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PUBLIC CREDIT, No. 2.

JANUARY, 1795.

The Secretary of the Treasury respectfully makes the following report to the Senate:

The President of the United States, with that provident concern for the public welfare which characterizes all his conduct, was pleased, in his speech to the two Houses of Congress at the opening of the present session, to invite their attention to the adoption of a *definitive plan* for the *redemption* of the public debt, and to the consummation of *whatsoever may remain unfinished of our system of public credit*, in order to place that credit, as far as may be practicable, *on grounds which cannot be disturbed*, and to prevent *that progressive accumulation of debt, which must ultimately endanger* all government.

It was, at the same time, very justly intimated, that the period which has elapsed since the commencement of our fiscal measures, (now more than four years,) has so far developed our resources as to open the way to the important work. And it is matter of solid consolation that the result, presenting a state of our finances prosperous beyond expectation, solicits the public councils to enter with zeal and decision upon measures commensurate with the greatness of the interests to be promoted.

Under the influence of this conviction, in conformity with the suggestions of the President, and pursuant to the duty which the constitution of the department, as by law established, enjoins upon the Secretary of the Treasury, he has employed himself in digesting and preparing the materials of a plan for the attainment of the invaluable ends which are recommended. And he now respectfully submits them to the consideration of Congress.

Towards a clear and distinct conception of the means necessary to the accomplishment of those ends, it will be useful, in the first place, to review what has been heretofore done. This will be presented under three heads.

1st. The revenues which have been established.

2dly. The provisions for funding the debt, and for the payment of interest upon it.

3dly. The provisions for reimbursing and extinguishing the debt.

The revenues which have been established appear in the following acts:

1st. "An act for laying a duty on goods, wares, and merchandises, imported into the United States," passed June the 1st, 1789. This act, as its title imports, lays various specific and ad valorem rates on all articles (with exception of a few useful to agriculture and manufactures) imported from foreign countries. The lowest ad valorem rate is five per cent., with a discount of 10 per cent. in favor of our own bottoms. The duration assigned these duties was the end of the session of Congress next succeeding the first day of June, 1796.

2d. "An act imposing duties on tonnage," passed July 20, 1789.

This act lays various rates of duty on the tonnage of ships and vessels *entered* in the United States from foreign countries, and, in certain cases, in one part of the United States from another.

Its duration was indefinite, no limit having been assigned.

3d. "An act imposing duties on the tonnage of ships and vessels," passed July 20, 1790.

This act is a substitute for the one last mentioned, preserving the same rates of duty, but applying them, in some instances, differently. It is, like the former, of indefinite duration.

4th. "An act making further provision for the payment of the debts of the United States," passed August 10, 1790.

This act repeals, after the last of December, 1790, the duties on imported articles laid by the act above cited, and substitutes new, and generally increased rates, specific and ad valorem.

The lowest ad valorem rate in this, as in the former act, is five per cent.; but the number of articles to which it applies is much narrowed; and instead of a discount in favor of our own bottoms, an addition of ten per cent. is made to the disadvantage of foreign bottoms.

The number of free articles is somewhat extended, in further encouragement of agriculture and manufactures.

It is declared that the duties laid by this act shall continue *till the debts and purposes for which they are appropriated shall be satisfied*; reserving, however, a right to Congress to *substitute* other duties or taxes of *equal* value.

5th. "An act to incorporate the subscribers to the Bank of the United States," passed the 25th of February, 1791.

The second section of this act authorizes the President to cause a subscription to be made to the stock of the bank, on account of the United States, to the amount of $2,000,000; and with a view to the accomplishment of that object, to borrow of the bank $2,000,000, to be reimbursed in ten equal yearly instalments.

The difference between the interest payable on the loan, and the dividends on the stock, constitutes an item of annual income to the United States. It is unappropriated.

6th. "An act repealing, after the last day of June next, the duties heretofore laid upon *distilled spirits* imported from abroad, and laying others in their stead; and, also, upon spirits distilled within the United States, and for appropriating the same," passed the 3d of March, 1791.

This act, in conformity with its title, repeals, after June, 1791, the duties on imported spirits laid by the act of the 10th of August, 1790, and establishes, in lieu of them, higher rates, namely, from 20 to 40 cents per gallon, according to proof. It also lays duties, to commence at the same time, upon spirits distilled within the United States, namely, on those from *foreign* materials, from 11 to 30 cents, according to proof; on those from *domestic* materials, if distilled in cities, towns, or villages, from 9 to 25 cents per gallon, according to proof; if distilled in other places, it imposes a yearly rate of 60 cents per gallon of the *capacity* of each still, with an option to the distiller to keep and render an account of the produce of his still, and to pay nine cents per gallon of the quantity of spirits distilled therein.

These duties are appropriated, primarily, *in the same manner, and to the same purposes, as those laid on imported articles by the act of the 10th of August*, 1790, *and are to continue for the same time*, with the like reservation of a right to substitute other duties or taxes of equal value. There is a further appropriation, which will be noticed hereafter.

7th. "An act for raising a further sum of money for the protection of the frontiers, and for other purposes therein mentioned," passed May 2, 1792.

This act repeals, after June, 1792, the former duties on a number of imported articles, and establishes higher duties in their stead.

It extends, among other things, the duties on foreign distilled spirits, laying on those *made from grain* 28 to 50 cents per gallon; on others, 25 to 46 cents per gallon. The *appropriation* and *duration* of these new duties are *conformable and co-extensive with those repealed.* There is, likewise, an addition of 2½ per cent. to that class of duties ad valorem, which, before, was rated at 5 per cent.; but this additional duty is limited to the term of two years.

Out of the surplus of these duties, after satisfying the permanent appropriations, certain gross sums are appropriated for the service of the War Department.

8th. "An act concerning the duties on spirits distilled within the United States," passed May 8, 1792.

This act repeals, after the last day of June, 1792, the former duties on spirits distilled within the United States, and on stills; and, instead of them, establishes lower duties, namely, on those made of *foreign* materials, from 10 to 25 cents per gallon, according to proof; on those made of *domestic* materials, if in cities, towns, or villages, or at distilleries where the stills, singly or together, are of the *capacity* of 400 gallons or upwards, from 7 to 18 cents per gallon, of the spirits distilled, according to proof; if made in other places, or at distilleries where the stills are of inferior capacity, the yearly rate of 54 cents per gallon of the capacity of each still. A new option is given to the distiller, which is, instead of paying the yearly rate, to take out licenses for the monthly employment of his stills, paying, each time, 10 cents per gallon of the capacity of each still.

These new duties are appropriated *in the same manner, and for the same purposes, and are to continue for the same time, as those for which they are substitutes;* and to *make good any deficiency* which may accrue from lowering the rates, *the surplus of the duties imposed* by the act of the 2d of the same month is appropriated.

"An act to promote the progress of useful arts, and to repeal the act heretofore made for that purpose," passed February 21, 1793.

This act ordains certain fees to be paid, by persons to whom patents are granted, for inventions, discoveries, or improvements, and *appropriates them to the purpose of defraying clerk hire in the Department of State.* Its duration is indefinite.

9th. "An act to establish the post office and post roads within the United States," passed May 8, 1794.

This act establishes, to commence on the first of June following, various rates of postage on letters, and directs that the Postmaster shall render to the Treasury Department, a quarterly account of receipts and expenditures, and shall pay quarterly, into the Treasury, the balance in his hands.

The duration of this act is also indefinite. It contains no appropriation of the sums paid into the Treasury.

10th. "An act laying duties upon carriages for the conveyance of persons," passed June 5, 1794.

This act lays different rates of duty, from ten dollars down to one dollar, upon carriages *for the conveyance of persons,* kept by or for any person, for his or her own use, or to be let to hire, or for the conveying of passengers; and to guard against misapprehensiou, declares, that the duties shall *not be construed* to extend to any carriage *usually and chiefly employed in husbandry*, or for the *transporting* or *carrying of goods, wares, merchandise, produce, or commodities.*

The duration of the duties is limited to the end of the session of Congress which shall be next after the term of two years from the time of passing the act. It contains no appropriation.

11th. "An act laying duties on licenses for selling wines and foreign distilled spirituous liquors by retail," passed June 5, 1794.

This act requires that every retail dealer in wines shall take out a yearly license, and shall pay for it a duty of five dollars; and that every retail dealer in *foreign* distilled spirituous liquors shall also take out a yearly license, and pay for it a duty of five dollars. It defines a retail dealer in wines to be a person who deals in the selling of wines, *to be carried or sent out of the house, building, or place of his or her dwelling*, in less quantities at one time than thirty gallons, except in the original cask, case, box, or package, in which it is imported. A retail dealer of spirituous liquors to be a person who shall deal in the selling of *foreign* distilled spirituous liquors, *to be carried or sent out of the house, building, or place of his or her dwelling*, in less quantities than twenty gallons at one time. No difference is made between the dealer in several kinds of wines, or several kinds of foreign distilled liquors, and the dealer in one kind.

The same duration is assigned to this act as to the one last cited. It is equally without an appropriation.

12th. "An act laying certain duties upon snuff and refined sugar," passed June 5, 1794.

This act lays a duty of 8 cents per pound on all snuff, which, after the 30th of September, 1794, should be manufactured within the United States, and of 2 cents per pound on all sugar which, after that day, should be refined within the United States. The remark made upon the two last recited acts is applicable to this, as to the duration of the duties, and the appropriation of their proceeds.

13th. "An act laying additional duties on goods, wares, and merchandises, imported into the United States," passed June 7, 1794.

This act lays upon sundry enumerated articles, on their importation from foreign countries, certain specific and ad valorem rates of duty, in addition to those before charged upon them, and adds, generally, a duty of two and a half per centum on all that class of articles which were before chargeable with seven and a half per centum ad valorem. It also prolongs the temporary two and a half per centum, laid by the act of May 2, 1792, till the 1st of January, 1797, to which period the other duties laid by it are to continue. It contains no appropriation.

14th. "An act laying duties on property sold at auction," passed June 9, 1794.

This act lays a duty on sales at auction, by persons licensed according to the laws of a State, or this act, prohibiting others from selling at auction, of $\frac{1}{4}$ per cent. of the purchase money arising from the sale of any right, interest, or estate, in lands, tenements, or hereditaments, utensils in husbandry, farming stock, or ships and vessels; of $\frac{1}{2}$ per cent. of the purchase money, arising from the sales of any other goods, chattels, rights, or credits.

The term of these duties is limited to the end of the session next after the expiration of two years from the time of passing the act, which also is without an appropriation.

But, by an act entitled "An act making appropriations for certain purposes therein expressed," passed the same 9th of June, 1794, certain specific sums, amounting together to $1,292,137 38, are charged upon the proceeds of the revenues, which are created by the five last mentioned acts, and there is a reservation made out of them of a sum sufficient to pay the interest of whatever moneys may be borrowed pursuant to the act entitled "An act making further provision for the expenses attending the intercourse of the United States with foreign nations," &c., passed the 20th of March, 1794, *which sum is pledged for the payment of that interest.*

These acts comprehend all the current revenues of the United States. Their product will appear hereafter.

In addition to them, a fund will be derived from the sale of the public lands in the Western Territory. And there likewise occur, from time to time, payments into the Treasury on account of old debts; but these are too casual, and of too little magnitude, to be more than cursorily mentioned.

The lands in the Western Territory, of which the Government of the United States has acquired the right of soil, are estimated in a report of the late Secretary of State to amount to 21,000,000 of acres. This quantity, at twenty cents per acre, the price upon former occasions contemplated, would yield a sum of $4,200,000. But it is believed that it would be unsafe to count upon so large a sum. Besides the uncertainty as to the proportion which may be of a saleable quality, and as to the price which may be obtained for it, the boundary line between the United States and the Indians is understood to be unsettled with regard to a large part of the tract on which the computation is made. If it ultimately yields three millions of dollars, it will probably equal every reasonable expectation.

The provisions for funding the debt, and for payment of interest upon it, are comprised in the following acts:

1. "An act making provision for the debt of the United States," passed August 4, 1790.

This act, commonly called the funding act, contains these several provisions, viz:

I. It reserves out of the proceeds of the duties on imports and tonnage, for the support of the Government of the United States, and their common defence, the yearly sum of $600,000.

II. It appropriates *so much of the same proceeds as should be necessary* to the payment of interest on foreign loans before that time contracted, or which should afterwards be contracted, for discharging the arrears of interest, and the principal of antecedent foreign loans, to continue so appropriated til the debt created by those loans should be fully discharged.

III. It authorizes the President to borrow any sum or sums not exceeding $12,000,000, to discharge the arrears of interest upon, and the instalments of the principal of, the foreign debt due, and to grow due; and *if to be effected on advantageous terms,* to pay off the whole of that debt; and further authorizes him to make such other contracts respecting it as should be found for the interest of the United States, so that no engagement or contract should preclude from reimbursing the sums borrowed within fifteen years after they should be borrowed.

IV. In order to adapt the form of the domestic debt to the then circumstances of the United States, as far as should be found practicable, "*consistently with good faith and the rights of the creditors,*" which it truly declares "*could only be done by a voluntary loan on their part;*" it proposes a loan to the United States, (directing for that purpose books for subscriptions to be opened at the Treasury, and by commissioners of loans in the several States, on the 1st of October, 1790, and to continue for a year;) the sums subscribed to the loan to be paid in certain enumerated evidences of the debt of the United States, upon these terms, viz:

1st. That the interest unpaid on the principal of those evidences, should be computed up to the last of December, 1790.

2d. That for any sum subscribed and paid in the *principal* of the debt, the subscriber should be entitled to one certificate for a sum equal to two-thirds of the sum subscribed, bearing an interest of six per cent. per annum, commencing the 1st day of January, 1791, *payable quarter-yearly*, and subject to redemption by payments not exceeding in one year, *on account both of principal and interest*, eight dollars upon a hundred of the *original sum* so subscribed and paid; and to another certificate for a sum equal to the remaining third of that sum, which, after the year 1800, should bear a like interest, payable in like manner, and subject to a like rate of redemption. But that the United States, *though having a right to redeem in the abovementioned proportion, should not be obliged to do it.*

3d. That for any sum subscribed and paid in the *interest* of the debt, the subscriber should be entitled to a certificate for a sum equal to the sum subscribed, bearing an interest of three per cent. per annum from the said last day of December, 1790, payable quarter-yearly, and redeemable at pleasure, by payment of the principal.

4th. That the new stock created by the said loan should be *transferable on the books upon which the credit for it should stand by the proprietor or his attorney;* these books to be either those kept for the purpose at the Treasury, or by commissioners of loans in the respective States; a mode being provided for the transfer from the books at one place to those at another.

5th. That the interest should be payable wheresoever the credit for the stock should exist, when the payment of interest should become due, except that the dividend of interest for any quarter of a year, which should not be demanded before the expiration of a third quarter, should afterwards be demandable only at the Treasury.

6th. That for the regular payment of the interest on the several kinds of stock, to arise from the loan as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which before that time had been, or during the then session should be provided, after *reserving yearly $600,000 for the support of the Government of the United States and their common defence, and such sum as should be necessary for payment of interest on the foreign loans before mentioned*, should be, and thereby were, *pledged* and *appropriated* till the final redemption of the capital stock.

