the National Treasury which runs from 11/2 to 25 per cent of their income, besides a number of special requirements, like automobile and admission taxes. Whenever the state of the Treasury will permit, I believe in a reduction of taxation. I think the taxpayers are entitled to it. But I am not advocating tax reduction merely for the benefit of the taxpayer; I am advocating it for the benefit of the country.

If it appeared feasible, I should welcome permanent tax reduction at this time. The estimated surplus, however, for June 30, 1928, is not much larger than is required in a going business of nearly \$4,000,000,000. We have had but a few months' experience under the present revenue act and shall need to know what is developed by the returns of income produced under it, which are not required to be made until about the time this session terminates, and what the economic probabilities of the country are in the latter part of 1927, before we can reach any justifiable conclusion as to permanent tax reduction. Moreover the present surplus results from many nonrecurrent items. Meantime, it is possible to grant some real relief by a simple measure making reductions in the payments which accrue on the 15th of March and June, 1927. I am very strongly of the conviction that this is so much a purely business matter that it ought not to be dealt with in a partisan spirit. The Congress has already set the notable example of treating tax problems without much reference to party, which might well be continued. What I desire to advocate most earnestly is relief for the country from unnecessary tax burdens. We can not secure that if we stop to engage in a partisan controversy. As I do not think any change in the special taxes, or tiny permanent reduction is practical, I therefore urge both parties of the House Ways and Means Committee to agree on a bill granting the temporary relief which I have indicated. Such a reduction would directly affect millions of taxpayers, release large sums for investment in new enterprise, stimulating industrial

production and agricultural consumption, and indirectly benefiting every family in the whole country. These are my convictions stated with full knowledge that it is for the Congress to decide whether they judge it best to make such a reduction or leave the surplus for the present year to be applied to retirement of the war debt. That also is eventually tax reduction.

### **Calvin Coolidge, "Fifth Annual Message," (December 1927)**

Without constructive economy in Government expenditures we should not now be enjoying these results or these prospects. Because we are not now physically at war, some people are disposed to forget that our war debt still remains. The Nation must make financial sacrifices, accompanied by a stern self-denial in public expenditures, until we have conquered the disabilities of our public finance. While our obligation to veterans and dependents is large and continuing, the heavier burden of the national debt is being steadily eliminated. At the end of this fiscal year it will be reduced from about \$26,600,000,000 to about \$17,975,000,000. Annual interest, including war savings, will have been reduced from \$1,055,000,000 to \$670,000,000. The sacrifices of the people, the economy of the Government, are showing remarkable results. They should be continued for the purpose of relieving the Nation of the burden of interest and debt and releasing revenue for internal improvements and national development.

Not only the amount, but the rate, of Government interest has been reduced. Callable bonds have been refunded and paid, so that during this year the average rate of interest on the present public debt for the first time fell below 4 per cent. Keeping the credit of the Nation high is a tremendously profitable operation.

The immediate fruit of economy and the retirement of the public debt is tax reduction. The annual saving in interest between 1925 and 1929 is \$212,000,000. Without this no bill to relieve the taxpayers would be worth proposing. The three measures already enacted leave our Government revenues where they are not oppressive. Exemptions, have been increased until 115,000,000 people make but 2,500,000 individual taxable returns, so that further reduction should be mainly for the purpose of removing inequalities. The Secretary of the Treasury has recommended a measure which would give us a much better balanced system of taxation and without oppression produce sufficient revenue. It has my complete support.

Unforeseen contingencies requiring money are always arising. Our probable surplus for June 30, 1929, is small. A slight depression in business would greatly reduce our revenue because of our present method of taxation. The people ought to take no selfish attitude of pressing for removing moderate and fair taxes which might produce a deficit. We must keep our budget balanced for each year. That is the corner stone of our national credit, the trifling price we pay to command the lowest rate of interest of any great power in the world. Any surplus can be applied to debt reduction, and debt reduction is tax reduction. Under the present circumstances it would be far better to leave the rates as they are than to enact a bill carrying the peril of a deficit. This is not a

problem to be approached in a narrow or partisan spirit. All of those who participate in finding a reasonable solution will be entitled to participate in any credit that accrues from it without regard to party. The Congress has already demonstrated that tax legislation can be removed from purely political consideration into the realm of patriotic business principles.

Any bill for tax reduction should be written by those who are responsible for raising, managing, and expending the finances of the Government. If special interests, too often selfish, always uninformed of the national needs as a whole, with hired agents using their proposed beneficiaries as engines of propaganda, are permitted to influence the withdrawal of their property from taxation, we shall have a law that is unbalanced and unjust, bad for business, bad for the country, probably resulting in a deficit, with disastrous financial consequences. The Constitution has given the Members of the Congress sole authority to decide what tax measures shall be presented for approval. While welcoming information from any quarter, the Congress should continue to exercise its own judgment in a matter so vital and important to all the interests of the country as taxation.

### **Calvin Coolidge, "Sixth Annual Message," (December 1928)**

Four times we have made a drastic revision of our internal revenue system, abolishing many taxes and substantially reducing almost all others. Each time the resulting stimulation to business has so increased taxable incomes and profits that a surplus has been produced. One-third of the national debt has been paid, while much of the other two-thirds has been refunded at lower rates, and these savings of interest and constant economies have enabled us to repeat the satisfying process of more tax reductions. Under this sound and healthful encouragement the national income has increased nearly 50 per cent, until it is estimated to stand well over \$90,000,000,000. It has been a method which has performed the seeming miracle of leaving a much greater percentage of earnings in the hands of the taxpayers 'with scarcely any diminution of the Government revenue. That is constructive economy in the highest degree. It is the corner stone of prosperity. It should not fail to be continued.

This action began by the application of economy to public expenditure. If it is to be permanent, it must be made so by the repeated application of economy. There is no surplus on which to base further tax revision at this time. Last June the estimates showed a threatened deficit for the current fiscal year of \$94,000,000. Under my direction the departments began saving all they could out of their present appropriations. The last tax reduction brought 'an encouraging improvement in business, beginning early in October, which will also increase our revenue. The combination of economy and good times now indicates a surplus of about \$37,000,000. This is a margin of less than I percent on out, expenditures and makes it obvious that the Treasury is in no condition to undertake increases in expenditures to be made before June 30. It is necessary therefore during the present session to refrain from new appropriations for immediate outlay, or if such are absolutely required to provide for

them by new revenue; otherwise, we shall reach the end of the year with the unthinkable result of an unbalanced budget. For the first time during my term of office we face that contingency. I am certain that the Congress would not pass and I should not feel warranted in approving legislation which would involve us in that financial disgrace.

On the whole the finances of the Government are most satisfactory. Last year the national debt was reduced about \$906,000,000. The refunding and retirement of the second and third Liberty loans have just been brought to a successful conclusion, which will save about \$75,000,000 a year in interest. The unpaid balance has been arranged in maturities convenient for carrying out our permanent debt-paying Program.

The enormous savings made have not been at the expense of any legitimate public need. The Government plant has been kept up and many improvements are under way, while its service is fully manned and the general efficiency of operation has increased. We have been enabled to undertake many new enterprises. Among these are the adjusted compensation of the veterans of the World War, which is costing us \$112,000,000 a year; amortizing our liability to the civil service retirement funds, \$20,000,000; increase of expenditures for rivers and harbors including flood control, \$43,000,000; public buildings, \$47,000,000. In 1928 we spent \$50,000,000 in the adjustment of war claims and alien property. These are examples of a large list of items.

### **Herbert Hoover, "First Annual Message," (December 1929)**

The finances of the Government are in sound condition. I shall submit the detailed evidences and the usual recommendations in the special Budget message. I may, however, summarize our position. The public debt on June 30 this year stood at \$16,931,000,000, compared to the maximum in August, 1919, of \$26,596,000,000. Since June 30 it has been reduced by a further \$238,000,000. In the Budget to be submitted the total appropriations recommended for the fiscal year 1931 are \$3,830,445,231, as compared to \$3,976,141,651 for the present fiscal year. The present fiscal year, however, includes \$150,000,000 for the Federal Farm Board, as to which no estimate can as yet be determined for 1931.

Owing to the many necessary burdens assumed by Congress in previous years which now require large outlays, it is with extreme difficulty that we shall be able to keep the expenditures for the next fiscal year within the bounds of the present year. Economies in many directions have permitted some accommodation of pressing needs, the net result being an increase, as shown above, of about one-tenth of 1 per cent above the present fiscal year. We can not fail to recognize the obligations of the Government in support of the public welfare but we must coincidentally bear in mind the burden of taxes and strive to find relief through some tax reduction. Every dollar so returned fertilizes the soil of prosperity.

The estimate submitted to me by the Secretary of the Treasury and the Budget Director indicates that the Government will close the fiscal year 1930 with a surplus of about

\$225,000,000 and the fiscal year 1931 with a surplus of about \$123,000,000. Owing to unusual circumstances, it has been extremely difficult to estimate future revenues with accuracy.

I believe, however, that the Congress will be fully justified in giving the benefits of the prospective surpluses to the taxpayers, particularly as ample provision for debt reduction has been made in both years through the form of debt retirement from ordinary revenues. In view of the uncertainty in respect of future revenues and the comparatively small size of the indicated surplus in 1931, relief should take the form of a provisional revision of tax rates.

I recommend that the normal income tax rates applicable to the incomes of individuals for the calendar year 1929 be reduced from 5, 3, and 1 ½ per cent, to 4, 2, and ½ per cent, and that the tax on the income of corporations for the calendar year 1929 be reduced from 12 to 11 per cent. It is estimated that this will result in a reduction of \$160,000,000 in income taxes to be collected during the calendar year 1930. The loss in revenue will be divided approximately equally between the fiscal years 1930 and 1931. Such a program will give a measure of tax relief to the maximum number of taxpayers, with relatively larger benefits to taxpayers with small or moderate incomes.

The past year has brought us near to completion of settlements of the indebtedness of foreign governments to the United States.

Our Post Office deficit has now increased to over \$80,000,000 a year, of which perhaps \$14,000,000 is due to losses on ocean mail and air mail contracts. The department is making an exhaustive study of the sources of the deficit with view to later recommendation to Congress in respect to it.

The Post Office quarters are provided in part by the Federal construction, in part by various forms of rent and lease arrangements. The practice has grown up in recent years of contracting long term leases under which both rent and amortization principal cost of buildings is included. I am advised that fully 40 per cent could be saved from many such rent and lease agreements even after allowing interest on the capital required at the normal Government rate. There are also many objectionable features to some of these practices. The provision of adequate quarters for the Post Office should be put on a sound basis.

### **Herbert Hoover, "Second Annual Message," (December 1930)**

During the past 12 months we have suffered with other Nations from economic depression.

The origins of this depression lie to some extent within our own borders through a speculative period which diverted capital and energy into speculation rather than constructive enterprise. Had overspeculation in securities been the only force operating,

we should have seen recovery many months ago, as these particular dislocations have generally readjusted themselves.

The extent of the depression is indicated by the following approximate percentages of activity during the past three months as compared with the highly prosperous year of 1928:

Value of department-store sales 93% of 1928  
Volume of manufacturing production 80% of 1928  
Volume of mineral production 90% of 1928  
Volume of factory employment 84% of 1928  
Total of bank deposits 105% of 1928  
Wholesale prices--all commodities 83% of 1928  
Cost of living 94% of 1928

I shall submit the detailed financial position of the Government with recommendations in the usual Budget message. I will at this time, however, mention that the Budget estimates of receipts and expenditures for the current year were formulated by the Treasury and the Budget Bureau at a time when it was impossible to forecast the severity of the business depression and have been most seriously affected by it. At that time a surplus of about \$123,000,000 was estimated for this fiscal year and tax reduction which affected the fiscal year to the extent of \$75,000,000 was authorized by the Congress, thus reducing the estimated surplus to about \$48,000,000. Closely revised estimates now made by the Treasury and the Bureau of the Budget of the tax, postal, and other receipts for the current fiscal year indicate a decrease of about \$430,000,000 from the estimate of a year ago, of which about \$75,000,000 is due to tax reduction, leaving about \$355,000,000 due to the depression. Moreover, legislation enacted by Congress subsequent to the submission of the Budget enlarging Federal construction work to expand employment and for increase in veterans' services and other items, have increased expenditures during the current fiscal year by about \$225,000,000.

Thus the decrease of \$430,000,000 in revenue and the increase of \$225,000,000 in expenditure adversely change the original Budget situation by about \$655,000,000. This large sum is offset by the original estimated surplus a year ago of about \$123,000,000, by the application of \$185,000,000 of interest payments upon the foreign debt to current expenditures, by arrangements of the Farm Board through repayments, etc., in consequence of which they reduced their net cash demands upon the Treasury by \$100,000,000 in this period, and by about \$67,000,000 economies and deferments brought about in the Government, thus reducing the practical effect of the change in the situation to an estimated deficit of about \$180,000,000 for the present fiscal year. I shall make suggestions for handling the present-year deficit in the Budget message, but I do not favor encroachment upon the statutory reduction of the public debt.

While it will be necessary in public interest to further increase expenditures during the current fiscal year in aid to unemployment by speeding up construction work and aid to

the farmers affected by the drought, I can not emphasize too strongly the absolute necessity to defer any other plans for increase of Government expenditures. The Budget for 1932 fiscal year indicates estimated expenditure of about \$4,054,000,000, including postal deficit. The receipts are estimated at about \$4,085,000,000 if the temporary tax reduction of last year be discontinued, leaving a surplus of only about \$30,000,000. Most rigid economy is therefore necessary to avoid increase in taxes.

### **Herbert Hoover, "Third Annual Message," (December 1931)**

The chief influence affecting the state of the Union during the past year has been the continued world-wide economic disturbance. Our national concern has been to meet the emergencies it has created for us and to lay the foundations for recovery.

If we lift our vision beyond these immediate emergencies we find fundamental national gains even amid depression.

The first requirement of confidence and of economic recovery is financial stability of the United States Government. I shall deal with fiscal questions at greater length in the Budget message. But I must at this time call attention to the magnitude of the deficits which have developed and the resulting necessity for determined and courageous policies. These deficits arise in the main from the heavy decrease in tax receipts due to the depression and to the increase in expenditure on construction in aid to unemployment, aids to agriculture, and upon services to veterans.

During the fiscal year ending June 30 last we incurred a deficit of about \$903,000,000, which included the statutory reduction of the debt and represented an increase of the national debt by \$616,000,000. Of this, however, \$153,000,000 is offset by increased cash balances.

In comparison with the fiscal year 1928 there is indicated a fall in Federal receipts for the present fiscal year amounting to \$1,683,000,000, of which \$1,034,000,000 is in individual and corporate income taxes alone. During this fiscal year there will be an increased expenditure, as compared to 1928, on veterans of \$255,000,000, and an increased expenditure on construction work which may reach \$520,000,000. Despite large economies in other directions, we have an indicated deficit, including the statutory retirement of the debt, of \$2,123,000,000, and an indicated net debt increase of about \$1,711,000,000.

The Budget for the fiscal year beginning July 1 next, after allowing for some increase of taxes under the present laws and after allowing for drastic reduction in expenditures, still indicates a deficit of \$1,417,000,000. After offsetting the statutory debt retirements this would indicate an increase in the national debt for the fiscal year 1933 of about \$921,000,000.

Several conclusions are inevitable. We must have insistent and determined reduction in Government expenses. We must face a temporary increase in taxes. Such increase should not cover the whole of these deficits or it will retard recovery. We must partially finance the deficit by borrowing. It is my view that the amount of taxation should be fixed so as to balance the Budget for 1933 except for the statutory debt retirement. Such Government receipts would assure the balance of the following year's budget including debt retirement. It is my further view that the additional taxation should be imposed solely as an emergency measure terminating definitely two years from July 1 next. Such a basis will give confidence in the determination of the Government to stabilize its finance and will assure taxpayers of its temporary character. Even with increased taxation, the Government will reach the utmost safe limit of its borrowing capacity by the expenditures for which we are already obligated and the recommendations here proposed. To go further than these limits in either expenditures, taxes, or borrowing will destroy confidence, denude commerce and industry of its resources, jeopardize the financial system, and actually extend unemployment and demoralize agriculture rather than relieve it.

### **Herbert Hoover, "Fourth Annual Message," (December 1932)**

The unparalleled world-wide economic depression has continued through the year. Due to the European collapse, the situation developed during last fall and winter into a series of most acute crises. The unprecedented emergency measures enacted and policies adopted undoubtedly saved the country from economic disaster. After serving to defend the national security, these measures began in July to show their weight and influence toward improvement of conditions in many parts of the country. The following tables of current business indicators show the general economic movement during the past eleven months. The following table indicates direct expenditures of the Federal Government in aid to unemployment, agriculture, and financial relief over the past four years. The sums applied to financial relief multiply themselves many fold, being in considerable measure the initial capital supplied to the Reconstruction Finance Corporation, Farm Loan Banks, etc., which will be recovered to the Treasury.

Agricultural  
Public works 1 relief and  
financial loans

Fiscal year ending June 30--  
1930 \$410,420,000 \$156,100,000  
1931 574,870,000 196,700,000  
1932 655,880,000 772,700,000  
1933 717,260,000 52,000,000

Total 2,358,430,000 1,177,500,000  
1 Public Building, Highways, Rivers and Harbors and their maintenance, naval and other vessels construction, hospitals, etc.

Continued constructive policies promoting the economic recovery of the country must be the paramount duty of the Government. The result of the agencies we have created and the policies we have pursued has been to buttress our whole domestic financial structure and greatly to restore credit facilities. But progress in recovery requires another element as well--that is fully restored confidence in the future. Institutions and men may have resources and credit but unless they have confidence progress is halting and insecure.

There are three definite directions in which action by the Government at once can contribute to strengthen further the forces of recovery by strengthening of confidence. They are the necessary foundations to any other action, and their accomplishment would at once promote employment and increase prices.

The first of these directions of action is the continuing reduction of all Government expenditures, whether national, State, or local. The difficulties of the country demand undiminished efforts toward economy in government in every direction. Embraced in this problem is the unquestioned balancing of the Federal Budget. That is the first necessity of national stability and is the foundation of further recovery. It must be balanced in an absolutely safe and sure manner if full confidence is to be inspired.

The second direction for action is the complete reorganization at once of our banking system. The shocks to our economic life have undoubtedly been multiplied by the weakness of this system, and until they are remedied recovery will be greatly hampered.

The third direction for immediate action is vigorous and whole souled cooperation with other governments in the economic field. That our major difficulties find their origins in the economic weakness of foreign nations requires no demonstration. The first need today is strengthening of commodity prices. That can not be permanently accomplished by artificialities. It must be accomplished by expansion in consumption of goods through the return of stability and confidence in the world at large and that in turn can not be fully accomplished without cooperation with other nations.

## BALANCING THE BUDGET

I shall in due course present the Executive Budget to the Congress. It will show proposed reductions in appropriations below those enacted by the last session of the Congress by over \$830,000,000. In addition I shall present the necessary Executive orders under the recent act authorizing the reorganization of the Federal Government which, if permitted to go into force, will produce still further substantial economies. These sums in reduction of appropriations will, however, be partially offset by an increase of about \$250,000,000 in uncontrollable items such as increased debt services, etc.

In the Budget there is included only the completion of the Federal public works projects already undertaken or under contract. Speeding up of Federal public works during the past four years as an aid to employment has advanced many types of such improvements to the point where further expansion can not be justified in their

usefulness to the Government or the people. As an aid to unemployment we should beyond the normal constructive programs substitute reproductive or so-called self-liquidating works. Loans for such purposes have been provided for through the Reconstruction Finance Corporation. This change in character of projects directly relieves the taxpayer and is capable of expansion into a larger field than the direct Federal works. The reproductive works constitute an addition to national wealth and to future employment, whereas further undue expansion of Federal public works is but a burden upon the future.

... The Congress must be warned that a host of interested persons inside and outside the Government whose vision is concentrated on some particular function will at once protest against these proposals. These same sorts of activities have prevented reorganization of the Government for over a quarter of a century. They must be disregarded if the task is to be accomplished.

### **Franklin D. Roosevelt, “First Annual Message,” (January 1934)**

Oral message. No receipts, expenditures, national debt. No \$ signs

I shall continue to regard it as my duty to use whatever means may be necessary to supplement State, local and private agencies for the relief of suffering caused by unemployment. With respect to this question, I have recognized the dangers inherent in the direct giving of relief and have sought the means to provide not mere relief, but the opportunity for useful and remunerative work. We shall, in the process of recovery, seek to move as rapidly as possible from direct relief to publicly supported work and from that to the rapid restoration of private employment.

### **Franklin D. Roosevelt, “Second Annual Message,” (January 1935)**

The first objectives of emergency legislation of 1933 were to relieve destitution, to make it possible for industry to operate in a more rational and orderly fashion, and to put behind industrial recovery the impulse of large expenditures in Government undertakings. The purpose of the National Industrial Recovery Act to provide work for more people succeeded in a substantial manner within the first few months of its life, and the Act has continued to maintain employment gains and greatly improved working conditions in industry.

More than two billions of dollars have also been expended in direct relief to the destitute. Local agencies of necessity determined the recipients of this form of relief. With inevitable exceptions the funds were spent by them with reasonable efficiency and as a result actual want of food and clothing in the great majority of cases has been overcome.

But the stark fact before us is that great numbers still remain unemployed.

**Franklin D. Roosevelt, “Third Annual Message,” (January 1936)**

Let action be positive and not negative. The way is open in the Congress of the United States for an expression of opinion by yeas and nays. Shall we say that values are restored and that the Congress will, therefore, repeal the laws under which we have been bringing them back? Shall we say that because national income has grown with rising prosperity, we shall repeal existing taxes and thereby put off the day of approaching a balanced budget and of starting to reduce the national debt? Shall we abandon the reasonable support and regulation of banking? Shall we restore the dollar to its former gold content?

We are justified in our present confidence. Restoration of national income, which shows continuing gains for the third successive year, supports the normal and logical policies under which agriculture and industry are returning to full activity. Under these policies we approach a balance of the national budget. National income increases; tax receipts, based on that income, increase without the levying of new taxes. That is why I am able to say to this, the Second Session of the 74th Congress, that it is my belief based on existing laws that no new taxes, over and above the present taxes, are either advisable or necessary.

**Franklin D. Roosevelt, “Fourth Annual Message,” (January 1937)**

Another national problem is the intelligent development of our social security system, the broadening of the services it renders, and practical improvement in its operation. In many Nations where such laws are in effect, success in meeting the expectations of the community has come through frequent amendment of the original statute.

**Franklin D. Roosevelt, Fifth Annual Message (January 1938)**

But in a world of high tension and disorder, in a world where stable civilization is actually threatened, it becomes the responsibility of each nation which strives for peace at home and peace with and among others to be strong enough to assure the observance of those fundamentals of peaceful solution of conflicts which are the only ultimate basis for orderly existence.

Resolute in our determination to respect the rights of others, and to command respect for the rights of ourselves, we must keep ourselves adequately strong in self-defense.

At home, conditions call for my equal candor. Events of recent months are new proof that we cannot conduct a national government after the practice of 1787, or 1837 or 1887, for the obvious reason that human needs and human desires are infinitely greater, infinitely more difficult to meet than in any previous period in the life of our Republic. Hitherto it has been an acknowledged duty of government to meet these desires and needs: nothing has occurred of late to absolve the Congress, the Courts or the President from that task. It faces us as squarely, as insistently, as in March, 1933.

We have raised the Nation's income from thirty-eight billion dollars in the year 1932 to about sixty-eight billion dollars in the year 1937. Our goal, our objective is to raise it to ninety or one hundred billion dollars.

We have heard much about a balanced budget, and it is interesting to note that many of those who have pleaded for a balanced budget as the sole need now come to me to plead for additional government expenditures at the expense of unbalancing the budget. As the Congress is fully aware, the annual deficit, large for several years, has been declining the last fiscal year and this. The proposed budget for 1939, which I shall shortly send to the Congress, will exhibit a further decrease in the deficit, though not a balance between income and outgo.

To many who have pleaded with me for an immediate balancing of the budget, by a sharp curtailment or even elimination of government functions, I have asked the question: "What present expenditures would you reduce or eliminate?" And the invariable answer has been "that is not my business—I know nothing of the details, but I am sure that it could be done." That is not what you or I would call helpful citizenship.

On only one point do most of them have a suggestion. They think that relief for the unemployed by the giving of work is wasteful, and when I pin them down I discover that at heart they are actually in favor of substituting a dole in place of useful work. To that neither I nor, I am confident, the Senators and Representatives in the Congress will ever consent.

I am as anxious as any banker or industrialist or business man or investor or economist that the budget of the United States Government be brought into balance as quickly as possible. But I lay down certain conditions which seem reasonable and which I believe all should accept.

I have hitherto stated that, in my judgment, the expenditures of the national government cannot be cut much below seven billion dollars a year without destroying essential functions or letting people starve. That sum can be raised and will be cheerfully provided by the American people, if we can increase the Nation's income to a point well beyond the present level.

This does not mean that as the Nation's income goes up the Federal expenditures should rise in proportion. On the contrary, the Congress and the Executive should use every effort to hold the normal Federal expenditures to approximately the present level, thus

making it possible, with an increase in the Nation's income and the resulting increase in tax receipts, not only to balance future budgets but to reduce the debt.

In line with this policy fall my former recommendations for the reorganization and improvement of the administrative structure of the government, both for immediate Executive needs and for the planning of future national needs. I renew those recommendations.

In relation to tax changes, three things should be kept in mind. First, the total sum to be derived by the Federal Treasury must not be decreased as a result of any changes in schedules. Second, abuses by individuals or corporations designed to escape tax-paying by using various methods of doing business, corporate and otherwise—abuses which we have sought, with great success, to end—must not be restored. Third, we should rightly change certain provisions where they are proven to work definite hardship, especially on the small business men of the Nation. But, speculative income should not be favored over earned income.

It is human nature to argue that this or that tax is responsible for every ill. It is human nature on the part of those who pay graduated taxes to attack all taxes based on the principle of ability to pay. These are the same complainants who for a generation blocked the imposition of a graduated income tax. They are the same complainants who would impose the type of flat sales tax which places the burden of government more on those least able to pay and less on those most able to pay.

### **Franklin D. Roosevelt, Sixth Annual Message (January 1939)**

We suffer from a great unemployment of capital. Many people have the idea that as a nation we are overburdened with debt and are spending more than we can afford. That is not so. Despite our Federal Government expenditures the entire debt of our national economic system, public and private together, is no larger today than it was in 1929, and the interest thereon is far less than it was in 1929.

If government activities are fully maintained, there is a good prospect of our becoming an eighty billion dollar country in a very short time. With such a national income, present tax laws will yield enough each year to balance each year's expenses.

It is my conviction that down in their hearts the American public—industry, agriculture, finance—want this Congress to do whatever needs to be done to raise our national income to eighty billion dollars a year.

Investing soundly must preclude spending wastefully. To guard against opportunist appropriations, I have on several occasions addressed the Congress on the importance of permanent long-range planning. I hope, therefore, that following my recommendation of last year, a permanent agency will be set up and authorized to report on the urgency and desirability of the various types of government investment.

Investment for prosperity can be made in a democracy.

I hear some people say, "This is all so complicated. There are certain advantages in a dictatorship. It gets rid of labor trouble, of unemployment, of wasted motion and of having to do your own thinking."

My answer is, "Yes, but it also gets rid of some other things which we Americans intend very definitely to keep—and we still intend to do our own thinking."

It will cost us taxes and the voluntary risk of capital to attain some of the practical advantages which other forms of government have acquired.

Dictatorship, however, involves costs which the American people will never pay: The cost of our spiritual values. The cost of the blessed right of being able to say what we please. The cost of freedom of religion. The cost of seeing our capital confiscated. The cost of being cast into a concentration camp. The cost of being afraid to walk down the street with the wrong neighbor. The cost of having our children brought up, not as free and dignified human beings, but as pawns molded and enslaved by a machine.

If the avoidance of these costs means taxes on my income; if avoiding these costs means taxes on my estate at death, I would bear those taxes willingly as the price of my breathing and my children breathing the free air of a free country, as the price of a living and not a dead world.

### **Franklin D. Roosevelt, Seventh Annual Message (January 1940)**

For several years past we have been compelled to strengthen our own national defense. That has created a very large portion of our Treasury deficits. This year in the light of continuing world uncertainty, I am asking the Congress for Army and Navy increases which are based not on panic but on common sense. They are not as great as enthusiastic alarmists seek. They are not as small as unrealistic persons claiming superior private information would demand.

As will appear in the annual budget tomorrow, the only important increase in any part of the budget is the estimate for national defense. Practically all other important items show a reduction. But you know, you can't eat your cake and have it too. Therefore, in the hope that we can continue in these days of increasing economic prosperity to reduce the Federal deficit, I am asking the Congress to levy sufficient additional taxes to meet the emergency spending for national defense.

