

THE

PUBLIC DEBT, LOCAL AND NATIONAL:

HOW TO PROVIDE FOR ITS DISCHARGE

WHILE

LESSENING THE BURTHEN OF TAXATION.

LETTER TO DAVID A. WELLS, ESQ.,
CHAIRMAN OF THE BOARD OF REVENUE COMMISSIONERS:

BY

HENRY C. CAREY.

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LETTER TO D. A. WELLS, ESQ.,

CHAIRMAN OF THE BOARD OF COMMISSIONERS FOR THE REVISION OF THE
REVENUE LAWS.

DEAR SIR:—

BELIEVING the real and permanent interests of tax payers and public creditors to be in perfect harmony with each other, and that error in regard to one must be productive of injury to both, I have put on paper my views as to the proper mode of dealing with the principal of the public debt, and have now to ask of you to give to them that consideration they may seem to you to merit.

The amount required by the general government for current expenses, interest included, may be taken, as I suppose, at \$280,000,000, and to meet that demand, with reasonable allowance for occasional drawbacks, it might be necessary so to arrange our revenue system as to warrant us in expecting from it ten or twenty millions more; say 290 or 300 millions. It has, however, been proposed that the annual sum of \$200,000,000 be now, and in all the future so long as the debt shall continue to exist, set aside for payment of principal and interest alone—a proposition that, if adopted, will require that the revenue be so arranged as to enable us to look to it for fifty millions more, or in the whole at least 340, if not even 350 millions.

Two widely distinct modes of action are thus presented for consideration, by the one of which we should appear wholly to overlook the existence of the principal debt, while by the other we should appear to be making provision for its early annihilation; and yet, after having given to the subject all the consideration demanded by its great importance, I have arrived at the conclusion that, while lessening by \$50,000,000 the annual demand upon our people, the first of these is the one by which we should most speedily be relieved from all charge from either principal or interest of the great debt that has so recently and rapidly been created. My reasons for so believing shall now be given.

Widely different from any other recorded in history this was emphatically a *people's war*, waged for no purpose of conquest or of plunder, but purely and simply for that of perpetuating the Union and thus securing harmony of action throughout the vast territory over which now floats that star-spangled banner in whose defence has been expended

so vast a quantity of both blood and treasure. As a consequence of this first great difference we find another and most essential one in the fact, that the contributions towards its maintenance, whether in the form of personal service or in that of the sinews of war, were in so large a proportion voluntary that the exceptions thereto scarcely merit the slightest notice. Men by hundreds of thousands sought the field of battle, while other men, their wives, and children, united in giving of their means, whether large or small, to the performance of the great work; the amount so given by individuals, at times directly and at others through the medium of sanitary and Christian commissions, or patriotic leagues, having reached, as there is reason to believe, an amount greater than the total receipts of the national treasury, those from loans included, during the period of Mr. Adams's administration, from 1825 to 1829, and that would now be undervalued in placing it at an hundred millions of dollars. States, counties, and cities united in the work, the amount voluntarily given by them having certainly exceeded \$500,000,000. Of this large sum much was the produce of taxes specially imposed for maintenance of the war, the rest having been raised upon pledges of the credit of the various corporations, nearly all of which throughout the loyal States have proved themselves ever ready to make themselves responsible for whatsoever sums might seem required for enabling them to meet the demands of the general government. Taking then, at \$600,000,000, the total amount of donations by individuals and corporations, it may, as I think, be regarded as nearly certain that one-half thereof, or \$300,000,000, still remains a charge upon our people, involving payment of interest to the annual extent of little, if any, less than \$20,000,000.

In some cases the debt still existing bears but small proportion to the total amount of contributions; whereas in others it is very large. In some, as I have seen it stated, no debt has been created; whereas in others the proportion actually discharged has been very small indeed. As a general rule, the more loyal the community the smaller is the proportion yet remaining to be paid.