V. Premising that some of the creditors of the United States might not *think fit* to become subscribers to the loan, this act declares *that* "*nothing contained in it should be construed in any wise to alter, abridge, or impair, the rights of those creditors of the United States who should not subscribe to the loan*, or the *contracts*, upon which their respective claims are founded; *but that the said contracts* and rights should remain in full force and virtue." And to obviate all idea of compulsion on the creditors to subscribe, it allows to non-subscribers, during the pendency of the loan, and until the end of the year 1791, a rate per centum on their respective demands, equal to that which is paid to subscribing creditors; on the sole condition, that the evidences of debt holden by them, except those which had been issued by the Register of the Treasury for the registered debt, should be exchanged for other certificates, specifying the specie amount of those in exchange for which they were given, and otherwise of the like tenor with those which had theretofore been issued by the Register of the Treasury for the registered debt; stating, as the grounds of this condition, that some of the certificates then in circulation had not been liquidated to specie value; that most of them were greatly subject to counterfeit; that counterfeits had actually taken place in numerous instances; and that embarrassment and imposition might attend the payment of interest on these certificates in their then form.

VI. This act likewise proposes another loan to the amount of $21,500,000 payable in the principal and interest, indiscriminately, of the evidences of debt of the respective States, according to certain quotas, to be conducted in the same manner, and to be open for the same time, as that in the domestic debt of the United States. The terms of this loan to be—

1st. That, for any sum subscribed, the subscriber should be entitled to one certificate for a sum equal to four-ninths of the subscribed sum, bearing an interest of six per centum per annum, commencing the 1st day of January, 1791; to another certificate for a sum equal to two-ninths of the said subscribed sum, bearing an interest, after the year 1800, of six per centum per annum; and to a third certificate, for a sum equal to three-ninths of the said subscribed sum, bearing an interest of three per centum per annum, commencing on the same 1st day of January, 1791: the interest in each case to be payable in like manner, and to be subject to the like redemption as that on the correspondent kinds of stock to be created by this the said first mentioned loan. And the stock to be created by this second loan, to be *transferable*, on the same principles, and in the same modes, as that produced by the former.

2d. That for the regular payment of interest on the several kinds of stock to arise from this loan, as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which, before that time, had been, or during the then session should be provided, *after reserving the aforesaid yearly sum of $600,000, the sum necessary for payment of interest on the foreign loans made and to be made, and the sum necessary for payment of interest on the loan in the domestic debt*, should be, and thereby were, pledged and appropriated; to continue so pledged and appropriated until the final redemption of the capital stock.

VII. To secure the due application of these revenues, according to the appropriations, an account of them is directed to be kept, distinct from that of the proceeds of any other revenues, except such as should be raised to make good a deficiency in those; and the faith of the United States is pledged to appropriate additional and permanent funds for satisfying such deficiency.

VIII. The proceeds of the sales of lands in the Western Territory, then belonging, or which thereafter should belong to the United States, are pledged and appropriated for the discharge of the debts which the United States then owed, or by virtue of that act should owe.

There are several collateral and supplementary provisions, which are omitted as immaterial to the intended view of the subject.

2. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits," &c., passed the 3d of March, 1791.

The proceeds of the duties laid by this act are made subject to the same appropriations, and in the same order of priority, as those contained in the funding act; and to secure their due application an account is directed to be kept of them, distinct from that of any other revenues, except those appropriated by the funding act.

3. "An act for raising a further sum of money for the protection of frontiers," &c., passed May 2d, 1792.

This act, which, as has been before noticed, increased permanently the duties on certain imported articles, and laid a temporary additional duty on some others, appropriates primarily the proceeds of the permanent augmentations in the same manner, and to the same purposes, as the antecedent duties were appropriated; that is, in conformity with the funding act.

4. "An act concerning the duties on spirits distilled within the United States," passed May 8th, 1792.

This act, which lowers the duties on spirits distilled within the United States, and on stills, appropriates the proceeds of the reduced duties in the same manner as were the former duties; and to make good whatever deficiency might be occasioned by the reduction of the rates, pledges as a substitute the surplus of the augmented duties laid by the last cited act.

5. "An act providing for the payment of the second instalment, due on a loan made of the Bank of the United States", passed June 4th, 1794.

This act, in addition to a provision for paying that second instalment, appropriates so much of the dividends on the stock which the United States hold in the bank, as should be necessary to the payment of interest on the capital of a loan of $2,000,000, had of the bank, pursuant to the 11th section of the act by which it is incorporated. It also fixes the last day of December, in each year, as the annual period for the payment of the successive instalments of that loan.

6. "An act making provision for the payment of the interest on the balances due to certain States, upon a final settlement of accounts between the United States and the individual States;" passed May 30th, 1794.

This act directs that interest shall be allowed and computed on the balances to creditor States, from the last of December, 1789, to the last of December, 1794; which, being placed to their credit respectively, shall bear an interest of three per centum per annum, from the period last mentioned. It further directs that the interest on the principal balances, to be funded agreeably to the terms of the act for the settlement of accounts, together with the interest upon the arrears of interest, computed on those balances, and forming a new capital, shall be payable at the offices of the commissioners of loans within the States to which the balances are respectively due, and shall be paid quarter-yearly, after the last day of December, 1794, at the same epochs, in each year, at which interest is payable on the other parts of the funded debt; to which end, so much of the proceeds of the duties on imports and tonnage as may be necessary, *and as were not otherwise previously appropriated*, are appropriated; and the faith of the United States is pledged, to provide for any deficiency which may happen by additional and permanent funds.

There are several acts which prolong, from time to time, the subscriptions in the domestic and State debts, on the same terms as by the funding act; those in the domestic debt being continued down to the last day of December, 1794; which acts, together with the acts particularly cited, comprise all those that relate to the funding of the public debt, and the payment of interest thereupon. The result of these acts is exhibited in the tables A, B, C, and D, which show the amount of the foreign debt; that of the funded debt, the probable amount of that which remains unfunded, of what composed, and the annual amount of interest upon the different portions of debt according to contract, and according to the plan of this report.

The provisions for reimbursing and redeeming the public debt are contained in the following acts, and are as follows, viz:

I. "An act making provision for the debt of the United States," passed the 4th of August, 1790.

This act, which is the one that regulates the funding of the debt, by the last section appropriates the proceeds of the sales of lands in the Western Territory, then belonging, or thereafter to belong, to the United States, to the sinking or discharging of the debts for which the United States then were, or by virtue of that act should be holden, to be applied solely to that use, until they should be fully satisfied.

II. "An act making provision for the reduction of the public debt," passed August 12th, 1790.

This act, premising that it is desirable, by all just and proper means, to effect a reduction of the public debt, and that the application of the surplus revenue to that object will not only contribute to this desirable end, but will be beneficial to the creditors of the United States, by raising the price of their stock, and be productive of considerable saving to the United States, enacts:

1st. That the surplus of the duties on imports and tonnage to the end of the year 1790, shall be applied to the *purchase* of the debt of the United States, at its market price, if not exceeding the par or true value thereof.

2d. That the purchases to be made shall be conducted under the direction of the President of the Senate, the Chief Justice, the Secretary of State, the Secretary of the Treasury, and the Attorney General; who, or any three of whom, with the approbation of the President, are authorized to cause them to be made, in such manner, and under such regulations, as shall appear to them best calculated to fulfil the intent of this act: *Provided, That the same should be made openly, and with due regard to the equal benefit of the several States.*

3d. That the accounts of the application of the fund should be settled as other public accounts, accompanied with returns of the amount of debt purchased at the end of each quarter of a year; and that a full and exact report of the proceedings of the commissioners should be laid before Congress, within the first fourteen days of each session, including a statement of the disbursements and purchases; specifying the times when, prices at which, and persons of whom, the purchases were made.

4th. That, in addition to this fund, the President should be authorized to borrow any sum or sums, not exceeding 2,000,000 of dollars, at an interest not exceeding five per centum, to be applied to purchases of public debt, in like manner, and under the same direction and regulations as the first mentioned fund: *Provided, That out of the interest of the debt to be purchased, there should be appropriated annually a sum not exceeding eight per centum of the sums borrowed, towards paying the interest and reimbursing the principal of these sums.*

But to guard against the possibility of a deficiency of means to pay the interest on the debt which was to accrue in the year 1791, authority is given to reserve and apply to that purpose, out of the first mentioned fund, as much as might be necessary to supply the defect of receipts during that year, on account of the duties which should accrue after the year 1790.

III. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits," &c., passed the 3d of March, 1791.

This act appropriates whatever surplus may remain from year to year of the proceeds of the duties which it imposes, after satisfying prior appropriations, to the reduction of the public debt, unless such surplus shall be required for the current public exigencies, and by *special* acts of Congress shall be appropriated thereto.

IV. "An act supplementary to the act making provision for the reduction of the public debt," passed the 3d day of March, 1791.

This act declares that the terms of a loan of three millions of florins, obtained in Holland, bearing five per cent. interest, and four and a half per cent. for charges, and future loans on the same terms, should be deemed to be within the meaning of the act of the 12th of August, 1790.

V. "An act supplementary to the act making provision for the debt of the United States," passed May 8, 1792.

This act makes provision for the payment of a debt due to certain foreign officers who had served the United States, (the interest of which was, by stipulation, payable at Paris,) out of the moneys authorized to be borrowed by the funding act. It also establishes a permanent sinking fund, to be composed,

1st. Of the interest of the public debt purchased, redeemed, or paid into the Treasury, in satisfaction of any debt or demand.

2d. Of the surplus, if any, which should remain of moneys appropriated for paying the interest of the public debt, after paying that interest.

This fund is to be applied under the direction of the commissioners nominated in the act of the 12th of August, with the like approbation of the President,

1st. To the *purchase* of the several species of stock constituting the debt of the United States, at their respective market prices, not exceeding the par or true value thereof, and as nearly as may be in equal proportions, *until the annual amount of the fund shall be equal to two per centum of the whole amount of the outstanding funded stock, bearing a present interest of six per centum.* Thenceforth,

2d. To the *redemption* of that stock, according to the right reserved to the United States, *until the whole should be redeemed.* And lastly, *after such redemption, to the purchase,* at its market price, of *any unredeemed debt* of the United States: which purchases are directed to be made at the lowest prices at which they can be effected, by open purchase, or by receiving sealed proposals, to be opened in the presence of the commissioners, or persons authorized by them to make purchases, and of the persons making the proposals; and are to be accounted for at the Treasury, and reported to Congress in the same manner as the purchases before authorized to be made.

VI. "An act making appropriations for the support of Government for the year 1793."

This act provides that the President of the United States shall cause so much of the loan made of the Bank of the United States, pursuant to the 11th section of the act of incorporation, to be paid off in sums not less than 50,000 dollars, as, in his opinion, the state of the Treasury may, from time to time, admit, out of any moneys which may be in the Treasury, having due regard to the exigencies of the Government, and the appropriations made and to be made by law.

VII. "An act making provision for the payment of the first instalment due on a loan made of the Bank of the United States," passed March 2d, 1793.

This act authorizes the payment of the first instalment of a loan of two millions of dollars had of the Bank of the United States, pursuant to the 11th section of the act by which it is incorporated, out of the moneys borrowed upon the authority of the act making provision for the reduction of the public debt.

VIII. "An act providing for the payment of the second instalment due on a loan made of the Bank of the United States," passed June 4th, 1794.

This act authorizes the payment of that second instalment out of the proceeds of any foreign loans before that time transferred to the United States. It makes other provisions, which have been noticed under a preceding head.

These acts comprise all the provisions which have been made for reimbursing and redeeming the debt of the United States. The result of the last, of December, 1794, is presented in the statement E.

There are two other acts, which, though not falling properly under either of the foregoing heads, require, from their relation to the subject, to be brought into view.

1st. "An act relative to claims against the United States, not barred by any act of limitation, and which have not been already adjusted," passed February 12th, 1793.

This act directs that all claims, of the description given in the title, shall be presented at the Treasury for adjustment by the 1st of May, 1794, or shall be forever after barred; except those for *loan-office certificates, final settlements, indents of interest, registers' certificates, balances on the books of the Treasury, loans of money in foreign countries, certificates issued under the act entitled "An act making provision for the debt of the United States."*

Such of the claims presented as cannot be admitted in the course of the Treasury, are to be reported to Congress by the accounting officers.

Among the claims inadmissible in the ordinary course of the Treasury, is a sum of $90,574 of the bills of credit commonly called new emission money.

2d. "An act making further provision for the expenses attending the intercourse of the United States with foreign nations," &c., passed March 20th, 1794.

This act appropriates, in addition to former provisions, one million of dollars for the purposes mentioned in the title, to be paid out of any moneys which may be in the Treasury not otherwise appropriated, and to be applied under the direction of the President of the United States, who is also authorized, if necessary, to borrow the whole, or any part of the sum; but there is no special appropriation either for paying the interest or reimbursing the principal of the loan.

The act already quoted, of the 9th of June, 1794, entitled "An act making appropriations for certain purposes therein expressed," with a view to remedy this defect, appropriates out of the proceeds of the taxes laid during the last session, such sum as shall be sufficient to pay the interest on whatever moneys may be borrowed pursuant to the act of March 20th, 1794.

The foregoing review of the laws which constitute the fiscal system of the United States, displays these prominent points as the leading features of that system:

1st. That all the current revenues of the United States are derived from these sources, to wit: IMPORTED ARTICLES; the TONNAGE of ships and vessels; SPIRITS distilled within the United States, and STILLS; the POSTAGE of letters; FEES ON PATENTS; DIVIDENDS of bank stock; SNUFF manufactured within the United States; SUGAR refined within the United States;

SALES AT AUCTION; LICENSES to retail wines and distilled spirits; CARRIAGES for the conveyance of persons.

2d. That of these revenues, the principal part of the duties on imported articles, those on the tonnage of ships or vessels, those on distilled spirits and stills, those on the postage of letters, patent fees, the dividends on bank stock, are permanent; (the three first being commensurate with the existence of the debt, for the payment of the interest of which they are pledged; the fourth and fifth having no limit assigned in the laws; and the last being commensurate with the duration of the property in the stock;) all the others temporary; being limited to continue no longer than till the end of the session of Congress next after the expiration of two years from the respective times of passing the laws which established them, except the temporary duties on imports and tonnage, which are to continue till the 1st of January, 1797.

3d. That the permanent duties on imported articles, the tonnage duties, the duties on spirits distilled within the United States, and on stills, are subject to these permanent dispositions:

1st. To an annual reservation of 600,000 dollars, for the support of the Government of the United States and their common defence.

2d. To an appropriation of so much as may be necessary to pay the interest on the foreign loans provided for by the funding act.

3d. To an appropriation of so much as may be necessary to pay the interest on the stock created by the loan in domestic debt, or, more properly, in the original debt of the United States.

4th. To an appropriation of so much as may be necessary to discharge the interest on the stock created by the loan in the debts of the respective States.

5th. To an appropriation of so much as may be necessary to pay the interest on the balances due to creditor States; which dispositions establish PRIORITIES, according to the order in which they are here enumerated.