## **Franklin D. Roosevelt, Eighth Annual Message (January 1941)**

I address you, the Members of the Seventy-seventh Congress, at a moment unprecedented in the history of the Union. I use the word "unprecedented," because at no previous time has American security been as seriously threatened from without as it is today.

Therefore, as your President, performing my constitutional duty to "give to the Congress information of the state of the Union," I find it, unhappily, necessary to report that the future and the safety of our country and of our democracy are overwhelmingly involved in events far beyond our borders.

I have recently pointed out how quickly the tempo of modern warfare could bring into our very midst the physical attack which we must eventually expect if the dictator nations win this war.

In the recent national election there was no substantial difference between the two great parties in respect to that national policy. No issue was fought out on this line before the American electorate. Today it is abundantly evident that American citizens everywhere are demanding and supporting speedy and complete action in recognition of obvious danger.

Therefore, the immediate need is a swift and driving increase in our armament production.

New circumstances are constantly begetting new needs for our safety. I shall ask this Congress for greatly increased new appropriations and authorizations to carry on what we have begun.

I also ask this Congress for authority and for funds sufficient to manufacture additional munitions and war supplies of many kinds, to be turned over to those nations which are now in actual war with aggressor nations.

Our most useful and immediate role is to act as an arsenal for them as well as for ourselves. They do not need man power, but they do need billions of dollars worth of the weapons of defense.

The time is near when they will not be able to pay for them all in ready cash. We cannot, and we will not, tell them that they must surrender, merely because of present inability to pay for the weapons which we know they must have.

I do not recommend that we make them a loan of dollars with which to pay for these weapons—a loan to be repaid in dollars.

I recommend that we make it possible for those nations to continue to obtain war materials in the United States, fitting their orders into our own program. Nearly all their materiel would, if the time ever came, be useful for our own defense.

## **Franklin D. Roosevelt, Ninth Annual Message (January 1942)**

No "debt," no "receipt," no \$ sign

Exactly one year ago today I said to this Congress: "When the dictators. . . are ready to make war upon us, they will not wait for an act of war on our part. . . . They—not we—will choose the time and the place and the method of their attack."

We now know their choice of the time: a peaceful Sunday morning— December 7, 1941.

War costs money. So far, we have hardly even begun to pay for it. We have devoted only 15 percent of our national income to national defense. As will appear in my Budget Message tomorrow, our war program for the coming fiscal year will cost 56 billion dollars or, in other words, more than half of the estimated annual national income. That means taxes and bonds and bonds and taxes. It means cutting luxuries and other non-essentials. In a word, it means an "all-out" war by individual effort and family effort in a united country.

Only this all-out scale of production will hasten the ultimate all-out victory. Speed will count. Lost ground can always be regained- lost time never. Speed will save lives; speed will save this Nation which is in peril; speed will save our freedom and our civilization—and slowness has never been an American characteristic.

As the United States goes into its full stride, we must always be on guard against misconceptions which will arise, some of them naturally, or which will be planted among us by our enemies.

We must guard against complacency. We must not underrate the enemy. He is powerful and cunning—and cruel and ruthless. He will stop at nothing that gives him a chance to kill and to destroy. He has trained his people to believe that their highest perfection is achieved by waging war. For many years he has prepared for this very conflict- planning, and plotting, and training, arming, and fighting. We have already tasted defeat. We may suffer further setbacks. We must face the fact of a hard war, a long war, a bloody war, a costly war.

I am proud to say to you that the spirit of the American people was never higher than it is today—the Union was never more closely knit together—this country was never more deeply determined to face the solemn tasks before it.

The response of the American people has been instantaneous, and it will be sustained until our security is assured.

## **Franklin D. Roosevelt, Tenth Annual Message (January 1943)**

No “debt,” no “receipt,” no \$ sign

I do not prophesy when this war will end.

But I do believe that this year of 1943 will give to the United Nations a very substantial advance along the roads that lead to Berlin and Rome and Tokyo.

I tell you it is within the realm of possibility that this Seventy-eight Congress may have the historic privilege of helping greatly to save the world from future fear.

Therefore, let us all have confidence, let us redouble our efforts.

A tremendous, costly, long-enduring task in peace as well as in war is still ahead of us.

But, as we face that continuing task, we may know that the state of this Nation is good—the heart of this Nation is sound—the spirit of this Nation is strong—the faith of this Nation is eternal.

## **Franklin D. Roosevelt, Eleventh Annual Message (January 1944)**

No “debt,” no “receipt,” no \$ sign

That is the way to fight and win a war—all out—and not with half-an-eye on the battlefronts abroad and the other eye-and-a-half on personal, selfish, or political interests here at home.

Therefore, in order to concentrate all our energies and resources on winning the war, and to maintain a fair and stable economy at home, I recommend that the Congress adopt:

(1) A realistic tax law—which will tax all unreasonable profits, both individual and corporate, and reduce the ultimate cost of the war to our sons and daughters. The tax bill now under consideration by the Congress does not begin to meet this test.

(2) A continuation of the law for the renegotiation of war contracts—which will prevent exorbitant profits and assure fair prices to the Government. For two long years I have pleaded with the Congress to take undue profits out of war.

(3) A cost of food law—which will enable the Government (a) to place a reasonable floor under the prices the farmer may expect for his production; and (b) to place a ceiling on the prices a consumer will have to pay for the food he buys. This should apply to necessities only; and will require public funds to carry out. It will cost in appropriations about one percent of the present annual cost of the war.

(4) Early reenactment of the stabilization statute of October, 1942. This expires June 30, 1944, and if it is not extended well in advance, the country might just as well expect price chaos by summer.

We cannot have stabilization by wishful thinking. We must take positive action to maintain the integrity of the American dollar.

(5) A national service law- which, for the duration of the war, will prevent strikes, and, with certain appropriate exceptions, will make available for war production or for any other essential services every able-bodied adult in this Nation.

These five measures together form a just and equitable whole. I would not recommend a national service law unless the other laws were passed to keep down the cost of living, to share equitably the burdens of taxation, to hold the stabilization line, and to prevent undue profits.

The Federal Government already has the basic power to draft capital and property of all kinds for war purposes on a basis of just compensation.

**Franklin D. Roosevelt, "Radio Address Summarizing the State of the Union Message," January 1945**

No "debt," no "receipt," no \$ sign

**Franklin D. Roosevelt, "State of the Union Address," (January 1945)**

Full text. One \$ sign, one "debt,"

Our full-employment program requires the extensive development of our natural resources and other useful public works. The undeveloped resources of this continent are still vast. Our river-watershed projects will add new and fertile territories to the United States. The Tennessee Valley Authority, which was constructed at a cost of \$750,000,000—the cost of waging this war for less than 4 days—was a bargain.

An expanded social security program, and adequate health and education programs, must play essential roles in a program designed to support individual productivity and mass purchasing power. I shall communicate further with the Congress on these subjects at a later date.

The millions of productive jobs that a program of this nature could bring are jobs in private enterprise. They are jobs based on the expanded demand for the output of our economy for consumption and investment. Through a program of this character we can

maintain a national income high enough to provide for an orderly retirement of the public debt along with reasonable tax reduction.

Our present tax system geared primarily to war requirements must be revised for peacetime so as to encourage private demand.

While no general revision of the tax structure can be made until the war ends on all fronts, the Congress should be prepared to provide tax modifications at the end of the war in Europe, designed to encourage capital to invest in new enterprises and to provide jobs. As an integral part of this program to maintain high employment, we must, after the war is over, reduce or eliminate taxes which bear too heavily on consumption.

The war will leave deep disturbances in the world economy, in our national economy, in many communities, in many families, and in many individuals. It will require determined effort and responsible action of all of us to find our way back to peacetime, and to help others to find their way back to peacetime- a peacetime that holds the values of the past and the promise of the future.

**Harry S. Truman, "Message to the Congress on the State of the Union and on the Budget for 1947," (January 1946)**

Since our programs for this period which combines war liquidation with reconversion to a peacetime economy are inevitably large and numerous it is imperative that they be planned and executed with the utmost efficiency and the utmost economy. We have cut the war program to the maximum extent consistent with national security. We have held our peacetime programs to the level necessary to our national well-being and the attainment of our postwar objectives.

For these reasons I have chosen to combine the customary Message on the State of the Union with the annual Budget Message, and to include in the Budget not only estimates for functions authorized by the Congress, but also for those which I recommend for its action.

Prophets of doom predicted that the United States could not escape a runaway inflation during the war and an economic collapse after the war. These predictions have not been borne out. On the contrary, the record of economic stabilization during the war and during the period of reconversion has been an outstanding accomplishment.

Our Social Security System has just celebrated its tenth anniversary. During the past decade this program has supported the welfare and morale of a large part of our people by removing some of the hazards and hardships of the aged, the unemployed, and widows and dependent children.

But, looking back over 10 years' experience and ahead to the future, we cannot fail to see defects and serious inadequacies in our system as it now exists. Benefits are in many

cases inadequate; a great many persons are excluded from coverage; and provision has not been made for social insurance to cover the cost of medical care and the earnings lost by the sick and the disabled.

In the field of old-age security, there seems to be no adequate reason for excluding such groups as the self-employed, agricultural and domestic workers, and employees of nonprofit organizations. Since many of these groups earn wages too low to permit significant savings for old age, they are in special need of the assured income that can be provided by old-age insurance.

The comprehensive health program which I recommended on November 19, 1945, will require substantial additions to the Social Security System and, in conjunction with other changes that need to be made, will require further consideration of the financial basis for social security. The system of prepaid medical care which I have recommended is expected eventually to require amounts equivalent to 4 percent of earnings up to \$3,600 a year, which is about the average of present expenditures by individuals for medical care. The pooling of medical costs, under a plan which permits each individual to make a free choice of doctor and hospital, would assure that individuals receive adequate treatment and hospitalization when they are faced with emergencies for which they cannot budget individually. In addition, I recommended insurance benefits to replace part of the earnings lost through temporary sickness and permanent disability.

Even without these proposed major additions, it would now be time to undertake a thorough reconsideration of our social security laws. The structure should be expanded and liberalized. Provision should be made for extending coverage credit to veterans for the period of their service in the armed forces. In the financial provisions we must reconcile the actuarial needs of social security, including health insurance, with the requirements of a revenue system that is designed to promote a high level of consumption and full employment.

For the first time since the fiscal year 1930 the Budget for the next fiscal year will require no increase in the national debt.

Expenditures of all kinds, authorized and recommended, in the next year are estimated at just above 35.8 billion dollars. Net receipts are estimated at 31.5 billion dollars. The estimated difference of 4.3 billion dollars will be met by a reduction in the very substantial balance which will be in the Treasury during the next fiscal year.

A large part of the activities outside defense and war liquidation, aftermath of war, and international finance, classified as "other activities" in a following table, is still due to repercussions of the war. These "other activities" include more than 2 billion dollars for aids to agriculture and net outlays for the Commodity Credit Corporation-almost double the expenditures for the same purposes in prewar years. This increase is due mainly to expenditures for purposes of price stabilization and price support resulting from the war food production program. Other increases in this category are due to the fact that certain wartime agencies now in the process of liquidation are included in this group of activities. If all expenditures for those activities which are directly or indirectly related

to the war are excluded, the residual expenditures are below those for corresponding activities in prewar years. In making this comparison account should be taken of the fact that, while prewar expenditures were affected by direct relief and work relief for the unemployed, the postwar budgets are affected by the considerable increase in pay rates and other increases in costs and prices.

To elaborate, the Budget, as I have remarked above, reflects on both sides of the ledger the Government's program as recommended by the Executive. It includes estimates not only of expenditures and receipts for which legislative authority already exists, but also of expenditures and receipts for which authorization is recommended.

The Budget total for the next fiscal year, the year that ends on June 30, 1947, is estimated at just above 35.8 billion dollars-about a third of the budgets for global war, although nearly four times the prewar budgets. This estimate is based on the assumption that a rapid liquidation of the war program will be associated with rapid reconversion and expansion of peacetime production. The total includes net outlays of Government corporations.

The estimated expenditures in the next and current fiscal year compare as follows with those of a year of global war and a prewar year:

#### Total Budget expenditures

Fiscal year: (in millions)

1947	\$35, 860
1946	67,229
1945	100, 031
1940	9,252

Although allowances for occupation, demobilization, and defense are drastically reduced in the fiscal year 1947, they will still amount to 42 percent of the total Budget. The so-called "aftermath of war" expenditures account for a further 30 percent of the total. The total of all other programs, which was drastically cut during the war, is increasing again as liquidation of the war program proceeds and renewed emphasis is placed on the peacetime objectives of the Government.

On the other side of the ledger, net receipts are estimated at 31.5 billion dollars. This estimate assumes that all existing taxes will continue all through the fiscal year 1947. Included are the extraordinary receipts from the disposal of surplus property.

As a result, estimated expenditures will exceed estimated receipts by 4.3 billion dollars. This amount can be provided by a reduction in the cash balance in the Treasury. Thus, after a long period of increasing public debt resulting from depression budgets and war budgets, it is anticipated that no increase in the Federal debt will be required next year.

During the past 6 months the net revenue receipts of the Federal Government have been about 20 billion dollars, almost as much as during the closing 6 months of 1944 when the country was still engaged in all-out warfare. The high level of these receipts reflects the smoothness of the reconversion and particularly the strength of consumer demand. But the receipts so far collected, it must be remembered, do not reflect any of the tax reductions made by the Revenue Act of 1945. These reductions will not have their full effect on the revenue collected until the fiscal year 1948.

It is good to move toward a balanced budget and a start on the retirement of the debt at a time when demand for goods is strong and the business outlook is good. These conditions prevail today. Business is good and there are still powerful forces working in the direction of inflation. This is not the time for tax reduction.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1947)**

In a few days there will be submitted to the Congress the Economic Report of the President, and also the Budget Message. Those messages will contain many recommendations. Today I shall outline five major economic policies which I believe the Government should pursue during 1947. These policies are designed to meet our immediate needs and, at the same time, to provide for the long-range welfare of our free enterprise system:

First, the promotion of greater harmony between labor and management.

Second, restriction of monopoly and unfair business practices; assistance to small business; and the promotion of the free competitive system of private enterprise.

Third, continuation of an aggressive program of home construction.

Fourth, the balancing of the budget in the next fiscal year and the achieving of a substantial surplus to be applied to the reduction of the public debt.

Fifth, protection of a fair level of return to farmers in post-war agriculture.

The fourth major policy has to do with the balancing of the budget. In a prosperous period such as the present one, the budget of the Federal Government should be balanced. Prudent management of public finance requires that we begin the process of reducing the public debt. The budget which I shall submit to you this week has a small margin of surplus. In the Budget Message I am making recommendations which, if accepted, will result in a substantially larger surplus which should be applied to debt retirement. One of these recommendations is that the Congress take early action to continue throughout the next fiscal year the war excise tax rates which, under the present law, will expire on June 30, 1947.

Expenditures relating to the war are still high. Considerable sums are required to alleviate world famine and suffering. Aid to veterans will continue at peak level. The world situation is such that large military expenditures are required. Interest on the public debt and certain other costs are irreducible. For these reasons I have had to practice stringent economy in preparing the budget; and I hope that the Congress will cooperate in this program of economy.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1948)**

As we enter the new year, we must surmount one major problem which affects all our goals. That is the problem of inflation.

Already inflation in this country is undermining the living standards of millions of families. Food costs too much. Housing has reached fantastic price levels. Schools and hospitals are in financial distress. Inflation threatens to bring on disagreement and strife between labor and management.

Worst of all, inflation holds the threat of another depression, just as we had a depression after the unstable boom following the First World War.

When I announced last October that the Congress was being called into session, I described the price increases which had taken place since June 1946. Wholesale prices had increased 40 percent; retail prices had increased 23 percent.

Since October prices have continued to rise. Wholesale prices have gone up at an annual rate of 18 percent. Retail prices have gone up at an annual rate of 10 percent.

The events which have occurred since I presented my 10-point anti-inflation program to the Congress in November have made it even clearer that all 10 points are essential.

High prices must not be our means of rationing.

We must deal effectively and at once with the high cost of living.

We must stop the spiral of inflation.

I trust that within the shortest possible time the Congress will make available to the Government the weapons that are so desperately needed in the fight against inflation.

One of the most powerful anti-inflationary factors in our economy today is the excess of Government revenues over expenditures.

Government expenditures have been and must continue to be held at the lowest safe levels. Since V-J day Federal expenditures have been sharply reduced. They have been cut from more than \$63 billion in the fiscal year 1946 to less than \$38 billion in the

present fiscal year. The number of civilian employees has been cut nearly in half--from 3 3/4 million down to 2 million.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1949)**

One of the most important factors in maintaining prosperity is the Government's fiscal policy. At this time, it is essential not only that the Federal budget be balanced, but also that there be a substantial surplus to reduce inflationary pressures, and to permit a sizable reduction in the national debt, which now stands at \$252 billion. I recommend, therefore, that the Congress enact new tax legislation to bring in an additional \$4 billion of Government revenue. This should come principally from additional corporate taxes. A portion should come from revised estate and gift taxes. Consideration should be given to raising personal income rates in the middle and upper brackets.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1950)**

Another duty of the Government is to promote the economic security, the health, and the education of its citizens. By so doing, we strengthen both our economy and the structure of our society. In a nation as rich as ours, all citizens should be able to live in decency and health.

Our Social Security System should be developed into the main reliance of our people for basic protection against the economic hazards of old-age, unemployment, and illness. I earnestly hope that the Congress will complete action at this session on legislation to increase the benefits and extend the coverage of old-age and survivors' insurance. The widespread movement to provide pensions in private industry dramatizes the need for improvements in the public insurance system.

The measures I am recommending to the Congress concerning both our foreign and our domestic policies represent a carefully considered program to meet our national needs. It is a program which necessarily requires large expenditures of funds. More than 70 percent of the Government's expenditures are required to meet the costs of past wars and to work for world peace. This is the dominant factor in our fiscal policy. At the same time, the Government must make substantial expenditures which are necessary to the growth and expansion of the domestic economy.

At present, largely because of the ill-considered tax reduction of the Both Congress, the Government is not receiving enough revenue to meet its necessary expenditures.

To meet this situation, I am proposing that Federal expenditures be held to the lowest levels consistent with our international requirements and the essential needs of

economic growth, and the well-being of our people. I think I had better read that over; you interrupted me in the middle.

To meet this situation, I am proposing that Federal expenditures be held to the lowest levels consistent with our international requirements and the essential needs of economic growth, and the well-being of our people. Don't forget that last phrase. At the same time, we must guard against the folly of attempting budget slashes which would impair our prospects for peace or cripple the programs essential to our national strength.

The budget recommendations I shall shortly transmit to the Congress show that we can expect a substantial improvement in our fiscal position over the next few years, as the cost of some of our extraordinary postwar programs declines, and as the Government revenue rises as a result of growth in employment and national income. To further improve our fiscal outlook, we should make some changes in our tax system which will reduce present inequities, stimulate business activity, and yield a moderate amount of additional revenue. I expect to transmit specific recommendations to the Congress on this subject at a very early date.

The fiscal policy I am recommending is the quickest and safest way of achieving a balanced budget.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1951)**

This 82d Congress faces as grave a task as any Congress in the history of our Republic. The actions you take will be watched by the whole world. These actions will measure the ability of a free people, acting through their chosen representatives and their free institutions, to meet a deadly challenge to their way of life.

As we meet here today, American soldiers are fighting a bitter campaign in Korea. We pay tribute to their courage, devotion, and gallantry.

The Economic Report and the Budget Message will discuss these subjects further. In addition, I shall send to the Congress special messages containing detailed recommendations on legislation needed at this Session.

In the months ahead the Government must give priority to activities that are urgent--like military procurement and atomic energy and power development. It must practice rigid economy in its nondefense activities. Many of the things we would normally do must be curtailed or postponed.

But in a long-term defense effort like this one, we cannot neglect the measures needed to maintain a strong economy and a healthy democratic society.

The Congress, therefore, should give continued attention to the measures which our country will need for the long pull. And it should act upon such legislation as promptly as circumstances permit.

To take just one example--we need to continue and complete the work of rounding out our system of social insurance. We still need to improve our protection against unemployment and old age. We still need to provide insurance against the loss of earnings through sickness, and against the high costs of modern medical care.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1952)**

The very critical part of our defense job this year is to keep down inflation.

We can control inflation if we make up our minds to do it.

On the executive side of the Government, we intend to hold the line on prices just as tightly as the law allows. We will permit only those wage increases which are clearly justified under sound stabilization policies; and we will see to it that industries absorb cost increases out of earnings wherever feasible, before they are authorized to raise prices. We will do that, at any rate, except where the recent amendments to the law specifically require us to give further price increases.

Congress has a tremendous responsibility in this matter. Our stabilization law was shot full of holes at the last session. This year, it will be one of the main tasks before the Congress to repair the damage and enact a strong anti-inflation law.

As a part of our program to keep our country strong, we are determined to preserve the financial strength of the Government. This means high taxes over the next few years. We must see to it that these taxes are shared among the people as fairly as possible. I expect to discuss these matters in the Economic Report and the Budget Message which will soon be presented to the Congress.

I have set up an impartial commission to make a thorough study of the Nation's health needs. One of the things this commission is looking into is how to bring the cost of modern medical care within the reach of all the people. I have repeatedly recommended national health insurance as the best way to do this. So far as I know, it is still the best way. If there are any better answers, I hope this commission will find them. But of one thing I am sure: something must be done, and done soon.

This year we ought to make a number of urgently needed improvements in our social security law. For one thing, benefits under old-age and survivors insurance should be raised \$5 a month above the present average of \$42. For another thing, the States should be given special aid to help them increase public assistance payments. By doing

these things now, we can ease the pressure of living costs for people who depend on those fixed payments.

**Harry S. Truman, "Annual Message to the Congress on the State of the Union," (January 1953)**

Written message

How have we handled our national finances? That was another question arising at war's end. In the administration of the Government, no problem takes more of the President's time, year in and year out, than fashioning the Budget, and the related problem of managing the public debt.

Financing World War II left us with a tremendous public debt, which reached 279 billion dollars at its peak in February, 1946.

Beginning in July, 1946, when war and reconversion financing had ended, we have held quite closely to the sound standard that in times of high employment and high national income, the Federal Budget should be balanced and the debt reduced.

For the four fiscal years from July 1, 1946, to June 30, 1950, we had a net surplus of 4.3 billion dollars. Using this surplus, and the Treasury's excess cash reserves, the debt was reduced substantially, reaching a low point of 251 billion dollars in June, 1949, and ending up at 257 billion dollars on June 30, 1950.

In July of 1950, we began our rapid rearmament, and for two years held very close to a pay-as-we-go policy. But in the current fiscal year and the next, rising expenditures for defense will substantially outrun receipts. This will pose an immediate and serious problem for the new Congress.

Now let me turn to another question we faced at the war's end. Would we take up again, and carry forward, the great projects of social welfare--so badly needed, so long overdue--that the New Deal had introduced into our national life? Would our Government continue to have a heart for the people, or was the progress of the New Deal to be halted in the aftermath of war as decisively as the progress of Woodrow Wilson's New Freedom had been halted after the first world war?

This question, too, we have answered. We have answered it by doubling old age insurance benefits and extending coverage to ten million more people. We have answered it by increasing our minimum wage. We have answered by the three million privately constructed homes that the Federal Government has helped finance since the war--and the 155 thousand units of low rent public housing placed under construction since 1949.

## **Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (February 1953)**

It is important that all of us understand that this administration does not and cannot begin its task with a clean slate. Much already has been written on the record, beyond our power quickly to erase or to amend. This record includes our inherited burden of indebtedness and obligations and deficits.

The current year's budget, as you know, carries a 5.9 billion dollar deficit; and the budget, which was presented to you before this administration took office, indicates a budgetary deficit of 9.9 billion for the fiscal year ending June 30, 1954. The national debt is now more than 265 billion dollars. In addition, the accumulated obligational authority of the Federal Government for future payment totals over 80 billion dollars. Even this amount is exclusive of large contingent liabilities, so numerous and extensive as to be almost beyond description.

The bills for the payment of nearly all of the 80 billion dollars of obligations will be presented during the next 4 years. These bills, added to the current costs of government we must meet, make a formidable burden.

The present authorized Government-debt limit is 275 billion dollars. The forecast presented by the outgoing administration with the fiscal year 1954 budget indicates that--before the end of the fiscal year and at the peak of demand for payments during the year--the total Government debt may approach and even exceed that limit. Unless budgeted deficits are checked, the momentum of past programs will force an increase of the statutory debt limit.

Permit me this one understatement: to meet and to correct this situation will not be easy.

Permit me this one assurance: every department head and I are determined to do everything we can to resolve it.

The first order of business is the elimination of the annual deficit. This cannot be achieved merely by exhortation. It demands the concerted action of all those in responsible positions in the Government and the earnest cooperation of the Congress.

Already, we have begun an examination of the appropriations and expenditures of all departments in an effort to find significant items that may be decreased or canceled without damage to our essential requirements.

Getting control of the budget requires also that State and local governments and interested groups of citizens restrain themselves in their demands upon the Congress that the Federal Treasury spend more and more money for all types of projects.

A balanced budget is an essential first measure in checking further depreciation in the buying power of the dollar. This is one of the critical steps to be taken to bring an end to

planned inflation. Our purpose is to manage the Government's finances so as to help and not hinder each family in balancing its own budget.

Reduction of taxes will be justified only as we show we can succeed in bringing the budget under control. As the budget is balanced and inflation checked, the tax burden that today stifles initiative can and must be eased.

Until we can determine the extent to which expenditures can be reduced, it would not be wise to reduce our revenues.

Meanwhile, the tax structure as a whole demands review. The Secretary of the Treasury is undertaking this study immediately. We must develop a system of taxation which will impose the least possible obstacle to the dynamic growth of the country. This includes particularly real opportunity for the growth of small businesses. Many readjustments in existing taxes will be necessary to serve these objectives and also to remove existing inequities. Clarification and simplification in the tax laws as well as the regulations will be undertaken.

In the entire area of fiscal policy--which must, in its various aspects, be treated in recommendations to the Congress in coming weeks--there can now be stated certain basic facts and principles.

First. It is axiomatic that our economy is a highly complex and sensitive mechanism. Hasty and ill-considered action of any kind could seriously upset the subtle equation that encompasses debts, obligations, expenditures, defense demands, deficits, taxes, and the general economic health of the Nation. Our goals can be clear, our start toward them can be immediate--but action must be gradual.

Second. It is clear that too great a part of the national debt comes due in too short a time. The Department of the Treasury will undertake at suitable times a program of extending part of the debt over longer periods and gradually placing greater amounts in the hands of longer-term investors.

Third. Past differences in policy between the Treasury and the Federal Reserve Board have helped to encourage inflation. Henceforth, I expect that their single purpose shall be to serve the whole Nation by policies designed to stabilize the economy and encourage the free play of our people's genius for individual initiative.

**Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1954)**

I shall submit to the Congress on January 21 the first budget prepared by this Administration, for the period July 1, 1954, through June 1955. This budget is adequate to the current needs of the government. It recognizes that a Federal budget should be a

stabilizing factor in the economy. Its tax and expenditure programs will foster individual initiative and economic growth.

Pending the transmittal of my Budget Message, I shall mention here only a few points about our budgetary situation.

First, one of our initial acts was to revise, with the cooperation of the Congress, the Budget prepared before this Administration took office. Requests for new appropriations were greatly reduced. In addition, the spending level provided in that Budget for the current fiscal year has been reduced by about \$7,000,000,000. In the next fiscal year we estimate a further reduction in expenditures of more than \$5,000,000,000. This will reduce the spending level over the two fiscal years by more than \$12,000,000,000. We are also reducing further our requests for new appropriations.

Second, despite the substantial loss of revenue in the coming fiscal year, resulting from tax reductions now in effect and tax adjustments which I shall propose, our reduced spending will move the new budget closer to a balance.

Third, by keeping new appropriation requests below estimated revenues, we continue to reduce the tremendous accumulation of unfinanced obligations incurred by the Government under past appropriations.

Fourth, until those claims on our Government's revenues are further reduced, the growth in the public debt cannot be entirely stopped. Because of this--because the government's bills have to be paid every month, while the tax money to pay them comes in with great unevenness within the fiscal year--and because of the need for flexibility to manage this enormous debt, I find it necessary to renew my request for an increase in the statutory debt limit.

I shall submit to the Congress on January 21 the first budget prepared by this Administration, for the period July 1, 1954, through June 1955. This budget is adequate to the current needs of the government. It recognizes that a Federal budget should be a stabilizing factor in the economy. Its tax and expenditure programs will foster individual initiative and economic growth.

Pending the transmittal of my Budget Message, I shall mention here only a few points about our budgetary situation.