The interest on this local war debt is probably little less than a seventh of that payable on the national debt. This would seem to be but a small proportion, yet is it really an enormous one when we reflect that the local governments have been stripped of nearly every source of revenue, except the lands and houses, mills, farmers and mines, that were before so heavily taxed for maintenance of schools and roads, poor-houses and prisons, and other matters with whose direction they stand charged. The effect of this now exhibits itself in the fact that local taxation has become almost trebly burthensome, and threatens to result in loss to owners of real estate little less than that which has been inflicted on those of the rebel States. Cases could readily be cited in which the proceeding even now falls little short of confiscation.

In others, where property has been but partially improved, the demands of the several governments absorb nearly the whole receipts, the burthen in every case becoming more and more severe with every step in the direction of appreciation in the value of that currency in which taxes must be paid. The farmer who in 1864 sold his corn for \$1.50 per bushel, and his pork for \$40 per barrel, finds it now, with prices in the East almost one-half reduced, much more difficult to pay the tax of transportation and those other taxes required for meeting the demands of those who have been so fortunate as to constitute themselves creditors of the general and local governments. How it must be in the future, if gold shall speedily become the standard, and if the price of food shall be reduced to a level with that of the diminutive British market, interest meanwhile having been carried up, as it is very like to be, to the rate that existed before the war, may, as I think, with certainty be predicted.*

* The average price of wheat in the London market, in 1863, as given in the Treasury Report, was \$1.17 per bushel. That of the two succeeding years has been \$1.02, or little more than half of the average for 1854 to 1857. Hams and bacon had, in 1863, already fallen from \$11.50 to \$7.20 per hundred-weight. Subsequently they participated with wheat in the further decline above exhibited. Throughout the two last years the average of wheat in the French markets has been about one dollar per bushel. The foreign demand for food having thus disappeared, the effect now exhibits itself in the facts here given as regards the corn of Illinois:—

“We understand that many of the people of Warren and other towns in the eastern part of the county are using corn for fuel. We had a conversation with an intelligent gentleman who has been burning it, and who considers it much cheaper than wood. Ears of corn can be bought for ten cents per bushel by measure, and seventy bushels, worth seven dollars, will measure a cord. A cord of wood, including sawing, costs \$9.50, which is \$2.50 more than the cost of a cord of corn, besides the fact that the corn produces more heat than the wood. If these statements are true (and we have no reason to doubt them), there is no fuel more economical than corn. The crop of corn this year is far beyond the demand.”—*Galena Gazette*.

The British wheat crop of the last season having been deficient in both quality and quantity, prices in that market have slightly increased, the average of the first week of December, as given in the *Mark Lane Express*, having been \$1.20 per bushel of 60 pounds. As a consequence of this, and of the cattle plague, there has been a slight demand for food of all descriptions for export to that market; but how utterly contemptible it is when compared with the great domestic one is shown in the following table, exhibiting the receipts at New York since September 1, and the exports from that port to all the manufacturing nations of Europe:—

	Flour—barrels.	Wheat—bushels.	Corn—bushels.
Receipts . . .	1,820,152	564,650	1,509,804
Exports . . .	90,627	150,192	380,846

The prices obtained for the trivial quantity exported determine those of the whole crop, amounting to more than 1,200,000,000 of bushels. Had we made a market at home for all the food that we now export, the yield to our farmers on