4th. That the surplus, if any, of the duties on spirits distilled within the United States, and on stills, has an ultimate appropriation, that is, to the reduction of the public debt; *but that the surpluses of the other duties have no such ultimate appropriation.*

5th. That the duties on the postage of letters, and the nett dividend on bank stock, have *no permanent or particular appropriation.*

6th. That the temporary duties *are charged* with a specific sum of 1,292,137 dollars and 38 cents; and with the payment of *interest on a sum of* 1,000,000 *dollars, authorized to be borrowed for the expenses of foreign intercourse.*

7th. That the whole of the foreign debt, and all that part of the domestic debt, (being now nearly the whole,) which consists of the stock created by the loans in the original debt of the United States, and in the particular debts of the several States, and by the balances due to creditor States, are *bottomed on certain specified revenues, pledged* or *hypothecated* for the payment of the *interest* upon them; and *thus* constitute the FUNDED DEBT of the United States.

8th. That the funded DOMESTIC debt of the United States consists of three species of stock: one bearing a present interest of six per cent. per annum; another bearing a like interest after the year 1800; a third bearing a present interest of three per centum per annum; *the interest in each case payable quarter-yearly.*

9th. That the six per cent. stock, present and deferred, can be redeemed in no greater proportion than at the rate of eight per centum per annum of the *original* sum, on account both of principal and interest; but the three per cent. stock is redeemable at pleasure.

10th. That the provision for subscribing to the loan in domestic debt expired on the last of December, 1794, and that *no further provision* has been made for the unsubscribed residue.

11th. That the funding act *expressly confirms the contracts and rights* of the creditors of the United States, who shall not *think fit to subscribe to the loan*, and gives an *expectation* to them of *further* and *other* arrangements upon the event of the propositions made to them.

12th. That the proceeds of all the lands of the United States in the Western Territory are appropriated to the redemption of all that part of the public debt for which, *prior to the funding act*, or by *virtue thereof*, the United States were, or are, liable.

13th. That in addition to this, a regular SINKING FUND has been successively constituted, to be applied under the direction of five principal officers of the United States, with the approbation of the President, hitherto composed of three parts: 1st. The surplus of the duties on imports and tonnage to the end of 1790; 2dly, the proceeds of loans, not exceeding 2,000,000 of dollars, authorized to be borrowed for the purpose; (these two funds to be invested in purchases;) and, 3dly, (in which the two former resolve themselves,) the interest on the public debt, *purchased*, *redeemed*, or *paid* into the Treasury, together with the surpluses (if any) of moneys appropriated for interest, to be applied first to *purchases* of the debt, *till* the fund is equal to two per centum of the *outstanding stock*, *bearing* a present interest of six per cent.; secondly, to the *redemption* of that stock; and, lastly, to purchases of any unredeemed residue of the public debt. But there is *reserved out of this fund a sum not exceeding eight per centum per annum*, towards the payment of interest, and reimbursing of the principal of the loans made for purchases of the debt.

To this recapitulation of the leading features of our fiscal system, it may be useful to add a summary exhibition of certain results which appear more in detail, or are deducible from the tables or statements annexed to this report.

The particulars and amount of the debt of the United States are as follow:

Foreign debt, as per statements B and C,	$14,599,129 35	
Deduct instalment of foreign debt in the year 1795, to be paid out of proceeds of foreign loans - - -	853,750 00	
		$13,745,379 35

Funded domestic debt, viz.:

1. Arising from original domestic debt, subscribed to loan proposed by funding act:	
Stock bearing a present interest of 6 per cent. - - - - -	$17,912,138 01
Stock bearing a future interest of ditto -	8,538,228 97
Stock bearing an interest of 3 per cent. -	12,275,347 55
2. Arising from State debts assumed:	
Stock bearing a present interest of 6 per ct.	7,908,374 19
Stock bearing a future interest of ditto -	3,940,608 96
Stock bearing an interest of 3 per cent. -	5,994,115 70

3. Arising from balances to creditor States:		
Stock bearing a present interest of 6 per cent. - - - - -	$2,345,056 00	
Stock bearing a future interest of ditto -	1,172,528 00	
Stock bearing an interest of 3 per cent. -	703,516 80	
		$60,789,914 18
Unsubscribed debt, viz:		
Principal, exclusive of loan-office certificates, bearing interest on nominal value	1,072,583 40	
Interest thereupon, including indents -	452,826 74	
Principal of loan-office certificates, bearing interest on nominal sum - -	27,935 00	
Interest thereupon - - -	7,830 00	
		1,561,175 14
Total *unredeemed* debt - -		$76,096,468 67

This is exclusive of a sum of $1,400,000 due to the Bank of the United States, on account of the loan of $2,000,000 had of that institution, pursuant to the eleventh section of the act by which it is incorporated, and which is not included in the mass of the debt, because it is more than counterbalanced by a greater value in stock. It is also exclusive of those loans which are temporary anticipations of the revenue.

The particulars and amount of the annual current revenues of the United States, are as follow:

APPROPRIATED.	PERMANENT.	
Duties on imports and tonnage, domestic -	$4,199,791 67	
Duties on distilled spirits and stills -	400,000 00	
Fees on patents - - - - -	660 00	
UNAPPROPRIATED.		
Postage of letters - - - - -	29,722 16	
Surplus dividends on bank stock - -	62,500 00	
		$4,692,673 83
	TEMPORARY.	
Temporary duties on imports - -	1,479,626 91	
INTERNAL.		
Duties on snuff, refined sugar, sales at auction, licenses to retail spirits and wines, carriages for conveyance of persons -	380,000 00	
		1,859,626 91
Total annual current revenue - -		$6,552,300 74

The particulars and amount of the annual stated expenditure of the United States, computing the army and navy establishments on the scale of an Indian and Algerine war, are as follow:

Interest on the foreign debt - - - -	$638,480 58
Interest on domestic funded debt - - - -	2,339,241 50
Interest on unfunded debt - - - -	66,031 10
Interest on temporary loans - - - -	100,000 00

Expenses of the civil Government, including foreign intercourse - - - - - - -	$475,249 53
Expenses of military land service - - - - -	1,511,975 29
Expenses of military naval service - - - -	441,508 80
Miscellany - - - - - - - -	109,357 04
Total annual expenditure -	$5,681,843 84

This sum is liable to be increased by the interest which will begin to accrue on the deferred stock the 1st of January, 1801, being, on the present amount of that stock, $871,401 92.

The annual force of the sinking fund, as depending on ascertained funds, may be stated as follows:

Interest for a year on sums already carried to its credit -	$68,225 55
Interest for a year on debts of foreign officers, in a course of payment, including arrears of interest to be carried to the credit of this fund - - - - -	13,439 49
Interest for a year on the unexpended surplus of the revenues at the end of the year 1790, being $411,659 49, supposing this to be invested by purchase in an equal sum of present six per cent. stock - - - -	24,699 56
	$106,364 60

It is further liable to be increased by an investment in purchases of $865,098 11, which, together with the sums from that source already invested in purchases and payments, will amount to $2,000,000, the sum authorized to be borrowed for purchases of the debt.

But, as this auxiliary depends on an operation, not only future, but, in some degree, casual, it cannot be taken into an estimate of the actual strength of the fund.

The proceeds of the sales of western lands must also be considered as an eventual resource.

There are other contingent sources of augmentation not computed, because they are contingent. But, on the other hand, the fund is liable to be reduced, by a sum reserved out of it for the payment of principal and interest of the two millions authorized to be borrowed, for purchases not exceeding eight per centum per annum.

The sum applicable, in the first instance, to the redemption of that portion of the funded debt which bears a present interest of six per centum, excluding that standing to the credit of the commissioners of the sinking fund, is as follows:

Of transferable stock - - - - - -	$516,410 24
Of untransferable stock, arising from balances to creditor States - - - - - - - -	46,901 12
	$563,311 36

The sum applicable in the first instance, that is, on the 1st day of January, 1802, to the redemption of that portion of the funded debt now called deferred stock, excluding that standing to the credit of the commissioners of the sinking fund, will be as follows:

Of transferable stock - - - - - -	$249,576 75
Of untransferable stock, arising from balances to creditor States - - - - - - -	23,450 56
	$273,027 31

These sums would complete the redemption of the whole amount of the stock to which they are applicable within twenty-three years after the redemption in each case was begun; within which terms they would discharge the whole of the public debt, except the foreign debt, the unsubscribed debt, and the three per cent. stock.

If the redemption of the present six per cent. stock commence the 1st of January, 1796, and the redeeming fund be commensurate with the whole of the unredeemed stock, bearing a present interest of six per cent., and *transferable*, the revenue set free in the year 1818, for operations upon the residue of the debt, will be $2,039,394 36.

If the redemption of the deferred debt commence the 1st of January, 1802, when it may rightfully commence, and the redeeming fund be commensurate with the whole of that stock, *unredeemed* and *transferable*, the revenue set free in the year 1824, for operations upon the residue of the public debt, if any remain, will be $998,307 02.

The revenue set free by these successive redemptions would be sufficient to redeem the whole of the present foreign debt in six years; that is, within a term of twenty-eight years from the proposed time for commencing the redemption, or the 1st January, 1796; and, after extinguishing the foreign debt, would more than discharge the whole of the balances to creditor States, and the whole of the unfunded debt in two years more.

If the proceeds of the lands in the Western Territory should be equal to three millions of dollars, and the three per cent. stock can be purchased at an average of twelve shillings in the pound, that fund would suffice to pay off the principal of the three per cent. stock in something more than 25 years.

It follows that, if the force of the sinking fund be rendered equal, exclusive of the proceeds of the sales of western lands, to the redemption of the present unredeemed transferable stock, commencing the 1st of January, 1796, as to that bearing a present interest of six per centum, and the 1st of January, 1802, as to that bearing a future interest of six per centum; and if the proceeds of the sales of western lands should prove equal to $3,000,000, and can be brought into action for purchases of three per cent. stock, at the rate above mentioned, at any time before the year 1801, the whole of the present debt of the United States, foreign and domestic, (the funds appropriated being, during the whole period, adequate in productiveness, and inviolably applied,) would be extinguished in thirty years. And there would *then* revert to the United States an annual income of $4,435,320 89. Some auxiliary provisions, which will be proposed, may greatly accelerate that result.*

On the basis of the foregoing data, the Secretary of the Treasury proceeds to submit to the consideration of Congress certain propositions, which appear to him necessary to be adopted to complete our system of public credit. These will be followed by some explanatory remarks.

* These results are not stated with fractional correctness, because it is not necessary to a satisfactory conclusion; and the minuteness of the calculation would have demanded more time than can conveniently be spared.

FIRST PROPOSITION.

That further provision be made, with regard to the yet *unsubscribed* debt of the United States, as follows:

1st. Further time to be given, until the end of the year 1795, to subscribe the same to the loan proposed by the funding act, with liberty to the holders to subscribe the arrears of interest up to that period, separately from the principal, reserving that principal on its original footing.

2d. An appropriation to be made for payment of interest on so much of the principal (excepting loan-office certificates bearing interest on the nominal value) as at the end of the year 1795 shall remain unsubscribed, *for the term of one year*, according to the rate or rates stipulated by the original contracts, and for the payment of ten per centum of the arrears of interest thereupon to the same end of the year 1795. This payment to be made on the 1st of January, 1796, at the Treasury, where no *particular place* of payment is stipulated, and at *such place*, where there is one.

3d. The *specie principal* of the loan-office certificates which bear interest on the nominal value, together with the arrears of interest, to be immediately paid off.

SECOND PROPOSITION.

That provision be made for taking upon loan to the United States, by subscription at the Treasury, the *outstanding* and *unbarred* new emission bills of credit; the sums subscribed to be paid in the principal only of those bills, and the stock of the new loan to bear an interest of five per cent. per annum, payable quarter-yearly at the Treasury, and redeemable, at the pleasure of the United States, by payment of the principal; with a stipulation to pay the same at the expiration of thirty years. The loan to be deemed to commence on the 1st of January, 1796, and to rest on funds permanently pledged, namely, the permanent revenues.

THIRD PROPOSITION.

That provision be made for converting, by a new loan, the whole of our present foreign into domestic debt, upon these terms, to wit: that, for any sum subscribed to the new loan, and paid in the principal of the present foreign debt of the United States, there be allowed, in addition to the interest now payable upon such principal, the further yearly interest of $\frac{1}{2}$ per centum; or, in lieu thereof, at the option of each subscriber, an equivalent sum in capital stock, bearing an interest of five per cent. per annum. That the whole interest upon the new loan, including that upon the capital stock to be given as an equivalent for the additional $\frac{1}{2}$ per cent., shall remain fixed until the first day of January, 1818; at which time, and not sooner, the principal of the said new loan, including the said capital stock given as an equivalent, may and shall be reimbursed, except as to such subscribers as may prefer a shorter term of reimbursement, who may elect any term not less than fifteen years. That the permanent revenues shall be and remain firmly pledged for the payment of the said interest, until the reimbursement of the said principal, to be paid quarter-yearly, as that of the present funded domestic debt. And, lastly, that the commissioners of the sinking fund be empowered, with the approbation of the President, to provide, by new loans, for the reimbursement of any instalment or part of principal of the present foreign debt, or of the loan to be made thereupon as aforesaid, either by direct borrowing, or by sale in the market of certificates of stock, so as the said loan or the said certificates of stock shall bear an interest not exceeding six per centum per annum, and shall be liable to reimbursement within a term not exceeding twenty-four years. The interest upon the capital reimbursed, and, in aid thereof, the permanent revenues, to be pledged for the interest upon the loans or stock to be made or created by virtue of the said power.

FOURTH PROPOSITION.

That the temporary duties on imports be made co-extensive in duration with those now permanent, and be appropriated in like manner; and that the reservation of $600,000 annually, out of the duties on imports and tonnage, for the support of the Government of the United States and their common defence, be postponed till after the appropriations for the interest of the funded debt, foreign and domestic, and for the SINKING FUND.

FIFTH PROPOSITION.

That the following provisions be added to those heretofore made for reimbursing and redeeming the debt of the United States:

1st. To direct, by law, that so much of the surplus of the duties on imports and tonnage, to the end of the year 1790, as shall remain uninvested in purchases on the first day of January, 1796, shall be so invested, one fourth part within the month of April, another fourth part within the month of July, another fourth part within the month of October, in that year, and the remainder within the month of January, 1797.

2d. To exonerate the FUND established by the act entitled "An act supplementary to the act making provision for the debt of the United States," passed the 8th May, 1792, from the payment of the rate per annum which, by the 4th section of the act of the 12th of August, 1790, entitled "An act making provision for the reduction of the public debt," is reserved on account of the principal and interest of the moneys authorized by that act to be borrowed for purchases of the debt, charging the interest of the moneys so borrowed upon the revenue from imports and tonnage.

3d. To appropriate to the SAME FUND *so much* of the revenue from imports and tonnage as, *together with the other moneys now constituting the fund, and which shall accrue to it by virtue of the foregoing provisions*, shall be sufficient, *from year to year*, with the interest redeemed, to pay the sums which may of right be annually paid on account of the principal of such funded stock as, on the first day of January, 1796, shall bear a present interest of six per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States; to continue so appropriated until the whole of the said funded stock shall be redeemed, and thenceforth until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed or discharged.