First, one of our initial acts was to revise, with the cooperation of the Congress, the Budget prepared before this Administration took office. Requests for new appropriations were greatly reduced. In addition, the spending level provided in that Budget for the current fiscal year has been reduced by about \$7,000,000,000. In the next fiscal year we estimate a further reduction in expenditures of more than \$5,000,000,000. This will reduce the spending level over the two fiscal years by more than \$12,000,000,000. We are also reducing further our requests for new appropriations.

Second, despite the substantial loss of revenue in the coming fiscal year, resulting from tax reductions now in effect and tax adjustments which I shall propose, our reduced spending will move the new budget closer to a balance.

Third, by keeping new appropriation requests below estimated revenues, we continue to reduce the tremendous accumulation of unfinanced obligations incurred by the Government under past appropriations.

Fourth, until those claims on our Government's revenues are further reduced, the growth in the public debt cannot be entirely stopped. Because of this--because the government's bills have to be paid every month, while the tax money to pay them comes in with great unevenness within the fiscal year--and because of the need for flexibility to manage this enormous debt, I find it necessary to renew my request for an increase in the statutory debt limit.

**Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1955)**

In the past two years, many important governmental Actions helped our economy adjust to conditions of peace; these and other actions created a climate for renewed economic growth. Controls were removed from wages, prices and materials. Tax revisions encouraged increased private spending and employment. Federal expenditures were sharply reduced, making possible a record tax cut. These actions, together with flexible monetary and debt management policies, helped to halt inflation and stabilize the value of the dollar. A program of cooperation and partnership in resource development was begun. Social security and unemployment insurance laws were broadened and strengthened. New laws started the long process of balancing farm production with farm markets. Expanded shipbuilding and stockpiling programs strengthened key sectors of the economy, while improving our mobilization base. A comprehensive new housing law brought impressive progress in an area fundamental to our economic strength and closed loopholes in the old laws permitting dishonest manipulation. Many of these programs are just beginning to exert their main stimulating effect upon the economy generally and upon specific communities and industries throughout the country.

My Budget Message on January 17, the Economic Report on the 20th of this month, and several special messages will set forth in detail major programs to foster the growth of our economy and to protect the integrity of the people's money. Today I shall discuss these programs only in general terms.

Government efficiency and economy remain essential to steady progress toward a balanced budget. More than ten billion dollars were cut from the spending program proposed in the budget of January 9, 1953. Expenditures of that year were six and a half billion below those of the previous year. In the current fiscal year, government spending will be nearly four and a half billion dollars less than in the fiscal year which ended last

June 30. New spending authority has been held below expenditures, reducing government obligations accumulated over the years.

Last year we had a large tax cut and, for the first time in seventy-five years a basic revision of Federal tax laws. It is now clear that defense and other essential government costs must remain at a level precluding further tax reductions this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by lower expenditures and by revenue increases arising from the nation's economic growth. I am hopeful that such reductions can be made next year.

**Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1956)**

Now those things that have been accomplished are important, and one of the chief ingredients in the achievements we have made is the cooperation that has existed between the Congress and the Executive Department in the Federal Government. Some of those results I will enumerate only briefly.

The first is the fact that we are at peace. The peace is not always the kind that we should like, one in which we have complete confidence, but still there is no shooting war. We have the best security posture we have ever had during years of peace.

Government spending has been cut more than ten billion dollars annually.

Taxes have been reduced. Taxes were reduced at a time when we were passing from a war to a peace economy, and the great tax reduction of that year was made so as to stimulate peacetime activity to take the place of the former wartime production.

The next objective is to maintain the fiscal integrity of the government. This means that we must balance our budget. I have every expectation that June 30, 1956, will show a balanced budget for this fiscal year. Moreover, the Budget that I am sending to Congress will contemplate a balancing of the Budget also in 1957. All of this has been done without reduction of the security arrangements, or in the sums devoted to mutual aid throughout the world.

In this connection, I should mention our enormous national debt. We must begin to make some payments on it if we are to avoid passing on to our children an impossible burden of debt. And we will not talk about any reductions of any other kind until we have begun to make some modest payments on that.

From the text version -- It is unquestionably true that our present tax level is very burdensome and, in the interest of long term and continuous economic growth, should be reduced when we prudently can. It is essential, in the sound management of the Government's finances, that we be mindful of our enormous national debt and of the

obligation we have toward future Americans to reduce that debt whenever we can appropriately do so. Under conditions of high peacetime prosperity, such as now exist, we can never justify going further into debt to give ourselves a tax cut at the expense of our children. So, in the present state of our financial affairs, I earnestly believe that a tax cut can be deemed justifiable only when it will not unbalance the budget, a budget which makes provision for some reduction, even though modest, in our national debt. In this way we can best maintain fiscal integrity.

**Dwight D. Eisenhower, “Annual Message to the Congress on the State of the Union,” (January 1957)**

A number of legislative recommendations will be mentioned specifically in my forthcoming Budget Message, which will reach you within the week. That message will also recommend such sums as are needed to implement the proposed action.

**Dwight D. Eisenhower, “Annual Message to the Congress on the State of the Union,” (January 1958)**

In the 1959 budget, increased expenditures for missiles, nuclear ships, atomic energy, research and development, science and education, a special contingency fund to deal with possible new technological discoveries, and increases in pay and incentives to obtain and retain competent manpower add up to a total increase over the comparable figures in the 1957 budget of about \$4 billion.

I believe that, in spite of these necessary increases, we should strive to finance the 1959 security effort out of expected revenues. While we now believe that expected revenues and expenditures will roughly balance, our real purpose will be to achieve adequate security, but always with the utmost regard for efficiency and careful management.

This purpose will require the cooperation of Congress in making careful analysis of estimates presented, reducing expenditure on less essential military programs and installations, postponing some new civilian programs, transferring some to the states, and curtailing or eliminating others.

Such related matters as the national debt ceiling and tax revenues will be dealt with in later messages.

**Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1959)**

National Security programs account for nearly sixty percent of the entire Federal budget for this coming fiscal year.

Modern weapons are exceedingly expensive.

The overall cost of introducing ATLAS into our armed forces will average \$35 million per missile on the firing line.

This year we are investing an aggregate of close to \$7 billion in missile programs alone.

Other billions go for research, development, test and evaluation of new weapons systems.

Our latest atomic submarines will cost \$50 millions each, while some special types will cost three times as much.

We are now ordering fighter aircraft which are priced at fifty times as much as the fighters of World War II.

We are buying certain bombers that cost their weight in gold.

These sums are tremendous, even when compared with the marvelous resiliency and capacity of our economy.

Such expenditures demand both balance and perspective in our planning for defense. At every turn, we must weigh, judge and select. Needless duplication of weapons and forces must be avoided.

We must guard against feverish building of vast armaments to meet glibly predicted moments of so-called "maximum peril." The threat we face is not sporadic or dated: It is continuous. Hence we must not be swayed in our calculations either by groundless fear or by complacency. We must avoid extremes, for vacillation between extremes is inefficient, costly, and destructive of morale. In these days of unceasing technological advance, we must plan our defense expenditures systematically and with care, fully recognizing that obsolescence compels the never-ending replacement of older weapons with new ones.

The defense budget for the coming year has been planned on the basis of these principles and considerations. Over these many months I have personally participated in its development.

The aim is a sensible posture of defense. The secondary aim is increased efficiency and avoidance of waste. Both are achieved by this budgetary plan.

Working by these guide lines I believe with all my heart that America can be as sure of the strength and efficiency of her armed forces as she is of their loyalty. I am equally

sure that the nation will thus avoid useless expenditures which, in the name of security, might tend to undermine the economy and, therefore, the nation's safety.

To minimize the danger of future soaring prices and to keep our economy sound and expanding, I shall present to the Congress certain proposals.

First, I shall submit a balanced budget for the next year, a year expected to be the most prosperous in our history. It is a realistic budget with wholly attainable objectives.

If we cannot live within our means during such a time of rising prosperity, the hope for fiscal integrity will fade. If we persist in living beyond our means, we make it difficult for every family in our land to balance its own household budget. But to live within our means would be a tangible demonstration of the self-discipline needed to assure a stable dollar.

The Constitution entrusts the Executive with many functions, but the Congress--and the Congress alone--has the power of the purse. Ultimately upon Congress rests responsibility for determining the scope and amount of Federal spending.

By working together, the Congress and the Executive can keep a balance between income and outgo. If this is done there is real hope that we can look forward to a time in the foreseeable future when needed tax reforms can be accomplished.

In this hope, I am requesting the Secretary of the Treasury to prepare appropriate proposals for revising, at the proper time, our tax structure, to remove inequities and to enhance incentives for all Americans to work, to save, and to invest. Such recommendations will be made as soon as our fiscal condition permits. These prospects will be brightened if 1960 expenditures do not exceed the levels recommended.

Second, I shall recommend to the Congress that the Chief Executive be given the responsibility either to approve or to veto specific items in appropriations and authorization bills. <sup>1</sup> This would save tax dollars.

<sup>1</sup>At this point the message, as recorded from the floor and printed in the Congressional Record, shows the following interpolation: I assure you gentlemen that I know this recommendation has been made time and again by every President that has appeared in this hall for many years, but I say this, it still is one of the most important corrections that could be made in our annual expenditure program, because this would save tax dollars. [Applause]

Third, to reduce Federal operations in an area where private enterprise can do the job, I shall recommend legislation for greater flexibility in extending Federal credit, and in improving the procedures under which private credits are insured or guaranteed. Present practices have needlessly added large sums to Federal expenditures.

Fourth, action is required to make more effective use of the large Federal expenditures for agriculture and to achieve greater fiscal control in this area.

Outlays of the Department of Agriculture for the current fiscal year for the support of farm prices on a very few farm products will exceed five billion dollars. That is a sum equal to approximately two-fifths of the net income of all farm operators in the entire United States.

By the end of this fiscal year it is estimated that there will be in Government hands surplus farm products worth about nine billion dollars. And by July 1, 1959, Government expenditures for storage, interest, and handling of its agricultural inventory will reach a rate of one billion dollars a year.

This level of expenditure for farm products could be made willingly for a temporary period if it were leading to a sound solution of the problem. But unfortunately this is not true. We need new legislation.

In the past I have sent messages to the Congress requesting greater freedom for our farmers to manage their own farms and greater freedom for markets to reflect the wishes of producers and consumers. Legislative changes that followed were appropriate in direction but did not go far enough.

The situation calls for prompt and forthright action. Recommendation for action will be contained in a message to be transmitted to the Congress shortly.

These fiscal and related actions will help create an environment of price stability for economic growth. However, certain additional measures are needed.

I shall ask Congress to amend the Employment Act of 1946 to make it clear that Government intends to use all appropriate means to protect the buying power of the dollar.

### **Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1960)**

One major method by which the Federal government can counter inflation and rising prices is to insure that its expenditures are below its revenues. The debt with which we are now confronted is about 290 billion dollars. With interest charges alone now costing taxpayers about 9 1/2 billions, it is clear that this debt growth must stop. You will be glad to know that despite the unsettling influences of the recent steel strike, we estimate that our accounts will show, on June 30, this year, a favorable balance of approximately \$200 million.

I shall present to the Congress for 1961 a balanced budget. In the area of defense, expenditures continue at the record peace-time levels of the last several years. With a single exception, expenditures in every major category of Health, Education and Welfare will be equal or greater than last year. In Space expenditures the amounts are practically

doubled. But the over-all guiding goal of this budget is national need-not response to specific group, local or political insistence.

Expenditure increases, other than those I have indicated, are largely accounted for by the increased cost of legislation previously enacted. <sup>1</sup>

<sup>1</sup>At this point the President interpolated the two paragraphs shown in brackets.

[I repeat, this budget will be a balanced one. Expenditures will be 79 billion 8 hundred million. The amount of income over outgo, described in the budget as a Surplus, to be applied against our national debt, is 4 billion 2 hundred million. Personally, I do not feel that any amount can be properly called a "Surplus" as long as the nation is in debt. I prefer to think of such an item as "reduction on our children's inherited mortgage." Once we have established such payments as normal practice, we can profitably make improvements in our tax structure and thereby truly reduce the heavy burdens of taxation.

[In any event, this one reduction will save taxpayers, each year, approximately 2 hundred million dollars in interest costs.]

This budget will help ease pressures in our credit and capital markets. It will enhance the confidence of people all over the world in the strength of our economy and our currency and in our individual and collective ability to be fiscally responsible.

In the management of the huge public debt the Treasury is unfortunately not free of artificial barriers. Its ability to deal with the difficult problems in this field has been weakened greatly by the unwillingness of the Congress to remove archaic restrictions. The need for a freer hand in debt management is even more urgent today because the costs of the undesirable financing practices which the Treasury has been forced into are mounting. Removal of this roadblock has high priority in my legislative recommendations.

### **Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union," (January 1961)**

Written message

In January 1953, the consumer's dollar was worth only 52 cents in terms of the food, clothing, shelter and other items it would buy compared to 1939. Today, the inflationary spiral which had raised the cost of living by 36 percent between 1946 and 1952 has all but ceased and the value of the dollar virtually stabilized.

In 1954 we had the largest tax cut in history, amounting to \$7.4 billion annually, of which over 62 percent went to individuals mostly in the small income brackets.

This Administration has directed constant efforts toward fiscal responsibility. Balanced budgets have been sought when the economy was advancing, and a rigorous evaluation of spending programs has been maintained at all times. Resort to deficit financing in prosperous times could easily erode international confidence in the dollar and contribute to inflation at home. In this belief, I shall submit a balanced budget for fiscal 1962 to the Congress next week.

There has been a firm policy of reducing government competition with private enterprise. This has resulted in the discontinuance of some 2,000 commercial industrial installations and in addition the curtailment of approximately 550 industrial installations operated directly by government agencies.

Also an aggressive surplus disposal program has been carried on to identify and dispose of unneeded government-owned real property. This has resulted in the addition of a substantial number of valuable properties to local tax rolls, and a significant monetary return to the government.

Earnest and persistent attempts have been made to strengthen the position of State and local governments and thereby to stop the dangerous drift toward centralization of governmental power in Washington.

Significant strides have been made in increasing the effectiveness of government. Important new agencies have been established, such as the Department of Health, Education, and Welfare, the Federal Aviation Agency, and the National Aeronautics and Space Administration. The Council of Economic Advisers was reconstituted.

The operation of our postal system has been modernized to get better and more efficient service. Modernized handling of local mail now brings next-day delivery to 168 million people in our population centers, expanded carrier service now accommodates 9.3 million families in the growing suburbs, and 1.4 million families have been added to the rural delivery service. Common sense dictates that the Postal Service should be on a self-financing basis.

The concept of a trained and dedicated government career service has been strengthened by the provision of life and health insurance benefits, a vastly improved retirement system, a new merit promotion program, and the first effective incentive awards program. With no sacrifice in efficiency, Federal civilian employment since 1953 has been reduced by over a quarter of a million persons.

**John F. Kennedy, "Annual Message to the Congress on the State of the Union," (January 1961)**

But more than our exchange of international payments is out of balance. The current Federal budget for fiscal 1961 is almost certain to show a net deficit. The budget already submitted for fiscal 1962 will remain in balance only if the Congress enacts all the

revenue measures requested--and only if an earlier and sharper up-turn in the economy than my economic advisers now think likely produces the tax revenues estimated. Nevertheless, a new Administration must of necessity build on the spending and revenue estimates already submitted. Within that framework, barring the development of urgent national defense needs or a worsening of the economy, it is my current intention to advocate a program of expenditures which, including revenues from a stimulation of the economy, will not of and by themselves unbalance the earlier Budget.

**John F. Kennedy, "Annual Message to the Congress on the State of the Union," (January 1962)**

We are holding the fiscal 1962 budget deficit far below the level incurred after the last recession in 1958; and, finally,

I am submitting for fiscal 1963 a balanced Federal Budget.

In the past 12 months our military posture has steadily improved. We increased the previous defense budget by 15 percent--not in the expectation of war but for the preservation of peace. We more than doubled our acquisition rate of Polaris submarines--we doubled the production capacity for Minuteman missiles--and increased by 50 percent the number of manned bombers standing ready on a 15 minute alert. This year the combined force levels planned under our new Defense budget--including nearly three hundred additional Polaris and Minuteman missiles--have been precisely calculated to insure the continuing strength of our nuclear deterrent.

**John F. Kennedy, "Annual Message to the Congress on the State of the Union," (January 1963)**

To achieve these greater gains, one step, above all, is essential--the enactment this year of a substantial reduction and revision in Federal income taxes.

For it is increasingly clear--to those in Government, business, and labor who are responsible for our economy's success--that our obsolete tax system exerts too heavy a drag on private purchasing power, profits, and employment. Designed to check inflation in earlier years, it now checks growth instead. It discourages extra effort and risk. It distorts the use of resources. It invites recurrent recessions, depresses our Federal revenues, and causes chronic budget deficits.

To achieve these greater gains, one step, above all, is essential--the enactment this year of a substantial reduction and revision in Federal income taxes.

For it is increasingly clear--to those in Government, business, and labor who are responsible for our economy's success--that our obsolete tax system exerts too heavy a

drag on private purchasing power, profits, and employment. Designed to check inflation in earlier years, it now checks growth instead. It discourages extra effort and risk. It distorts the use of resources. It invites recurrent recessions, depresses our Federal revenues, and causes chronic budget deficits.

In an early message, I shall propose a permanent reduction in tax rates which will lower liabilities by \$13.5 billion. Of this, \$11 billion results from reducing individual tax rates, which now range between 20 and 91 percent, to a more sensible range of 14 to 65 percent, with a split in the present first bracket. Two and one-half billion dollars results from reducing corporate tax rates, from 52 percent--which gives the Government today a majority interest in profits--to the permanent pre-Korean level of 47 percent. This is in addition to the more than \$2 billion cut in corporate tax liabilities resulting from last year's investment credit and depreciation reform.

To achieve this reduction within the limits of a manageable budgetary deficit, I urge: first, that these cuts be phased over 3 calendar years, beginning in 1963 with a cut of some \$6 billion at annual rates; second, that these reductions be coupled with selected structural changes, beginning in 1964, which will broaden the tax base, end unfair or unnecessary preferences, remove or lighten certain hardships, and in the net offset some \$3.5 billion of the revenue loss; and third, that budgetary receipts at the outset be increased by \$1.5 billion a year, without any change in tax liabilities, by gradually shifting the tax payments of large corporations to a more current time schedule. This combined program, by increasing the amount of our national income, will in time result in still higher Federal revenues. It is a fiscally responsible program--the surest and the soundest way of achieving in time a balanced budget in a balanced full employment economy.

This net reduction in tax liabilities of \$10 billion will increase the purchasing power of American families and business enterprises in every tax bracket, with greatest increase going to our low-income consumers. It will, in addition, encourage the initiative and risk-taking on which our free system depends--induce more investment, production, and capacity use--help provide the 2 million new jobs we need every year--and reinforce the American principle of additional reward for additional effort.

I do not say that a measure for tax reduction and reform is the only way to achieve these goals.

--No doubt a massive increase in Federal spending could also create jobs and growth--but, in today's setting, private consumers, employers, and investors should be given a full opportunity first.

--No doubt a temporary tax cut could provide a spur to our economy--but a long run problem compels a long-run solution.

--No doubt a reduction in either individual or corporation taxes alone would be of great help--but corporations need customers and job seekers need jobs.

--No doubt tax reduction without reform would sound simpler and more attractive to many--but our growth is also hampered by a host of tax inequities and special preferences which have distorted the flow of investment.

--And, finally, there are no doubt some who would prefer to put off a tax cut in the hope that ultimately an end to the cold war would make possible an equivalent cut in expenditures--but that end is not in view and to wait for it would be costly and self-defeating.

In submitting a tax program which will, of course, temporarily increase the deficit but can ultimately end it--and in recognition of the need to control expenditures--I will shortly submit a fiscal 1964 administrative budget which, while allowing for needed rises in defense, space, and fixed interest charges, holds total expenditures for all other purposes below this year's level.

This requires the reduction or postponement of many desirable programs, the absorption of a large part of last year's Federal pay raise through personnel and other economies, the termination of certain installations and projects, and the substitution in several programs of private for public credit. But I am convinced that the enactment this year of tax reduction and tax reform overshadows all other domestic problems in this Congress. For we cannot for long lead the cause of peace and freedom, if we ever cease to set the pace here at home.

### **Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1964)**

All this and more can and must be done. It can be done by this summer, and it can be done without any increase in spending. In fact, under the budget that I shall shortly submit, it can be done with an actual reduction in Federal expenditures and Federal employment.

For my part, I pledge a progressive administration which is efficient, and honest and frugal. The budget to be submitted to the Congress shortly is in full accord with this pledge.

It will cut our deficit in half--from \$10 billion to \$4,900 million. It will be, in proportion to our national output, the smallest budget since 1951.

It will call for a substantial reduction in Federal employment, a feat accomplished only once before in the last 10 years. While maintaining the full strength of our combat defenses, it will call for the lowest number of civilian personnel in the Department of Defense since 1950.

It will call for total expenditures of \$97,900 million--compared to \$98,400 million for the current year, a reduction of more than \$500 million. It will call for new obligational

authority of \$103,800 million--a reduction of more than \$4 billion below last year's request of \$107,900 million.

But it is not a standstill budget, for America cannot afford to stand still. Our population is growing. Our economy is more complex. Our people's needs are expanding.

But by closing down obsolete installations, by curtailing less urgent programs, by cutting back where cutting back seems to be wise, by insisting on a dollar's worth for a dollar spent, I am able to recommend in this reduced budget the most Federal support in history for education, for health, for retraining the unemployed, and for helping the economically and the physically handicapped.

This budget, and this year's legislative program, are designed to help each and every American citizen fulfill his basic hopes--his hopes for a fair chance to make good; his hopes for fair play from the law; his hopes for a full-time job on full-time pay; his hopes for a decent home for his family in a decent community; his hopes for a good school for his children with good teachers; and his hopes for security when faced with sickness or unemployment or old age.

And every individual American taxpayer and every corporate taxpayer will benefit from the earliest possible passage of the pending tax bill from both the new investment it will bring and the new jobs that it will create.

That tax bill has been thoroughly discussed for a year. Now we need action. The new budget clearly allows it. Our taxpayers surely deserve it. Our economy strongly demands it. And every month of delay dilutes its benefits in 1964 for consumption, for investment, and for employment.

For until the bill is signed, its investment incentives cannot be deemed certain, and the withholding rate cannot be reduced--and the most damaging and devastating thing you can do to any businessman in America is to keep him in doubt and to keep him guessing on what our tax policy is. And I say that we should now reduce to 14 percent instead of 15 percent our withholding rate.

I therefore urge the Congress to take final action on this bill by the first of February, if at all possible. For however proud we may be of the unprecedented progress of our free enterprise economy over the last 3 years, we should not and we cannot permit it to pause.

**Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1965)**

We worked for two centuries to climb this peak of prosperity. But we are only at the beginning of the road to the Great Society. Ahead now is a summit where freedom from the wants of the body can help fulfill the needs of the spirit.

We built this Nation to serve its people.

We want to grow and build and create, but we want progress to be the servant and not the master of man.

We do not intend to live in the midst of abundance, isolated from neighbors and nature, confined by blighted cities and bleak suburbs, stunted by a poverty of learning and an emptiness of leisure.

The Great Society asks not how much, but how good; not only how to create wealth but how to use it; not only how fast we are going, but where we are headed.

First, we must keep our Nation prosperous. We seek full employment opportunity for every American citizen. I will present a budget designed to move the economy forward. More money will be left in the hands of the consumer by a substantial cut in excise taxes. We will continue along the path toward a balanced budget in a balanced economy.

I confidently predict--what every economic sign tells us tonight--the continued flourishing of the American economy.

I am busy, currently, reviewing the structure of the entire executive branch of this Government. I hope to reshape it and to reorganize it to meet more effectively the tasks of the 20th century.

Wherever waste is found, I will eliminate it.

Last year we saved almost \$3,500 million by eliminating waste in the National Government.

And I intend to do better this year.

**Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1966)**

We will continue to meet the needs of our people by continuing to develop the Great Society.

Last year alone the wealth that we produced increased \$47 billion, and it will soar again this year to a total over \$720 billion.

Because our economic policies have produced rising revenues, if you approve every program that I recommend tonight, our total budget deficit will be one of the lowest in many years. It will be only \$1.8 billion next year. Total spending in the administrative budget will be \$112.8 billion. Revenues next year will be \$111 billion.

On a cash basis--which is the way that you and I keep our family budget--the Federal budget next year will actually show a surplus. That is to say, if we include all the money that your Government will take in and all the money that your Government will spend, your Government next year will collect one-half billion dollars more than it will spend in the year 1967.

Tonight Vietnam must hold the center of our attention, but across the world problems and opportunities crowd in on the American Nation. I will discuss them fully in the months to come, and I will follow the five continuing lines of policy that America has followed under its last four Presidents.

[1.] The first principle is strength. Tonight I can tell you that we are strong enough to keep all of our commitments. We will need expenditures of \$58.3 billion for the next fiscal year to maintain this necessary defense might.

While special Vietnam expenditures for the next fiscal year are estimated to increase by \$5.8 billion, I can tell you that all the other expenditures put together in the entire Federal budget will rise this coming year by only \$.6 billion. This is true because of the stringent cost-conscious economy program inaugurated in the Defense Department, and followed by the other departments of Government.

### **Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1967)**

We shall continue on a sensible course of fiscal and budgetary policy that we believe will keep our economy growing without new inflationary spirals; that will finance responsibly the needs of our men in Vietnam and the progress of our people at home; that will support a significant improvement in our export surplus, and will press forward toward easier credit and toward lower interest rates.

I recommend to the Congress a surcharge of 6 percent on both corporate and individual income taxes--to last for 2 years or for so long as the unusual expenditures associated with our efforts in Vietnam continue. I will promptly recommend an earlier termination date if a reduction in these expenditures permits it. This surcharge will raise revenues by some \$4.5 billion in the first year. For example, a person whose tax payment, the tax he owes, is \$1,000, will pay, under this proposal, an extra \$60 over the 12-month period, or \$5 a month. The overwhelming majority of Americans who pay taxes today are below that figure and they will pay substantially less than \$5 a month. Married couples with two children, with incomes up to \$5,000 per year, will be exempt from this tax--as will single people with an income of up to \$1,900 a year.

Now if Americans today still paid the income and excise tax rates in effect when I came into the Presidency, in the year 1964, their annual taxes would have been over \$20 billion more than at present tax rates. So this proposal is that while we have this problem and this emergency in Vietnam, while we are trying to meet the needs of our

people at home, your Government asks for slightly more than one-fourth of that tax cut each year in order to try to hold our budget deficit in fiscal 1968 within prudent limits and to give our country and to give our fighting men the help they need in this hour of trial.

For fiscal 1967, we estimate the budget expenditures to be \$126.7 billion and revenues of \$117 billion. That will leave us a deficit this year of \$9.7 billion.

For fiscal 1968, we estimate budget expenditures of \$135 billion. And with the tax measures recommended, and a continuing strong economy, we estimate revenues will be \$126.9 billion. The deficit then will be \$8.1 billion.

Each State, county, and city needs to examine its capacity for government in today's world, as we are examining ours in the executive department, and as I see you are examining yours. Some will need to reorganize and reshape their methods of administration--as we are doing. Others will need to revise their constitutions and their laws to bring them up to date--as we are doing. Above all, I think we must work together and find ways in which the multitudes of small jurisdictions can be brought together more efficiently.

During the past 3 years we have returned to State and local governments about \$40 billion in grants-in-aid. This year alone, 70 percent of our Federal expenditures for domestic programs will be distributed through the State and local governments. With Federal assistance, State and local governments by 1970 will be spending close to \$110 billion annually. These enormous sums must be used wisely, honestly, and effectively. We intend to work closely with the States and the localities to do exactly that.

### **Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1968)**

Under the new budget, the expenditures for 1969 will increase by \$10.4 billion. Receipts will increase by \$22.3 billion including the added tax revenues. Virtually all of this expenditure increase represents the mandatory cost of our defense efforts, \$3 billion; increased interest, almost \$1 billion; or mandatory payments under laws passed by Congress--such as those provided in the Social Security Act that you passed in 1967, and to Medicare and Medicaid beneficiaries, veterans, and farmers, of about \$4 1/2 billion; and the additional \$1 billion 600 million next year for the pay increases that you passed in military and civilian pay. That makes up the \$10 billion that is added to the budget. With few exceptions, very few, we are holding the fiscal 1969 budget to last year's level, outside of those mandatory and required increases.

A Presidential commission composed of distinguished congressional fiscal leaders and other prominent Americans recommended this year that we adopt a new budget approach. I am carrying out their recommendations in this year's budget. This budget, therefore, for the first time accurately covers all Federal expenditures and all Federal

receipts, including for the first time in one budget \$47 billion from the social security, Medicare, highway, and other trust funds.

The fiscal 1969 budget has expenditures of approximately \$186 billion, with total estimated revenues, including the tax bill, of about \$178 billion.