Between the demands of the holders of private mortgages and public bonds on one hand, and those of transportation companies on the other, much of the real estate of the country will be very likely to pass through the sheriff's hands. The deficiency in the wheat crop of the past year has thus far saved the Western farmer, but when his eyes shall have once again been gladdened with the sight of crops so large as to make it necessary to look again to Europe for a market, he will certainly find it wholly impossible to meet the heavy demands that, if the local public credit is to be maintained, must then be made.* Even at the present moment some of the most important branches of our manufacturing industry, those which are making the largest demand for food, are wholly dependent for their continued existence on the fact that taxes on domestic products are payable in paper, while for payment of duties on competing foreign commodities the precious metals are required. Under such circumstances not only can there be no extension of such manufactures, but there is the greatest reason to apprehend that many of the establishments now in operation may be closed. With every step in that direction the farmer must become more and more dependent on those European markets which took of food from us, in the three years prior to the war, an average of but \$10,000,000; and which, without our aid, are at present so over-supplied that bread may now be purchased at a price lower than has been known within the memory of any living man. Take from a dollar, the recent price in England of a bushel of wheat, the cost of freight from Illinois to Europe, the commissions, and all the heavy interest charged by various middlemen, and it will, as I think, be found that what will then remain to the farmer will scarcely enable him to live, leaving wholly out of view the payment of taxes required for meeting the demands of fortunate holders of city, county, State, and Federal bonds. At no time in the history of the country have the prospects of our farmers, if their dependence on European markets is to be maintained, been so bad as they are at the present hour.

To those who may doubt the accuracy of the views thus presented, I

the last year's crop would be greater than it is by not less than \$600,000,000. The difference is the price they pay for dependence on the diminutive market of Britain. To make a market for wheat equivalent to the one now afforded by Europe, and thus to economize all that vast difference, would require but a few such iron works as that of Cambria, Pennsylvania, the annual consumption of flour by whose people is no less than 20,000 barrels.

* The wheat crops of the three past years, and the prices of wheat and wheat flour in the New York market, have been as follows:—

	Bushels.	Price of Wheat.	Price of extra Western Flour
1863 . . .	179,000,000	\$1 57 to \$1 75	\$6 40 to \$7 40
1864 . . .	161,000,000	2 35 to 2 70	10 25 to 10 50
1865 . . .	149,000,000	2 30 to 2 80	8 50 to 8 80

beg now to suggest consideration of the following facts. Twenty years since, the British government determined that the true way to *protect* its manufacturers was to be found in the direction of giving them cheap food. Since then, it has been unceasingly engaged in the effort to induce all the other nations of the world to send to its little market food to be exchanged for manufactures, the effect exhibiting itself in the fact that the British farmer now receives far less for his wheat than he did before the discovery of California gold; that he pays more for nearly all the commodities he needs to buy; and that the British agricultural laborer of the present day is a poorer and more dependent being than was his predecessor of the days of Adam Smith. Anxious to follow in the free trade direction, the economists of France sought to prove to their farming fellow-citizens that they were being taxed for the benefit of manufacturers; that they themselves were not in any manner protected; and that what they needed was perfect freedom for the introduction of British and German manufactures. In the last six years various commercial treaties have been negotiated, all looking in that direction, and the result is seen in the existence of an agricultural crisis, the discovery of a remedy for which is tasking the skill of French economists. In forty years the production of wheat has nearly doubled, and now much exceeds the home demand. England recently has needed little, and as a consequence of this the French farmer, like his English neighbor, has obtained less for his food, while obliged to pay a higher price for all the articles he consumed. Of this cheap foreign food we are now importing annually, in the form of cloth, silk, and iron, to the extent of almost hundreds of millions of dollars; and it is with that food that our farmers are expected to contend in British markets, paying all the cost of transportation thereto. How, out of the trifle that will remain, can they by any possibility pay all the heavy taxes, local and general, to which they are now subjected? It cannot be done, nor will it be.

In our cities the burthen of the war debt is, for the moment, less severely felt; but when we look to the fact that in the one in which I write the city government has found it necessary to claim no less than four per cent. upon the assessed value of real estate, and that upon this are piled the demands of the State and those of the Federal treasury, these latter taking the form of income taxes, taxes on successions, taxes on consumption so arranged as to be twice, thrice, and sometimes, as I believe, five times over repeated before we reach the final product—this last then subjected to a tax of six per cent.—we find ourselves somewhat prepared for consideration of the question as to what must come to be the money value of city property when all the farmer's products shall come to be sold at gold prices corresponding with those now paid in England—when coupons issued at a time when gold was selling at nearly three to

one are to be redeemed in gold at par—and when the price of money shall, as it probably will, range once again between 10 and 30 per cent.