4th. To appropriate to the SAME FUND the *dividends* on the stock of the Bank of the United States belonging to the United States, reserving, from time to time, *so much thereof* as may be necessary to pay *interest* on *what* *shall remain unpaid* of the loan had of the said bank, pursuant to the 2d section of the act of incorporation, and also *so much* of the duties on imports and tonnage as, *together with those dividends*, (deducting what may be necessary to pay interest,) shall be sufficient, from year to year, to pay off the instalments of the said loan hereafter to grow due, and as, (the said instalments being paid,) *together with any other moneys which, on the 1st day of January*, 1802, *may belong to the said fund, not otherwise appropriated*, shall be sufficient, *from year to year*, with the interest redeemed, to pay the sums which may of right be annually paid on account of the principal of such funded stock as, at the expiration of the year 1800, shall begin to bear an interest of six per cent. per annum—excluding that which shall stand to the credit of the commissioners of the SINKING FUND, and that which shall stand to the credit of particular States on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States; to continue so appropriated until as well the last mentioned stock, as the instalments of the loan aforesaid, shall be fully redeemed and discharged; and thenceforth until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed and discharged.

5th. To continue the appropriation to the SAME FUND of the *interest* of the stock which shall be redeemed by virtue of the foregoing provisions, (when the full redemption in each case is completed,) until the WHOLE of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, shall be redeemed, by reimbursement, purchase, or otherwise.

6th. To provide for carrying to the SAME FUND, agreeably to the appropriation in the funding act, the proceeds of the sales of the lands of the United States in the Western Territory, to be applied according to the said appropriation.

7th. To appropriate to the SAME FUND, to be employed for the purposes thereof, all moneys which shall be received for debts due to the United States antecedent to the present constitution.

8th. To provide that the surpluses of all the current revenues of the United States, which shall remain at the end of any calendar year, beyond the amount of the appropriations charged upon them, and which, during the session of Congress commencing next thereafter, shall not be otherwise specially appropriated or reserved, shall be carried to the FUND AFORESAID, to be applied to the purposes thereof.

9th. To provide for paying annually, out of the SAID FUND, the sum which may be rightfully paid in each year towards the redemption of the funded stock, which does or shall bear an interest of six per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States, commencing the redemption of that bearing a present interest on the 1st of January, 1796, and of that to bear interest after the year 1800, on the 1st of January, 1802; and pledging, in the firmest manner, the faith of the United States, to the creditors thereof, that the SAID FUND shall be inviolably applied to the purpose of redeeming the stock aforesaid, and afterwards to the redemption of the whole of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, until the whole shall be fully redeemed and discharged, and to be vested in the commissioners of the sinking fund, as property in trust for the creditors, until the redemption of the whole of the present debt of the United States shall be completed.

Provided, always, that whenever THE FUND shall be more than sufficient for paying off, as they accrue, the remaining instalments of the said loan had of the Bank of the United States, and for the complete and final redemption of the whole of the aforesaid stock, bearing and to bear an interest of six per cent., according to the right reserved for that purpose, and also for the payment of the instalments of the present foreign debt, or of such new loans as may be made thereupon, pursuant to the third proposition, and for the reimbursement, purchase, or redemption of the residue of the present debt of the United States, within the term of thirty years, it shall be lawful for Congress, if at war with any foreign European power, to apply so much of the excess as they may think fit, the said excess being certified by the COMMISSIONERS OF THE SINKING FUND, towards the expenses of such war; excepting always so much of the said excess as may be requisite to fulfil any contracts which shall have been entered into by the commissioners of the sinking fund, pursuant to the powers vested in them; and provided that no *second* appropriation of any such *excess* shall derogate from the fund *once reserved* for the redemption or purchase of the said residue of the debt, within the said term of thirty years.

10th. To provide that all reimbursements of the capital of the public debt, foreign and domestic, and of the remaining instalments of the aforesaid loan of the Bank of the United States, be made under the superintendence of the commissioners of the sinking fund, empowering them, with the approbation of the President of the United States, as the instalments of principal become due, to borrow, if necessary, the sums requisite to pay those instalments. Provided that the ultimate term, for the reimbursement of any loan they may make, shall not exceed twenty-four years; the interest thereof to be charged—first, upon the interest of the instalments which shall be reimbursed by means thereof, except the instalments of funded six per cent. stock; secondly, upon the revenue from imports and tonnage, to make good any deficiency.

SIXTH PROPOSITION.

That power be given to the commissioners of the sinking fund, with the approbation of the President, to borrow, from time to time, such sums as may be necessary, in anticipation of the revenues appropriated for the purpose, not exceeding in one year one million of dollars, to be reimbursed within a year from the time of each loan, for the payment of the interest which shall annually accrue on the public debt.

The interest upon each loan to be defrayed out of the permanent revenues.

SEVENTH PROPOSITION.

That the internal revenues from snuff and refined sugar, sales at auction, licenses to sell by retail foreign distilled spirits and wines, and carriages for the conveyance of persons, be continued to the 1st day of January, 1800, and that the reimbursement of the principal of the loan of 1,000,000 of dollars authorized to be borrowed for defraying the expenses of foreign intercourse, be charged upon this fund.

EIGHTH PROPOSITION.

That in regard to any sum which shall have remained *unexpended* upon any appropriations other than for the payment of the interest of the funded debt, and for the purposes of the sinking fund, for more than two years after the end of the calendar year in which the act of appropriation shall have been passed, such appropriation shall be deemed to cease and determine, and the sum unexpended upon it shall be carried to an account to be denominated "THE SURPLUS FUND." But no appropriation shall be so deemed to have ceased or determined till after the year 1795, unless it shall appear to the Secretary of the Treasury that the object of such appropriation has been fully satisfied; in which case, it shall be lawful for him to cause to be carried the unexpended residue thereof to the account aforesaid.

NINTH PROPOSITION.

That provision be made that all priorities heretofore established in the appropriations for the funded debt, as between the different parts of the said debt, shall, after the year 1796, cease, with respect to all creditors of the United States who do not, before the expiration of the period, signify their dissent therefrom; and that, thenceforth, with the exception only of the debts of those creditors who shall so signify their dissent, the revenues charged with these appropriations shall constitute a common or consolidated fund, chargeable indiscriminately and without priority.

TENTH PROPOSITION.

That provision be made for calling in all outstanding loan-office certificates, certificates called final settlements, and indents of interest, and for issuing, in lieu of them, other certificates of equivalent tenor; establishing that all which shall not be presented for exchange within the term of two years shall be barred.

Remarks upon the first proposition.

The experiment has now been fully tried, and with nearly complete success, of the disposition of the public creditors to accept the terms offered by the funding act. Those who still decline have probably made a final election to abide by their original contracts.

It remains to fulfil them. This, the moral obligation of the contracts, the new and peremptory sanction given to them by the present Government, and the essential maxims of public credit, unite to demand; and, while these cogent motives, affecting intimately the permanent character and general interest of the United States, recommend the measure, there is now no longer any momentary inducement from situation to procrastinate.

The present advanced state of the national finances, and the inconsiderable magnitude of the still unsubscribed debt, render it of little if any consequence to obtain upon it the temporary accommodation of deferring the payment of a part of the interest *accruing* according to contract. This motive apart, and considering the approximation of the period when the payment of interest on the deferred debt is to commence, the chance of benefiting by a fall of the market rate of interest, incident to a provision for the debt on the terms of the contract, which make it redeemable at pleasure, may be found more advantageous to the Government than the partial postponement of interest encumbered with an abridgment of the right of redemption.

To those who should not rightly appreciate this circumstance, it might seem an objection that the provision proposed would place those creditors who had not consented to accommodate the Government upon a better footing than those who had so consented.

But a scruple of this kind is overruled by several considerations. 1st. It is not improbable that a considerable proportion of those who may not have accepted the terms offered by the funding act, are executors and other trustees, who may have doubted their power to accept.

2d. Giving the fullest force to the fact which is the ground of the objection, it is one of those cases in which the general principles that constitute the permanent happiness of society give the less meritorious advantages over the more meritorious. All the creditors had a right to conform, or not. Those who have not done it have only used their right, and it cannot be matter of objection or prejudice to them. To delay indefinitely a provision for their claims, according to contract, is to annihilate the contract.

The complying creditors cannot with propriety complain. They were informed unequivocally that the proposal of a new loan was referred to their free choice; that the rights of those who did not assent would remain unimpaired; and compensations were offered in the new contracts for the surrender of the old. A plea that an ultimate provision was not relied upon could not be admitted, because it would be to convert a distrust of the faith of the Government into an argument against its being observed towards those who had depended upon it.

But the complying creditors actually received valuable considerations for the modification of their claims, instead of *annual* provision for their interest, which alone their contracts, as they stood previous to the funding act, required: they have had it secured by *adequate funds permanently mortgaged* for its payment.

Instead of the stipulated annuity being *redeemable at pleasure*, whenever a fall in the market rate of interest should render it advantageous to pay off the principal, it has acquired a more *fixed* character by the relinquishment of the right of the Government to redeem, except in certain proportions, and a capacity to increase in capital value, by a declension of the market rate of interest.

Instead of receiving their interest in one payment at the end of a year, they receive it in quarter-yearly portions, which makes it, in fact, 6.15 per cent., in lieu of the stipulated rate of six per centum.

On the first point, it has been argued that, supposing a steady preservation of its faith by the Government, it is indifferent to the creditor whether his demand stands upon the basis of an annual provision, or upon that of mortgaged funds.

This is to substitute theory to fact. As well with regard to a Government as to an individual, there is, in the nature of things, an *intrinsic* difference between the value of a debt bottomed on mortgaged funds, and that of a debt resting on what is called, in the one case, and may be called in the other, personal security. The degree of this difference, and some of the circumstances on which it depends, may be different in the two cases, but the reality of its existence can be denied in neither.

Government, being administered by men, is naturally, like individuals, subject to particular impulses, passions, prejudices, vices—of course, to inconstancy of views and mutability of conduct.

A kind of property, of which the essence is contract, must necessarily, therefore, be more or less valuable, because more or less secure, in proportion as it is little or much exposed to the influence of that inconstancy or that mutability.

If a provision is to be made by a new resolution every year, that resolution, being always liable to be affected by momentary circumstances, is always casual.

If made once for all, it continues, of course, unless revoked by some positive act, and has for that reason a moral certainty of stability.

But why, it might be asked, if a disposition unfaithful to the public engagements, or unfriendly to public credit, should exist, would it not operate to produce a violation of a provision made, as well as to prevent the making of one?

The two things are widely different. To *undo*, which is to *act*, and, in such a case, *to act with violence*, requires more enterprise and vigor, and presupposes greater energy, or a stronger impulse, than *not to do*, or to forbear to act. This is particularly true where a number of wills is to concur. Many men, who will not rouse to the effort, or encounter the responsibility of doing mischief by positive acts, will readily enough slide into it by a negative conduct—that is, by omitting to act. Many men, merely from easiness of temper, or want of active fortitude, will suffer evil to take place which they neither desire, nor would themselves commit. In collective bodies, *votes* are necessary to ACTION; absences may produce INACTION. It often happens that a majority of voices could not be had to a resolution to undo or reverse a thing once done, which there would not be a majority of voices *to do*.

This reasoning acquires tenfold force when applied to a complex Government like ours; that is, to a Government distributed into departments, acting through different organs, which must concur to give it motion; as, in our constitution, the House of REPRESENTATIVES, the SENATE, and the PRESIDENT.

In delicate and difficult cases, whether to issue in good or ill, a suspension of action is far more natural to such a Government than action.

It can hardly happen that all the branches or parts of it can be infected at one time with a common passion or disposition manifestly inimical to justice and the public good, as to prostrate the public credit, by revoking a pledge given to the creditors. It is far more probable that such a disposition should at one time possess one part, at another time another part. Possessing either part, it might be sufficient to obstruct a provision which was to be made. Without possessing all the parts, it could not subvert one which had been made. The last can scarcely be supposed, except in one of those extraordinary crises of nations which confound all ordinary calculations.

Hence the value of property in public debt, which rests on specified and competent funds, firmly pledged for the satisfaction of the creditor, is intrinsically greater, and to a considerable extent, than that of property in public debt, which depends on annual provision. Hence, too, a creditor to whom such a pledge was not stipulated, may be justly said to have received a compensation for the relinquishment of a portion of his interest.

On the second point, it has been observed, with less plausibility, that in this country, where it would be to the advantage of the creditor to receive his principal rather than a rate of six per cent. interest, the abridgment of the right of redemption is of no value.

1st. The proposition is not universally true.

It depends on the particular situation of a creditor whether it be his interest to be reimbursed his principal or not. It is believed, owing to the impunctuality of collections, that in no part of the United States does fair lending at private interest, upon real security, nett six per cent.

2d. As far as it is true, it does not authorize the inference which is drawn; because the creditor cannot demand his principal when it suits him, but must wait till it is convenient to the Government to pay. This convenience might not exist till there was a fall in the market rate of interest, and then it would not be the interest of the creditor to receive.

Unable to exact the principal when he pleases, it is a material point gained to be able to arrest the hand of the Government from paying him, when it is his interest not to receive. It is evident, that whenever the rate of interest, to which he is entitled, shall exceed the market rate, if he cannot be obliged to receive back his principal, or take the market rate, his stock must rise in value, in proportion to the difference and the degree of its duration.

Nor is an idea which has been entertained just, that this advantage is remote and contingent; to accrue only to those who may be holders at the time of the fall of interest, at the expense of those who were holders when the funding act passed; many of whom, as it is alleged, being obliged to alienate then or shortly after, suffered loss in the sale from the postponement of a part of their interest, without benefiting by the supposed equivalents.

The fairness of an equivalent ought never to be tested by the necessities of particular individuals. It ought to be estimated by the general principles of value; by the natural and real operation of things. Admitting, therefore, the suggestion as to such individuals to be true, it would decide nothing.

But it is not true. The permanency of a high rate of interest, and the possibility of a future rise of the capital above par, by a fall of the market rate below the stipulated rate, were, to the first holders of stock, circumstances of present value.

Foreigners, especially, whose purchases would necessarily influence the market, would give higher prices for it on these accounts.

And when to this are added the *funding* of the new stock, and the payment of the interest *quarter-yearly*, there is solid ground for entertaining an opinion that the stock has, from the earliest period, borne a better price in the market than upon the principle of an *annual* payment of six per cent. on the whole capital depending upon an *annual* provision.

This opinion would be confirmed, if we should take as a guide what actually happened in one or more of the States, which made annual provision for the payment of interest upon their debts, at the stipulated rate of six per cent. With this provision, the market price of their stock rarely exceeded 33⅓ per centum.

It is probable that greater confidence in the ability and constancy of views of the Government of the United States might have given a greater value to their stock in a like situation. But it is not to be doubted that it would have felt, in a great degree, a similar effect of that situation.

This may not appear with respect to the small amount of unsubscribed debt now to be provided for, and with the advantage of a confirmation of confidence by experience; but it could not have failed to have been very apparent, if the whole debt had been provided for on this plan.