If the Congress enacts the tax increase, we will reduce the budget deficit by some \$12 billion. The war in Vietnam is costing us about \$25 billion and we are asking for about \$12 billion in taxes--and if we get that \$12 billion tax bill we will reduce the deficit from about \$20 billion in 1968 to about \$8 billion in 1969.

Now, this is a tight budget. It follows the reduction that I made in cooperation with the Congress--a reduction made after you had reviewed every appropriations bill and reduced the appropriations by some \$5 or \$6 billion and expenditures by \$1.5 billion. We conferred together and I recommended to the Congress and you subsequently approved taking 2 percent from payrolls and 10 percent from controllable expenditures. We therefore reduced appropriations almost \$10 billion last session and expenditures over \$4 billion. Now, that was in the budget last year.

I ask the Congress to recognize that there are certain selected programs that meet the Nation's most urgent needs and they have increased. We have insisted that decreases in very desirable but less urgent programs be made before we would approve any increases. So I ask the Congress tonight:

--to hold its appropriations to the budget requests, and

--to act responsibly early this year by enacting the tax surcharge which for the average American individual amounts to about a penny out of each dollar's income.

This tax increase would yield about half of the \$23 billion per year that we returned to the people in the tax reduction bills of 1964 and 1965.

This must be a temporary measure, which expires in less than 2 years. Congress can repeal it sooner if the need has passed. But Congress can never repeal inflation.

### **Lyndon B. Johnson, "Annual Message to the Congress on the State of the Union," (January 1969)**

I know that all of us recognize that most of the things we do to meet all of these commitments I talk about will cost money. If we maintain the strong rate of growth that we have had in this country for the past 8 years, I think we shall generate the resources that we need to meet these commitments.

We have already been able to increase our support for major social programs--although we have heard a lot about not being able to do anything on the home front because of Vietnam; but we have been able in the last 5 years to increase our commitments for such things as health and education from \$30 billion in 1964 to \$68 billion in the coming

fiscal year. That is more than double. That is more than it has ever been increased in the 188 years of this Republic, notwithstanding Vietnam.

We must continue to budget our resources and budget them responsibly in a way that will preserve our prosperity and will strengthen our dollar.

Greater revenues and the reduced Federal spending required by Congress last year have changed the budgetary picture dramatically since last January when we made our estimates. At that time, you will remember that we estimated we would have a deficit of \$8 billion. Well, I am glad to report to you tonight that the fiscal year ending June 30, 1969, this June, we are going to have not a deficit, but we are going to have a \$2.4 billion surplus.

**Richard M. Nixon, "Annual Message to the Congress on the State of the Union," (January 1970)**

Now, I realize it is tempting to blame someone else for inflation. Some blame business for raising prices. Some blame unions for asking for more wages.

But a review of the stark fiscal facts of the 1960's clearly demonstrates where the primary blame for rising prices must be placed.

In the decade of the sixties the Federal Government spent \$57 billion more than it took in in taxes.

In that same decade the American people paid the bill for that deficit in price increases which raised the cost of living for the average family of four by \$200 per month in America.

Now millions of Americans are forced to go into debt today because the Federal Government decided to go into debt yesterday. We must balance our Federal budget so that American families will have a better chance to balance their family budgets.

Only with the cooperation of the Congress can we meet this highest priority objective of responsible government. We are on the right track.

We had a balanced budget in 1969. This administration cut more than \$7 billion out of spending plans in order to produce a surplus in 1970, and in spite of the fact that Congress reduced revenues by \$3 billion, I shall recommend a balanced budget for 1971.

But I can assure you that not only to present, but to stay within, a balanced budget requires some very hard decisions. It means rejecting spending programs which would benefit some of the people when their net effect would result in price increases for all the people.

It is time to quit putting good money into bad programs. Otherwise, we will end up with bad money and bad programs.

I recognize the political popularity of spending programs, and particularly in an election year. But unless we stop the rise in prices, the cost of living for millions of American families will become unbearable and government's ability to plan programs for progress for the future will become impossible.

In referring to budget cuts, there is one area where I have ordered an increase rather than a cut--and that is the requests of those agencies with the responsibilities for law enforcement.

We have heard a great deal of overblown rhetoric during the sixties in which the word "war" has perhaps too often been used--the war on poverty, the war on misery, the war on disease, the war on hunger. But if there is one area where the word "war" is appropriate it is in the fight against crime. We must declare and win the war against the criminal elements which increasingly threaten our cities, our homes, and our lives.

You will receive the budget tomorrow. The budget for the next fiscal year, that begins July 1--which you will want to examine very carefully in the days ahead--will provide a \$3.4 billion surplus.

This budget anticipates the extension of the surtax that Congress enacted last year. I have communicated with the President-elect, Mr. Nixon, in connection with this policy of continuing the surtax for the time being.

I want to tell you that both of us want to see it removed just as soon as circumstances will permit, but the President-elect has told me that he has concluded that until his administration, and this Congress, can examine the appropriation bills, and each item in the budget, and can ascertain that the facts justify permitting the surtax to expire or to be reduced, he, Mr. Nixon, will support my recommendation that the surtax be continued.

### **Richard M. Nixon, "Annual Message to the Congress on the State of the Union," (January 1971)**

To achieve this, I will submit an expansionary budget this year--one that will help stimulate the economy and thereby open up new job opportunities for millions of Americans.

It will be a full employment budget, a budget designed to be in balance if the economy were operating at its peak potential. By spending as if we were at full employment, we will help to bring about full employment.

I ask the Congress to accept these expansionary policies--to accept the concept of a full employment budget. At the same time, I ask the Congress to cooperate in resisting expenditures that go beyond the limits of the full employment budget. For as we wage a campaign to bring about a widely shared prosperity, we must not reignite the fires of inflation and so undermine that prosperity.

With the stimulus and the discipline of a full employment budget, with the commitment of the independent Federal Reserve System to provide fully for the monetary needs of a growing economy, and with a much greater effort on the part of labor and management to make their wage and price decisions in the light of the national interest and their own self-interest--then for the worker, the farmer, the consumer, for Americans everywhere we shall gain the goal of a new prosperity: more jobs, more income, more profits, without inflation and without war.

The time has come for a new partnership between the Federal Government and the States and localities--a partnership in which we entrust the States and localities with a larger share of the Nation's responsibilities, and in which we share our Federal revenues with them so that they can meet those responsibilities.

To achieve this goal, I propose to the Congress tonight that we enact a plan of revenue sharing historic in scope and bold in concept.

All across America today, States and cities are confronted with a financial crisis. Some have already been cutting back on essential services---for example, just recently San Diego and Cleveland cut back on trash collections. Most are caught between the prospects of bankruptcy on the one hand and adding to an already crushing tax burden on the other.

As one indication of the rising costs of local government, I discovered the other day that my home town of Whittier, California--which has a population of 67,000--has a larger budget for 1971 than the entire Federal budget was in 1791.

Now the time has come to take a new direction, and once again to introduce a new and more creative balance to our approach to government.

So let us put the money where the needs are. And let us put the power to spend it where the people are.

I propose that the Congress make a \$ 16 billion investment in renewing State and local government. Five billion dollars of this will be in new and unrestricted funds to be used as the States and localities see fit. The other \$11 billion will be provided by allocating \$1 billion of new funds and converting one-third of the money going to the present narrow-purpose aid programs into Federal revenue sharing funds for six broad purposes for urban development, rural development, education, transportation, job training, and law enforcement but with the States and localities making their own decisions on how it should be spent within each category.

For the next fiscal year, this would increase total Federal aid to the States and localities more than 25 percent over the present level.

The revenue sharing proposals I send to the Congress will include the safeguards against discrimination that accompany all other Federal funds allocated to the States. Neither the President nor the Congress nor the conscience of this Nation can permit money which comes from all the people to be used in a way which discriminates against some of the people.

The Federal Government will still have a large and vital role to play in achieving our national progress. Established functions that are clearly and essentially Federal in nature will still be performed by the Federal Government. New functions that need to be sponsored or performed by the Federal Government--such as those I have urged tonight in welfare and health--will be added to the Federal agenda. Whenever it makes the best sense for us to act as a whole nation, the Federal Government should and will lead the way. But where States or local governments can better do what needs to be done, let us see that they have the resources to do it there.

Under this plan, the Federal Government will provide the States and localities with more money and less interference--and by cutting down the interference the same amount of money will go a lot further.

**Richard M. Nixon, "Annual Message to the Congress on the State of the Union," (January 1972)**

I am not presenting proposals which have attractive labels but no hope of passage. I am presenting only vital programs which are within the capacity of this Congress to enact, within the capacity of the budget to finance, and which I believe should be above partisanship--programs which deal with urgent priorities for the Nation, which should and must be the subject of bipartisan action by this Congress in the interests of the country in 1972.

Our budget will help meet it by being expansionary without being inflationary--a job-producing budget that will help take up the gap as the economy expands to full employment.

The messages also include basic reforms which are essential if our structure of government is to be adequate in the decades ahead.

They include reform of our wasteful and outmoded welfare system--substitution of a new system that provides work requirements and work incentives for those who can help themselves, income support for those who cannot help themselves, and fairness to the working poor.

They include a \$17 billion program of Federal revenue sharing with the States and localities as an investment in their renewal, an investment also of faith in the American people.

They also include a sweeping reorganization of the executive branch of the Federal Government so that it will be more efficient, more responsive, and able to meet the challenges of the decades ahead.

We long have looked in this Nation to the local property tax as the main source of financing for public primary and secondary education.

As a result, soaring school costs, soaring property tax rates now threaten both our communities and our schools. They threaten communities because property taxes, which more than doubled in the 10 years from 1960 to '70, have become one of the most oppressive and discriminatory of all taxes, hitting most cruelly at the elderly and the retired; and they threaten schools, as hard-pressed voters understandably reject new bond issues at the polls.

The problem has been given even greater urgency by four recent court decisions, which have held that the conventional method of financing schools through local property taxes is discriminatory and unconstitutional.

Nearly 2 years ago, I named a special Presidential commission to study the problems of school finance, and I also directed the Federal departments to look into the same problems. We are developing comprehensive proposals to meet these problems.

This issue involves two complex and interrelated sets of problems: support of the schools and the basic relationships of Federal, State, and local governments in any tax reforms.

Under the leadership of the Secretary of the Treasury, we are carefully reviewing all of the tax aspects, and I have this week enlisted the Advisory Commission on Intergovernmental Relations in addressing the intergovernmental relations aspects.

I have asked this bipartisan Commission to review our proposals for Federal action to cope with the gathering crisis of school finance and property taxes. Later in the year, when both Commissions have completed their studies, I shall make my final recommendations for relieving the burden of property taxes and providing both fair and adequate financing for our children's education.

**Richard M. Nixon, "Annual Message to the Congress on the State of the Union," (February 1973)**

The traditional form of the President's annual report giving "to the Congress Information of the State of the Union" is a single message or address. As the affairs and

concerns of our Union have multiplied over the years, however, so too have the subjects that require discussion in State of the Union Messages.

This year in particular, with so many changes in Government programs under consideration--and with our very philosophy about the relationship between the individual and the State at an historic crossroads--a single, all-embracing State of the Union Message would not appear to be adequate.

I have therefore decided to present my 1973 State of the Union report in the form of a series of messages during these early weeks of the 93rd Congress.

The policies which I will outline to the Congress in the weeks ahead represent a reaffirmation, not an abdication, of Federal responsibility. They represent a pragmatic rededication to social compassion and national excellence, in place of the combination of good intentions and fuzzy follow-through which too often in the past was thought sufficient.

In the field of economic affairs, our objectives will be to hold down taxes, to continue controlling inflation, to promote economic growth, to increase productivity, to encourage foreign trade, to keep farm income high, to bolster small business, and to promote better labor-management relations

### **Richard M. Nixon, "Annual Message to the Congress on the State of the Union," (January 1974)**

In the past 5 years, we have steadily reduced the burden of national defense as a share of the budget, bringing it down from 44 percent in 1969 to 29 percent in the current year. We have cut our military manpower over the past 5 years by more than a third, from 3.5 million to 2.2 million.

In the coming year, however, increased expenditures will be needed. They will be needed to assure the continued readiness of our military forces, to preserve present force levels in the face of rising costs, and to give us the military strength we must have if our security is to be maintained and if our initiatives for peace are to succeed.

The question is not whether we can afford to maintain the necessary strength of our defense, the question is whether we can afford not to maintain it, and the answer to that question is no. We must never allow America to become the second strongest nation in the world.

I do not say this with any sense of belligerence, because I recognize the fact that is recognized around the world. America's military strength has always been maintained to keep the peace, never to break it. It has always been used to defend freedom, never to destroy it. The world's peace, as well as our own, depends on our remaining as strong as we need to be as long as we need to be.

From the written version -- The budget that I will recommend to the Congress next week will help us achieve our goals for this period. It will support the economy, resisting a major slowdown, but it will not provide a degree of stimulation that could accelerate inflation. If future events suggest that a change in fiscal policy is desirable, I will promptly recommend the appropriate changes. In particular, I will not hesitate to use the stimulus of fiscal policy if it becomes necessary to preserve jobs in the face of an unexpected slackening in economic activity.

For fiscal year 1975, my budget recommends total spending of \$304.4 billion, an increase of \$29.7 billion over the current year. The increase is being held to the minimum level necessary--nearly 90 percent of the increase is unavoidable under existing law. The budgeted increase in relatively controllable outlays is only 4.2 percent.

Federal receipts should reach \$295 billion during fiscal year 1975, an increase of \$25 billion. The projected budget deficit is \$9.4 billion. Under conditions of full employment, however, Federal receipts would be substantially higher and there would instead be a moderate budget surplus.

The Federal budget remains an essential tool in the fight against inflation. With the energy supply limitations we are experiencing and the price pressures they create, budget discipline is still required.

I have noted with satisfaction that most Members of the Congress have also recognized the need for budgetary discipline, and that work is going forward to establish a more systematic budgeting procedure. The Congress devoted considerable effort in 1973 to developing a mechanism for coordinating its individual spending decisions with the budget as a whole. I continue to support this effort, although I have been troubled by some of the extraneous amendments which have been added to some of the measures for achieving this goal. I urge the Congress to enact workable budget reform in this legislative session.

### **Gerald Ford, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (January 1975)**

Today, that freshman Member from Michigan stands where Mr. Truman stood, and I must say to you that the state of the Union is not good: Millions of Americans are out of work. Recession and inflation are eroding the money of millions more. Prices are too high, and sales are too slow. This year's Federal deficit will be about \$30 billion; next year's probably \$45 billion. The national debt will rise to over \$500 billion. Our plant capacity and productivity are not increasing fast enough. We depend on others for essential energy.

Cutting taxes now is essential if we are to turn the economy around. A tax cut offers the best hope of creating more jobs. Unfortunately, it will increase the size of the budget

deficit. Therefore, it is more important than ever that we take steps to control the growth of Federal expenditures.

Part of our trouble is that we have been self-indulgent. For decades, we have been voting ever-increasing levels of Government benefits, and now the bill has come due. We have been adding so many new programs that the size and the growth of the Federal budget has taken on a life of its own.

One characteristic of these programs is that their cost increases automatically every year because the number of people eligible for most of the benefits increases every year. When these programs are enacted, there is no dollar amount set. No one knows what they will cost. All we know is that whatever they cost last year, they will cost more next year.

It is a question of simple arithmetic. Unless we check the excessive growth of Federal expenditures or impose on ourselves matching increases in taxes, we will continue to run huge inflationary deficits in the Federal budget.

If we project the current built-in momentum of Federal spending through the next 15 years, State, Federal, and local government expenditures could easily comprise half of our gross national product. This compares with less than a third in 1975.

I have just concluded the process of preparing the budget submissions for fiscal year 1976. In that budget, I will propose legislation to restrain the growth of a number of existing programs. I have also concluded that no new spending programs can be initiated this year, except for energy. Further, I will not hesitate to veto any new spending programs adopted by the Congress.

As an additional step toward putting the Federal Government's house in order, I recommend a 5-percent limit on Federal pay increases in 1975. In all Government programs tied to the Consumer Price Index--including social security, civil service and military retirement pay, and food stamps--I also propose a 1-year maximum increase of 5 percent.

None of these recommended ceiling limitations, over which Congress has final authority, are easy to propose, because in most cases they involve anticipated payments to many, many deserving people. Nonetheless, it must be done. I must emphasize that I am not asking to eliminate, to reduce, to freeze these payments. I am merely recommending that we slow down the rate at which these payments increase and these programs grow.

Only a reduction in the growth of spending can keep Federal borrowing down and reduce the damage to the private sector from high interest rates. Only a reduction in spending can make it possible for the Federal Reserve System to avoid an inflationary growth in the money supply and thus restore balance to our economy. A major reduction in the growth of Federal spending can help dispel the uncertainty that so many feel about our economy and put us on the way to curing our economic ills.

If we don't act to slow down the rate of increase in Federal spending, the United States Treasury will be legally obligated to spend more than \$360 billion in fiscal year 1976, even if no new programs are enacted. These are not matters of conjecture or prediction, but again, a matter of simple arithmetic. The size of these numbers and their implications for our everyday life and the health of our economic system are shocking.

I submitted to the last Congress a list of budget deferrals and rescissions. There will be more cuts recommended in the budget that I will submit. Even so, the level of outlays for fiscal year 1976 is still much, much too high. Not only is it too high for this year but the decisions we make now will inevitably have a major and growing impact on expenditure levels in future years. I think this is a very fundamental issue that we, the Congress and I, must jointly solve.

Economic disruptions we and others are experiencing stem in part from the fact that the world price of petroleum has quadrupled in the last year. But in all honesty, we cannot put all of the blame on the oil-exporting nations. We, the United States, are not blameless. Our growing dependence upon foreign sources has been adding to our vulnerability for years and years, and we did nothing to prepare ourselves for such an event as the embargo of 1973.

### **Gerald Ford, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (January 1976)**

We thought we could transform the country through massive national programs, but often the programs did not work. Too often they only made things worse. In our rush to accomplish great deeds quickly, we trampled on sound principles of restraint and endangered the rights of individuals. We unbalanced our economic system by the huge and unprecedented growth of Federal expenditures and borrowing. And we were not totally honest with ourselves about how much these programs would cost and how we would pay for them. Finally, we shifted our emphasis from defense to domestic problems while our adversaries continued a massive buildup of arms.

The time has now come for a fundamentally different approach for a new realism that is true to the great principles upon which this Nation was founded.

We must introduce a new balance to our economy--a balance that favors not only sound, active government but also a much more vigorous, healthy economy that can create new jobs and hold down prices.

For many Americans, the way to a healthy, noninflationary economy has become increasingly apparent. The Government must stop spending so much and stop borrowing so much of our money. More money must remain in private hands where it will do the most good. To hold down the cost of living, we must hold down the cost of government.

In the past decade, the Federal budget has been growing at an average rate of over 10 percent a year. The budget I am submitting Wednesday cuts this rate of growth in half. I have kept my promise to submit a budget for the next fiscal year of \$395 billion. In fact, it is \$394.2 billion.

By holding down the growth of Federal spending, we can afford additional tax cuts and return to the people who pay taxes more decisionmaking power over their own lives.

Last month I signed legislation to extend the 1975 tax reductions for the first 6 months of this year. I now propose that effective July 1, 1976, we give our taxpayers a tax cut of approximately \$10 billion more than Congress agreed to in December.

My broader tax reduction would mean that for a family of four making \$15,000 a year, there will be \$227 more in take-home pay annually. Hardworking Americans caught in the middle can really use that kind of extra cash.

My recommendations for a firm restraint on the growth of Federal spending and for greater tax reduction are simple and straightforward. For every dollar saved in cutting the growth in the Federal budget, we can have an added dollar of Federal tax reduction.

We can achieve a balanced budget by 1979 if we have the courage and the wisdom to continue to reduce the growth of Federal spending.

One test of a healthy economy is a job for every American who wants to work. Government--our kind of government--cannot create that many jobs. But the Federal Government can create conditions and incentives for private business and industry to make more and more jobs.

Five out of six jobs in this country are in private business and in industry. Common sense tells us this is the place to look for more jobs and to find them faster. I mean real, rewarding, permanent jobs.

To achieve this we must offer the American people greater incentives to invest in the future. My tax proposals are a major step in that direction. To supplement these proposals, I ask that Congress enact changes in Federal tax laws that will speed up plant expansion and the purchase of new equipment. My recommendations will concentrate this job-creation tax incentive in areas where the unemployment rate now runs over 7 percent. Legislation to get this started must be approved at the earliest possible date.

Within the strict budget total that I will recommend for the coming year, I will ask for additional housing assistance for 500,000 families. These programs will expand housing opportunities, spur construction, and help to house moderate- and low-income families.

Now let me speak about social security. Our Federal social security system for people who have worked and contributed to it for all their lives is a vital part of our economic system. Its value is no longer debatable. In my budget for fiscal year 1977, I am

recommending that the full cost-of-living increases in the social security benefits be paid during the coming year.

But I am concerned about the integrity of our Social Security Trust Fund that enables people--those retired and those still working who will retire--to count on this source of retirement income. Younger workers watch their deductions rise and wonder if they will be adequately protected in the future. We must meet this challenge head on. Simple arithmetic warns all of us that the Social Security Trust Fund is headed for trouble. Unless we act soon to make sure the fund takes in as much as it pays out, there will be no security for old or for young.

I must, therefore, recommend a three-tenths of 1 percent increase in both employer and employee social security taxes effective January 1, 1977. This will cost each covered employee less than 1 extra dollar a week and will ensure the integrity of the trust fund.

### **Gerald Ford, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (January 1977)**

When I became President on August 9, 1974, our Nation was deeply divided and tormented. In rapid succession the Vice President and the President had resigned in disgrace. We were still struggling with the after-effects of a long, unpopular, and bloody war in Southeast Asia. The economy was unstable and racing toward the worst recession in 40 years. People were losing jobs. The cost of living was soaring. The Congress and the Chief Executive were at loggerheads. The integrity of our constitutional process and other institutions was being questioned. For more than 15 years domestic spending had soared as Federal programs multiplied, and the expense escalated annually. During the same period our national security needs were steadily shortchanged. In the grave situation which prevailed in August 1974, our will to maintain our international leadership was in doubt.

year ago I reported that the state of the Union was better--in many ways a lot better--but still not good enough. Common sense told me to stick to the steady course we were on, to continue to restrain the inflationary growth of government, to reduce taxes as well as spending, to return local decisions to local officials, to provide for long-range sufficiency in energy and national security needs. I resisted the immense pressures of an election year to open the floodgates of Federal money and the temptation to promise more than I could deliver. I told it as it was to the American people and demonstrated to the world that in our spirited political competition, as in this chamber, Americans can disagree without being disagreeable.

I am particularly gratified to report that over the past 25 years, we have been able to reverse the dangerous decline of the previous decade in real resources this country was devoting to national defense. This was an immediate problem I faced in 1974. The evidence was unmistakable that the Soviet Union had been steadily increasing the resources it applied to building its military strength. During this same period the United

States real defense spending declined. In my three budgets we not only arrested that dangerous decline, but we have established the positive trend which is essential to our ability to contribute to peace and stability in the world.

The Vietnam war, both materially and psychologically, affected our overall defense posture. The dangerous anti-military sentiment discouraged defense spending and unfairly disparaged the men and women who serve in our Armed Forces.

The challenge that now confronts this country is whether we have the national will and determination to continue this essential defense effort over the long term, as it must be continued. We can no longer afford to oscillate from year to year in so vital a matter; indeed, we have a duty to look beyond the immediate question of budgets and to examine the nature of the problem we will face over the next generation.

**Jimmy Carter, “The State of the Union Address Delivered Before a Joint Session of the Congress” (January 1978)**

My budget for 1979 addresses these national needs, but it is lean and tight. I have cut waste wherever possible.

I am proposing an increase of less than 2 percent after adjusting for inflation—the smallest increase in the Federal budget in 4 years.

Lately, Federal spending has taken a steadily increasing portion of what Americans produce. Our new budget reverses that trend, and later I hope to bring the Government's toll down even further. And with your help, we'll do that.

In time of high employment and a strong economy, deficit spending should not be a feature of our budget. As the economy continues to gain strength and as our unemployment rates continue to fall, revenues will grow. With careful planning, efficient management, and proper restraint on spending, we can move rapidly toward a balanced budget—and we will.

Next year the budget deficit will be only slightly less than this year. But one-third of the deficit is due to the necessary tax cuts that I've proposed. This year the right choice is to reduce the burden on taxpayers and provide more jobs for our people.

**Jimmy Carter, “The State of the Union Address Delivered Before a Joint Session of the Congress” (January 1979)**

I've sent to this Congress a stringent but a fair budget, one that, since I ran for President in 1976, will have cut the Federal deficit in half. And as a percentage of our gross national product, the deficit will have dropped by almost 75 percent.

This Congress had a good record last year, and I now ask the 96th Congress to continue this partnership in holding the line on excess Federal spending. It will not be easy. But we must be strong, and we must be persistent.

This budget is a clear message that, with the help of you and the American people, I am determined, as President, to bring inflation under control.

The 1980 budget provides enough spending restraint to begin unwinding inflation, but enough support for our country to keep American workers productive and to encourage the investments that provide new jobs. We will continue to mobilize our Nation's resources to reduce our trade deficit substantially this year and to maintain the strength of the American dollar.

We've demonstrated in this restrained budget that we can build on the gains of the past 2 years to provide additional support to educate disadvantaged children, to care for the elderly, to provide nutrition and legal services for the poor, and to strengthen the economic base of our urban communities and, also, our rural areas.

This year, we will take our first steps to develop a national health plan.

We must never accept a permanent group of unemployed Americans, with no hope and no stake in building our society. For those left out of the economy because of discrimination, a lack of skills, or poverty, we must maintain high levels of training, and we must continue to provide jobs.

A responsible budget is not our only weapon to control inflation. We must act now to protect all Americans from health care costs that are rising \$1 million per hour, 24 hours a day, doubling every 5 years. We must take control of the largest contributor to that inflation—skyrocketing hospital costs.

There will be no clearer test of the commitment of this Congress to the anti-inflation fight than the legislation that I will submit again this year to hold down inflation in hospital care.

Over the next 5 years, my proposals will save Americans a total of \$60 billion, of which \$25 billion will be savings to the American taxpayer in the Federal budget itself. The American people have waited long enough. This year we must act on hospital cost containment.

From the written version -- In announcing my anti-inflation program last year, I made a commitment to the American people to reduce the budget deficit for fiscal year 1980 to \$30 billion or less. The budget I submitted to the Congress honors that commitment. The FY '80 budget projects a deficit of \$29 billion, which is less than half the deficit the Nation had when I ran for office and represents the smallest budget deficit in the last six fiscal years.

The FY '80 budget has \$531.6 billion in projected budget outlays, which is an increase of only 7.7% above the previous year. That is the smallest annual increase in Federal spending in the last seven years.

The \$531.6 billion spending total also means that we will be meeting my goal of reducing Federal spending to about 21% of Gross National Product one year ahead of schedule.

The decisions I had to make in restraining spending were difficult. But if we are to succeed in breaking the back of inflation, Federal spending must be restrained to set an example for the private sector. If there were easier solutions, they would have been taken by now.

Finally, I want to emphasize that my FY '80 budget does not neglect the basic needs of the disadvantaged, the poor, and the unemployed. For instance, the budget will provide \$4.5 billion in increased assistance to the poor. It also will provide a total of \$11.2 billion for adult and youth employment and training programs, which will be especially targeted to the disadvantaged and long-term unemployed. Moreover there are significant increases for education programs for the disadvantaged and a new fiscal assistance program for our Nation's cities.

In short, this budget is austere, but it also maintains our commitment to help those in our country who most need it.

### **Jimmy Carter, "The State of the Union Address Delivered Before a Joint Session of the Congress" (January 1980)**

Of course, we must take other actions to strengthen our Nation's economy.

First, we will continue to reduce the deficit and then to balance the Federal budget.

From the written version -- The FY 1981 Budget—This is a responsible, restrained budget, whose enactment will help control Federal spending, significantly reduce the Federal deficit, and aid in our fight against inflation.

Budget Restraint: The budget deficit for FY 1979 was lowered to \$27.7 billion, more than 50% below the FY 1976 level.

In 1980, with the Congress' cooperation, we will continue our aggressive fight against inflation on each of these major fronts:

Budget Restraint: The deficit for the FY 1981 budget will be less than half of the FY 1980 budget deficit and will represent a 75% reduction from the deficit I inherited.

The budget I will send to the Congress for FY 1981 will meet this Nation's critical needs; and it will continue the sound budgetary policies that my Administration has pursued throughout my term in office.

No single year's budget can accurately portray the philosophy of an Administration. However, there is a clear pattern in the budgets I have proposed—restraint in spending, coupled with careful targeting of resources to areas of greatest need. My 1981 budget continues this pattern by lowering the deficit roughly \$50 billion below what it was when I ran for office. At the same time, I will recommend increases for programs of critical national concern.