The power to contribute to the support of government increases as the societary circulation becomes more rapid, and declines as it becomes more sluggish. What is its present state is well exhibited in an editorial of the *New York Tribune*, now but a few days old, from which the following is an extract:—

“The commercial reports from the West are not favorable, and the activity of the winter of 1864–5 has been replaced by a dulness which forbids the hope of profit to traders or forwarding companies. The millers are comparatively idle, and pork and beef packing is upon a reduced scale. In this vicinity the condition of business is not satisfactory, and the balance-sheets of merchants, like those of railroads, will show large figures, but reduced-net income, and in numerous cases none at all.”

Throughout the war the government has been in alliance with the land-owner, the trader, the manufacturer, the laborer, and the borrower of money, against the lender of money and the receiver of fixed income; and to that alliance has the country been indebted for all its recent successes, as well as for its present position among the nations of the earth. The time for these latter seems, however, to have now almost arrived. Already the price of money has advanced at least one-half, while that of some of the most important articles of food has almost as much declined. Thus far, however, the change is as nothing compared with that which would already have been experienced had not our people, despite all threats to the contrary, arrived at the conclusion that the day was yet far distant when the holders of city, State, and Federal coupons would be entitled to claim in gold both principal and interest, that gold to be the produce of taxes paid by farmers who were receiving for their wheat and their corn less of the precious metals than they had been accustomed to receive before the discovery of the mineral resources of California or Australia.

The local taxation is even now most severe, but its severity must increase with every step in the direction that above is indicated; and with each there must be a diminution of the power of both farmer and laborer to contribute to the Federal revenue. With each must come an increased demand for assumption by the Union of local debts that, for war purposes, have been contracted, thereby adding to the demands upon the Federal treasury at the very moment when already existing claims can only with constantly increasing difficulty be met. Will that demand be complied with? Will the Union now assume the debts of the various States and corporations that have co-operated with it in carrying on the war? That it would not do so has been my full belief. That it should not do this I am very certain, and for the reason, that the direct effect of such a course of action would be that of imposing upon

those who have already taxed themselves and paid their contributions, for the benefit of those others who have depended almost entirely upon loans, trusting to the future to provide the means of payment.* For this reason, and perhaps for others that might be named, the local burthens will be allowed to remain a charge upon the local revenues, to be carried until their weight shall have become unbearable, and to bring in their train financial revulsion to be followed, certainly, by a political revolution the most complete.

Must all these things occur? Is it needed that such should be the results of the wonderful and most successful war that has just been closed? It is not! No such necessity really exists, yet must they certainly occur if we fail now to inquire into the cause of the change that already has been produced. Doing this, we find it in the fact that domestic taxes have been so piled up, one upon another, that the movement of the societary machine has become much impeded—the protection granted by the tariff of 1861 having now been so far nullified that in very many cases little of it now remains except that which results from difference in value between the gold in which duties are paid, and the paper which is receivable in discharge of internal taxes.† Trivial, even, as that protection has now become, the threat is held out daily, and in leading Republican journals, that it shall endure no longer; and it is as a consequence of this that furnaces and rolling-mills no longer increase in number; that faith in our future has no longer that existence which throughout the war was so fully manifested; that money is abundant and cheap for short loans, but scarce and dear for those permanent investments in the growing number of which is always found the evidence of that confidence without which no real prosperity can exist; that the societary circulation becomes from day to day more sluggish; that our dependence on foreign workshops now increases; that the efflux of gold becomes more rapid; that our foreign debt grows most rapidly; that we are paying on government

* The public debt of Ohio, notwithstanding her vast expenditures, is less at the present moment than it was five years since. That of New York has grown from \$33,000,000 to \$51,000,000. The total war debt of this latter State, including that of cities and counties, is stated at more than \$80,000,000.