These observations serve to render it probable that the creditors, who have accepted the terms offered by the Government, have not been injured by the acceptance; that if they had now an option to change their ground for that which is proposed for non-subscribers, it would be an ill-judged choice in them to do it; and that, upon these, as well as other accounts, they will have no cause to be dissatisfied with the proposal under consideration.

Let it be added, that, whether the non-subscribers shall fare better or not by that proposal than the subscribers, it is the interest of all the public creditors, upon principle and precedent, that the public faith should be preserved towards those non-subscribers.

But, at the same time, every consideration connected with the question urges that nothing more should be done for non-subscribers than is positively due to good faith. Accordingly, the proposition contemplates that their debt shall not be *funded*, but that provision shall be annually made.

With regard to *arrears* of interest, a tenth part only is proposed to be paid on the 1st of January, 1796. At this rate, they would be paid off in ten years.

In strictness, they ought to be immediately discharged. But to have done this on the whole debt, would have been impracticable: to do it on what now remains unsubscribed, would not only be unequal, but would, at the present moment, obstruct arrangements which are conducive to the general interests of the creditors. The state of the Treasury in succeeding years will enable Congress to decide how far the payment can be accelerated. In the mean time, the creditors have an option to separate these arrears from the principal, and to fund them at three per cent., as has been done generally with regard to interest. The case of a large *arrear* of interest, arising from the inability of a former Government, which is the present case, is liable to some peculiar considerations.

A difference is made in the special case of the loan-office certificates, which by contract are entitled to interest of six per cent. on the nominal principal, redeemable only by payment of the specie principal.

This is too disadvantageous a footing for the Government.

The alternative most convenient at this time, is to pay off the debt, which is proposed. To elude this contract, would be to sacrifice a very great principle to a very little interest.

The amount will be seen in the statement A.

Remarks on the second proposition.

The certificates, or bills of credit, called new emission money, were emitted pursuant to a resolution of Congress of the 18th of March, 1780, which directs them to be emitted upon the funds of individual States, to bear an interest of five per centum per annum, payable in specie at the redemption of the bills; or, at the election of the holder, *annually, at the continental loan offices, in sterling bills drawn by the United States upon their commissioners in Europe*, and pledges the faith of the United States for the payment of the said bills, *in case any State on whose funds they should be emitted should, by the events of war, be rendered incapable to redeem them;* directing, also, an endorsement to be made upon each *bill* in these words: "The United States *insure* the *payment* of the within bill, and will draw bills of exchange for the interest annually, if demanded, according to a resolution of Congress of the 18th of March, 1780."

These resolutions, and the endorsement upon the bills, engage the absolute promise of the United States for the payment of the interest indefinitely, and their eventual guaranty of the principal, in case any State on whose funds the bills should be emitted should, by the events of war, be rendered incapable to redeem them; which is in effect, though not in form, an absolute guaranty of the principal; for the United States are bound to pay the interest *perpetually* till that is discharged.

Good faith demands that the United States should supply the omissions of the States which issued the bills, by providing themselves at least for the interest upon them.

But it is not as easy to pronounce on what terms they ought to be provided for.

On their face, and according to the *unrevoked* resolutions of Congress, they are of specie value equal to their nominal amount, and bearing five per cent. interest.

But it is known that they were issued by different States, at different values, fixed by *previous laws*. The true nature of the contract, therefore, in fact, and the true equity of the case, are, from these circumstances, involved in some question.

A compromise, by a new agreement, seems the best road out of the difficulty.

This is the aim of the proposition, which, it is hoped, will, in the main, reasonably consult all interests.

There have been special references of this subject to the Secretary, but he purposely declined a report till the expiration of the term limited by the act entitled "An act relative to claims against the United States not barred by any act of limitation, and which have not been already adjusted," passed the 12th of February, 1793, had obviated a danger to which the business was exposed. It is now ascertained that the amount for which the United States shall be in future liable, is ninety thousand five hundred and seventy-four dollars. The sums subscribed to the loan will, of course, be a charge against the States which respectively issued the bills.

Remarks on the third proposition.

The payment of interest and instalments of principal of our foreign debt, in the countries where it was contracted, is found by experience to be attended with difficulty, embarrassment, some loss, and a degree of casualty which occasionally puts in jeopardy the national credit. Loans for reimbursement must be made beforehand, as the market suits, and necessarily involve double interest for a greater or less time. The procuring of bills, to be remitted for payment of interest, cannot be depended upon in coincidence with the periods of payment, which, co-operating with distance, renders inconvenient anticipations necessary.

The remitting in commodities would be liable to other casualties, and to some peculiar objections; and whatever mode be adopted, it may be frequently not practicable to deposite in season the necessary funds on the spot, without great sacrifices. If, therefore, the place of these payments could, with consent of the creditors, upon an equitable indemnification to them for the transfer, be changed to the United States, the operation would be in various lights beneficial. It has occurred that the present posture of the affairs of Europe might favor a plan of this kind, and perhaps produce some collateral advantages. Under this idea an experiment is proposed. The proposed augmentation of interest is intended as an indemnification for the expense and hazard of agencies in this country, delays in remittance, inconvenience of distant negotiation, renunciation of the facilities which attend the receipt of interest at home, risks of loss by exchange, &c., and is calculated on a liberal scale, in order to induce an acceptance of the proposition.

If, instead of an *increase* of interest, the option of an *equivalent* be given by way of premium, in stock bearing an interest of five per cent., it would have attractions for certain creditors, and would facilitate the success of the measure. On strict calculation, the equivalent would be 6 dollars and 58 cents per 100 dollars of the principal subscribed. It is not perceived that the interests of the United States could suffer by allowing the alternative. The fixing of the rate of interest, by postponing the reimbursement to the year 1818, would also be a powerful inducement. And till the period of reimbursement arrives, any surplus of the sinking fund which may exist can be invested in purchases, so as to prevent the progress of the fund being arrested.

It could not be necessary to observe, except for the sake of dispelling jealousy or apprehension on the part of the creditors, *that, while the plan is in experiment, and afterwards, with regard to all who do not embrace it*, every thing is to proceed as heretofore, and as the contracts respecting the debt require.

The auxiliary proposition of giving power to the commissioners of the sinking fund to remit certificates for sale, is founded upon a belief that this operation will sometimes be practicable, where direct loans cannot be effected, and will be occasionally a more beneficial mode of remittance than by bills of exchange.

Remark on the fourth proposition.

The object of this proposition is to give moral certainty to the adequateness of the fund for paying the interest upon the debt, and for its ultimate redemption, making a reasonable allowance for the casualties to which it is exposed.

Remarks on the fifth proposition.

There is no sentiment which can better deserve the serious attention of the legislators of a country than the one expressed in the speech of the President, which indicates the danger to every Government from the progressive accumulation of debt. A tendency to it is, perhaps, the natural disease of all Governments; and it is not easy to conceive any thing more likely than this to lead to great and convulsive revolutions of empire.

On the one hand, the exigencies of a nation, creating new causes of expenditure, as well from its own as from the ambition, rapacity, injustice, intemperance, and folly of other nations, proceed in unceasing and rapid succession. On the other, there is a general propensity in those who administer the affairs of a Government, founded in the constitution of man, to shift off the burden from the present to a future day; a propensity which may be expected to be strong in proportion as the form of a State is popular.

To extinguish a debt which exists, and to avoid contracting more, are ideas always favored by public feeling and opinion; but to pay taxes for the one or the other purpose, which are the only means of avoiding the evil, is always, more or less, unpopular. These contradictions are in human nature;

and happy, indeed, would be the lot of a country that should ever want men ready to turn them to the account of their own popularity, or to some other sinister account.

Hence, it is no uncommon spectacle to see the same men clamoring for occasions of expense, when they happen to be in unison with the present humor of the community, whether well or ill directed, declaiming against a public debt, and for the reduction of it as an abstract thesis; yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new, by defraying the expenses of exigencies as they emerge.

These unhandsome arts throw artificial embarrassment in the way of the administrators of a Government; and, co-operating with the desire which they themselves are too apt to feel to conciliate public favor, by declining to lay even necessary burdens, or with the fear of losing it, by imposing them with firmness, serve to promote the accumulation of debt, by leaving that which exists without adequate provision for its reimbursement, and by preventing the levying, with energy, new taxes, when new occasions of expense occur. The consequence is, that the public debt swells till its magnitude becomes enormous, and the burdens of the people gradually increase till their weight becomes intolerable. Of such a state of things, great disorders in the whole political economy, convulsions and revolutions of Government, are a natural offspring.

There can be no more sacred obligation, then, on the public agents of a nation, than to guard with provident foresight and inflexible perseverance against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully presumed, be better demonstrated by those of the United States, at the present juncture, than by improving, efficaciously, the very favorable situation in which they stand for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundation of a system which may shield posterity from the consequences of the usual improvidence and selfishness of its ancestors, and which, if possible, may give IMMORTALITY to PUBLIC CREDIT.

Fortunately for the first object, the circumstances in our foreign affairs, which, during the last session, impelled to an extension of the national revenues, have left little more to do than to apply the existing means with decision and efficacy.

The second object will depend on the establishment of wise principles in that application, fitted to become a permanent precedent in the fiscal system of the country.

The first report of the Secretary on the subject of the public debt, of the 9th of January, 1790, suggests the idea of "incorporating, as a *fundamental maxim* in the system of public credit of the United States, that the *creation* of debt should *always* be *accompanied with the means of extinguishment*; that this is the *true secret for rendering public credit immortal*, and that it is difficult to conceive a situation in which there may not be *an adherence to the maxim*;" and it expresses "an unfeigned solicitude that *this* may be attempted by the United States, and that they may commence their measures for the establishment of credit with the observance of it."*

* It is understood that the Parliament of Great Britain has, within the last four years, formally adopted, as a *standing rule*, the principle of *incorporating, with the creation of debt, the means of extinguishment*. How much easier must the execution of this important principle be to the United States than to a nation which, before it began, had so deeply mortgaged its resources! Let the United States never have to regret, hereafter, that they postponed too long so provident a precaution.

No opportunity has been lost by the Secretary, as far as he could contribute to the event, to reduce this principle to practice; and important steps towards it have been, from time to time, taken by the Legislature.

But much remains to be done to give it full effect. The present state of things encourages and invites to the consummation of the plan. And the Secretary, about to leave the office he holds, feels it a peculiar duty to make a final effort to promote that invaluable end.

This is the object of the 5th proposition, aided by the preliminary provisions of the 4th. This proposition aims at two principal points: 1. To constitute a fund sufficient, in every supposable event, for extinguishing the whole of the present debt of the United States, foreign and domestic, in a period not exceeding thirty years. 2. To fix its destination unchangeably, by not only appropriating it permanently, under the direction of commissioners, and vesting it in them as property in trust, but by making its faithful application *a part of the contract with the creditors.*

As to the first point: If the temporary duties on imports be rendered permanent, the annual reservation of $600,000 postponed; and if the additional appropriations which are proposed be made to the sinking fund, its intended force will not only be equal to the effect meant to be produced, but it may be hoped that there is scarcely a casualty which can reasonably be taken into calculation, foreign war not excepted, which will occasion a deficiency in the fund.

The whole amount of the duties on imports and tonnage, and upon domestic distilled spirits and stills, estimated now to amount to $6,079,418 58, besides the dividends on bank stock, and the items which now compose the sinking fund, will then be appropriated, primarily, to the interest upon the public debt and to the sinking fund; which, together, including the deferred stock, will demand, permanently, from that revenue, $4,373,836 03, little more than two-thirds of the fund from which they arise. An expectation may be indulged that even foreign war, making due allowance for what will always be practicable through neutral powers, would not occasion a defalcation in the revenues greater than the difference. This competency of the fund is an essential idea. The fulfilment of the object, as far as the uncertainty of human affairs will permit, ought to be superior to casualty.

The necessity of a reliance on auxiliary provisions, always precarious in those situations which affect the productiveness of the public revenues, ought to be, as far as practicable, superseded by the ample nature of the provision.

As to the second point: The intent is to secure, by all the sanctions of which the subject is susceptible, an inviolable application of the fund, according to its destination. No expedients more powerful can be devised for this purpose than to clothe it with the character of *private property*, and to engage absolutely the faith of the Government, by making the application of it to the object *a part of the contract with the creditors.*

But is this necessary?

Its necessity rests on these cogent reasons: The *inviolable* application of an adequate sinking fund is the only practicable security against an excessive accumulation of debt, and the essential basis of a permanent national credit.

Experience has shown, in countries the most attentive to the principles of credit, that a simple appropriation of the sinking fund is not a complete barrier against its being diverted, when immediate exigencies press. The causes which have been stated with another view, tempt the administrators of Government to lay hold of this resource, rather than resort to new taxes. This indicates the utility of endeavoring to give, by additional sanctions, inviolability to the fund.

But will those proposed answer the end?

They are the most efficacious that can be imagined, and they are likely to be entirely efficacious. They cannot be disregarded without, by breach of faith and contract, destroying credit, and at a juncture, too, when it is most indispensable. The emergencies which induce a diversion of the fund are those in which loans, and, consequently, credit, are most needed.

But will it be safe to put the fund so entirely out of the command of the Government? May there not be situations in which the command of it may be requisite to the safety of the State?

This is not conceivable. The amount of the sinking fund will, in the situations which create extraordinary demands for money, be always inconsiderable, compared even with a single year's expenditure. The current revenues of a nation do not in such cases suffice. Plunder or credit must supply the deficiency. The first presupposes a subversion of all social order. The second will find its best support and greatest efficacy in adhering steadily to the principles of such a fund. An annuity of seven dollars will pay the interest upon and discharge a capital of one hundred dollars, bearing six per cent. interest, in thirty-three and a third years, nearly. The situation of a country must be not a little exhausted, if it cannot create yearly, by new revenues, during the continuance of a foreign war, an annuity on the above scale sufficient to fund the loans of which it may stand in need. Ten millions of dollars will, with order and economy, maintain, in this country, an army of fifty thousand men for a year. Viewing our geographical position, is there a prospect of any war expensive beyond this ratio? If not, an annuity of seven hundred thousand dollars, created each year of the war, would suffice. But it would be wise, in such an event, to carry taxation, in the first instance, to the full extent of the ability of the State, which would proportionably contract the necessity for borrowing, and, consequently, the extent of the annuities necessary for loans.

If a nation can find embarrassment in creating the revenues requisite on this scale, it must arise from her having reached a stage when, from the neglect of the principle now inculcated, the mass of her debt has become so enormous as to strain her faculties in order to a provision for it.

The United States are in a situation altogether different. An inspection of the list of their revenues discovers that they have a large field of resource unexplored. Their youth, and large tracts of unsettled land, and land in the infancy of improvement, assure them a great and rapid increase of means. Even their actual revenues, without additions, must, with the progress of the country, considerably increase. And though war may interrupt, the temporary interruption being removed by the restoration of peace, their increasing productiveness, suspended for a time, must resume its vigor and growth. In a given number of years, a considerable augmentation is certain.

The Government of this country may, therefore, adopt, fearless of future embarrassment, a principle which, being adopted, will ultimately furnish resources for future exigencies, without an increase of burden to the community.

To explain this last idea: It will readily be perceived that the funds pledged for paying the interest, and sinking the principal of a portion of the debt existing or created at a particular time, will, within a certain period, extinguish that portion of debt.