Last year, my budget was austere. I proposed eliminating some programs and reducing spending for others; and these tough decisions have proven correct and have provided the country with clear benefits. I am pleased that the Congress approved my budget in virtually the form I proposed. As a result of our actions, the rate of Federal spending growth has been slowed. Just as importantly, the widespread expectation that the Federal budget would continue its upward spiral unchecked has been proven false. We have moved on to the path necessary for achieving a balanced budget in the very near future. And we have helped the fight against inflation..

The 1981 Budget will continue my policy of restraint. Real growth in spending will be close to zero. The deficit will be cut by more than half from last year. The deficit as a percent of the budget and of GNP will be at the second lowest point in this decade. We will have the smallest deficit in seven years. And if the economy were to continue to grow at a rate which held the unemployment rate at the current level, this budget would be in surplus.

At the same time, I am proposing some vital spending increases in the 1981 Budget. Most of these increases will be in "uncontrollable" programs (those in which increases are automatically required by existing law). There will also be discretionary increases; in part, to strengthen our defense forces and enhance our crucial investments in energy production and conservation. In addition, I will propose a major new initiative to reduce youth unemployment, and State and local governments will receive continued fiscal support from the General Revenue Sharing extension I will propose.

Developing the budget this year has been, in several respects, more difficult than in previous years. International turmoil threatens our vital interests, energy problems dampen the economy and alter our domestic priorities, and inflation erodes basic programs, all adding new pressures for Federal spending. But I am confident that this budget responds responsibly—and with needed resources—to our Nation's most pressing needs and positions us for responsible and effective government in the 1980's.

As President, I have been concerned about the tax burden on our citizens and have, as a result, worked with the Congress to enact two major tax cuts. In 1977, I proposed, and Congress passed, an \$8 billion individual tax cut as part of the economic stimulus package. In 1978, I proposed, and Congress passed, a \$21 billion individual and business tax cut. This year, those two cuts will reduce Americans' tax burden by \$31 billion.

I recognize that there is interest in another tax cut this year, but my 1981 budget proposes no tax cuts. As long as double-digit inflation continues and there is no sign of a recession, our top budgetary priority must be reduction of the deficit.

Over the long run, continued tight control over budget expenditures will hold down the share of Federal spending in GNP. Inflation, on the other hand, is raising the percentage of national income collected in taxes. Over time, because of these two developments, tax reductions will be possible while still maintaining the fiscal restraint needed to control inflation. However, the timing and structure of any tax reductions is of critical importance and must be dictated by our economic circumstances: the urgency of the anti-inflation fight requires that we defer such tax reductions at this time.

**Jimmy Carter, "The State of the Union Annual Message to Congress,"  
(January 1981)**

Written message

This inflation—which threatens the growth, productivity, and stability of our economy—requires that we restrain the growth of the budget to the maximum extent consistent with national security and human compassion. I have done so in my earlier budgets, and in my FY '82 budget. However, while restraint is essential to any appropriate economic policy, high inflation cannot be attributed solely to government spending. The growth in budget outlays has been more the result of economic factors than the cause of them.

We are now in the early stages of economic recovery following a short recession. Typically, a post-recessionary period has been marked by vigorous economic growth aided by anti-recessionary policy measures such as large tax cuts or big, stimulation spending programs. I have declined to recommend such actions to stimulate economic activity, because the persistent inflationary pressures that beset our economy today dictate a restrained fiscal policy.

Accordingly, I am asking the Congress to postpone until January 1, 1982, the personal tax reductions I had earlier proposed to take effect on January 1 of this year.

However, my 1982 budget proposes significant tax changes to increase the sources of financing for business investment. While emphasizing the need for continued fiscal restraint, this budget takes the first major step in a long-term tax reduction program designed to increase capital formation. The failure of our Nation's capital stock to grow at a rate that keeps pace with its labor force has clearly been one cause of our productivity slowdown. Higher investment rates are also critically needed to meet our Nation's energy needs, and to replace energy-inefficient plants and equipment with new energy-saving physical plants. The level of investment that is called for will not occur in the absence of policies to encourage it.

Therefore, my budget proposes a major liberalization of tax allowances for depreciation, as well as simplified depreciation accounting, increasing the allowable rates by about 40 percent. I am also proposing improvements in the investment tax credit, making it refundable, to meet the investment needs of firms with no current earnings.

These two proposals, along with carefully-phased tax reductions for individuals, will improve both economic efficiency and tax equity. I urge the Congress to enact legislation along the lines and timetable I have proposed.

The FY 1982 budget I have sent to the Congress continues our four-year policy of prudence and restraint. While the budget deficits during my term are higher than I would have liked, their size is determined for the most part by economic conditions. And in spite of these conditions, the relative size of the deficit continues to decline. In 1976, before I took office, the budget deficit equalled 4 percent of gross national product. It had been cut to 2.3 percent in the 1980 fiscal year just ended. My 1982 budget contains a deficit estimated to be less than 1 percent of our gross national product.

The rate of growth in Federal spending has been held to a minimum. Nevertheless, outlays are still rising more rapidly than many had anticipated, the result of many powerful forces in our society:

We face a threat to our security, as events in Afghanistan, the Middle East, and Eastern Europe make clear. We have a steadily aging population and, as a result, the biggest single increase in the Federal budget is the rising cost of retirement programs, particularly social security. We face other important domestic needs: to continue responsibility for the disadvantaged; to provide the capital needed by our cities and our transportation systems; to protect our environment; to revitalize American industry; and to increase the export of American goods and services so essential to the creation of jobs and a trade surplus.

Yet the Federal Government itself may not always be the proper source of such assistance. For example, it must not usurp functions if they can be more appropriately decided upon, managed, and financed by the private sector or by State and local governments. My Administration has always sought to consider the proper focus of responsibility for the most efficient resolution of problems.

We have also recognized the need to simplify the system of grants to State and local governments. I have again proposed several grant consolidations in the 1982 budget, including a new proposal that would consolidate several highway programs.

The pressures for growth in Federal use of national resources are great. My Administration has initiated many new approaches to cope with these pressures. We started a multi-year budget system, and we began a system for controlling Federal credit programs. Yet in spite of increasing needs to limit spending growth, we have consistently adhered to these strong budget principles:

- Our Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security.
- An effective national energy plan is essential to increase domestic production of oil and gas, to encourage conservation of our scarce energy resources, to stimulate conversion to more abundant fuels, and to reduce our trade deficit.
- The essential human needs for our citizens must be given the highest priority.
- The Federal Government must lead the way in investment in the Nation's technological future.
- The Federal Government has an obligation to nurture and protect our environment—the common resource, birthright, and sustenance of the American people.

My 1982 budget continues to support these principles. It also proposes responsible tax reductions to encourage a more productive economy, and adequate funding of our highest priority programs within an overall policy of constraint.

Fiscal restraint must be continued in the years ahead. Budgets must be tight enough to convince those who set wages and prices that the Federal Government is serious about fighting inflation but not so tight as to choke off all growth.

Careful budget policy should be supplemented by other measures designed to reduce inflation at lower cost in lost output and employment. These other steps include measures to increase investment—such as the tax proposals included in my 1982 budget—and measures to increase competition and productivity in our economy. Voluntary incomes policies can also directly influence wages and prices in the direction of moderation and thereby bring inflation down faster and at lower cost to the economy. Through a tax-based incomes policy (TIP) we could provide tax incentives for firms and workers to moderate their wage and price increases. In the coming years, control of Federal expenditures can make possible periodic tax reductions. The Congress should therefore begin now to evaluate the potentialities of a TIP program so that when the next round of tax reductions is appropriate a TIP program will be seriously considered.

**Ronald Reagan, “Address Before a Joint Session of the Congress on the Program for Economic Recovery,” (February 1981)**

Can we, who man the ship of state, deny it is somewhat out of control? Our national debt is approaching \$1 trillion. A few weeks ago I called such a figure, a trillion dollars, incomprehensible, and I've been trying ever since to think of a way to illustrate how big a trillion really is. And the best I could come up with is that if you had a stack of thousand-dollar bills in your hand only 4 inches high, you'd be a millionaire. A trillion dollars would be a stack of thousand-dollar bills 67 miles high. The interest on the public debt this year we know will be over \$90 billion, and unless we change the

proposed spending for the fiscal year beginning October 1st, we'll add another almost \$80 billion to the debt.

This plan is aimed at reducing the growth in government spending and taxing, reforming and eliminating regulations which are unnecessary and unproductive or counterproductive, and encouraging a consistent monetary policy aimed at maintaining the value of the currency. If enacted in full, this program can help America create 13 million new jobs, nearly 3 million more than we would have without these measures. It will also help us to gain control of inflation.

It's important to note that we're only reducing the rate of increase in taxing and spending. We're not attempting to cut either spending or taxing levels below that which we presently have. This plan will get our economy moving again, [create] productivity growth, and thus create the jobs that our people must have.

And I'm asking that you join me in reducing direct Federal spending by \$41.4 billion in fiscal year 1982, and this goes along with another \$7.7 billion in user fees and off-budget savings for a total of \$49.1 billion. And this will still allow an increase of \$40.8 billion over 1981 spending.

Now, I know that exaggerated and inaccurate stories about these cuts have disturbed many people, particularly those dependent on grant and benefit programs for their basic needs. Some of you have heard from constituents, I know, afraid that social security checks, for example, were going to be taken away from them. Well, I regret the fear that these unfounded stories have caused, and I welcome this opportunity to set things straight.

We will continue to fulfill the obligations that spring from our national conscience. Those who, through no fault of their own, must depend on the rest of us—the poverty stricken, the disabled, the elderly, all those with true need—can rest assured that the social safety net of programs they depend on are exempt from any cuts.

The full retirement benefits of the more than 31 million social security recipients will be continued, along with an annual cost-of-living increase. Medicare will not be cut, nor will supplemental income for the blind, the aged, and the disabled. And funding will continue for veterans pensions. School breakfasts and lunches for the children of low-income families will continue, as will nutrition and other special services for the aging. There will be no cut in Project Head Start or summer youth jobs.

All in all, nearly \$216 billion worth of programs providing help for tens of millions of Americans will be fully funded. But government will not continue to subsidize individuals or particular business interests where real need cannot be demonstrated. And while we will reduce some subsidies to regional and local governments, we will at the same time convert a number of categorical grant programs into block grants to reduce wasteful administrative overhead and to give local governments and States more flexibility and control. We call for an end in duplication to Federal programs and reform of those which are not cost-effective.

I believe that my duty as President requires that I recommend increases in defense spending over the coming years. I know that you're all aware—but I think it bears saying again—that since 1970 the Soviet Union has invested \$300 billion more in its military forces than we have. As a result of its massive military buildup, the Soviets have made a significant numerical advantage in strategic nuclear delivery systems, tactical aircraft, submarines, artillery, and anti-aircraft defense. To allow this imbalance to continue is a threat to our national security. Notwithstanding our economic straits, making the financial changes beginning now is far less costly than waiting and having to attempt a crash program several years from now.

The Office of Management and Budget is now putting together an interagency task force to attack waste and fraud. We're also planning to appoint as Inspectors General highly trained professionals who will spare no effort to do this job. No administration can promise to immediately stop a trend that has grown in recent years as quickly as government expenditures themselves, but let me say this: Waste and fraud in the Federal Government is exactly what I've called it before—an unrelenting national scandal, a scandal we're bound and determined to do something about.

Marching in lockstep with the whole program of reductions in spending is the equally important program of reduced tax rates. Both are essential if we're to have economic recovery. It's time to create new jobs, to build and rebuild industry, and to give the American people room to do what they do best. And that can only be done with a tax program which provides incentive to increase productivity for both workers and industry.

Our proposal is for a 10-percent across the-board cut every year for 3 years in the tax rates for all individual income taxpayers, making a total cut in the tax-cut rates of 30 percent. This 3-year reduction will also apply to the tax on unearned income, leading toward an eventual elimination of the present differential between the tax on earned and unearned income.

**Ronald Reagan, “Address Before a Joint Session of the Congress Reporting on the State of the Union,” (January 1982)**

because our economic problems are deeply rooted and will not respond to quick political fixes, we must stick to our carefully integrated plan for recovery. That plan is based on four commonsense fundamentals: continued reduction of the growth in Federal spending; preserving the individual and business tax reductions that will stimulate saving and investment; removing unnecessary Federal regulations to spark productivity; and maintaining a healthy dollar and a stable monetary policy, the latter a responsibility of the Federal Reserve System.

The only alternative being offered to this economic program is a return to the policies that gave us a trillion-dollar debt, runaway inflation, runaway interest rates and unemployment. The doubters would have us turn back the clock with tax increases that would offset the personal tax rate reductions already passed by this Congress. Raise present taxes to cut future deficits, they tell us. Well, I don't believe we should buy that argument.

There are too many imponderables for anyone to predict deficits or surpluses several years ahead with any degree of accuracy. The budget in place, when I took office, had been projected as balanced. It turned out to have one of the biggest deficits in history. Another example of the imponderables that can make deficit projections highly questionable—a change of only one percentage point in unemployment can alter a deficit up or down by some \$25 billion.

As it now stands, our forecast, which we're required by law to make, will show major deficits starting at less than a hundred billion dollars and declining, but still too high. More important, we're making progress with the three keys to reducing deficits: economic growth, lower interest rates, and spending control. The policies we have in place will reduce the deficit steadily, surely, and in time, completely.

Higher taxes would not mean lower deficits. If they did, how would we explain that tax revenues more than doubled just since 1976; yet in that same 6-year period we ran the largest series of deficits in our history. In 1980 tax revenues increased by \$54 billion, and in 1980 we had one of our all-time biggest deficits. Raising taxes won't balance the budget; it will encourage more government spending and less private investment. Raising taxes will slow economic growth, reduce production, and destroy future jobs, making it more difficult for those without jobs to find them and more likely that those who now have jobs could lose them. So, I will not ask you to try to balance the budget on the backs of the American taxpayers.

I will seek no tax increases this year, and I have no intention of retreating from our basic program of tax relief. I promise to bring the American people—to bring their tax rates down and to keep them down, to provide them incentives to rebuild our economy, to save, to invest in America's future. I will stand by my word. Tonight I'm urging the American people: Seize these new opportunities to produce, to save, to invest, and together we'll make this economy a mighty engine of freedom, hope, and prosperity again.

Now, the budget deficit this year will exceed our earlier expectations. The recession did that. It lowered revenues and increased costs. To some extent, we're also victims of our own success. We've brought inflation down faster than we thought we could, and in doing this, we've deprived government of those hidden revenues that occur when inflation pushes people into higher income tax brackets. And the continued high interest rates last year cost the government about \$5 billion more than anticipated.

We must cut out more nonessential government spending and rout out more waste, and we will continue our efforts to reduce the number of employees in the Federal work force by 75,000.

The budget plan I submit to you on February 8th will realize major savings by dismantling the Departments of Energy and Education and by eliminating ineffective subsidies for business. We'll continue to redirect our resources to our two highest budget priorities—a strong national defense to keep America free and at peace and a reliable safety net of social programs for those who have contributed and those who are in need.

Contrary to some of the wild charges you may have heard, this administration has not and will not turn its back on America's elderly or America's poor. Under the new budget, funding for social insurance programs will be more than double the amount spent only 6 years ago. But it would be foolish to pretend that these or any programs cannot be made more efficient and economical.

The entitlement programs that make up our safety net for the truly needy have worthy goals and many deserving recipients. We will protect them. But there's only one way to see to it that these programs really help those whom they were designed to help. And that is to bring their spiraling costs under control.

Today we face the absurd situation of a Federal budget with three-quarters of its expenditures routinely referred to as "uncontrollable." And a large part of this goes to entitlement programs.

Committee after committee of this Congress has heard witness after witness describe many of these programs as poorly administered and rife with waste and fraud. Virtually every American who shops in a local supermarket is aware of the daily abuses that take place in the food stamp program, which has grown by 16,000 percent in the last 15 years. Another example is Medicare and Medicaid—programs with worthy goals but whose costs have increased from 11.2 billion to almost 60 billion, more than 5 times as much, in just 10 years.

Waste and fraud are serious problems. Back in 1980 Federal investigators testified before one of your committees that "corruption has permeated virtually every area of the Medicare and Medicaid health care industry." One official said many of the people who are cheating the system were "very confident that nothing was going to happen to them." Well, something is going to happen. Not only the taxpayers are defrauded; the people with real dependency on these programs are deprived of what they need, because available resources are going not to the needy, but to the greedy.

The time has come to control the uncontrollable. In August we made a start. I signed a bill to reduce the growth of these programs by \$44 billion over the next 3 years while at the same time preserving essential services for the truly needy. Shortly you will receive from me a message on further reforms we intend to install—some new, but others long

recommended by your own congressional committees. I ask you to help make these savings for the American taxpayer.

The savings we propose in entitlement programs will total some \$63 billion over 4 Years and will, without affecting social t security, go a long way toward bringing Federal spending under control.

But don't be fooled by those who proclaim that spending cuts will deprive the elderly, the needy, and the helpless. The Federal Government will still subsidize 95 million meals every day. That's one out of seven of all the meals served in America. Head Start, senior nutrition programs, and child welfare programs will not be cut from the levels we proposed last year. More than one-half billion dollars has been proposed for minority business assistance. And research at the National Institute of Health will be increased by over \$100 million. While meeting all these needs, we intend to plug unwarranted tax loopholes and strengthen the law which requires all large corporations to pay a minimum tax.

### **Ronald Reagan, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (January 1983)**

Just 10 days ago, after months of debate and deadlock, the bipartisan Commission on Social Security accomplished the seemingly impossible. Social security, as some of us had warned for so long, faced disaster. I, myself, have been talking about this problem for almost 30 years. As 1983 began, the system stood on the brink of bankruptcy, a double victim of our economic ills. First, a decade of rampant inflation drained its reserves as we tried to protect beneficiaries from the spiraling cost of living. Then the recession and the sudden end of inflation withered the expanding wage base and increasing revenues the system needs to support the 36 million Americans who depend on it.

When the Speaker of the House, the Senate majority leader, and I performed the bipartisan—or formed the bipartisan Commission on Social Security, pundits and experts predicted that party divisions and conflicting interests would prevent the Commission from agreeing on a plan to save social security. Well, sometimes, even here in Washington, the cynics are wrong. Through compromise and cooperation, the members of the Commission overcame their differences and achieved a fair, workable plan. They proved that, when it comes to the national welfare, Americans can still pull together for the common good.

Tonight, I'm especially pleased to join with the Speaker and the Senate majority leader in urging the Congress to enact this plan by Easter.

The permanent recovery in employment, production, and investment we seek won't come in a sharp, short spurt. It'll build carefully and steadily in the months and years

ahead. In the meantime, the challenge of government is to identify the things that we can do now to ease the massive economic transition for the American people.

The Federal budget is both a symptom and a cause of our economic problems. Unless we reduce the dangerous growth rate in government spending, we could face the prospect of sluggish economic growth into the indefinite future. Failure to cope with this problem now could mean as much as a trillion dollars more in national debt in the next 4 years alone. That would average \$4,300 in additional debt for every man, woman, child, and baby in our nation.

To assure a sustained recovery, we must continue getting runaway spending under control to bring those deficits down. If we don't, the recovery will be too short, unemployment will remain too high, and we will leave an unconscionable burden of national debt for our children. That we must not do.

Let's be clear about where the deficit problem comes from. Contrary to the drumbeat we've been hearing for the last few months, the deficits we face are not rooted in defense spending. Taken as a percentage of the gross national product, our defense spending happens to be only about four-fifths of what it was in 1970. Nor is the deficit, as some would have it, rooted in tax cuts. Even with our tax cuts, taxes as a fraction of gross national product remain about the same as they were in 1970. The fact is, our deficits come from the uncontrolled growth of the budget for domestic spending.

During the 1970's, the share of our national income devoted to this domestic spending increased by more than 60 percent, from 10 cents out of every dollar produced by the American people to 16 cents. In spite of all our economies and efficiencies, and without adding any new programs, basic, necessary domestic spending provided for in this year's budget will grow to almost a trillion dollars over the next 5 years.

The deficit problem is a clear and present danger to the basic health of our Republic. We need a plan to overcome this danger—a plan based on these principles. It must be bipartisan. Conquering the deficits and putting the Government's house in order will require the best effort of all of us. It must be fair. Just as all will share in the benefits that will come from recovery, all would share fairly in the burden of transition. It must be prudent. The strength of our national defense must be restored so that we can pursue prosperity and peace and freedom while maintaining our commitment to the truly needy. And finally, it must be realistic. We can't rely on hope alone.

With these guiding principles in mind, let me outline a four-part plan to increase economic growth and reduce deficits.

First, in my budget message, I will recommend a Federal spending freeze. I know this is strong medicine, but so far, we have only cut the rate of increase in Federal spending. The Government has continued to spend more money each year, though not as much more as it did in the past. Taken as a whole, the budget I'm proposing for the fiscal year will increase no more than the rate of inflation. In other words, the Federal Government

will hold the line on real spending. Now, that's far less than many American families have had to do in these difficult times.

I will request that the proposed 6-month freeze in cost-of-living adjustments recommended by the bipartisan Social Security Commission be applied to other government-related retirement programs. I will, also, propose a 1-year freeze on a broad range of domestic spending programs, and for Federal civilian and military pay and pension programs. And let me say right here, I'm sorry, with regard to the military, in asking that of them, because for so many years they have been so far behind and so low in reward for what the men and women in uniform are doing. But I'm sure they will understand that this must be across the board and fair.

Second, I will ask the Congress to adopt specific measures to control the growth of the so-called uncontrollable spending programs. These are the automatic spending programs, such as food stamps, that cannot be simply frozen and that have grown by over 400 percent since 1970. They are the largest single cause of the built-in or structural deficit problem. Our standard here will be fairness, ensuring that the taxpayers' hard-earned dollars go only to the truly needy; that none of them are turned away, but that fraud and waste are stamped out. And I'm sorry to say, there's a lot of it out there. In the food stamp program alone, last year, we identified almost [\$]1.1 billion in overpayments. The taxpayers aren't the only victims of this kind of abuse. The truly needy suffer as funds intended for them are taken not by the needy, but by the greedy. For everyone's sake, we must put an end to such waste and corruption.

Third, I will adjust our program to restore America's defenses by proposing \$55 billion in defense savings over the next 5 years. These are savings recommended to me by the Secretary of Defense, who has assured me they can be safely achieved and will not diminish our ability to negotiate arms reductions or endanger America's security. We will not gamble with our national survival.

And fourth, because we must ensure reduction and eventual elimination of deficits over the next several years, I will propose a standby tax, limited to no more than 1 percent of the gross national product, to start in fiscal 1986. It would last no more than 3 years, and it would start only if the Congress has first approved our spending freeze and budget control program. And there are several other conditions also that must be met, all of them in order for this program to be triggered.

Now, you could say that this is an insurance policy for the future, a remedy that will be at hand if needed but only resorted to if absolutely necessary. In the meantime, we'll continue to study ways to simplify the tax code and make it more fair for all Americans. This is a goal that every American who's ever struggled with a tax form can understand.

At the same time, however, I will oppose any efforts to undo the basic tax reforms that we've already enacted, including the 10-percent tax break coming to taxpayers this July and the tax indexing which will protect all Americans from inflationary bracket creep in the years ahead.

Now, I realize that this four-part plan is easier to describe than it will be to enact. But the looming deficits that hang over us and over America's future must be reduced. The path I've outlined is fair, balanced, and realistic. If enacted, it will ensure a steady decline in deficits, aiming toward a balanced budget by the end of the decade. It's the only path that will lead to a strong, sustained recovery. Let us follow that path together.

### **Ronald Reagan, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (January 1984)**

The key to a dynamic decade is vigorous economic growth, our first great goal. We might well begin with common sense in Federal budgeting: government spending no more than government takes in.

We must bring Federal deficits down. But how we do that makes all the difference.

We can begin by limiting the size and scope of government. Under the leadership of Vice President Bush, we have reduced the growth of Federal regulations by more than 25 percent and cut well over 300 million hours of government-required paperwork each year. This will save the public more than \$150 billion over the next 10 years.

The Grace commission has given us some 2,500 recommendations for reducing wasteful spending, and they're being examined throughout the administration. Federal spending growth has been cut from 17.4 percent in 1980 to less than half of that today, and we have already achieved over \$300 billion in budget savings for the period of 1982 to '86. But that's only a little more than half of what we sought. Government is still spending too large a percentage of the total economy.

Now, some insist that any further budget savings must be obtained by reducing the portion spent on defense. This ignores the fact that national defense is solely the responsibility of the Federal Government; indeed, it is its prime responsibility. And yet defense spending is less than a third of the total budget. During the years of President Kennedy and of the years before that, defense was almost half the total budget. And then came several years in which our military capability was allowed to deteriorate to a very dangerous degree. We are just now restoring, through the essential modernization of our conventional and strategic forces, our capability to meet our present and future security needs. We dare not shirk our responsibility to keep America free, secure, and at peace.

The last decade saw domestic spending surge literally out of control. But the basis for such spending had been laid in previous years. A pattern of overspending has been in place for half a century. As the national debt grew, we were told not to worry, that we owed it to ourselves.

Now we know that deficits are a cause for worry. But there's a difference of opinion as to whether taxes should be increased, spending cut, or some of both. Fear is expressed that

government borrowing to fund the deficit could inhibit the economic recovery by taking capital needed for business and industrial expansion. Well, I think that debate is missing an important point. Whether government borrows or increases taxes, it will be taking the same amount of money from the private sector, and, either way, that's too much. Simple fairness dictates that government must not raise taxes on families struggling to pay their bills. The root of the problem is that government's share is more than we can afford if we're to have a sound economy.

We must bring down the deficits to ensure continued economic growth. In the budget that I will submit on February 1st, I will recommend measures that will reduce the deficit over the next 5 years. Many of these will be unfinished business from last year's budget.

Some could be enacted quickly if we could join in a serious effort to address this problem. I spoke today with Speaker of the House O'Neill, Senate Majority Leader Baker, Senate Minority Leader Byrd, and House Minority Leader Michel. I asked them if they would designate congressional representatives to meet with representatives of the administration to try to reach prompt agreement on a bipartisan deficit reduction plan. I know it would take a long, hard struggle to agree on a full-scale plan. So, what I have proposed is that we first see if we can agree on a down payment.

Now, I believe there is basis for such an agreement, one that could reduce the deficits by about a hundred billion dollars over the next 3 years. We could focus on some of the less contentious spending cuts that are still pending before the Congress. These could be combined with measures to close certain tax loopholes, measures that the Treasury Department has previously said to be worthy of support. In addition, we could examine the possibility of achieving further outlay savings based on the work of the Grace commission.

If the congressional leadership is willing, my representatives will be prepared to meet with theirs at the earliest possible time. I would hope the leadership might agree on an expedited timetable in which to develop and enact that down payment.

But a down payment alone is not enough to break us out of the deficit problem. It could help us start on the right path. Yet, we must do more. So, I propose that we begin exploring how together we can make structural reforms to curb the built-in growth of spending.

I also propose improvements in the budgeting process. Some 43 of our 50 States grant their Governors the right to veto individual items in appropriation bills without having to veto the entire bill. California is one of those 43 States. As Governor, I found this line-item veto was a powerful tool against wasteful or extravagant spending. It works in 43 States. Let's put it to work in Washington for all the people.

It would be most effective if done by constitutional amendment. The majority of Americans approve of such an amendment, just as they and I approve of an amendment

mandating a balanced Federal budget. Many States also have this protection in their constitutions.

To talk of meeting the present situation by increasing taxes is a Band-Aid solution which does nothing to cure an illness that's been coming on for half a century—to say nothing of the fact that it poses a real threat to economic recovery. Let's remember that a substantial amount of income tax is presently owed and not paid by people in the underground economy. It would be immoral to make those who are paying taxes pay more to compensate for those who aren't paying their share.

### **Ronald Reagan, “Address Before a Joint Session of the Congress Reporting on the State of the Union,” (February 1985)**

There are some who say that growth initiatives must await final action on deficit reductions. Well, the best way to reduce deficits is through economic growth. More businesses will be started, more investments made, more jobs created, and more people will be on payrolls paying taxes. The best way to reduce government spending is to reduce the need for spending by increasing prosperity. Each added percentage point per year of real GNP growth will lead to cumulative reduction in deficits of nearly \$200 billion over 5 years.

To move steadily toward a balanced budget, we must also lighten government's claim on our total economy. We will not do this by raising taxes. We must make sure that our economy grows faster than the growth in spending by the Federal Government. In our fiscal year 1986 budget, overall government program spending will be frozen at the current level. It must not be one dime higher than fiscal year 1985, and three points are key.

First, the social safety net for the elderly, the needy, the disabled, and unemployed will be left intact. Growth of our major health care programs, Medicare and Medicaid, will be slowed, but protections for the elderly and needy will be preserved.