Some of the counties of Pennsylvania have raised by taxes nearly the whole amount that has been required for war purposes. Others have borrowed the major part, and are now paying interest thereon. It is little likely that those who have already paid will consent to assumption by the State of the debts that others have incurred.

† The taxes on materials used in the book manufacture, and on the books themselves, are stated at $15\frac{1}{2}$ per cent., on the cost of publication. Add to these the taxes on fuel, machinery, &c. &c., and we shall obtain a total of not less than 20 per cent. As a consequence of this, American publishers are now having their books printed in England. Without a change of system this great department of manufacture must inevitably be ruined.

securities a rate of interest most disgraceful and that must prove ruinous; and that there is a daily increasing certainty of the continued subjection of our farmers to the will of that European people which has so effectually taught to the agricultural nations of the world the advantage of competition for the possession of its miserably diminutive market that wheat there now commands but a single dollar for a bushel of sixty pounds weight. In fewer words, the cause of all the change may be found in this, that the alliance between the National Treasury and the *employers* of money—farmers, laborers, and mechanics—has been dissolved. The tendency of all our present measures lies in the direction of raising the rate of interest, to the great advantage of *lenders* of money; and in that of enabling the receivers of interest on the various public debts to obtain from the farmer more food, from the workman more clothing, and from the laborer more labor, for less and less of money.

That is certainly the road to ruin, and if we shall persist in the determination to travel on it, all the sad results that have above been indicated must assuredly be realized. That we may avoid them, it is needed that we dissolve the existing alliance between those who have merely *lent* their money to cities, counties, States, and to the National Treasury, and renew that which has heretofore existed between those who have *given* their time—*given* their services—*given* their means—for the public use. To that end we need to abolish all those taxes which now so seriously impede the societary circulation; all those which tend so much to prevent the application of capital in the direction of that development of our internal resources which would give value to land and enable its owner more readily to bear the heavy burthens that necessarily have been imposed upon it for payment of interest on the vast amounts *given* to the public service; all those which tend in any manner to lessen the demand for labor, and thus diminish demand for the farmer's products.

Freed from the income tax, the landowner would find less difficulty in providing for the maintenance and improvement of roads and schools. Relieved of the burthen now resulting from taxes on hats and coats, shirts and shoes, he could more readily increase the number of his ploughs and harrows, cheapened as these latter then would be by the abolition of taxes on coal and iron and all their products. With every step in this direction, mines and furnaces, factories and rolling-mills, would become more numerous, making demand for all the produce of his land and thus diminishing the necessity for going to distant markets; abolition of taxes on transportation and on machinery of transportation meanwhile co-operating with the growing cheapness of bars and engines in giving him increased ability to determine for himself whether to sell in the distant one or in that which is near, and also to determine for himself by what road he would go to the market he might prefer—freedom of trade and freedom of man thus

following, as it always does, in the train of an increased rapidity in the societary circulation and increase of the societary force.

Taking at \$300,000,000 the amount required for payment of interest on the national debt and for maintenance of the national government, we have a sum that could readily be raised by duties on foreign merchandise, by taxes on cotton, tobacco, whiskey, beer, and some few other commodities, and by aid of stamps—at once and forever abolishing the tax on incomes and all those taxes on manufactures which now so greatly tend towards production of the state of paralysis above described.

The adoption of such a measure as this would, it may be said, have the effect of greatly protracting the time at which the national debt would be discharged. Not so, however. On the contrary, it is the road towards the most speedy annihilation of the debt, all experience having shown that a merely arithmetical increase in the rapidity of the societary circulation is followed by an almost geometrical one in the power to contribute to the support of government. Throughout the period of Mr. Buchanan's administration it would have been impossible by any means that could have been devised to obtain an annual amount of contributions thirty millions in excess of that which we see to have been collected. Nevertheless, throughout that of his successor our people furnished to State, county, city, and national treasuries an excess of almost \$1,000,000,000 a year! Why was this? Because of a wonderful activity of the circulation. Let us maintain that activity, and we shall find ourselves enabled in less than twenty years to annihilate liabilities greater than those of industrial France, which now, notwithstanding her 37,000,000 of population, actually staggers under the weight of the mere interest upon her debt. Let us do that, *and it can be done*, and we shall have achieved a triumph more wonderful even than that of the extraordinary years through which we last have passed.