They will then be liberated, and will be ready for any future use, either to defray current expenditures, or be the basis of new loans, as circumstances may dictate. And, after a course of time, it is a reasonable presumption that the funds so successively liberated will be adequate to new exigencies as they occur.

Moreover, the last clause of the proposition authorizes the deriving aid from the sinking fund for new loans, whenever the state of the fund admits of it consistently with the accomplishment of its purposes; that is, when it is sufficient, 1st. To make good the payments on account of the principal of the debt as they accrue; 2d. To purchase in the market all that part of the public debt of which there is no stipulation of payment by instalment, (as the three per cent. stock,) within a period of thirty years.

This, while it secures the extinction of the existing debt within a reasonable term, by preventing too great a proportion of the public revenue from being tied up by the sinking fund, gives due weight to the consideration of providing for future emergencies.

The same consideration has governed in proposing (instead of the appropriation of a definite sum out of the revenue from imports and tonnage, which, in certain years, would be greater than will be permanently necessary) that the sum to be applied out of that revenue shall be so much, from year to year, as, with the other items of the sinking fund, will suffice for the object. It has, likewise, influenced in postponing the redemption of that stock which stands to the credit of certain States, in consequence of the report of the commissioners for settlement of accounts.

Every system of public credit must assume it as a fundamental principle, that the resources of the country are equal to its probable exigencies; and that it will possess ability to pay the debts which it contracts. If this be so, there is no cause to hesitate about the inviolable appropriation of funds to the extinction of an existing debt within no less a term than thirty years.

Indeed, as before intimated, it cannot be doubted that the resources of a credit, built upon a foundation so solid as that which is recommended, will more than replace, even in the earliest stages of our affairs, the use of the additional funds withdrawn from the command of the Government to effect it; and, in the eventual operation, will give a more abundant command of funds than it can otherwise have. The successive liberation of the revenues successively pledged, after accomplishing their object, will afford resources that may almost be said to be inexhaustible.

It should be recollected, too, that the public arrangements may, under a great pressure, anticipate the approaching period of such a liberation, by intermediate temporary loans, to be replaced by those funds when they are free.

This proposition exemplifies, as to the past, the nature of the maxim which has been supposed capable of giving immortality to credit, namely: that with the *creation* of debt should be incorporated the *means* of extinguishment; which means are two-fold: 1. *The establishing, at the time of contracting a debt, funds for the reimbursement of the principal*, as well as for the payment of interest, within a determinate period; 2. The *making it a part of the contract*, that the fund so established shall be inviolably applied to the object.

It is believed that it would be happy for the United States if Congress would adopt this principle as a rule in all future loans—never to be departed from; and a good evidence of this determination will be to apply it to the past.

This would be, at the same time, an antidote against what may be pronounced the most plausible objections to the system of *funding* public debts; which are, that, by facilitating the means of supporting expense, they encourage to enterprises which produce it; and by furnishing, in credit, a substitute for revenue, likely to be too freely used to avoid the odium of laying new taxes, they occasion a tendency to run in debt. Though these objections to funding systems, which, giving the greatest possible energy to public credit, are a great source of national security, strength, and prosperity, are very similar to those which speculative men urge against national and individual opulence drawn from its abuses; and though, perhaps, upon a careful analysis of facts, they would be found to have much less support in them than is imagined, attributing to those systems effects which are to be ascribed more truly to the passions of men, and, perhaps, to the genius of particular Governments; yet, as they are not wholly unfounded, it is desirable to guard, as far as possible, against the dangers which they suppose, without renouncing the advantages which these systems undoubtedly afford.

It will readily be seen that the maxim of making concurrent provision for the principal as well as interest, in the act of contracting debt, if, by *precedent* and *habit*, it can be rendered a RULE OF ADMINISTRATION, by implicating a greater portion of the revenue in every such operation than would be requisite for a mere provision for interest, will control proportionably the disposition to defer the burden to futurity, and create a greater necessity for circumspection in incurring expense.

It is probably the true expedient, for uniting a due regard to the present accommodation of the community with a due care not to overburden posterity—the full energy of public credit with a salutary restraint upon the abuses of it.

To this explanation of the general principles of the fifth proposition, it may be proper to add some brief notes on particular parts of it.

It is proposed that the redemption of the present six per cent. stock shall commence on the 1st of January, 1796. This time of commencement is recommended by several reasons: 1. It ought to be such as to admit of sufficient notice to distant creditors; 2. It will favor order to date the commencement of every new pecuniary operation, where there is an option, and no particular reason to the contrary, with the commencement of the natural year; 3. The moment of payment presupposes that the annuity to be paid has actually accrued, which will not be the case till the end of the present year; 4. The small delay, by not forcing the means, will facilitate the future execution.

It is a part of the plan to make provision for reimbursing the remaining instalments of the two million loan had of the Bank of the United States, pursuant to the act of incorporation. The preceding instalments have been reimbursed out of the proceeds of foreign loans. This resource cannot, in future, be relied upon; and, for such a purpose, it is not as eligible as a domestic one, though circumstances have hitherto dictated a recurrence to it. By making the dividends on the stock auxiliary for this purpose to the revenue from taxes, the object is effected with little more than half the sum from that revenue; and, in the end, a fund is formed from the dividends, which, with a small addition, suffices for the redemption of the deferred stock. As these instalments are yearly falling due, and must be paid as they accrue, it is essential that a provision for them be contemplated in the general arrangement requisite to the completion of our system of credit. There is perhaps no easy alternative to what is proposed, except the sale of the stock; but, waiving other weighty considerations against such a measure, it is, in the view of a true economy, liable to the most solid objections.

It is morally certain that the dividends on the stock will increase, and the value of the capital, from this and collateral causes, more than proportionably. There is no momentary urgency to induce the relinquishment of this future advantage. To sell at present, would be to abandon the difference without necessity. It cannot be expedient in a Government to part with a capital which, at the time, produces as great or a greater revenue than can be realized from the proceeds of a sale, however invested, and which has an inherent tendency to future augmentation. The measure, too, would be to renounce or lessen a most convenient resource for forming the redeeming fund of the deferred stock.

It is proposed to carry the proceeds of the sales of the western lands to the sinking fund. This is to execute the intention of the funding act, which has not organized the mode of application; and it has the advantage of combining in one system all the provisions for extinguishing the debt.

It is proposed that all surpluses of revenue shall, at a certain time, be carried to the use of the sinking fund. This is to extend and give *effect* to a principle which has already received the legislative sanction. It was necessary to fix a time when the appropriation of the surplus should become absolute, and that this should be consistent with a due opportunity to provide for the exigencies of the public service. Both these considerations have been consulted. This measure has, besides, reference to a more speedy redemption of the debt than it appears prudent to attempt by an *absolute appropriation* of more extensive funds: and the legislators of to-day would be entitled to the lasting gratitude of their country, if they would extend this auxiliary resource by all the means which are consistent with a due regard to the present accommodation of their constituents.

It is proposed to authorize the commissioners of the sinking fund to provide, by new loans, for the reimbursement of the instalments which, from time to time, accrue. This is on the ground that it is essential to the perfection of the system of redemption, that all the means of ultimate execution should be organized in it, and that there should be no need of future provisions.

The last clause of the proposition excepts from the operation of that clause the interest on the six per cent. stock. This is because that interest is destined to form the accumulations for paying the successive instalments of the principal of that stock, which increase each year in a ratio to the interest liberated by each payment.

The statement E exhibits the course of the sinking fund, as proposed to be established.

Remarks on the sixth proposition.

This will be a useful and important provision. It has reference to a circumstance repeatedly adverted to—the long credits given upon the principal branches of revenue; from which it happens that though the *fund itself*, or the *product* of the revenue, is more than adequate to an appropriation, yet the receipts upon it come too slowly into the Treasury to answer the end, without anticipation by temporary loans. Its propriety depends on the principle, suggested under the last head, of having all the means of complete execution organized in the system of public credit.

Remarks on the seventh proposition.

It is a good rule of caution, that no more of the public revenues should be rendered permanent than is necessary to give moral certainty to the provisions which may be regarded as the pillars of public credit. This idea will, it is believed, be satisfied by giving permanency to the now temporary duties on imports. Accordingly, it is only proposed to extend the duties mentioned in this proposition to the year 1800, and thence to the end of the next ensuing session of Congress; which is on the ground that they ought to be commensurate in duration with the objects which they are to accomplish, and no more.

It has been already noticed that they are at present chargeable, together with the temporary duties on imports laid in the last session, with an appropriation of $1,292,137 38, and with the interest of $1,000,000, authorized to be borrowed with a view to foreign intercourse, having a special eye to an object very interesting to the commerce and feelings of the United States.

This business wants a further arrangement—standing, at present, upon a vague and inefficient footing. The reimbursement of the loan is not adequately provided for; neither is the interest—this being predicated on funds which, in their present form, would probably expire after a product of two years.

According to the fifth proposition, the temporary duties on imports, after the abovementioned appropriation of $1,292,137 38 shall have been satisfied, will become permanently charged with the interest on the public debt, the sinking fund, and the annual reservation of $600,000 for the support of Government.

If the duties mentioned in the sixth proposition are continued till the 1st of January, 1800, and the reimbursement of the principal of the loan, as well as the interest, is referred to them, two good purposes will be answered: the obtaining the loan will be facilitated, and its complete reimbursement will be effected within the term allotted, without an augmentation of the *permanent* debt of the country. This makes allowance for fulfilling the appropriation for the current service, already charged upon this fund.

It is presumed to be a conclusive reason in favor of the proposition, that it aims at preventing an increase of permanent debt. If services of this kind, when the United States are at peace, (at least with civilized powers,) are made causes of permanent loans, the progress of new debt will easily exceed the extinction of old.

It appears desirable that there should be a steady effort, *as a rule of administration*, not to increase the permanent debt of the country by permanent loans, except when it is inevitable by the existence of a war with some European power.

The comparative view of revenue and expenditure (statement F) establishes, satisfactorily, that these duties cannot be dispensed with, unless there be a substitute, if the redemption of the public debt is to be seriously entered upon; and it is believed that there cannot be devised objects of revenue more proper in themselves, nor more generally acceptable to the people. Whatever interested parties may allege, it seems self-evident that there can hardly be a reasonable question, except as to the best mode of collection.

The objection that part of them falls on manufactures, has no weight. The manufactures on which they fall are *complete luxuries*, and *completely established*; consequently, fit objects of revenue. The increased duties on the rival foreign articles, are a full protection to the manufacture. Whatever may be the appearances in the infancy of the tax, it is certain, in principle, that it will finally fall on the consumer, as generally as duties on imported commodities.

Remarks on the eighth proposition.

This is to terminate an embarrassment which has been experienced. Appropriations are frequently made for objects, the extent of which is not precisely known, or in a degree casual. To leave them indefinite as to time, is sometimes to tie up, unnecessarily, a portion of the public funds, which may ultimately not be wanted at all for the purpose of the original appropriation.

It will do away this inconvenience, and promote perspicuity in the Treasury accounts of appropriations, if an ultimate period is fixed when each appropriation shall be deemed to have ceased. Should further appropriations appear necessary for the same objects, new estimates can be presented, and new appropriations made.

The designating an account with a denomination known in the laws, to which the surpluses are to be carried, will facilitate future legislative dispositions of the resulting fund. It is, however, essential to the system of public credit, that this should be with the exceptions contained in the proposition.

Remarks on the ninth proposition.

This proposition is calculated to give simplicity to the public accounts of stock and revenue, which will conduce to correctness, despatch, and economy. As the revenues are manifestly more than adequate to the claims of all the creditors, none of them have any interest in the distinctions which now exist, and which grew out of the course of the business; and the rights of none of them will be affected, because all who choose may continue on their former ground, by signifying their dissent to the present plan. It is, however, presumed there will be no such dissent.

Remarks on the tenth proposition.

It is important to the fiscal calculations, to ascertain positively the extent of every portion of the public debt. At present, the amount of *these* several items of it is deduced from accounts of the late war, of various officers and offices—in some instances conducted with little order. There is not, therefore, sufficient certainty. Indeed, it is probable, from the length of time which has elapsed without their appearing, that the computed amount exceeds the real.

Besides, they are, from their nature, subject to forgeries and counterfeits, which implies a danger of loss to the public, till their circulation is finally terminated. The proposition, accordingly, besides the obtaining of better information, aims at obviating this danger.

Allowing sufficient time for bringing them in to be exchanged for certificates of equivalent tenor; while it is a measure tending to public information and security, it can be liable to no reasonable objection on the part of the creditors.

The Secretary of the Treasury has reserved, for the conclusion of this report, a proposition which appears to him of great importance to the public credit, and which, after some preliminary observations, will be offered to consideration. It relates to the right of taxing the public funds, and to that of sequestering them in time of war.

A proposition on either of those points would have been deemed superfluous, had there never been discussions asserting a right to do the one and the other, and even the expediency of exercising that right. The *negative* of both the pretensions, from the habit of regarding *it* as incapable of being disputed, had acquired, in the mind of the Secretary, so much the force of an axiom, as to have precluded even the mention of the subject in the plan which he originally submitted for funding the public debt. He should otherwise have thought it an indispensable duty to suggest, as a matter of primary consequence to the system of credit contemplated in the plan, the express renunciation of those pretensions; for they are (as he believes) not only unwarranted by principle or usage, but subversive of the sound maxims of public credit. A persuasion that this would always be a *truth granted* in the councils of the United States, is his apology for the omission.

Even now, he should think it useless to depart from his silence on the point, had not the discussions alluded to created some alarm in places where all the circumstances are not well understood, which it is the interest of the country to dispel. The confidence justly to be reposed in the collective wisdom of this Government forbids the supposition, by one acquainted with its constitution, that the security of the creditor can need, in this particular, a further sanction. It is presumed to be impossible that any *final* act can ever give so deep a wound to the national interest and character, as to derogate from a principle which may be placed among the most sacred in the administration of a Government.

Is there a right in the Government to tax its own funds?

The pretence of this right is deduced from the general right of the legislative power to make all the property of the State contributory to its exigencies.

But this right is obviously liable to be restricted by the *engagements* of the *Government;* it cannot be justly exercised in contravention of them; they must form an exception. It will not be denied that the general right in question could, and would, be abridged by an express promise not to tax the funds; this promise, indeed, has not been given in terms, but it has been given in substance. When an individual lends money to the State, the State stipulates to repay him the principal lent, with a certain interest, or to pay a certain interest indefinitely, till the principal is reimbursed; or it stipulates something equivalent in another form. In our case, the stipulation is in the second form.

To tax the funds, is manifestly either to *take*, or to *keep back*, a portion of the principal or interest *stipulated to be paid.*

To do this, on whatever pretext, is *not to do what is expressly promised;* it is not to pay that precise principal, or that precise interest, which has been engaged to be paid; it is, therefore, to violate the promise given to the lender.

But, is not the stipulation to the lender with a tacit reservation of the general right of the Legislature to raise contributions on the property of the State?

This cannot be supposed, because it involves two contradictory things: an *obligation to do*, and a *right not to do;* an obligation to *pay a certain sum*, and a *right* to *retain it in the shape of a tax*. It is against the rules, both of law and reason, to admit, by *implication*, in the construction of a contract, a principle which goes in destruction of it.