Second, we must not relax our efforts to restore military strength just as we near our goal of a fully equipped, trained, and ready professional corps. National security is government's first responsibility; so in past years defense spending took about half the Federal budget. Today it takes less than a third. We've already reduced our planned defense expenditures by nearly a hundred billion dollars over the past 4 years and reduced projected spending again this year.

You know, we only have a military-industrial complex until a time of danger, and then it becomes the arsenal of democracy. Spending for defense is investing in things that are priceless—peace and freedom.

Third, we must reduce or eliminate costly government subsidies. For example, deregulation of the airline industry has led to cheaper airfares, but on Amtrak taxpayers

pay about \$35 per passenger every time an Amtrak train leaves the station, It's time we ended this huge Federal subsidy.

Our farm program costs have quadrupled in recent years. Yet I know from visiting farmers, many in great financial distress, that we need an orderly transition to a market-oriented farm economy. We can help farmers best not by expanding Federal payments but by making fundamental reforms, keeping interest rates heading down, and knocking down foreign trade barriers to American farm exports.

We're moving ahead with Grace commission reforms to eliminate waste and improve government's management practices. In the long run, we must protect the taxpayers from government. And I ask again that you pass, as 32 States have now called for, an amendment mandating the Federal Government spend no more than it takes in. And I ask for the authority, used responsibly by 43 Governors, to veto individual items in appropriation bills. Senator Mattingly has introduced a bill permitting a 2-year trial run of the line-item veto. I hope you'll pass and send that legislation to my desk.

Nearly 50 years of government living beyond its means has brought us to a time of reckoning. Ours is but a moment in history. But one moment of courage, idealism, and bipartisan unity can change American history forever.

### **Ronald Reagan, "Address Before a Joint Session of the Congress Reporting on the State of the Union," (February 1986)**

But we cannot win the race to the future shackled to a system that can't even pass a Federal budget. We cannot win that race held back by horse-and-buggy programs that waste tax dollars and squander human potential. We cannot win that race if we're swamped in a sea of red ink. Now, Mr. Speaker, you know, I know, and the American people know the Federal budget system is broken. It doesn't work. Before we leave this city, let's you and I work together to fix it, and then we can finally give the American people a balanced budget.

Members of Congress, passage of Gramm-Rudman-Hollings gives us an historic opportunity to achieve what has eluded our national leadership for decades: forcing the Federal Government to live within its means. Your schedule now requires that the budget resolution be passed by April 15th, the very day America's families have to foot the bill for the budgets that you produce. How often we read of a husband and wife both working, struggling from paycheck to paycheck to raise a family, meet a mortgage, pay their taxes and bills. And yet some in Congress say taxes must be raised. Well, I'm sorry; they're asking the wrong people to tighten their belts. It's time we reduce the Federal budget and left the family budget alone. We do not face large deficits because American families are undertaxed; we face those deficits because the Federal Government overspends.

The detailed budget that we will submit will meet the Gramm-Rudman-Hollings target for deficit reductions, meet our commitment to ensure a strong national defense, meet our commitment to protect Social Security and the truly less fortunate, and, yes, meet our commitment to not raise taxes. How should we accomplish this? Well, not by taking from those in need. As families take care of their own, government must provide shelter and nourishment for those who cannot provide for themselves. But we must revise or replace programs enacted in the name of compassion that degrade the moral worth of work, encourage family breakups, and drive entire communities into a bleak and heartless dependency. Gramm-Rudman-Hollings can mark a dramatic improvement. But experience shows that simply setting deficit targets does not assure they'll be met. We must proceed with Grace commission reforms against waste.

And tonight I ask you to give me what 43 Governors have: Give me a line-item veto this year. Give me the authority to veto waste, and I'll take the responsibility, I'll make the cuts, I'll take the heat. This authority would not give me any monopoly power, but simply prevent spending measures from sneaking through that could not pass on their own merit. And you can sustain or override my veto; that's the way the system should work. Once we've made the hard choices, we should lock in our gains with a balanced budget amendment to the Constitution.

I mentioned that we will meet our commitment to national defense. We must meet it. Defense is not just another budget expense. Keeping America strong, free, and at peace is solely the responsibility of the Federal Government; it is government's prime responsibility. We have devoted 5 years trying to narrow a dangerous gap born of illusion and neglect, and we've made important gains. Yet the threat from Soviet forces, conventional and strategic, from the Soviet drive for domination, from the increase in espionage and state terror remains great. This is reality. Closing our eyes will not make reality disappear. We pledged together to hold real growth in defense spending to the bare minimum. My budget honors that pledge, and I'm now asking you, the Congress, to keep its end of the bargain. The Soviets must know that if America reduces her defenses, it will be because of a reduced threat, not a reduced resolve.

Keeping America strong is as vital to the national security as controlling Federal spending is to our economic security. But, as I have said before, the most powerful force we can enlist against the Federal deficit is an ever-expanding American economy, unfettered and free. The magic of opportunity-unreserved, unfailing, unrestrained-isn't this the calling that unites us? I believe our tax rate cuts for the people have done more to spur a spirit of risk-taking and help America's economy break free than any program since John Kennedy's tax cut almost a quarter century ago.

Now history calls us to press on, to complete efforts for an historic tax reform providing new opportunity for all and ensuring that all pay their fair share, but no more. We've come this far. Will you join me now, and we'll walk this last mile together? You know my views on this. We cannot and we will not accept tax reform that is a tax increase in disguise. True reform must be an engine of productivity and growth, and that means a top personal rate no higher than 35 percent. True reform must be truly fair, and that

means raising personal exemptions to \$2,000. True reform means a tax system that at long last is profamily, projobs, profuture, and pro-America.

**Ronald Reagan, “Address Before a Joint Session of the Congress Reporting on the State of the Union,” (January 1987)**

And now, ladies and gentlemen of the Congress, why don't we get to work? I am pleased to report that because of our efforts to rebuild the strength of America, the world is a safer place. Earlier this month I submitted a budget to defend America and maintain our momentum to make up for neglect in the last decade. Well, I ask you to vote out a defense and foreign affairs budget that says yes to protecting our country. While the world is safer, it is not safe.

Since 1970 the Soviets have invested \$500 billion more on their military forces than we have. Even today, though nearly 1 in 3 Soviet families is without running hot water and the average family spends 2 hours a day shopping for the basic necessities of life, their government still found the resources to transfer \$75 billion in weapons to client states in the past 5 years—clients like Syria, Vietnam, Cuba, Libya, Angola, Ethiopia, Afghanistan, and Nicaragua. With 120,000 Soviet combat and military personnel and 15,000 military advisers in Asia, Africa, and Latin America, can anyone still doubt their single-minded determination to expand their power? Despite this, the Congress cut my request for critical U.S. security assistance to free nations by 21 percent this year, and cut defense requests by \$85 billion in the last 3 years.

Now, from foreign borders let us return to our own, because America in the world is only as strong as America at home. This 100th Congress has high responsibilities. I begin with a gentle reminder that many of these are simply the incomplete obligations of the past. The American people deserve to be impatient, because we do not yet have the public house in order. We've had great success in restoring our economic integrity, and we've rescued our nation from the worst economic mess since the Depression. But there's more to do. For starters, the Federal deficit is outrageous. For years I've asked that we stop pushing onto our children the excesses of our government. And what the Congress finally needs to do is pass a constitutional amendment that mandates a balanced budget and forces government to live within its means. States, cities, and the families of America balance their budgets. Why can't we?

Next, the budget process is a sorry spectacle. The missing of deadlines and the nightmare of monstrous continuing resolutions packing hundreds of billions of dollars of spending into one bill must be stopped. We ask the Congress once again: Give us the same tool that 43 Governors have—a lineitem veto so we can carve out the boondoggles and pork, those items that would never survive on their own. I will send the Congress broad recommendations on the budget, but first I'd like to see yours. Let's go to work and get this done together.

But now let's talk about this year's budget. Even though I have submitted it within the Gramm-Rudman-Hollings deficit reduction target, I have seen suggestions that we might postpone that timetable. Well, I think the American people are tired of hearing the same old excuses. Together we made a commitment to balance the budget. Now let's keep it. As for those suggestions that the answer is higher taxes, the American people have repeatedly rejected that shop-worn advice. They know that we don't have deficits because people are taxed too little. We have deficits because big government spends too much.

Now, next month I'll place two additional reforms before the Congress. We've created a welfare monster that is a shocking indictment of our sense of priorities. Our national welfare system consists of some 59 major programs and over 6,000 pages of Federal laws and regulations on which more than \$132 billion was spent in 1985. I will propose a new national welfare strategy, a program of welfare reform through State-sponsored, community-based demonstration projects. This is the time to reform this outmoded social dinosaur and finally break the poverty trap. Now, we will never abandon those who, through no fault of their own, must have our help. But let us work to see how many can be freed from the dependency of welfare and made self-supporting, which the great majority of welfare recipients want more than anything else. Next, let us remove a financial specter facing our older Americans: the fear of an illness so expensive that it can result in having to make an intolerable choice between bankruptcy and death. I will submit legislation shortly to help free the elderly from the fear of catastrophic illness.

Now, from foreign borders let us return to our own, because America in the world is only as strong as America at home. This 100th Congress has high responsibilities. I begin with a gentle reminder that many of these are simply the incomplete obligations of the past. The American people deserve to be impatient, because we do not yet have the public house in order. We've had great success in restoring our economic integrity, and we've rescued our nation from the worst economic mess since the Depression. But there's more to do. For starters, the Federal deficit is outrageous. For years I've asked that we stop pushing onto our children the excesses of our government. And what the Congress finally needs to do is pass a constitutional amendment that mandates a balanced budget and forces government to live within its means. States, cities, and the families of America balance their budgets. Why can't we?

Next, the budget process is a sorry spectacle. The missing of deadlines and the nightmare of monstrous continuing resolutions packing hundreds of billions of dollars of spending into one bill must be stopped. We ask the Congress once again: Give us the same tool that 43 Governors have—a lineitem veto so we can carve out the boondoggles and pork, those items that would never survive on their own. I will send the Congress broad recommendations on the budget, but first I'd like to see yours. Let's go to work and get this done together.

But now let's talk about this year's budget. Even though I have submitted it within the Gramm-Rudman-Hollings deficit reduction target, I have seen suggestions that we might postpone that timetable. Well, I think the American people are tired of hearing the same old excuses. Together we made a commitment to balance the budget. Now let's

keep it. As for those suggestions that the answer is higher taxes, the American people have repeatedly rejected that shop-worn advice. They know that we don't have deficits because people are taxed too little. We have deficits because big government spends too much.

Now, next month I'll place two additional reforms before the Congress. We've created a welfare monster that is a shocking indictment of our sense of priorities. Our national welfare system consists of some 59 major programs and over 6,000 pages of Federal laws and regulations on which more than \$132 billion was spent in 1985. I will propose a new national welfare strategy, a program of welfare reform through State-sponsored, community-based demonstration projects. This is the time to reform this outmoded social dinosaur and finally break the poverty trap. Now, we will never abandon those who, through no fault of their own, must have our help. But let us work to see how many can be freed from the dependency of welfare and made self-supporting, which the great majority of welfare recipients want more than anything else. Next, let us remove a financial specter facing our older Americans: the fear of an illness so expensive that it can result in having to make an intolerable choice between bankruptcy and death. I will submit legislation shortly to help free the elderly from the fear of catastrophic illness.

These assistance programs serve our national interests as well as mutual interests. And when the programs are devastated, American interests are harmed. My friends, it's my duty as President to say to you again tonight that there is no surer way to lose freedom than to lose our resolve. Today the brave people of Afghanistan are showing that resolve. The Soviet Union says it wants a peaceful settlement in Afghanistan, yet it continues a brutal war and props up a regime whose days are clearly numbered. We are ready to support a political solution that guarantees the rapid withdrawal of all Soviet troops and genuine self-determination for the Afghan people.

In Central America, too, the cause of freedom is being tested. And our resolve is being tested there as well. Here, especially, the world is watching to see how this nation responds. Today over 90 percent of the people of Latin America live in democracy. Democracy is on the march in Central and South America. Communist Nicaragua is the odd man out—suppressing the church, the press, and democratic dissent and promoting subversion in the region. We support diplomatic efforts, but these efforts can never succeed if the Sandinistas win their war against the Nicaraguan people.

### **Ronald Reagan, “Address Before a Joint Session of the Congress Reporting on the State of the Union,” (January 1988)**

And let's begin by discussing how to maintain economic growth by controlling and eventually eliminating the problem of Federal deficits. We have had a balanced budget only eight times in the last 57 years. For the first time in 14 years, the Federal Government spent less in real terms last year than the year before. We took \$73 billion

off last year's deficit compared to the year before. The deficit itself has moved from 6.3 percent of the gross national product to only 3.4 percent. And perhaps the most important sign of progress has been the change in our view of deficits. You know, a few of us can remember when, not too many years ago, those who created the deficits said they would make us prosperous and not to worry about the debt, because we owe it to ourselves. Well, at last there is agreement that we can't spend ourselves rich.

Our recent budget agreement, designed to reduce Federal deficits by \$76 billion over the next 2 years, builds on this consensus. But this agreement must be adhered to without slipping into the errors of the past: more broken promises and more unchecked spending. As I indicated in my first State of the Union, what ails us can be simply put: The Federal Government is too big, and it spends too much money. I can assure you, the bipartisan leadership of Congress, of my help in fighting off any attempt to bust our budget agreement. And this includes the swift and certain use of the veto power.

Now, it's also time for some plain talk about the most immediate obstacle to controlling Federal deficits. The simple but frustrating problem of making expenses match revenues—something American families do and the Federal Government can't—has caused crisis after crisis in this city. Mr. Speaker, Mr. President, I will say to you tonight what I have said before and will continue to say: The budget process has broken down; it needs a drastic overhaul. With each ensuing year, the spectacle before the American people is the same as it was this Christmas: budget deadlines delayed or missed completely, monstrous continuing resolutions that pack hundreds of billions of dollars worth of spending into one bill, and a Federal Government on the brink of default.

I know I'm echoing what you here in the Congress have said, because you suffered so directly. But let's recall that in 7 years, of 91 appropriations bills scheduled to arrive on my desk by a certain date, only 10 made it on time. Last year, of the 13 appropriations bills due by October 1st, none of them made it. Instead, we had four continuing resolutions lasting 41 days, then 36 days, and 2 days, and 3 days, respectively.

And then, along came these behemoths. This is the conference report—1,053 pages, report weighing 14 pounds. Then this—a reconciliation bill 6 months late that was 1,186 pages long, weighing 15 pounds. And the long-term continuing resolution—this one was 2 months late, and it's 1,057 pages long, weighing 14 pounds. That was a total of 43 pounds of paper and ink. You had 3 hours—yes, 3 hours—to consider each, and it took 300 people at my Office of Management and Budget just to read the bill so the Government wouldn't shut down. Congress shouldn't send another one of these. No, and if you do, I will not sign it.

Let's change all this. Instead of a Presidential budget that gets discarded and a congressional budget resolution that is not enforced, why not a simple partnership, a joint agreement that sets out the spending priorities within the available revenues? And let's remember our deadline is October 1st, not Christmas. Let's get the people's work done in time to avoid a footrace with Santa Claus. [Laughter] And, yes, this year—to coin a phrase—a new beginning: 13 individual bills, on time and fully reviewed by Congress.

I'm also certain you join me in saying: Let's help ensure our future of prosperity by giving the President a tool that, though I will not get to use it, is one I know future Presidents of either party must have. Give the President the same authority that 43 Governors use in their States: the right to reach into massive appropriation bills, pare away the waste, and enforce budget discipline. Let's approve the line-item veto.

And let's take a partial step in this direction. Most of you in this Chamber didn't know what was in this catchall bill and report. Over the past few weeks, we've all learned what was tucked away behind a little comma here and there. For example, there's millions for items such as cranberry research, blueberry research, the study of crawfish, and the commercialization of wildflowers. And that's not to mention the five or so million [\$.5 million] that—so that people from developing nations could come here to watch Congress at work. [Laughter] I won't even touch that. [Laughter] So, tonight I offer you this challenge. In 30 days I will send back to you those items as rescissions, which if I had the authority to line them out I would do so.

Now, review this multibillion-dollar package that will not undercut our bipartisan budget agreement. As a matter of fact, if adopted, it will improve our deficit reduction goals. And what an example we can set, that we're serious about getting our financial accounts in order. By acting and approving this plan, you have the opportunity to override a congressional process that is out of control.

There is another vital reform. Yes, Gramm-Rudman-Hollings has been profoundly helpful, but let us take its goal of a balanced budget and make it permanent. Let us do now what so many States do to hold down spending and what 32 State legislatures have asked us to do. Let us heed the wishes of an overwhelming plurality of Americans and pass a constitutional amendment that mandates a balanced budget and forces the Federal Government to live within its means. Reform of the budget process—including the line-item veto and balanced budget amendment—will, together with real restraint on government spending, prevent the Federal budget from ever again ravaging the family budget.

### **George Bush, “Address on Administration Goals Before a Joint Session of Congress” (February 1989)**

And so, tonight we must take a strong America and make it even better. We must address some very real problems. We must establish some very clear priorities. And we must make a very substantial cut in the Federal budget deficit. Some people find that agenda impossible, but I'm presenting to you tonight a realistic plan for tackling it. My plan has four broad features: attention to urgent priorities, investment in the future, an attack on the deficit, and no new taxes. This budget represents my best judgment of how we can address our priorities. There are many areas in which we would all like to spend more than I propose; I understand that. But we cannot until we get our fiscal house in order.

Next year alone, thanks to economic growth, without any change in the law, the Federal Government will take in over \$80 billion more than it does this year. That's right -- over \$80 billion in new revenues, with no increases in taxes. And our job is to allocate those new resources wisely. We can afford to increase spending by a modest amount, but enough to invest in key priorities and still cut the deficit by almost 40 percent in 1 year. And that will allow us to meet the targets set forth in the Gramm-Rudman-Hollings law. But to do that, we must recognize that growth above inflation in Federal programs is not preordained, that not all spending initiatives were designed to be immortal.

Most people don't realize that after the successful restoration of our strength, the Pentagon budget has actually been reduced in real terms for each of the last 4 years. We cannot tolerate continued real reduction in defense. In light of the compelling need to reduce the deficit, however, I support a 1-year freeze in the military budget, something I proposed last fall in my flexible freeze plan. And this freeze will apply for only 1 year, and after that, increases above inflation will be required. I will not sacrifice American preparedness, and I will not compromise American strength.

I should be clear on the conditions attached to my recommendation for the coming year: The savings must be allocated to those priorities for investing in our future that I've spoken about tonight. This defense freeze must be a part of a comprehensive budget agreement which meets the targets spelled out in Gramm-Rudman-Hollings law without raising taxes and which incorporates reforms in the budget process.

I've directed the National Security Council to review our national security and defense policies and report back to me within 90 days to ensure that our capabilities and resources meet our commitments and strategies. I'm also charging the Department of Defense with the task of developing a plan to improve the defense procurement process and management of the Pentagon, one which will fully implement the Packard commission report. Many of these changes can only be made with the participation of the Congress, and so, I ask for your help. We need fewer regulations. We need less bureaucracy. We need multiyear procurement and 2-year budgeting. And frankly -- and don't take this wrong -- we need less congressional micromanagement of our nation's military policy. I detect a slight division on that question, but nevertheless -- [laughter].

We have a moral contract with our senior citizens. And in this budget, Social Security is fully funded, including a full cost-of-living adjustment. We must honor our contract.

### **George Bush, "Address Before a Joint Session of the Congress on the State of the Union, (January 1990)**

Tonight I come not to speak about the state of the Government, not to detail every new initiative we plan for the coming year nor to describe every line in the budget. I'm here to speak to you and to the American people about the state of the Union, about our

world -- the changes we've seen, the challenges we face -- and what that means for America.

We'll do what it takes to invest in America's future. The budget commitment is there. The money is there. It's there for research and development, R&D -- a record high. It's there for our housing initiative -- HOPE -- to help everyone from first-time homebuyers to the homeless. The money's there to keep our kids drug-free -- 70 percent more than when I took office in 1989. It's there for space exploration. And it's there for education -- another record high.

Since we really mean it and since we're serious about being ready to meet that challenge, we're getting our own house in order. We have made real progress. Seven years ago, the Federal deficit was 6 percent of our gross national product -- 6 percent. In the new budget I sent up 2 days ago, the deficit is down to 1 percent of gross national product.

That budget brings Federal spending under control. It meets the Gramm-Rudman target. It brings that deficit down further and balances the budget by 1993 with no new taxes. And let me tell you, there's still more than enough Federal spending. For most of us, \$1.2 trillion is still a lot of money.

And once the budget is balanced, we can operate the way every family must when it has bills to pay. We won't leave it to our children and our grandchildren. Once it's balanced, we will start paying off the national debt.

And there's something more we owe the generations of the future: stewardship, the safekeeping of America's precious environmental inheritance. It's just one sign of how serious we are. We will elevate the Environmental Protection Agency to Cabinet rank -- not more bureaucracy, not more red-tape, but the certainty that here at home, and especially in our dealings with other nations, environmental issues have the status they deserve.

This year's budget provides over \$2 billion in new spending to protect our environment, with over \$1 billion for global change research, and a new initiative I call America the Beautiful to expand our national parks and wildlife preserves that improve recreational facilities on public lands, and something else, something that will help keep this country clean from our forestland to the inner cities and keep America beautiful for generations to come: the money to plant a billion trees a year.

And there's one thing I hope we will be able to agree on. It's about our commitments. I'm talking about Social Security. To every American out there on Social Security, to every American supporting that system today, and to everyone counting on it when they retire, we made a promise to you, and we are going to keep it.

We rescued the system in 1983, and it's sound again -- bipartisan arrangement. Our budget fully funds today's benefits, and it assures that future benefits will be funded as well. The last thing we need to do is mess around with Social Security.

## **George Bush, "Address Before a Joint Session of the Congress on the State of the Union, (January 1991)**

We will get this recession behind us and return to growth soon. We will get on our way to a new record of expansion and achieve the competitive strength that will carry us into the next American century. We should focus our efforts today on encouraging economic growth, investing in the future, and giving power and opportunity to the individual.

We must begin with control of Federal spending. That's why I'm submitting a budget that holds the growth in spending to less than the rate of inflation. And that's why, amid all the sound and fury of last year's budget debate, we put into law new, enforceable spending caps, so that future spending debates will mean a battle of ideas, not a bidding war.

Though controversial, the budget agreement finally put the Federal Government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion. And that frees funds for saving and job-creating investment.

Now, let's do more. My budget again includes tax-free family savings accounts; penalty-free withdrawals from IRA's for first-time home buyers; and to increase jobs and growth, a reduced tax for long-term capital gains.

I know there are differences among us -- [laughter] -- about the impact and the effects of a capital gains incentive. So tonight, I'm asking the congressional leaders and the Federal Reserve to cooperate with us in a study, led by Chairman Alan Greenspan, to sort out our technical differences so that we can avoid a return to unproductive partisan bickering.

But just as our efforts will bring economic growth now and in the future, they must also be matched by long-term investments for the next American century. That requires a forward-looking plan of action, and that's exactly what we will be sending to the Congress. We've prepared a detailed series of proposals that include: a budget that promotes investment in America's future -- in children, education, infrastructure, space, and high technology; legislation to achieve excellence in education, building on the partnership forged with the 50 Governors at the education summit, enabling parents to choose their children's schools and helping to make America number one in math and science; a blueprint for a new national highway system, a critical investment in our transportation infrastructure; a research and development agenda that includes record levels of Federal investment, and a permanent tax credit to strengthen private R&D and to create jobs; a comprehensive national energy strategy that calls for energy conservation and efficiency, increased development, and greater use of alternative fuels; a banking reform plan to bring America's financial system into the 21st century so that our banks remain safe and secure and can continue to make job-creating loans for our factories, our businesses, and home buyers.

## **George Bush, “Address Before a Joint Session of the Congress on the State of the Union, (January 1992)**

Seventh, we must get the Federal deficit under control. We now have, in law, enforceable spending caps and a requirement that we pay for the programs we create. There are those in Congress who would ease that discipline now. But I cannot let them do it, and I won't.

My plan would freeze all domestic discretionary budget authority, which means no more next year than this year. I will not tamper with Social Security, but I would put real caps on the growth of uncontrolled spending. And I would also freeze Federal domestic Government employment. And with the help of Congress, my plan will get rid of 246 programs that don't deserve Federal funding. Some of them have noble titles, but none of them is indispensable. We can get rid of each and every one of them.

You know, it's time we rediscovered a home truth the American people have never forgotten: This Government is too big and spends too much. And I call upon Congress to adopt a measure that will help put an end to the annual ritual of filling the budget with pork barrel appropriations. Every year, the press has a field day making fun of outrageous examples: a Lawrence Welk museum, research grants for Belgian endive. We all know how these things get into the budget, and maybe you need someone to help you say no. I know how to say it, and I know what I need to make it stick. Give me the same thing 43 Governors have, the line-item veto, and let me help you control spending.

We must put an end to unfinanced Federal Government mandates. These are the requirements Congress puts on our cities, counties, and States without supplying the money. If Congress passes a mandate, it should be forced to pay for it and balance the cost with savings elsewhere. After all, a mandate just increases someone else's burden, and that means higher taxes at the State and local level.

## **William J. Clinton, “Address Before a Joint Session of Congress on Administration Goals,” (February 1993)**

Our Nation needs a new direction. Tonight I present to you a comprehensive plan to set our Nation on that new course. I believe we will find our new direction in the basic old values that brought us here over the last two centuries: a commitment to opportunity, to individual responsibility, to community, to work, to family, and to faith. We must now break the habits of both political parties and say there can be no more something for nothing and admit frankly that we are all in this together.

The conditions which brought us as a nation to this point are well-known: two decades of low productivity, growth, and stagnant wages; persistent unemployment and underemployment; years of huge Government deficits and declining investment in our future; exploding health care costs and lack of coverage for millions of Americans; legions of poor children; education and job training opportunities inadequate to the

demands of this tough, global economy. For too long we have drifted without a strong sense of purpose or responsibility or community.

The plan I offer you has four fundamental components. First, it shifts our emphasis in public and private spending from consumption to investment, initially by jumpstarting the economy in the short term and investing in our people, their jobs, and their incomes over the long run. Second, it changes the rhetoric of the past into the actions of the present by honoring work and families in every part of our public decision-making. Third, it substantially reduces the Federal deficit honestly and credibly by using in the beginning the most conservative estimates of Government revenues, not, as the executive branch has done so often in the past, using the most optimistic ones. And finally, it seeks to earn the trust of the American people by paying for these plans first with cuts in Government waste and efficiency; second, with cuts, not gimmicks, in Government spending; and by fairness, for a change, in the way additional burdens are borne.

The heart of this plan deals with the long term. It is an investment program designed to increase public and private investment in areas critical to our economic future. And it has a deficit reduction program that will increase the savings available for the private sector to invest, will lower interest rates, will decrease the percentage of the Federal budget claimed by interest payments, and decrease the risk of financial market disruptions that could adversely affect our economy.

Over the long run, all this will bring us a higher rate of economic growth, improved productivity, more high-quality jobs, and an improved economic competitive position in the world. In order to accomplish both increased investment and deficit reduction, something no American Government has ever been called upon to do at the same time before, spending must be cut and taxes must be raised.

The spending cuts I recommend were carefully thought through in a way to minimize any adverse economic impact, to capture the peace dividend for investment purposes, and to switch the balance in the budget from consumption to more investment. The tax increases and the spending cuts were both designed to assure that the cost of this historic program to face and deal with our problems will be borne by those who could readily afford it the most. Our plan is designed, furthermore, and perhaps in some ways most importantly, to improve the health of American business through lower interest rates, more incentives to invest, and better trained workers.

In 1992, we spent 14 percent of our income on health care, more than 30 percent more than any other country in the world, and yet we were the only advanced nation that did not provide a basic package of health care benefits to all of its citizens. Unless we change the present pattern, 50 percent of the growth in the deficit between now and the year 2000 will be in health care costs. By the year 2000 almost 20 percent of our income will be in health care. Our families will never be secure, our businesses will never be strong, and our Government will never again be fully solvent until we tackle the health care crisis. We must do it this year.

The combination of the rising cost of care and the lack of care and the fear of losing care are endangering the security and the very lives of millions of our people. And they are weakening our economy every day. Reducing health care costs can liberate literally hundreds of billions of dollars for new investment in growth and jobs. Bringing health costs in line with inflation would do more for the private sector in this country than any tax cut we could give and any spending program we could promote. Reforming health care over the long run is critically essential to reducing not only our deficit but to expanding investment in America.

But in the end we have to get back to the deficit. For years there's been a lot of talk about it but very few credible efforts to deal with it. And now I understand why, having dealt with the real numbers for 4 weeks. But I believe this plan does; it tackles the budget deficit seriously and over the long term. It puts in place one of the biggest deficit reductions and one of the biggest changes in Federal priorities, from consumption to investment, in the history of this country at the same time over the next 4 years.