Before proceeding to show how it is that this may be done, let me call your attention to the fact that, while our population has been accustomed to duplicate itself in twenty-four years, our production has been supposed to increase twice more rapidly, and to quadruple itself in the time required for the duplication of the other. That the power to contribute to the support of Government increases in a ratio greatly more rapid even than production is proved by the experience of every period of our history in which the policy of the country has tended to the promotion of domestic commerce, as in that ending in 1835, when we finally extinguished the national debt; as in that from 1842 to 1848, when we so rapidly passed from the state of exhaustion into which we had been brought by the British free trade provisions of the tariff of 1834, and thus prepared ourselves for the expenditures of the Mexican war; and still more recently when, close upon the heels of the almost bankruptcy of Mr. Buchanan's administration, we passed so nearly instantly to a

state of things in which we were enabled to give to the general and local governments an amount of contributions larger than had ever before been given by any people of the world. So, too, is it proved by the experience of Great Britain, the revenue of that country having, in the short period of twenty years, from 1842 to 1862, grown from £48,000,000 to £72,000,000, notwithstanding the exemption from taxation of 1,119 out of 1,163 articles that had previously been subjected to import duties.

The close of next twenty years is likely to exhibit almost a duplication of our numbers, production meantime having at least quadrupled. That it may do so it is needed that we at once relieve ourselves from all those taxes which now so greatly impede the internal commerce, and which compel us to look abroad for so many commodities that should be produced at home. Let that be done, and the remainder, calculated now to yield \$300,000,000, will grow with such rapidity as to enable us, before that time shall have arrived, to extinguish all of that debt which now bears interest.

What is needed for the accomplishment of that object, and all that is needed, is that stimulation of the societary circulation by means of which every man who has labor, or labor's products, to sell, shall be enabled on the instant to find a purchaser for his commodity, be it of whatsoever sort it may. To that end we need that producer and consumer shall, as far as possible, take their places by each other, as has been the case throughout the past four years to an extent that we never before had known. At the present moment their exchanges are everywhere impeded by a taxation which becomes from day to day more oppressive, and now closely resembles that which existed in Great Britain less than half a century since, described by the Rev. Sydney Smith in the following words:—

“Taxes were piled on taxes, until they reached every article which enters into the mouth, or covers the back, or is placed under foot; taxes upon everything which it is pleasant to see, hear, feel, smell, or taste; taxes upon warmth, light, and locomotion; taxes on everything on earth, and in the waters under the earth; on everything that comes from abroad or is grown at home; taxes on the raw material; taxes on fresh value that is added to it by the industry of man; taxes on the sauce which pampers man's appetite, and the drug which restores him to health; on the ermine which decorates the judge, and the rope which hangs the criminal; on the poor man's salt and the rich man's spice; on the brass nails of the coffin and the ribbons of the bride; at bed or board, couchant or levant, we must pay.

“The school-boy whips his taxed top; the beardless youth manages his taxed horse with a taxed bridle, on a taxed road; and the dying Englishman, pouring his medicine which has paid seven per cent. into a spoon that has paid fifteen per cent., flings himself back upon the chintz bed which has paid twenty-two per cent., makes his will on an eight-pound

stamp, and expires in the arms of an apothecary, who has paid a license of a hundred pounds, for the privilege of putting him to death. His whole property is then immediately taxed from two to ten per cent. Besides the probate, large fees are demanded for burying him in the chancel; his virtues are handed down to posterity on taxed marble; and he is then gathered to his fathers, to be taxed no more."