The Government, by such a construction, would be made to say to the lender: "I want a sum of money, for a national purpose, which all the citizens ought to contribute proportionably; but it will be more convenient to them, and to me, to borrow the money of you. If you will lend it, I promise you faithfully to allow you a *certain rate* of interest, while I keep the money, and to *reimburse the principal* within a determinate period, except *so much of the* one and the other as I may think fit to *withhold, in the shape of a tax.*"

Is such a construction either natural or rational? Does it not, in fact, nullify the promise, by the reservation of a right not to perform it?

Is it to be presumed, without being expressed, that such can be the understanding of a lender, when he parts with his money to a Government?

The contrary is so much the more presumable, that nothing short of an express reservation can support the pretension to tax the fund.

It may be replied, that the creditor might be willing to rely upon the equity of the Government not to abuse its right by exacting from him excessive contributions.

This, if true, does not obviate the difficulty of supposing the co-existence of an *obligation* and a *right*, destructive the one of the other, in interpreting the sense of a contract, when nothing of the kind is said.

It is possible that a creditor might be willing so to contract; yet it is still necessary, in order to determine that he has done it, to find some provisions or expressions in the contract indicating the intention to render what is stipulated compatible with what is reserved. But it is not probable that an individual would be willing to lend upon such terms. He would justly apprehend that, in great emergencies, a *right*, having no *limit* but the *option* of the party possessed of the *power*, would be abused, and that the convenience of laying hold of a fund already prepared and at hand, supported by a claim of right, would be a temptation to abuse, not easy to be resisted. However well disposed to contribute, in common with his fellow-citizens, on all the ordinary objects of property or income, he would be unwilling to subject himself to a special burden in the peculiar character of creditor of the State. He would prefer to employ his money in other ways; even to lend it to private persons, where it might be more likely to escape the hand of the fiscal power.

Let the question be tried by another analysis.

Public debt can scarcely, in legal phrase, be defined either *property* in possession or in *action*. It is evidently not the first, till it is reduced to possession by payment. To be the second, would suppose a *legal power* to *compel* payment by *suit*. Does such a power exist? The true definition of public debt is *a property subsisting in the faith of the Government. Its essence is promise.* Its definite value depends upon the reliance that the promise will be definitely fulfilled. Can the Government rightfully tax its promises? Can it put its faith under contribution? Where or *what* is the value of the debt, if such a right exist?

Suppose the Government to contract with an individual to convey to him a hundred acres of land, upon the condition of paying a hundred dollars.

When he came to pay the hundred dollars and demand his title, could the Government require of him to pay fifty more as a tax upon the land, before it would consent to give him the title? Who would not pronounce this to be a breach of contract—a fraud—which nothing could disguise?

This case is parallel with that under examination; with circumstances that fortify the right of the lending creditor.

The Government agrees with him, that, for one hundred dollars, which he delivers to the Government, it will deliver to him, at the end of each year, six dollars. Here the six dollars *to be delivered* answer to the land *to be conveyed;* with this stronger ground of right, that the consideration for them has actually been given and received. Yet, when the creditor comes to demand his six dollars, he is told that he cannot have them, except with the reservation of one dollar as a tax upon the six; or that he cannot have them, except upon the condition of returning one dollar as that tax. What is this but to say that his title to the money in this case, as to the land in the other, must depend upon his paying, or allowing, a *further* consideration for it, not contemplated in the contract? Can there be a doubt that this, also, would be a breach of contract—a fraud?

The true rule of every case of property, founded on contract with the Government, is this: it must first be reduced into possession, and then it will become subject, in common with other similar property, to the right of the Government to raise contributions upon it. It may be said that the Government may fulfil this principle, by paying the interest with one hand, and taking back the amount of the tax with the other. But to this the answer is, that, to comply truly with the rule, the tax must be upon all the money of the community, not upon the particular portion of it which is paid to the public creditors; and it ought, besides, to be so regulated as not to include a *lien* of the tax upon the fund. The creditor should be no otherwise acted upon, than as every other possessor of *money;* and, consequently, the money he receives from the public can then only be a fit subject of taxation, when it is entirely separated, and thrown, undistinguished, into the common mass. A different practice would amount to an evasion of the principle contended for, and to oppression. A rent, or annuity, liable before it passes, or in the act of passing, or at the moment of passing from one proprietor to another, to a deduction, or drawback, at the pleasure of the party from whom it is to pass, is an imaginary thing, destitute both of shape and substance.

When a Government enters into contract with an individual, it deposes, as to the matter of the contract, its constitutional authority, and exchanges the character of legislator for that of a moral agent, with the same rights and obligations as an individual. Its promises may be justly considered as excepted out of its *power to legislate,* unless in aid of them. It is, in theory, impossible to reconcile the two ideas of *a promise which obliges* with a *power to make a law which can vary the effect of it.* This is the great principle that governs the question, and abridges the general right of the Government to lay taxes, excepting out of it a species of property which subsists only in its promise.

There are persons who, admitting the general rule, conceive a distinction to exist between a tax upon the funds, which must be paid at all events, and a tax upon alienations of them, which will only be paid when they are transferred from one to another. The latter they think justifiable, because it is in the option of the creditor to avoid the tax, by avoiding the alienation. But the difference between the two cases is only a difference in the degree of violation.

The stock, in its creation, is made transferable. This quality constitutes a material part of its value, and the existence of it is a part of the contract with the Government, which has undertaken, itself, to conduct the operation of transferring by its own officers, and consequently at its own expense. It is as completely a breach of contract to derogate from this quality, in diminution of the value of stock, by encumbering the transfer with a charge or tax, as it is to take back, in the same shape, a portion of the principal or interest. It is obvious, too, that this may be carried so far as essentially to destroy the transferable capacity. But what is a tax upon transfers, other than the faculty of taking away from the actual proprietor of stock a portion of his principal, whenever his interests or his necessities demand a transfer, in derogation from the full enjoyment of the right to transfer, and from the express promise of the Government to pay to him or his alienee? for it is upon the seller, not upon the buyer, that such a tax will fall. And where is the substantial difference, on the ground of contract, between this and a direct tax upon the fund itself? The value of it is as certainly impaired by the one as by the other.

But shall the proprietor of money in the funds, then, be exempt from his proportion of the burdens which other citizens bear?

This will not be the consequence of the principle. As a consumer, of which his income is the instrument, he will pay his proportion of the taxes on consumption. As a holder of any other species of property procured by that income, or otherwise, which is liable to a tax, he must also contribute his proportion.

But, without undue refinement, the lender of money to the public may be affirmed to have paid his tax when he lends his money.

Relying upon the engagement of the Government, express or implied, that he will receive what is promised him, without defalcation, he is content with a less interest than he would take if subject to any such defalcation, and especially if it was to be arbitrary as to its extent. In this lower rate of interest he may be truly said to pay his tax, or to purchase an exemption from it.

Here, also, we find what is decisive on the point of expediency.

If the Government had a right to tax its funds, the exercise of that right would cost much more than it was worth. The money-lender would exact exorbitant premiums, not only as an indemnification for the use which the Government might probably make of its right, and which, in practice, would be likely to be qualified by some regard to equality of contribution, but as an equivalent for insurance against the risk or possibility of a more extensive use. Hence the Government would be likely to pay much more in premiums upon its loans, than it would draw back in taxes; and the former being supposed but equal to the latter, there would be no advantage in exercising the right.

But it will be, perhaps, more safe to affirm that there would be no borrowing at all upon such terms. The first precedent of a tax upon the funds might be expected to compel the Government to an express renunciation of the right in every future loan. Solid capitalists would not be much inclined to adventure their money upon so precarious a footing as is implied in a power of taxing their credits.

These reflections lead readily to an estimate of the impressions which would be produced by the example of an imposition on the funds. Regarded either as a positive breach of contract, or as a deviation from the sound maxims of credit, the effect upon it would be nearly equally fatal. Whatever might be excused to a time of revolution, to a defect of means, or to some extraordinary peculiarity of situation, no excuse would be admitted for a deliberate departure from principles—at a time, too, of national prosperity, in a flourishing state of the finances, after the foundations of a regular system had been laid. The departure would argue an incorrectness, an instability, or a depravity of views, calculated to give a lasting shock to public credit.

The United States must henceforth tread with the most cautious steps.

A renunciation of the right, in future, might not speedily heal the wound which an example of its exercise had given. Durable suspicions might fasten on the wisdom or the integrity of the Government, which might occasion to it no inconsiderable loss and embarrassment, before a course of contrary experience would obliterate them.

The right of a Government to sequester or confiscate property, in its funds, in time of war, involves considerations analogous to those which regard the right of taxing them. Whether the foreigner be, himself, the original lender, or the proprietor of stock, in its constitution *transferable without discrimination*, he stands upon equal ground with the citizen. He has an equal claim upon the faith of the Government.

In the second case: as the substitute of the original lender, the promise made attaches immediately upon him. Indeed, the certificates which issue upon every transfer, and which may be called the public bonds, designate him as the creditor, and expressly invest him with the correspondent rights.

To sequester or confiscate the stock, is as effectually a breach of the contract to pay, as to absorb it by a tax. It is to annihilate the promise, under the sanction of which the foreigner became a proprietor.

But, does not the general right of war, to seize and confiscate enemy property, extend to the property of the citizens of one nation in the funds of another—the two nations being at war with each other?

Resorting to principle as the guide, this question may, on solid grounds, be answered in the negative.

The right to seize and confiscate individual property, in national wars, excludes all those cases where the individual derives his title from the enemy sovereign or nation; for the right to property always implies the right to be protected and secured in the enjoyment of that property; and a nation, by the very act of permitting the citizen of a foreign country to acquire property within its territory, whether to lands, funds, or to any other thing, tacitly engages to give protection and security to that property, and to allow him as full enjoyment of it as any other proprietor; an engagement which no state of things between the two nations can justly or reasonably affect. Though politically right, that, in wars between nations, the property of private persons, which depend on the *laws of their own country*, or on *circumstances foreign to the nation with which their own is at war*, should be subject to seizure and confiscation by the enemy nation; yet it is both politically and morally wrong that this should extend to property acquired under the faith of the Government and the laws of that enemy nation.

When the Government enters into a contract with the citizen of a foreign country, it considers him *as an individual in a state of nature, and contracts with him as such.* It does not contract with him as *the member of another society.*

The contracts, therefore, with him, cannot be affected by his political relations to that society. War, whatever right it may give over his other property, can give none over that which he derives from those contracts. The character in which they are made with him, the faith pledged to him personally, virtually exempt it.

This principle, which seems critically correct, would exempt as well the income as the capital of the property. It protects the use as effectually as the thing. What, in fact, is property but a fiction, without the beneficial use of it? In many cases, indeed, the *income* or *annuity* is the property itself. And though general usage may control the principle, it can only be as far as the usage clearly goes. It must not be extended by analogy.

Some of the most approved publicists, admitting the principle, qualify it with regard to the income of lands, which they say may be sequestered "to hinder the remittance of it to the enemy's country."

But the same authority affirms, that a state of war "does not so much *as touch* the sums which it owes to the enemy. *Every where*, in case of a war, funds credited to the public are exempt from confiscation and *seizure*." These expressions clearly exclude sequestration as well as confiscation.

The former, no less than the latter, would be inconsistent with the declarations that a State at war does not *so much as touch* the sums which it owes to the enemy, and that funds credited to the public are exempt from *seizure*. And, on full inquiry, it is believed that the suggestion thus understood is founded in fact.

Usage, then, however it may deviate in other particulars in respect to public funds, concurs with principle in pronouncing that they cannot rightfully be sequestered in time of war.

The usages of war still savor too much of the ferocious maxims of the times when war was the chief occupation of man. Enlightened reason would never have pronounced that the persons or property of foreigners found in a country at the breaking out of a war between that country and his own, were liable to any of the rigors which a state of war authorizes against the persons and goods of an enemy. It would have decreed to them an inviolable sanctuary in the faith of those permissions and those laws, by which themselves and their property had come under the jurisdiction where they were found. It would have rejected the treachery of converting the indulgences, and even rights, of a previous state of amity, into snares for innocent individuals.

Happily, however, the practice of latter times has left several of those maxims little more than points of obsolete doctrine. They still retain their rank in theory; but usage has introduced so many qualifications, as nearly to destroy their operation.

This appears from the acknowledgment of writers, from the barrenness of modern history in examples of the application of those doctrines, from the opinions known to be generally current in Europe, and from a variety of articles which are constant formulas in the treaties of the present century.

The United States are every way interested in the mitigation of the rigor of the ancient maxims of war. They cannot better demonstate their wisdom, than by their moderation in this respect. Particularly interested in maintaining, in their greatest purity and energy, the principles of credit, they cannot too strictly adhere to all the relaxations of those maxims which favor the rights of creditors. No temporary advantage can compensate for the evils of a different course of conduct.

Credit, public and private, is of the greatest consequence to every country. Of this it might be emphatically called the invigorating principle. No well informed man can cast a retrospective eye over the progress of the United States, from their infancy to the present period, without being convinced that they owe, in a great degree, to the fostering influence of credit, their present mature growth. This credit has been of a mixed nature, mercantile and public, foreign and domestic. Credit abroad was the trunk of our mercantile credit, from which issued ramifications that nourished all the parts of domestic labor and industry. The bills of credit emitted from time to time by the different local Governments, which passed current as money, co-operated with that resource. Their united force, quickening the energies and bringing into action the capacities for improvement of a new country, was highly instrumental in accelerating its growth.

Credit, too, animated and supported by the general zeal, had a great share in accomplishing, without such violent expedients as, generating universal distress, would have endangered the issue, that revolution of which we are so justly proud, and to which we are so greatly indebted.

Credit, likewise, may no doubt claim a principal agency in that increase of national and individual welfare since the establishment of the present Government which is so generally felt and acknowledged, though the true causes of it are not as generally understood. It is the constant auxiliary of almost every public operation; has been an indispensable one in those measures by which our frontiers have been defended; and it would not be difficult to demonstrate that, in a recent and delicate instance, it has materially contributed to the safety of the State.

There can be no time, no state of things, in which credit is not essential to a nation, especially as long as nations in general continue to use it as a resource in war. It is impossible for a country to contend on equal terms, or to be secure against the enterprises of other nations, without being able equally with them to avail itself of this important resource; and to a young country, with moderate pecuniary capital, and not a very various industry, it is still more necessary than to countries more advanced in both: a truth not less weighty for being obvious and frequently noticed.

Public credit has been well defined to be "a faculty to borrow at pleasure considerable sums on moderate terms; the art of distributing over a succession of years the extraordinary efforts found indispensable in one; a mean of accelerating the prompt employment of all the abilities of a nation, and even of disposing of a part of the overplus of others."

This just and ingenious definition condenses to a point the principal arguments in favor of public credit, and displays its immense importance.

Let any man consult the actual course of our pecuniary operations; and let him then say whether credit be not eminently useful. Let him imagine the expense of a single campaign in a war with a great European power; and let him then pronounce whether credit would not be indispensable. Let him decide whether it would be practicable at all to raise the necessary sum by taxes within the year, and let him judge what would be the degree of distress and oppression which the attempt would occasion to the community. He cannot but conclude that war, without credit, would be more than a great calamity—would be ruin.