Let me say to all the people watching us tonight who will ask me these questions beginning tomorrow as I go around the country and who've asked it in the past: We're not cutting the deficit just because experts say it's the thing to do or because it has some intrinsic merit. We have to cut the deficit because the more we spend paying off the debt, the less tax dollars we have to invest in jobs and education and the future of this country. And the more money we take out of the pool of available savings, the harder it is for people in the private sector to borrow money at affordable interest rates for a college loan for their children, for a home mortgage, or to start a new business.

That's why we've got to reduce the debt, because it is crowding out other activities that we ought to be engaged in and that the American people ought to be engaged in. We cut the deficit so that our children will be able to buy a home, so that our companies can invest in the future and in retraining their workers, so that our Government can make the kinds of investments we need to be a stronger and smarter and safer nation.

If we don't act now, you and I might not even recognize this Government 10 years from now. If we just stay with the same trends of the last 4 years, by the end of the decade the deficit will be \$635 billion a year, almost 80 percent of our gross domestic product. And paying interest on that debt will be the costliest Government program of all. We'll still be the world's largest debtor. And when Members of Congress come here, they'll be devoting over 20 cents on the dollar to interest payments, more than half of the budget to health care and to other entitlements. And you'll come here and deliberate and argue over 6 or 7 cents on the dollar, no matter what America's problems are. We will not be able to have the independence we need to chart the future that we must. And we'll be terribly dependent on foreign funds for a large portion of our investment.

This budget plan, by contrast, will by 1997 cut \$140 billion in that year alone from the deficit, a real spending cut, a real revenue increase, a real deficit reduction, using the independent numbers of the Congressional Budget Office. *[Laughter]* Well, you can laugh, my fellow Republicans, but I'll point out that the Congressional Budget Office was

normally more conservative in what was going to happen and closer to right than previous Presidents have been.

I did this so that we could argue about priorities with the same set of numbers. I did this so that no one could say I was estimating my way out of this difficulty. I did this because if we can agree together on the most prudent revenues we're likely to get if the recovery stays and we do right things economically, then it will turn out better for the American people than we say. In the last 12 years, because there were differences over the revenue estimates, you and I know that both parties were given greater elbow room for irresponsibility. This is tightening the rein on the Democrats as well as the Republicans. Let's at least argue about the same set of numbers so the American people will think we're shooting straight with them.

As I said earlier, my recommendation makes more than 150 difficult reductions to cut the Federal spending by a total of \$246 billion. We are eliminating programs that are no longer needed, such as nuclear power research and development. We're slashing subsidies and canceling wasteful projects. But many of these programs were justified in their time, and a lot of them are difficult for me to recommend reductions in, some really tough ones for me personally. I recommend that we reduce interest subsidies to the Rural Electric Administration. That's a difficult thing for me to recommend. But I think that I cannot exempt the things that exist in my State or in my experience, if I ask you to deal with things that are difficult for you to deal with. We're going to have to have no sacred cows except the fundamental abiding interest of the American people.

I have to say that we all know our Government has been just great at building programs. The time has come to show the American people that we can limit them too; that we can not only start things, that we can actually stop things.

About the defense budget, I raise a hope and a caution. As we restructure our military forces to meet the new threats of the post-cold-war world, it is true that we can responsibly reduce our defense budget. And we may all doubt what that range of reductions is, but let me say that as long as I am President, I will do everything I can to make sure that the men and women who serve under the American flag will remain the best trained, the best prepared, the best equipped fighting force in the world. And every one of you should make that solemn pledge. We still have responsibilities around the world. We are the world's only superpower. This is still a dangerous and uncertain time, and we owe it to the people in uniform to make sure that we adequately provide for the national defense and for their interests and needs. Backed by an effective national defense and a stronger economy, our Nation will be prepared to lead a world challenged as it is everywhere by ethnic conflict, by the proliferation of weapons of mass destruction, by the global democratic revolution, and by challenges to the health of our global environment.

Let me be clear: There will also be no new cuts in benefits for Medicare. As we move toward the 4th year, with the explosion in health care costs, as I said, projected to account for 50 percent of the growth of the deficit between now and the year 2000, there must be planned cuts in payments to providers, to doctors, to hospitals, to labs, as

a way of controlling health care costs. But I see these only as a stopgap until we can reform the entire health care system. If you'll help me do that, we can be fair to the providers and to the consumers of health care. Let me repeat this, because I know it matters to a lot of you on both sides of the aisle. This plan does not make a recommendation for new cuts in Medicare benefits for any beneficiary.

Secondly, the only change we are making in Social Security is one that has already been publicized. The plan does ask older Americans with higher incomes, who do not rely solely on Social Security to get by, to contribute more. This plan will not affect the 80 percent of Social Security recipients who do not pay taxes on Social Security now. Those who do not pay tax on Social Security now will not be affected by this plan.

Our plan does include a broad-based tax on energy, and I want to tell you why I selected this and why I think it's a good idea. I recommend that we adopt a Btu tax on the heat content of energy as the best way to provide us with revenue to lower the deficit because it also combats pollution, promotes energy efficiency, promotes the independence, economically, of this country as well as helping to reduce the debt, and because it does not discriminate against any area. Unlike a carbon tax, that's not too hard on the coal States; unlike a gas tax, that's not too tough on people who drive a long way to work; unlike an ad valorem tax, it doesn't increase just when the price of an energy source goes up. And it is environmentally responsible. It will help us in the future as well as in the present with the deficit.

Now, I ask all of you to consider this: Whatever you think of the tax program, whatever you think of the spending cuts, consider the cost of not changing. Remember the numbers that you all know. If we just keep on doing what we're doing, by the end of the decade we'll have a \$650-billion-a-year deficit. If we just keep on doing what we're doing, by the end of the decade 20 percent of our national income will go to health care every year, twice as much as any other country on the face of the globe. If we just keep on doing what we're doing, over 20 cents on the dollar will have to go to service the debt.

### **William J. Clinton, "Address Before a Joint Session of the Congress on the State of the Union," (January 1994)**

For the 12 years of trickle-down economics, we built a false prosperity on a hollow base as our national debt quadrupled.

In 1992, the American people demanded that we change. A year ago I asked all of you to join me in accepting responsibility for the future of our country. Well, we did. We replaced drift and deadlock with renewal and reform. And I want to thank every one of you here who heard the American people, who broke gridlock, who gave them the most successful teamwork between a President and a Congress in 30 years.

This Congress produced a budget that cut the deficit by half a trillion dollars, cut spending, and raised income taxes on only the wealthiest Americans. This Congress

produced tax relief for millions of low-income workers to reward work over welfare. It produced NAFTA.

Last year we began to put our house in order by tackling the budget deficit that was driving us toward bankruptcy. We cut \$255 billion in spending, including entitlements, and over 340 separate budget items. We froze domestic spending and used honest budget numbers.

Led by the Vice President, we launched a campaign to reinvent Government. We cut staff, cut perks, even trimmed the fleet of Federal limousines. After years of leaders whose rhetoric attacked bureaucracy but whose action expanded it, we will actually reduce it by 252,000 people over the next 5 years. By the time we have finished, the Federal bureaucracy will be at its lowest point in 30 years.

Because the deficit was so large and because they benefited from tax cuts in the 1980's, we did ask the wealthiest Americans to pay more to reduce the deficit. So on April 15th, the American people will discover the truth about what we did last year on taxes. Only the top 1—[*applause*]*—yes, listen, the top 1.2 percent of Americans, as I said all along, will pay higher income tax rates. Let me repeat: Only the wealthiest 1.2 percent of Americans will face higher income tax rates, and no one else will. And that is the truth.*

Of course, there were, as there always are in politics, naysayers who said this plan wouldn't work. But they were wrong. When I became President, the experts predicted that next year's deficit would be \$300 billion. But because we acted, those same people now say the deficit is going to be under \$180 billion, 40 percent lower than was previously predicted.

Next month I will send you one of the toughest budgets ever presented to Congress. It will cut spending in more than 300 programs, eliminate 100 domestic programs, and reform the ways in which governments buy goods and services. This year we must again make the hard choices to live within the hard spending ceilings we have set. We must do it. We have proved we can bring the deficit down without choking off recovery, without punishing seniors or the middle class, and without putting our national security at risk. If you will stick with this plan, we will post 3 consecutive years of declining deficits for the first time since Harry Truman lived in the White House. And once again, the buck stops here.

Our economic plan also bolsters our strength and our credibility around the world. Once we reduced the deficit and put the steel back into our competitive edge, the world echoed with the sound of falling trade barriers. In one year, with NAFTA, with GATT, with our efforts in Asia and the national export strategy, we did more to open world markets to American products than at any time in the last two generations. That means more jobs and rising living standards for the American people, low deficits, low inflation, low interest rates, low trade barriers, and high investments. These are the building blocks of our recovery. But if we want to take full advantage of the opportunities before us in the global economy, you all know we must do more.

As we reduce defense spending, I ask Congress to invest more in the technologies of tomorrow. Defense conversion will keep us strong militarily and create jobs for our people here at home. As we protect our environment, we must invest in the environmental technologies of the future which will create jobs. This year we will fight for a revitalized Clean Water Act and a Safe Drinking Water Act and a reformed Superfund program. And the Vice President is right, we must also work with the private sector to connect every classroom, every clinic, every library, every hospital in America into a national information superhighway by the year 2000. Think of it: Instant access to information will increase productivity, will help to educate our children. It will provide better medical care. It will create jobs. And I call on the Congress to pass legislation to establish that information superhighway this year.

**William J. Clinton, “Address Before a Joint Session of the Congress on the State of the Union,” (January 1995)**

For years, Congress concealed in the budget scores of pet spending projects. Last year was no difference. There was a \$1 million to study stress in plants and \$12 million for a tick removal program that didn't work. It's hard to remove ticks. Those of us who have had them know. [*Laughter*] But I'll tell you something, if you'll give me line-item veto, I'll remove some of that unnecessary spending.

But I think we should all remember, and almost all of us would agree, that Government still has important responsibilities. Our young people—we should think of this when we cut—our young people hold our future in their hands. We still owe a debt to our veterans. And our senior citizens have made us what we are. Now, my budget cuts a lot. But it protects education, veterans, Social Security, and Medicare, and I hope you will do the same thing. You should, and I hope you will.

And when we give more flexibility to the States, let us remember that there are certain fundamental national needs that should be addressed in every State, North and South, East and West: Immunization against childhood disease, school lunches in all our schools, Head Start, medical care and nutrition for pregnant women and infants, all these things, all these things are in the national interest.

I applaud your desire to get rid of costly and unnecessary regulations. But when we deregulate, let's remember what national action in the national interest has given us: safer food for our families, safer toys for our children, safer nursing homes for our parents, safer cars and highways, and safer workplaces, cleaner air, and cleaner water. Do we need common sense and fairness in our regulations? You bet we do. But we can have common sense and still provide for safe drinking water. We can have fairness and still clean up toxic dumps, and we ought to do it.

Should we cut the deficit more? Well, of course we should. Of course we should. But we can bring it down in a way that still protects our economic recovery and does not unduly punish people who should not be punished but instead should be helped.

I know many of you in this Chamber support the balanced budget amendment. I certainly want to balance the budget. Our administration has done more to bring the budget down and to save money than any in a very, very long time. If you believe passing this amendment is the right thing to do, then you have to be straight with the American people. They have a right to know what you're going to cut, what taxes you're going to raise, and how it's going to affect them. We should be doing things in the open around here. For example, everybody ought to know if this proposal is going to endanger Social Security. I would oppose that, and I think most Americans would.

Now, any one of us can call for a tax cut, but I won't accept one that explodes the deficit or puts our recovery at risk. We ought to pay for our tax cuts fully and honestly.

Just 2 years ago, it was an open question whether we would find the strength to cut the deficit. Thanks to the courage of the people who were here then, many of whom didn't return, we did cut the deficit. We began to do what others said would not be done. We cut the deficit by over \$600 billion, about \$10,000 for every family in this country. It's coming down 3 years in a row for the first time since Mr. Truman was President, and I don't think anybody in America wants us to let it explode again.

**William J. Clinton, "Address Before a Joint Session of the Congress on the State of the Union," (January 1996)**

Here, in this place, our responsibility begins with balancing the budget in a way that is fair to all Americans. There is now broad bipartisan agreement that permanent deficit spending must come to an end. I compliment the Republican leadership and the membership for the energy and determination you have brought to this task of balancing the budget. And I thank the Democrats for passing the largest deficit reduction plan in history in 1993, which has already cut the deficit nearly in half in 3 years.

Since 1993, we have all begun to see the benefits of deficit reduction. Lower interest rates have made it easier for businesses to borrow and to invest and to create new jobs. Lower interest rates have brought down the cost of home mortgages, car payments, and credit card rates to ordinary citizens. Now it is time to finish the job and balance the budget.

Though differences remain among us which are significant, the combined total of the proposed savings that are common to both plans is more than enough, using the numbers from your Congressional Budget Office, to balance the budget in 7 years and to provide a modest tax cut.

On behalf of all Americans, especially those who need their Social Security payments at the beginning of March, I also challenge the Congress to preserve the full faith and credit of the United States, to honor the obligations of this great Nation as we have for

220 years, to rise above partisanship and pass a straightforward extension of the debt limit and show people America keeps its word.

**William J. Clinton, “Address Before a Joint Session of the Congress on the State of the Union,” (January 1997)**

Over the last 4 years, we have brought new economic growth by investing in our people, expanding our exports, cutting our deficits, creating over 11 million new jobs, a 4-year record. Now we must keep our economy the strongest in the world. We here tonight have an historic opportunity. Let this Congress be the Congress that finally balances the budget.

In 2 days I will propose a detailed plan to balance the budget by 2002. This plan will balance the budget and invest in our people while protecting Medicare, Medicaid, education, and the environment. It will balance the budget and build on the Vice President's efforts to make our Government work better, even as it costs less. It will balance the budget and provide middle class tax relief to pay for education and health care, to help to raise a child, to buy and sell a home.

Balancing the budget requires only your vote and my signature. It does not require us to rewrite our Constitution. I believe it is both unnecessary and unwise to adopt a balanced budget amendment that could cripple our country in time of economic crisis and force unwanted results, such as judges halting Social Security checks or increasing taxes. Let us at least agree, we should not pass any measure—no measure should be passed that threatens Social Security. Whatever your view on that, we all must concede: We don't need a constitutional amendment; we need action.

Whatever our differences, we should balance the budget now. And then, for the long-term health of our society, we must agree to a bipartisan process to preserve Social Security and reform Medicare for the long run, so that these fundamental programs will be as strong for our children as they are for our parents.

**William J. Clinton, “Address Before a Joint Session of the Congress on the State of the Union,” (January 1998)**

When I took office, the deficit for 1998 was projected to be \$357 billion and heading higher. This year, our deficit is projected to be \$10 billion and heading lower. For three decades, six Presidents have come before you to warn of the damage deficits pose to our Nation. Tonight I come before you to announce that the Federal deficit, once so incomprehensibly large that it had 11 zeros, will be, simply, zero. I will submit to Congress for 1999 the first balanced budget in 30 years. And if we hold fast to fiscal discipline, we may balance the budget this year—4 years ahead of schedule.

You can all be proud of that, because turning a sea of red ink into black is no miracle. It is the product of hard work by the American people and of two visionary actions in Congress: the courageous vote in 1993 that led to a cut in the deficit of 90 percent, and the truly historic bipartisan balanced budget agreement passed by this Congress. Here's the really good news: If we maintain our resolve, we will produce balanced budgets as far as the eye can see.

We must not go back to unwise spending or untargeted tax cuts that risk reopening the deficit. Last year, together, we enacted targeted tax cuts so that the typical middle class family will now have the lowest tax rates in 20 years. My plan to balance the budget next year includes both new investments and new tax cuts targeted to the needs of working families, for education, for child care, for the environment.

But whether the issue is tax cuts or spending, I ask all of you to meet this test: Approve only those priorities that can actually be accomplished without adding a dime to the deficit.

Now, if we balance the budget for next year, it is projected that we'll then have a sizable surplus in the years that immediately follow. What should we do with this projected surplus? I have a simple four-word answer: Save Social Security first.

Tonight I propose that we reserve 100 percent of the surplus—that's every penny of any surplus—until we have taken all the necessary measures to strengthen the Social Security system for the 21st century. Let us say to all Americans watching tonight—whether you're 70 or 50 or whether you just started paying into the system—Social Security will be there when you need it. Let us make this commitment: Social Security first. Let's do that together.

I also want to say that all the American people who are watching us tonight should be invited to join in this discussion, in facing these issues squarely and forming a true consensus on how we should proceed. We'll start by conducting nonpartisan forums in every region of the country, and I hope that lawmakers of both parties will participate. We'll hold a White House conference on Social Security in December. And one year from now, I will convene the leaders of Congress to craft historic, bipartisan legislation to achieve a landmark for our generation: a Social Security system that is strong in the 21st century.

**William J. Clinton, “Address Before a Joint Session of the Congress on the State of the Union,” (January 1999)**

Tonight I stand before you to report that America has created the longest peacetime economic expansion in our history with nearly 18 million new jobs, wages rising at more than twice the rate of inflation, the highest homeownership in history, the smallest welfare rolls in 30 years, and the lowest peacetime unemployment since 1957.

For the first time in three decades, the budget is balanced. From a deficit of \$290 billion in 1992, we had a surplus of \$70 billion last year. And now we are on course for budget surpluses for the next 25 years.

of our prosperity to lull us into complacency. How we fare as a nation far into the 21st century depends upon what we do as a nation today. So with our budget surplus growing, our economy expanding, our confidence rising, now is the moment for this generation to meet our historic responsibility to the 21st century.

Our fiscal discipline gives us an unsurpassed opportunity to address a remarkable new challenge, the aging of America. With the number of elderly Americans set to double by 2030, the baby boom will become a senior boom. So first, and above all, we must save Social Security for the 21st century.

Early in this century, being old meant being poor. When President Roosevelt created Social Security, thousands wrote to thank him for eliminating what one woman called "the stark terror of penniless, helpless old age." Even today, without Social Security, half our Nation's elderly would be forced into poverty.

Today, Social Security is strong. But by 2013, payroll taxes will no longer be sufficient to cover monthly payments. By 2032, the Trust Fund will be exhausted and Social Security will be unable to pay the full benefits older Americans have been promised.

The best way to keep Social Security a rock-solid guarantee is not to make drastic cuts in benefits, not to raise payroll tax rates, not to drain resources from Social Security in the name of saving it. Instead, I propose that we make the historic decision to invest the surplus to save Social Security.

Specifically, I propose that we commit 60 percent of the budget surplus for the next 15 years to Social Security, investing a small portion in the private sector, just as any private or State Government pension would do. This will earn a higher return and keep Social Security sound for 55 years.

But we must aim higher. We should put Social Security on a sound footing for the next 75 years. We should reduce poverty among elderly women, who are nearly twice as likely to be poor as our other seniors. And we should eliminate the limits on what seniors on Social Security can earn.

Now, these changes will require difficult but fully achievable choices, over and above the dedication of the surplus. They must be made on a bipartisan basis. They should be made this year. So let me say to you tonight, I reach out my hand to all of you in both Houses, in both parties, and ask that we join together in saying to the American people: We will save Social Security now.

Now, last year we wisely reserved all of the surplus until we knew what it would take to save Social Security. Again, I say, we shouldn't spend any of it, not any of it, until after Social Security is truly saved. First things first.

Second, once we have saved Social Security, we must fulfill our obligation to save and improve Medicare. Already, we have extended the life of the Medicare Trust Fund by 10 years, but we should extend it for at least another decade. Tonight I propose that we use one out of every \$6 in the surplus for the next 15 years to guarantee the soundness of Medicare until the year 2020.

But again, we should aim higher. We must be willing to work in a bipartisan way and look at new ideas, including the upcoming report of the bipartisan Medicare Commission. If we work together, we can secure Medicare for the next two decades and cover the greatest growing need of seniors, affordable prescription drugs.

Third, we must help all Americans, from their first day on the job, to save, to invest, to create wealth. From its beginning, Americans have supplemented Social Security with private pensions and savings. Yet today, millions of people retire with little to live on other than Social Security. Americans living longer than ever simply must save more than ever.

Therefore, in addition to saving Social Security and Medicare, I propose a new pension initiative for retirement security in the 21st century. I propose that we use a little over 11 percent of the surplus to establish universal savings accounts—USA accounts—to give all Americans the means to save. With these new accounts, Americans can invest as they choose and receive funds to match a portion of their savings, with extra help for those least able to save. USA accounts will help all Americans to share in our Nation's wealth and to enjoy a more secure retirement. I ask you to support them.

Fourth, we must invest in long-term care. I propose a tax credit of \$1,000 for the aged, ailing or disabled, and the families who care for them. Long-term care will become a bigger and bigger challenge with the aging of America, and we must do more to help our families deal with it.

I was born in 1946, the first year of the baby boom. I can tell you that one of the greatest concerns of our generation is our absolute determination not to let our growing old place an intolerable burden on our children and their ability to raise our grandchildren. Our economic success and our fiscal discipline now give us an opportunity to lift that burden from their shoulders, and we should take it.

Saving Social Security, Medicare, creating USA accounts, this is the right way to use the surplus. If we do so—if we do so—we will still have resources to meet critical needs in education and defense. And I want to point out that this proposal is fiscally sound. Listen to this: If we set aside 60 percent of the surplus for Social Security and 16 percent for Medicare, over the next 15 years, that saving will achieve the lowest level of publicly held debt since right before World War I, in 1917.

So with these four measures—saving Social Security, strengthening Medicare, establishing the USA accounts, supporting long-term care— we can begin to meet our generation's historic responsibility to establish true security for 21st century seniors.

**William J. Clinton, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2000)**

To 21st century America, let us pledge these things: Every child will begin school ready to learn and graduate ready to succeed. Every family will be able to succeed at home and at work, and no child will be raised in poverty. We will meet the challenge of the aging of America. We will assure quality, affordable health care, at last, for all Americans. We will make America the safest big country on Earth. We will pay off our national debt for the first time since 1835.

Now, 2 years ago—let me try to balance the seesaw here—*[laughter]*—2 years ago, as we reached across party lines to reach our first balanced budget, I asked that we meet our responsibility to the next generation by maintaining our fiscal discipline. Because we refused to stray from that path, we are doing something that would have seemed unimaginable 7 years ago. We are actually paying down the national debt. Now, if we stay on this path, we can pay down the debt entirely in just 13 years now and make America debt-free for the first time since Andrew Jackson was President in 1835.

In 1993 we began to put our fiscal house in order with the Deficit Reduction Act, which you'll all remember won passages in both Houses by just a single vote. Your former colleague, my first Secretary of the Treasury, led that effort and sparked our long boom. He's here with us tonight. Lloyd Bentsen, you have served America well, and we thank you.

Beyond paying off the debt, we must ensure that the benefits of debt reduction go to preserving two of the most important guarantees we make to every American, Social Security and Medicare. Tonight I ask you to work with me to make a bipartisan downpayment on Social Security reform by crediting the interest savings from debt reduction to the Social Security Trust Fund so that it will be strong and sound for the next 50 years.

We can do these things without forsaking the path of fiscal discipline that got us to this point here tonight. Indeed, we must make these investments and these tax cuts in the context of a balanced budget that strengthens and extends the life of Social Security and Medicare and pays down the national debt.

My budget includes a comprehensive plan to reform Medicare, to make it more efficient and more competitive. And it dedicates nearly \$400 billion of our budget surplus to keep Medicare solvent past 2025. And at long last, it also provides funds to give every senior a voluntary choice of affordable coverage for prescription drugs.

## **George W. Bush, “Address Before a Joint Session of the Congress on Administration Goals,” (February 2001)**

America today is a nation with great challenges but greater resources. An artist using statistics as a brush could paint two very different pictures of our country. One would have warning signs: increasing layoffs, rising energy prices, too many failing schools, persistent poverty, the stubborn vestiges of racism. Another picture would be full of blessings: a balanced budget, big surpluses, a military that is second to none, a country at peace with its neighbors, technology that is revolutionizing the world, and our greatest strength, concerned citizens who care for our country and care for each other.

And my budget is based on that philosophy. It is reasonable, and it is responsible. It meets our obligations and funds our growing needs. We increase spending next year for Social Security and Medicare and other entitlement programs by \$81 billion. We've increased spending for discretionary programs by a very responsible 4 percent, above the rate of inflation. My plan pays down an unprecedented amount of our national debt. And then, when money is still left over, my plan returns it to the people who earned it in the first place.

A budget's impact is counted in dollars but measured in lives. Excellent schools, quality health care, a secure retirement, a cleaner environment, a stronger defense: These are all important needs, and we fund them. The highest percentage increase in our budget should go to our children's education. Education is not my top priority— education is my top priority, and by supporting this budget, you'll make it yours, as well.

Another priority in my budget is to keep the vital promises of Medicare and Social Security, and together we will do so. To meet the health care needs of all America's seniors, we double the Medicare budget over the next 10 years. My budget dedicates \$238 billion to Medicare next year alone, enough to fund all current programs and to begin a new prescription drug benefit for low-income seniors. No senior in America should have to choose between buying food and buying prescriptions.

To make sure the retirement savings of America's seniors are not diverted into any other program, my budget protects all \$2.6 trillion of the Social Security surplus for Social Security and for Social Security alone.

My budget puts a priority on access to health care, without telling Americans what doctor they have to see or what coverage they must choose. Many working Americans do not have health care coverage, so we will help them buy their own insurance with refundable tax credits. And to provide quality care in low-income neighborhoods, over the next 5 years we will double the number of people served at community health care centers. And we will address the concerns of those who have health coverage, yet worry their insurance company doesn't care and won't pay.

Many of you have talked about the need to pay down our national debt. I listened, and I agree. We owe it to our children and grandchildren to act now, and I hope you will join me to pay down \$2 trillion in debt during the next 10 years. At the end of those 10 years,

we will have paid down all the debt that is available to retire. That is more debt, repaid more quickly than has ever been repaid by any nation at any time in history.

We should also prepare for the unexpected, for the uncertainties of the future. We should approach our Nation's budget as any prudent family would, with a contingency fund for emergencies or additional spending needs. For example, after a strategic review, we may need to increase defense spending. We may need to increase spending for our farmers or additional money to reform Medicare. And so, my budget sets aside almost a trillion dollars over 10 years for additional needs. That is one trillion additional reasons you can feel comfortable supporting this budget.

We have increased our budget at a responsible 4 percent. We have funded our priorities. We paid down all the available debt. We have prepared for contingencies. And we still have money left over.

### **George W. Bush, "Address Before a Joint Session of the Congress on the State of the Union," (January 2002)**

We last met in an hour of shock and suffering. In 4 short months, our Nation has comforted the victims, begun to rebuild New York and the Pentagon, rallied a great coalition, captured, arrested, and rid the world of thousands of terrorists, destroyed Afghanistan's terrorist training camps, saved a people from starvation, and freed a country from brutal oppression.

The American flag flies again over our Embassy in Kabul. Terrorists who once occupied Afghanistan now occupy cells at Guantanamo Bay. And terrorist leaders who urged followers to sacrifice their lives are running for their own.

Our first priority must always be the security of our Nation, and that will be reflected in the budget I send to Congress. My budget supports three great goals for America: We will win this war; we will protect our homeland; and we will revive our economy.

September the 11th brought out the best in America and the best in this Congress. And I join the American people in applauding your unity and resolve. Now Americans deserve to have this same spirit directed toward addressing problems here at home. I'm a proud member of my party. Yet as we act to win the war, protect our people, and create jobs in America, we must act, first and foremost, not as Republicans, not as Democrats but as Americans.

It costs a lot to fight this war. We have spent more than a billion dollars a month, over \$30 million a day, and we must be prepared for future operations. Afghanistan proved that expensive precision weapons defeat the enemy and spare innocent lives, and we need more of them. We need to replace aging aircraft and make our military more agile to put our troops anywhere in the world quickly and safely. Our men and women in

uniform deserve the best weapons, the best equipment, the best training, and they also deserve another pay raise.

My budget includes the largest increase in defense spending in two decades, because while the price of freedom and security is high, it is never too high. Whatever it costs to defend our country, we will pay.

The next priority of my budget is to do everything possible to protect our citizens and strengthen our Nation against the ongoing threat of another attack. Time and distance from the events of September the 11th will not make us safer unless we act on its lessons. America is no longer protected by vast oceans. We are protected from attack only by vigorous action abroad and increased vigilance at home.

My budget nearly doubles funding for a sustained strategy of homeland security, focused on four key areas: bioterrorism, emergency response, airport and border security, and improved intelligence. We will develop vaccines to fight anthrax and other deadly diseases. We'll increase funding to help States and communities train and equip our heroic police and firefighters. We will improve intelligence collection and sharing, expand patrols at our borders, strengthen the security of air travel, and use technology to track the arrivals and departures of visitors to the United States.