This was a terrible picture when it was first presented, many years since, to the view of the people of England. Equally terrible, and equally true, is it now, when presented for our consideration; and yet, as I propose here to show, it is really as nothing when compared with the tax resulting from dependence on the diminutive demands of manufacturing Europe. That this may be properly appreciated, let us take the facts of the past few years in reference to the wheat crop, and the demand made upon us for wheat and flour for the supply of European markets. The harvests of both England and France, in 1858 and 1859, were abundant, as a consequence of which the demand made upon us by them for food of all descriptions, for the three years ending with 1860, amounted, as has been already shown, to an annual average of only \$10,000,000. As a consequence, prices here were very low; the farmers were everywhere in debt; money was at the highest rates; and the whole agricultural interest of the North was in a condition of extreme distress. The rebellion came, cutting off the Southern demand upon the West; but, almost as by a special intervention of Providence, the British and French crops of 1860 and 1861 proved to be failures, and thus enabled us to find abroad the market then lost at home. Since then, their crops have been very large, while ours have been declining, as follows:—

	1863.	1864.	1865.
Wheat crop, bushels . . .	179,000,000	160,000,000	148,000,000
Average price in New York	\$1 66	\$2 52	\$2 55
Product	\$298,000,000	\$403,000,000	\$378,000,000

The yield of this last year having been less than of the first by 31,000,000, the product has increased no less than \$80,000,000. Had it been otherwise—had the crop grown gradually until it had reached in this last year 200,000,000, thereby producing a necessity for dependence on those European markets in which the price had fallen to a dollar—must not that of our Eastern markets have been lower than had ever before been known? Most certainly such would have been the case. Had it so been, could we anywhere have found the hundreds of millions of revenue that have been paid in the past twelve months? Could we anywhere now find those others upon which we are counting for the current year? Assuredly not! The farmers could have purchased neither cloth nor iron, nor could they have paid the taxes on their land. They and the national treasury have been saved from ruin by the deficiencies of our two last years' crops. Is it right that this dependence on the mere accidents of European harvests

should be permitted longer to continue? Should we not, by creating a great home market, enable our financiers to make more certain calculations of revenue, such as are made in France and England? That we must do so if we would avoid ruin, and early ruin, I regard as absolutely certain.

Every yard of cloth—every bar of iron—every pound of coal—imported from Europe, represents so much foreign food. Of that food we now import to the annual extent of almost hundreds of millions of dollars, while Europe now takes of us almost none, and while the reports just now published in reference to the productiveness of French agriculture are rendering it daily more and more certain that, except in some very extraordinary cases, France cannot only feed herself, but also readily and cheaply supply any deficiency that may hereafter arise in Britain.* Such being the case, where are we in the future to look abroad for markets? Nowhere! Such markets do not exist, and if we do not now determine to create them for ourselves, there must arise a state of things in which it will become utterly impossible to collect the means of defraying even the current expenditures of the general and local governments.

So rapid, under the tariff of 1842, was the growth of the cotton manufacture, that in 1848 it was asserted by the editor of the *Charleston Mercury* that before the lapse of a dozen years the South would have ceased to export raw cotton. What was then prophesied may now, with moderate exercise of judgment, be fully realized. A judicious use of the taxing power, accompanied by provisions securing repayment of the tax when the cotton should be exported in a manufactured state, would, in a few short years, transfer here nearly the whole of this great branch of manufacture, thereby securing to the government a constantly growing revenue, and to the planter a certain price that could never again, as I am well

* WHEAT CROP OF FRANCE.

Average of five years ending in—	Bushels.	Per head.
1821	50,000,000	1.62
1826	58,000,000	1.82
1831	58,000,000	1.79
1836	67,000,000	2.01
1841	69,000,000	2.00
1846	74,000,000	2.09
1851	85,000,000	2.36
1856	81,000,000	2.28
1861	99,000,000	2.69

Low as, in 1863, was the price of wheat in England, the export from France to that country, of wheat and wheaten flour, was the equivalent of 800,000 barrels of the latter. In the succeeding years it must have been even more than this, as the French price was below the English one. Greatly manufacturing as she is, France supplies England with much more food than, agriculturists as we are, we sell to the whole of Europe.

satisfied, fall below 30 cents per pound. Let us, then, determine to mine our own coal and make our own cottons and our own iron, as we are now producing nearly all the wool and most of the woollen cloths we need, and we shall thereby make a market for food so great as not only to relieve our farmers from all necessity for looking to Europe for markets, but also make demand for all the food of Canada. In the ten years ending with 1864, Great Britain increased her produce of coal from 64 to 92 millions of tons. Let us do as much, and we might readily do more, and we shall thereby make at home such a market for the products of the farm as will add to the money value of our land, North and South, East and West, so many thousands of millions as will cause our present public debt, local and national, to sink into insignificance. Let us do that, and the control of the commerce of the world will then have passed from the eastern to this western side of the Atlantic, here forever to remain.

At the close, half a century since, of the great wars of the French Revolution, England abolished her sinking fund and gave her undivided attention to the measures required for increasing the power of production and accumulation, and for thus reducing the rate of interest on public and private debts, the results of that course of action exhibiting themselves in the fact that, notwithstanding frequent and expensive wars, she now finds herself prepared to enter upon the reduction of her debt. It was a great example—one that should now be followed. The more thoroughly it shall be so, the greater must be the growth in the money value of both land and man—the larger the reward of landowner and laborer—the greater the growth of the productive power—the smaller the *proportion* required for public purposes—and the more speedy the arrival of the period when we shall not only have been relieved from the burthen of foreign debts, but have become lenders to the outside world, as Great Britain so long has been. Then, and not until then, shall we have attained a real independence.

It may, and probably will, be said that the determination to adopt no measures looking to instant reduction of the national debt would have an injurious effect upon the price of our securities in Europe. Should it prove so to be, the nation would have reason to rejoice, however much bill-brokers and bankers might find therein reason for lamentation. Nothing but injury can, by any possibility, result from leading foreigners to believe that the course we now pursue can ever end in resumption of specie payments. Every step we take leads in the direction of bankruptcy the most complete, to be followed by repudiation. With each, the rate of interest rises, to the great advantage of the money-lender of the present, and great disadvantage of the laborer, the farmer, and the mechanic—the men who need the aid of others' capital. With each, the

price of food falls, to the great advantage of all whose income results from taxation of those to whose labor we stand indebted for both food and wool. With each, the holders of coupons and receivers of taxes are more and more enabled to live abroad, there consuming, to the annual extent of probably a hundred millions, French, British, and German food. With each, there is here diminished faith in our future, and diminished power to make a market at home for the various products of the land. With each, the *London Times* becomes more enthusiastic in its approval of our financial policy. Well it may do so, as it is precisely the one required for perpetuating our dependence on the capitalists of Britain. "In the eyes of the English," says that eminent philosopher, Mons. De Tocqueville, "that which is most useful to England is always the cause of justice. The man or the government which serves the interests of England has all sorts of good qualities; he who hurts those interests, all sorts of defects; so that it would seem that the *criterion* of what is right, or noble, or just, is to be found in the degree of favor or opposition to English interest."

English interests are to be served by heavy American taxation, and as that taxation becomes at every step of our present career more and more burthensome, it meets, of course, with English approval. When continuance in that course shall have led, as it certainly must do, to the reinstatement in power of the friends of Britain and of British free trade, the gentlemen who now direct our affairs may perhaps begin, but too late begin, to appreciate the magnitude of the error that is now so unhappily being committed.

Commending these views to your careful consideration,

I remain, with great regard,

Yours very truly,

HENRY C. CAREY.

PHILADELPHIA, January 3, 1866.