Once we have funded our national security and our homeland security, the final great priority of my budget is economic security for the American people. To achieve these great national objectives—to win the war, protect the homeland, and revitalize our economy—our budget will run a deficit that will be small and short term, so long as Congress restrains spending and acts in a fiscally responsible manner. We have clear priorities, and we must act at home with the same purpose and resolve we have shown overseas. We'll prevail in the war, and we will defeat this recession.

A good job should lead to security in retirement. I ask Congress to enact new safeguards for 401(k) and pension plans. Employees who have worked hard and saved all their lives should not have to risk losing everything if their company fails. Through stricter accounting standards and tougher disclosure requirements, corporate America must be made more accountable to employees and shareholders and held to the highest standards of conduct.

Retirement security also depends upon keeping the commitments of Social Security, and we will. We must make Social Security financially stable and allow personal retirement accounts for younger workers who choose them.

**George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2003)**

Lower taxes and greater investment will help this economy expand. More jobs mean more taxpayers and higher revenues to our Government. The best way to address the

deficit and move toward a balanced budget is to encourage economic growth and to show some spending discipline in Washington, DC.

We must work together to fund only our most important priorities. I will send you a budget that increases discretionary spending by 4 percent next year, about as much as the average family's income is expected to grow. And that is a good benchmark for us. Federal spending should not rise any faster than the paychecks of American families.

A growing economy and a focus on essential priorities will be crucial to the future of Social Security. As we continue to work together to keep Social Security sound and reliable, we must offer younger workers a chance to invest in retirement accounts that they will control and they will own.

Our second goal is high quality, affordable health for all Americans. The American system of medicine is a model of skill and innovation, with a pace of discovery that is adding good years to our lives. Yet for many people, medical care costs too much, and many have no health coverage at all. These problems will not be solved with a nationalized health care system that dictates coverage and rations care.

Instead, we must work toward a system in which all Americans have a good insurance policy, choose their own doctors, and seniors and low-income Americans receive the help they need. Instead of bureaucrats and trial lawyers and HMOs, we must put doctors and nurses and patients back in charge of American medicine.

Health care reform must begin with Medicare. Medicare is the binding commitment of a caring society. We must renew that commitment by giving seniors access to preventive medicine and new drugs that are transforming health care in America.

Seniors happy with the current Medicare system should be able to keep their coverage just the way it is. And just like you, the Members of Congress, and your staffs and other Federal employees, all seniors should have the choice of a health care plan that provides prescription drugs.

My budget will commit an additional \$400 billion over the next decade to reform and strengthen Medicare. Leaders of both political parties have talked for years about strengthening Medicare. I urge the Members of this new Congress to act this year.

To improve our health care system, we must address one of the prime causes of higher cost, the constant threat that physicians and hospitals will be unfairly sued. Because of excessive litigation, everybody pays more for health care, and many parts of America are losing fine doctors. No one has ever been healed by a frivolous lawsuit. I urge the Congress to pass medical liability reform.

**George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2004)**

In 2 weeks, I will send you a budget that funds the war, protects the homeland, and meets important domestic needs while limiting the growth in discretionary spending to less than 4 percent. This will require that Congress focus on priorities, cut wasteful spending, and be wise with the people's money. By doing so, we can cut the deficit in half over the next 5 years.

My administration is promoting free and fair trade to open up new markets for America's entrepreneurs and manufacturers and farmers, to create jobs for American workers. Younger workers should have the opportunity to build a nest egg by saving part of their Social Security taxes in a personal retirement account. We should make the Social Security system a source of ownership for the American people. And we should limit the burden of Government on this economy by acting as good stewards of taxpayers' dollars.

**George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (February 2005)**

America's prosperity requires restraining the spending appetite of the Federal Government. I welcome the bipartisan enthusiasm for spending discipline. I will send you a budget that holds the growth of discretionary spending below inflation, makes tax relief permanent, and stays on track to cut the deficit in half by 2009. My budget substantially reduces or eliminates more than 150 Government programs that are not getting results or duplicate current efforts or do not fulfill essential priorities. The principle here is clear: Taxpayer dollars must be spent wisely or not at all.

**George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2006)**

Keeping America competitive requires us to be good stewards of tax dollars. Every year of my Presidency, we've reduced the growth of nonsecurity discretionary spending, and last year, you passed bills that cut this spending. This year, my budget will cut it again and reduce or eliminate more than 140 programs that are performing poorly or not fulfilling essential priorities. By passing these reforms, we will save the American taxpayer another \$14 billion next year and stay on track to cut the deficit in half by 2009.

I am pleased that Members of Congress are working on earmark reform, because the Federal budget has too many special interest projects. And we can tackle this problem together, if you pass the line-item veto.

We must also confront the larger challenge of mandatory spending, or entitlements. This year, the first of about 78 million baby boomers turn 60, including two of my dad's favorite people—me and President Clinton. *[Laughter]* This milestone is more than a personal crisis—*[laughter]*— it is a national challenge. The retirement of the baby boom generation will put unprecedented strains on the Federal Government. By 2030, spending for Social Security, Medicare, and Medicaid alone will be almost 60 percent of the entire Federal budget. And that will present future Congresses with impossible choices: staggering tax increases, immense deficits, or deep cuts in every category of spending. Congress did not act last year on my proposal to save Social Security, yet the rising cost of entitlements is a problem that is not going away. And every year we fail to act, the situation gets worse.

So tonight I ask you to join me in creating a commission to examine the full impact of baby boom retirements on Social Security, Medicare, and Medicaid. This commission should include Members of Congress of both parties and offer bipartisan solutions. We need to put aside partisan politics and work together and get this problem solved.

### **George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2007)**

Next week, I'll deliver a full report on the state of our economy. Tonight I want to discuss three economic reforms that deserve to be priorities for this Congress.

First, we must balance the Federal budget. We can do so without raising taxes. What we need is spending discipline in Washington, DC. We set a goal of cutting the deficit in half by 2009 and met that goal 3 years ahead of schedule. Now let us take the next step. In the coming weeks, I will submit a budget that eliminates the Federal deficit within the next 5 years. I ask you to make the same commitment. Together, we can restrain the spending appetite of the Federal Government, and we can balance the Federal budget.

Next, there is the matter of earmarks. These special interest items are often slipped into bills at the last hour, when not even C-SPAN is watching. *[Laughter]* In 2005 alone, the number of earmarks grew to over 13,000 and totaled nearly \$18 billion. Even worse, over 90 percent of the earmarks never make it to the floor of the House and Senate. They are dropped into committee reports that are not even part of the bill that arrives on my desk. You didn't vote them into law, I didn't sign them into law, yet they're treated as if they have the force of law. The time has come to end this practice. So let us work together to reform the budget process, expose every earmark to the light of day and to a vote in Congress, and cut the number and cost of earmarks at least in half by the end of this session.

And finally, to keep this economy strong, we must take on the challenge of entitlements. Social Security and Medicare and Medicaid are commitments of conscience, and so it is our duty to keep them permanently sound. Yet we're failing in that duty. And this failure will one day leave our children with three bad options: huge tax increases, huge deficits,

or huge and immediate cuts in benefits. Everyone in this Chamber knows this to be true, yet somehow we have not found it in ourselves to act. So let us work together and do it now. With enough good sense and good will, you and I can fix Medicare and Medicaid and save Social Security.

**George W. Bush, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2008)**

In the long run, Americans can be confident about our economic growth. But in the short run, we can all see that that growth is slowing. So last week, my administration reached agreement with Speaker Pelosi and Republican Leader Boehner on a robust growth package that includes tax relief for individuals and families and incentives for business investment. The temptation will be to load up the bill. That would delay it or derail it, and neither option is acceptable. This is a good agreement that will keep our economy growing and our people working, and this Congress must pass it as soon as possible.

We have other work to do on taxes. Unless Congress acts, most of the tax relief we've delivered over the past 7 years will be taken away. Some in Washington argue that letting tax relief expire is not a tax increase. Try explaining that to 116 million American taxpayers who would see their taxes rise by an average of \$1,800. Others have said they would personally be happy to pay higher taxes. I welcome their enthusiasm. I'm pleased to report that the IRS accepts both checks and money orders. [*Laughter*]

Most Americans think their taxes are high enough. With all the other pressures on their finances, American families should not have to worry about their Federal Government taking a bigger bite out of their paychecks. There's only one way to eliminate this uncertainty: Make the tax relief permanent. And Members of Congress should know, if any bill raises taxes reaches my desk, I will veto it.

Just as we trust Americans with their own money, we need to earn their trust by spending their tax dollars wisely. Next week, I'll send you a budget that terminates or substantially reduces 151 wasteful or bloated programs, totaling more than \$18 billion. The budget that I will submit will keep America on track for a surplus in 2012. American families have to balance their budgets; so should their Government.

There are two other pressing challenges that I've raised repeatedly before this body and that this body has failed to address: entitlement spending and immigration. Every Member in this Chamber knows that spending on entitlement programs like Social Security, Medicare, and Medicaid is growing faster than we can afford. We all know the painful choices ahead if America stays on this path: massive tax increases, sudden and drastic cuts in benefits, or crippling deficits. I've laid out proposals to reform these programs. Now I ask Members of Congress to offer your proposals and come up with a bipartisan solution to save these vital programs for our children and our grandchildren.

**Barack Obama, “Address Before a Joint Session of the Congress,”  
(February 2009)**

The fact is, our economy did not fall into decline overnight, nor did all of our problems begin when the housing market collapsed or the stock market sank. We have known for decades that our survival depends on finding new sources of energy, yet we import more oil today than ever before. The cost of health care eats up more and more of our savings each year, yet we keep delaying reform. Our children will compete for jobs in a global economy that too many of our schools do not prepare them for. And though all these challenges went unsolved, we still managed to spend more money and pile up more debt, both as individuals and through our Government, than ever before.

Now is the time to act boldly and wisely to not only revive this economy, but to build a new foundation for lasting prosperity. Now is the time to jump-start job creation, restart lending, and invest in areas like energy, health care, and education that will grow our economy, even as we make hard choices to bring our deficit down. That is what my economic agenda is designed to do, and that is what I'd like to talk to you about tonight. It's an agenda that begins with jobs.

As soon as I took office, I asked this Congress to send me a recovery plan by President's Day that would put people back to work and put money in their pockets, not because I believe in bigger Government--I don't--not because I'm not mindful of the massive debt we've inherited--I am. I called for action because the failure to do so would have cost more jobs and caused more hardship. In fact, a failure to act would have worsened our long-term deficit by assuring weak economic growth for years. And that's why I pushed for quick action. And tonight I am grateful that this Congress delivered and pleased to say that the American Recovery and Reinvestment Act is now law.

The recovery plan and the financial stability plan are the immediate steps we're taking to revive our economy in the short term. But the only way to fully restore America's economic strength is to make the long-term investments that will lead to new jobs, new industries, and a renewed ability to compete with the rest of the world. The only way this century will be another American century is if we confront at last the price of our dependence on oil and the high cost of health care, the schools that aren't preparing our children and the mountain of debt they stand to inherit. That is our responsibility.

In the next few days, I will submit a budget to Congress. So often, we've come to view these documents as simply numbers on a page or a laundry list of programs. I see this document differently. I see it as a vision for America, as a blueprint for our future.

My budget does not attempt to solve every problem or address every issue. It reflects the stark reality of what we've inherited, a trillion-dollar deficit, a financial crisis, and a costly recession. Given these realities, everyone in this Chamber, Democrats and Republicans, will have to sacrifice some worthy priorities for which there are no dollars. And that includes me. But that does not mean we can afford to ignore our long-term challenges. I reject the view that says our problems will simply take care of themselves, that says Government has no role in laying the foundation for our common prosperity.

There is, of course, another responsibility we have to our children. And that's the responsibility to ensure that we do not pass on to them a debt they cannot pay. That is critical. *[Applause]* I agree, absolutely. See, I know we can get some consensus in here. *[Laughter]* With the deficit we inherited, the cost of the crisis we face, and the long-term challenges we must meet, it has never been more important to ensure that as our economy recovers, we do what it takes to bring this deficit down. That is critical.

In order to save our children from a future of debt, we will also end the tax breaks for the wealthiest 2 percent of Americans. Now, let me be clear--let me be absolutely clear, because I know you'll end up hearing some of the same claims that rolling back these tax breaks means a massive tax increase on the American people: If your family earns less than \$250,000 a year, a quarter million dollars a year, you will not see your taxes increased a single dime. I repeat: Not one single dime. In fact--not a dime--in fact, the recovery plan provides a tax cut--that's right, a tax cut--for 95 percent of working families. And by the way, these checks are on the way.

Now, to preserve our long-term fiscal health, we must also address the growing costs in Medicare and Social Security. Comprehensive health care reform is the best way to strengthen Medicare for years to come. And we must also begin a conversation on how to do the same for Social Security, while creating tax-free universal savings accounts for all Americans.

Finally, because we're also suffering from a deficit of trust, I am committed to restoring a sense of honesty and accountability to our budget. That is why this budget looks ahead 10 years and accounts for spending that was left out under the old rules. And for the first time, that includes the full cost of fighting in Iraq and Afghanistan. For 7 years, we have been a nation at war. No longer will we hide its price.

### **Barack Obama, "Address Before a Joint Session of the Congress on the State of the Union," (January 2010)**

At the beginning of the last decade, the year 2000, America had a budget surplus of over \$200 billion. By the time I took office, we had a 1-year deficit of over \$1 trillion and projected deficits of \$8 trillion over the next decade. Most of this was the result of not paying for two wars, two tax cuts, and an expensive prescription drug program. On top of that, the effects of the recession put a \$3 trillion hole in our budget. All this was before I walked in the door. *[Laughter]*

Now--*[applause]*--just stating the facts. Now, if we had taken office in ordinary times, I would have liked nothing more than to start bringing down the deficit. But we took office amid a crisis. And our efforts to prevent a second depression have added another \$1 trillion to our national debt. That too is a fact.

I'm absolutely convinced that was the right thing to do. But families across the country are tightening their belts and making tough decisions. The Federal Government should

do the same. So tonight I'm proposing specific steps to pay for the trillion dollars that it took to rescue the economy last year.

Starting in 2011, we are prepared to freeze Government spending for 3 years. Spending related to our national security, Medicare, Medicaid, and Social Security will not be affected. But all other discretionary Government programs will. Like any cash-strapped family, we will work within a budget to invest in what we need and sacrifice what we don't. And if I have to enforce this discipline by veto, I will.

We will continue to go through the budget, line by line, page by page, to eliminate programs that we can't afford and don't work. We've already identified \$20 billion in savings for next year. To help working families, we'll extend our middle class tax cuts. But at a time of record deficits, we will not continue tax cuts for oil companies, for investment fund managers, and for those making over \$250,000 a year. We just can't afford it.

Now, even after paying for what we spent on my watch, we'll still face the massive deficit we had when I took office. More importantly, the cost of Medicare, Medicaid, and Social Security will continue to skyrocket. That's why I've called for a bipartisan fiscal commission, modeled on a proposal by Republican Judd Gregg and Democrat Kent Conrad. This can't be one of those Washington gimmicks that lets us pretend we solve a problem. The commission will have to provide a specific set of solutions by a certain deadline.

Now, yesterday the Senate blocked a bill that would have created this commission, so I'll issue an Executive order that will allow us to go forward, because I refuse to pass this problem on to another generation of Americans. And when the vote comes tomorrow, the Senate should restore the pay-as-you-go law that was a big reason for why we had record surpluses in the 1990s.

Now, I know that some in my own party will argue that we can't address the deficit or freeze Government spending when so many are still hurting. And I agree, which is why this freeze won't take effect until next year, when the economy is stronger. That's how budgeting works. [*Laughter*] But understand, if we don't take meaningful steps to rein in our debt, it could damage our markets, increase the cost of borrowing, and jeopardize our recovery, all of which would have an even worse effect on our job growth and family incomes.

From some on the right, I expect we'll hear a different argument, that if we just make fewer investments in our people, extend tax cuts, including those for the wealthier Americans, eliminate more regulations, maintain the status quo on health care, our deficits will go away. The problem is, that's what we did for 8 years. That's what helped us into this crisis. It's what helped lead to these deficits. We can't do it again.

Rather than fight the same tired battles that have dominated Washington for decades, it's time to try something new. Let's invest in our people without leaving them a mountain of debt. Let's meet our responsibility to the citizens who sent us here. Let's try common sense--[*Laughter*]-a novel concept.

Now, to do that, we have to recognize that we face more than a deficit of dollars right now. We face a deficit of trust, deep and corrosive doubts about how Washington works that have been growing for years. To close that credibility gap, we have to take action on both ends of Pennsylvania Avenue to end the outsized influence of lobbyists, to do our work openly, to give our people the Government they deserve.

### **Barack Obama, "Address Before a Joint Session of the Congress on the State of the Union," (January 2011)**

Now, the final critical step in winning the future is to make sure we aren't buried under a mountain of debt.

We are living with a legacy of deficit spending that began almost a decade ago. And in the wake of the financial crisis, some of that was necessary to keep credit flowing, save jobs, and put money in people's pockets.

But now that the worst of the recession is over, we have to confront the fact that our Government spends more than it takes in. That is not sustainable. Every day, families sacrifice to live within their means. They deserve a Government that does the same.

So tonight I am proposing that starting this year, we freeze annual domestic spending for the next 5 years. Now, this would reduce the deficit by more than \$400 billion over the next decade and will bring discretionary spending to the lowest share of our economy since Dwight Eisenhower was President.

This freeze will require painful cuts. Already, we've frozen the salaries of hard-working Federal employees for the next 2 years. I've proposed cuts to things I care deeply about, like community action programs. The Secretary of Defense has also agreed to cut tens of billions of dollars in spending that he and his generals believe our military can do without.

Now, I recognize that some in this Chamber have already proposed deeper cuts, and I'm willing to eliminate whatever we can honestly afford to do without. But let's make sure that we're not doing it on the backs of our most vulnerable citizens. And let's make sure that what we're cutting is really excess weight. Cutting the deficit by gutting our investments in innovation and education is like lightening an overloaded airplane by removing its engine. It may make you feel like you're flying high at first, but it won't take long before you feel the impact. [*Laughter*]

Now, most of the cuts and savings I've proposed only address annual domestic spending, which represents a little more than 12 percent of our budget. To make further progress, we have to stop pretending that cutting this kind of spending alone will be enough. It won't.

The bipartisan fiscal commission I created last year made this crystal clear. I don't agree with all their proposals, but they made important progress. And their conclusion is that the only way to tackle our deficit is to cut excessive spending wherever we find it, in domestic spending, defense spending, health care spending, and spending through tax breaks and loopholes.

This means further reducing health care costs, including programs like Medicare and Medicaid, which are the single biggest contributor to our long-term deficit. The health insurance law we passed last year will slow these rising costs, which is part of the reason that nonpartisan economists have said that repealing the health care law would add a quarter of a trillion dollars to our deficit. Still, I'm willing to look at other ideas to bring down costs, including one that Republicans suggested last year: medical malpractice reform to rein in frivolous lawsuits.

To put us on solid ground, we should also find a bipartisan solution to strengthen Social Security for future generations. We must do it without putting at risk current retirees, the most vulnerable, or people with disabilities, without slashing benefits for future generations, and without subjecting Americans' guaranteed retirement income to the whims of the stock market.

And if we truly care about our deficit, we simply can't afford a permanent extension of the tax cuts for the wealthiest 2 percent of Americans. Before we take money away from our schools or scholarships away from our students, we should ask millionaires to give up their tax break. It's not a matter of punishing their success, it's about promoting America's success.

In fact, the best thing we could do on taxes for all Americans is to simplify the individual Tax Code. This will be a tough job, but members of both parties have expressed an interest in doing this, and I am prepared to join them.

So now is the time to act. Now is the time for both sides and both Houses of Congress, Democrats and Republicans, to forge a principled compromise that gets the job done. If we make the hard choices now to rein in our deficits, we can make the investments we need to win the future.

### **Barack Obama, "Address Before a Joint Session of the Congress on the State of the Union," (January 2012)**

In 2008, the house of cards collapsed. We learned that mortgages had been sold to people who couldn't afford or understand them. Banks had made huge bets and bonuses

with other people's money. Regulators had looked the other way or didn't have the authority to stop the bad behavior.

It was wrong, it was irresponsible, and it plunged our economy into a crisis that put millions out of work, saddled us with more debt, and left innocent, hard-working Americans holding the bag. In the 6 months before I took office, we lost nearly 4 million jobs. And we lost another 4 million before our policies were in full effect.

Those are the facts. But so are these: In the last 22 months, businesses have created more than 3 million jobs. Last year, they created the most jobs since 2005. American manufacturers are hiring again, creating jobs for the first time since the late 1990s. Together, we've agreed to cut the deficit by more than \$2 trillion. And we've put in place new rules to hold Wall Street accountable so a crisis like this never happens again.

In the next few weeks, I will sign an Executive order clearing away the redtape that slows down too many construction projects. But you need to fund these projects. Take the money we're no longer spending at war, use half of it to pay down our debt, and use the rest to do some nation-building right here at home.

When it comes to the deficit, we've already agreed to more than \$2 trillion in cuts and savings. But we need to do more, and that means making choices. Right now we're poised to spend nearly \$1 trillion more on what was supposed to be a temporary tax break for the wealthiest 2 percent of Americans. Right now because of loopholes and shelters in the Tax Code, a quarter of all millionaires pay lower tax rates than millions of middle class households. Right now Warren Buffett pays a lower tax rate than his secretary.

We don't begrudge financial success in this country. We admire it. When Americans talk about folks like me paying my fair share of taxes, it's not because they envy the rich. It's because they understand that when I get a tax break I don't need and the country can't afford, it either adds to the deficit or somebody else has to make up the difference, like a senior on a fixed income or a student trying to get through school or a family trying to make ends meet. That's not right. Americans know that's not right. They know that this generation's success is only possible because past generations felt a responsibility to each other and to the future of their country, and they know our way of life will only endure if we feel that same sense of shared responsibility. That's how we'll reduce our deficit. That's an America built to last.

The American people know what the right choice is. So do I. As I told the Speaker this summer, I'm prepared to make more reforms that rein in the long-term costs of Medicare and Medicaid and strengthen Social Security, so long as those programs remain a guarantee of security for seniors. But in return, we need to change our Tax Code so that people like me, and an awful lot of Members of Congress, pay our fair share of taxes.

Now, I recognize that people watching tonight have differing views about taxes and debt, energy and health care. But no matter what party they belong to, I bet most Americans

are thinking the same thing right about now: Nothing will get done in Washington this year or next year or maybe even the year after that, because Washington is broken.

Can you blame them for feeling a little cynical?

The greatest blow to our confidence in our economy last year didn't come from events beyond our control. It came from a debate in Washington over whether the United States would pay its bills or not. Who benefited from that fiasco?

I've talked tonight about the deficit of trust between Main Street and Wall Street. But the divide between this city and the rest of the country is at least as bad, and it seems to get worse every year.

### **Barack Obama, “Address Before a Joint Session of the Congress on the State of the Union,” (January 2013)**

Now, our work must begin by making some basic decisions about our budget, decisions that will have a huge impact on the strength of our recovery.

Over the last few years, both parties have worked together to reduce the deficit by more than \$2.5 trillion, mostly through spending cuts, but also by raising tax rates on the wealthiest 1 percent of Americans. As a result, we are more than halfway towards the goal of \$4 trillion in deficit reduction that economists say we need to stabilize our finances.

Now we need to finish the job. And the question is, how?

In 2011, Congress passed a law saying that if both parties couldn't agree on a plan to reach our deficit goal, about a trillion dollars' worth of budget cuts would automatically go into effect this year. These sudden, harsh, arbitrary cuts would jeopardize our military readiness. They'd devastate priorities like education and energy and medical research. They would certainly slow our recovery and cost us hundreds of thousands of jobs. And that's why Democrats, Republicans, business leaders, and economists have already said that these cuts—known here in Washington as the sequester—are a really bad idea.

Now, some in Congress have proposed preventing only the defense cuts by making even bigger cuts to things like education and job training, Medicare, and Social Security benefits. That idea is even worse.

Yes, the biggest driver of our long-term debt is the rising cost of health care for an aging population. And those of us who care deeply about programs like Medicare must embrace the need for modest reforms; otherwise, our retirement programs will crowd out the investments we need for our children and jeopardize the promise of a secure retirement for future generations.

But we can't ask senior citizens and working families to shoulder the entire burden of deficit reduction while asking nothing more from the wealthiest and the most powerful. We won't grow the middle class simply by shifting the cost of health care or college onto families that are already struggling or by forcing communities to lay off more teachers and more cops and more firefighters. Most Americans—Democrats, Republicans, and Independents—understand that we can't just cut our way to prosperity. They know that broad-based economic growth requires a balanced approach to deficit reduction, with spending cuts and revenue and with everybody doing their fair share. And that's the approach I offer tonight.

On Medicare, I'm prepared to enact reforms that will achieve the same amount of health care savings by the beginning of the next decade as the reforms proposed by the bipartisan Simpson-Bowles Commission.

Already, the Affordable Care Act is helping to slow the growth of health care costs. And the reforms I'm proposing go even further. We'll reduce taxpayer subsidies to prescription drug companies and ask more from the wealthiest seniors. We'll bring down costs by changing the way our Government pays for Medicare, because our medical bills shouldn't be based on the number of tests ordered or days spent in the hospital; they should be based on the quality of care that our seniors receive. And I am open to additional reforms from both parties, so long as they don't violate the guarantee of a secure retirement. Our Government shouldn't make promises we cannot keep, but we must keep the promises we've already made.

To hit the rest of our deficit reduction target, we should do what leaders in both parties have already suggested and save hundreds of billions of dollars by getting rid of tax loopholes and deductions for the well-off and the well-connected. After all, why would we choose to make deeper cuts to education and Medicare just to protect special interest tax breaks? How is that fair? Why is it that deficit reduction is a big emergency justifying making cuts in Social Security benefits, but not closing some loopholes? How does that promote growth?

Now is our best chance for bipartisan, comprehensive tax reform that encourages job creation and helps bring down the deficit. We can get this done. The American people deserve a Tax Code that helps small businesses spend less time filling out complicated forms and more time expanding and hiring; a Tax Code that ensures billionaires with high-powered accountants can't work the system and pay a lower rate than their hard-working secretaries; a Tax Code that lowers incentives to move jobs overseas and lowers tax rates for businesses and manufacturers that are creating jobs right here in the United States of America. That's what tax reform can deliver. That's what we can do together.

I realize that tax reform and entitlement reform will not be easy. The politics will be hard for both sides. None of us will get a hundred percent of what we want. But the alternative will cost us jobs, hurt our economy, visit hardship on millions of hard-working Americans. So let's set party interests aside and work to pass a budget that replaces reckless cuts with smart savings and wise investments in our future. And let's

do it without the brinksmanship that stresses consumers and scares off investors. The greatest nation on Earth cannot keep conducting its business by drifting from one manufactured crisis to the next. We can't do it.

Let's agree right here, right now to keep the people's Government open and pay our bills on time and always uphold the full faith and credit of the United States of America. The American people have worked too hard, for too long, rebuilding from one crisis to see their elected officials cause another.

Now, most of us agree that a plan to reduce the deficit must be part of our agenda. But let's be clear: Deficit reduction alone is not an economic plan. A growing economy that creates good, middle class jobs, that must be the north star that guides our efforts. Every day, we should ask ourselves three questions as a nation: How do we attract more jobs to our shores? How do we equip our people with the skills they need to get those jobs? And how do we make sure that hard work leads to a decent living?

### **Barack Obama, "Address Before a Joint Session of the Congress on the State of the Union," (January 2014)**

And here are the results of your efforts: the lowest unemployment rate in over 5 years; a rebounding housing market; a manufacturing sector that's adding jobs for the first time since the 1990s; more oil produced at home than we buy from the rest of the world, the first time that's happened in nearly 20 years; our deficits cut by more than half. And for the first time in over a decade, business leaders around the world have declared that China is no longer the world's number-one place to invest, America is.

Now, as President, I'm committed to making Washington work better and rebuilding the trust of the people who sent us here. And I believe most of you are too. Last month, thanks to the work of Democrats and Republicans, Congress finally produced a budget that undoes some of last year's severe cuts to priorities like education. Nobody got everything they wanted, and we can still do more to invest in this country's future while bringing down our deficit in a balanced way, but the budget compromise should leave us freer to focus on creating new jobs, not creating new crises.

Finally, if we're serious about economic growth, it is time to heed the call of business leaders, labor leaders, faith leaders, law enforcement and fix our broken immigration system. Republicans and Democrats in the Senate have acted, and I know that members of both parties in the House want to do the same. Independent economists say immigration reform will grow our economy and shrink our deficits by almost \$1 trillion in the next two decades. And for good reason: When people come here to fulfill their dreams—to study, invent, contribute to our culture—they make our country a more attractive place for businesses to locate and create jobs for everybody. So let's get immigration reform done this year. *[Applause]* Let's get it done. It's time.