But credit is not only one of the main pillars of the public safety, it is among the principal engines of useful enterprise and internal improvement. As a substitute for capital, it is little less useful than gold or silver, in agriculture, in commerce, in the manufacturing and mechanic arts.

The proof of this needs no labored deduction. It is matter of daily experience in the most familiar pursuits. One man wishes to take up and cultivate a piece of land; he purchases upon *credit*, and, in time, pays the purchase money out of the produce of the soil improved by his labor. Another sets up in trade; in the credit founded upon a fair character, he seeks, and often finds, the means of becoming at length a wealthy merchant. A third commences business as a manufacturer or mechanic, with skill, but without money. It is by credit that he is enabled to procure the tools, the materials, and even the subsistence of which he stands in need, until his industry has supplied him with capital; and even then he derives from an established and increased credit the means of extending his undertakings.

Among the circumstances which recommend credit, and indicate its importance in the whole system of internal exertion and amelioration, it is impossible to pass unnoticed its unquestionable tendency to moderate the rate of interest—a circumstance of infinite value in all the operations of labor and industry.

If the individual capital of this country has become more adequate to its exigencies than formerly, it is because individuals have found new resources in the public *credit*—in the funds to which that has given value and activity. Let public credit be prostrated, and the deficiency will be greater than before. Public and private credit are closely allied, if not inseparable. There is perhaps no example of the one being in a flourishing, where the other was in a bad state. A shock to public credit would, therefore, not only take away the additional means which it has furnished, but, by the derangements disorders, distrusts, and false principles, which it would engender and disseminate, would diminish the antecedent resources of private credit.

The United States possess an immense mass of improvable matter; the development of it, continually making, may be said to enlarge the field of improvement as it progresses; and though the active capital of the country has, no doubt, considerably increased, it is probable that it does not bear at present a much greater proportion to the objects of employment than it has done at any former period. Credit, upon this hypothesis, of every kind, is nearly as necessary to us now as it ever was. But at least it may be affirmed, with absolute certainty, that, to a country so situated, credit is peculiarly useful and important.

If the United States observe with delicate caution the maxims of credit, as well towards foreigners as their own citizens, in connexion with the general principles of an upright, stable, and systematic administration, the strong attractions which they present to foreign capital will be likely to insure them the command of as much as they may want, in addition to their own, for every species of internal amelioration.

Can it be doubted that they would derive from this, in a course of time, advantages incomparably greater than any, however tempting, that could partially result from a disregard of those maxims, or from the exercise of a questionable right, which should even appear to derogate from them?

Credit is an *entire* thing; every part of it has the nicest sympathy with every other part; wound one limb, and the whole tree shrinks and decays.

The security of each creditor is inseparable from the security of all creditors. The boundary between foreigner and citizen would not be deemed a sufficient barrier against extending the precedent of an invasion of the rights of the former to the latter. The most judicious and cautious would be most apt to reason thus, and would only look for stronger shades of apparent necessity or expediency to govern the extension. And, in affairs of credit, the opinion of the judicious and cautious may be expected to prevail. Hence the Government, by sequestering the property of foreign citizens in the public funds at the commencement of a war, would impair, at least, if not destroy, that credit which is the best resource in war.

It is in vain to attempt to disparage credit, by objecting to it its abuses. What is there not liable to abuse or misuse? The precious metals, those great springs of labor and industry, are also the ministers of extravagance, luxury, and corruption. Commerce, the nurse of agriculture and manufactures, if overdriven, leads to bankruptcy and distress. A fertile soil, the principal source of human comfort, not unfrequently begets indolence and effeminacy. Even liberty itself, degenerating into licentiousness, produces a frightful complication of ills, and works its own destruction.

It is wisdom, in every case, to cherish whatever is useful, and guard against its abuse. It will be the truest policy of the United States to give all possible energy to public credit, by a firm adherence to its strictest maxims; and yet to avoid the ills of an excessive employment of it, by true economy and system in the public expenditures, by steadily cultivating peace, and by using sincere, efficient, and persevering endeavors to diminish present debts, prevent the accumulation of new, and secure the discharge, within a reasonable period, of such as it may be at any time matter of necessity to contract. It will be wise to cultivate and foster private credit, by an exemplary observance of the principles of public credit; and to guard against the misuse of the former, by a speedy and vigorous administration of justice, and by taking away every temptation to run in debt, founded in the hope of evading the just claims of creditors.

As an honorable evidence of this disposition, and with a view to quiet the alarms which have been excited, and to silence forever a question which can never be agitated without serious inconvenience, the Secretary of the Treasury, in the last place, respectfully submits:

That there be an express renunciation, by law, of all pretension of right to tax the public funds, or to sequester, at any time, or on any pretext, the property which foreign citizens may hold therein.

This will be particularly essential to the success of the plan for converting the foreign into domestic debt; as the present contracts for the Amsterdam and Antwerp debt contain an equivalent stipulation, and there is no prospect that the creditors would consent to a change, but upon the condition of a like stipulation.

In the commencement of this report, it was the intention to submit some propositions for the improvement of the several branches of the public revenue; but it is deemed advisable to reserve this part of the subject for a future communication.

All which is respectfully submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

Treasury Department,

January 21, 1795.

A.

STATEMENT of the domestic debt of the United States on December 31*st*, 1794.

	Amount of principal of unfunded debt.	Six per cent. stock.	Deferred stock.	Three per cent. stock.	Total amount.
	Dolls. Cts.	*Dolls. Cts.*	*Dolls. Cts.*	*Dolls. Cts.*	*Dolls. Cts.*
Funded domestic debt, exclusive of balances due to creditor States, and the amount of said stock which has been purchased or redeemed on the last day of December, 1794 - - - - - -	-	17,912,138 01	8,538,228 97	12,275,347 55	38,725,714 53
Funded domestic debt, to the credit of States, in pursuance of the act of Congress of May 31st, 1794 - - - - - -	-	2,345,056 00	1,172,528 00	703,516 80	4,221,100 80
Funded domestic debt, purchased and redeemed to the last of December, 1794 - - - - - - - - -	-	668,700 38	752,190 64	415,415 66	1,836,306 68
Total of funded domestic debt -	-	20,925,894 39	10,462,947 61	13,394,280 01	
Funded assumed debt, exclusive of what had been purchased or redeemed on the last day of December, 1794 - - - - -	-	7,908,374 19	3,940,608 96	5,994,115 70	17,843,098 85
Funded assumed debt, which had been purchased or redeemed on the last day of December, 1794 - - - - - -	-	212,462 04	119,808 88	96,444 97	428,715 89
Total of funded assumed debt -	-	8,120,836 23	4,060,417 84	6,090,560 67	
Total of funded domestic debt on the last day of December, 1794	-	29,046,730 62	14,523,365 45	19,484,840 68	63,054,936 75
Debt due to foreign officers, for the payment of which, provision has been made, and which will pass to the credit of the sinking fund: principal being - - - - $186,988 23; interest from Jan. 1, 1788 to Dec. 3, 1790 - 22,438 58	-	186,988 23	-	22,438 58	209,426 81
Registered debt on the books of the Treasury, on which dividends have been made - - - - - - -	167,816 40	111,877 60	55,938 80	30,806 95	198,623 35

STATEMENT A—Continued.

	Amount of principal of unfunded debt.	Six per cent. stock.	Deferred stock.	Three per cent. stock.	Total amount.
	Dolls. Cts.	*Dolls. Cts.*	*Dolls. Cts.*	*Dolls. Cts.*	*Dolls. Cts.*
Registered debt on which no dividends have been made - -	42,231 69	28,154 46	14,077 23	17,737 31	59,969 00
Registered debt on books of loan officers - - - -	4,394 85	2,929 90	1,464 95	2,039 35	6,434 20
Credit on the books of the Treasury - - - - - -	44,920 95	29,947 30	14,973 65	11,925 64	56,846 59
Loan-office certificates, bearing interest on a capital of 43,500 dollars, the specie value being no more than - - - - -	27,935 00	18,623 34	9,311 66	7,830 00	35,765 00
Loan-office certificates, bearing interest on the specie value - -	305,859 51	203,906 34	101,953 17	55,054 71	360,914 22
Final settlement certificates, payable to bearer, of all kinds -	126,091 00	84,060 67	42,030 33	22,696 38	148,787 38
Indents of interest of all kinds - - - - - -	83,805 00	–	–	83,805 00	83,805 00
Unliquidated claims, as estimated - - - - - -	381,269 00	254,179 34	127,089 66	228,761 40	610,030 40
Estimated amount of the domestic debt at the close of 1794, and of the stock which will be produced when the whole debt has been funded - - - - - - - - -	1,184,323 40	29,967,397 80	14,890,204 90	19,967,936 00	64,825,538 70

COMPTROLLER'S OFFICE, *January* 9, 1795.

OLIVER WOLCOTT, Jr., *Comptroller.*

B.

Dr. *The Government of France in account current of principal with the United States.* **Cr.**

	Livres.	*S.*	*D.*
Epoch of September 3d, 1794.			
To balance due the United States at the close of the year 1793, exceeding the interest and instalments then due - - - - - - -	2,109,974	18	2
To payments made at the Treasury to May 15, viz: April 2 - - $350; May 15 - - 20,000; $20,350, *a* 18.15	112,121	4	2
To payments at the Treasury on May 20 & June 4, viz: May 20 - - $622 81; June 4 - - 50,270 00; $50,892 81 *a* 18.15	280,401	3	1
To payments at the Treasury from Sept. 3, to Oct. 30, 1794, at interest from Sept. 3, when the whole sum was subject to the order of the French Minister, $272,250 *a* 18.15	1,500,000	0	0
	4,002,497	5	5
Epoch of November 4th, 1794.			
To balance due to the United States on Sept. 3, 1794, brought down - - - - - - -	2,199,091	0	6
To payments at the Treasury from Nov. 4, to 13th, 1794, to be at interest from Nov. 4, when the whole sum was subject to the order of the French Minister $181,500 *a* 18.15	1,000,000	0	0
	3,199,091	0	6
Epoch of December 31st, 1794.			
To balance due to the United States on Nov. 4, 1794, brought down - - - - - - -	2,096,339	4	6
To balance due to the United States on Dec. 31, 1794, brought down - - - - - - -	1,811,959	7	10

	Livres.	*S.*	*D.*
Epoch of September 3d, 1794.			
By the eighth instalment, due on Sept. 3, 1794, of the loan of eighteen millions - - - - -	1,500,000	0	0
By account of interest: for a balance of interest due on the 3d of Sept. on the remaining part of the loan of eighteen millions - - - -	303,406	4	11
Balance due to the United States on Sept. 3, 1794, arising from payments exceeding the interest and instalments demandable by France to that period -	2,199,091	0	6
	4,002,497	5	5
Epoch of November 4th, 1794.			
By the eighth instalment, due on Nov. 4, 1794, of the loan of ten millions - - - - - -	1,000,000	0	0
By account of interest: for a balance of interest due on the 4th of Nov. on the remaining part of the loan of ten millions - - - - - -	102,751	16	0
Balance due to the United States on Nov. 4, 1794, arising from payments exceeding the interest and instalments then demandable by France - -	2,096,339	4	6
	3,199,091	0	6
Epoch of December 31st, 1794.			
By account of interest: for a balance of interest due on the 31st of Dec. on the remaining part of the loan of six millions - - - - - -	284,379	16	8
Balance due to the United States on Dec. 31, 1794, arising from payments exceeding the interest and instalments demandable by France to that period -	1,811,959	7	10
	2,096,339	4	6

Dr. *The Government of France in account current of interest with the United States.* Cr.

Dr.	Livres.	S.	D.	Cr.	Livres.	S.	D.
Epoch of September 3d, 1794.				*Epoch of September 3d, 1794.*			
To interest on the balance due to the United States at the close of the year 1793, being 2,109,974 livres 18 sous and 2 deniers, from January 1, 1794, to September 3, following, is eight months and two days, at 4.706 per cent. per annum, being an average of the interest payable on the French loans when obtained - - - - - - - -	66,748	11	6	By interest due on September 2d, 1794, on 7,500,000, remaining of the loan of 18,000,000, at 5 per cent. per annum - - - - - - -	375,000	0	0
To interest on 112,121 livres 4 sous 2 deniers, being payments at the Treasury to May 15, 1794: from May 15, to September 3, is 3 months and 18 days, at 4.706 per cent. per annum. - - - - -	1,582	18	5				
To interest on 280,401 livres 3 sous 1 denier, being payments at the Treasury on May 20, and June 4, 1794: from June 4, to September 3, is 2 months and 29 days, at 4.706 per cent. per annum - -	3,262	5	2				
To account of principal for the balance of this acct. -	303,406	4	11				
	375,000	0	0				
Epoch of November 4th, 1794.				*Epoch of November 4th, 1794.*			
To interest on the balance of principal due to the United States on September 3d, 1794, being 2,199,091 livres 0 sous 6 deniers, from September 3, to November 4, 1794, is 2 months, at 4.706 per cent. per an.	17,248	4	0	By interest due on November 4th, 1794, on 3,000,000, remaining to that period, of the loan of 10,000,000, at 4 per cent. per annum - - - - -	120,000	0	0
To account of principal for balance of this account -	102,751	16	0				
	120,000	0	0				
Epoch of December 31st, 1794.				*Epoch of December 31st, 1794.*			
To interest on the balance of principal due to the United States, on November 4th, 1794, being 2,096,339 livres 4 sous 6 deniers, from November 4, to Dec. 31, 1794, is 1 month and 27 days, at 4.706 per cent. per an.	15,620	3	4	By interest due on December 31, 1794, on the loan of 6,000,000, at 5 per cent. per annum - - -	300,000	0	0
To account of principal for balance of this account -	284,379	16	8				
	300,000	0	0				

RESULT ON JANUARY 1, 1795.

Dr. *The Government of France in account current with the United States, on January* 1, 1795. **Cr.**

	Livres.	*S.*	*D.*		*Livres.*	*S.*	*D.*
To balance due to the United States on January 1, 1795, arising from payments exceeding the interest and instalments demandable by France to that period - - - - - -	1,811,959	7	10	By four instalments, of 1,500,000 livres each, on the loan of 18,000,000, which will be due on the 2d of September, in the years 1795, 1796, 1797, and 1798, bearing interest from September 3, 1794, at 5 per cent. per annum - - - -	6,000,000	0	0
Balance due to the French Government on January 1, 1795, exclusive of interest on loans, per credit -	12,188,040	12	2	By two instalments, of 1,000,000 livres each, on the loan of 10,000,000, which will be due on the 4th of November, in the years 1795 and 1796, bearing interest from the 4th of November, 1794, at 4 per cent. per annum - - - - -	2,000,000	0	0
				By six instalments, of 1,000,000 livres each, on the loan of 6,000,000, which will be due in the years 1797, 1798, 1799, 1800, 1801, and 1802, bearing interest from January 1, 1795, at 5 per cent. per annum - - - - - -	6,000,000	0	0
	14,000,000	0	0		14,000,000	0	0

Comptroller's Office, *January* 6, 1795.

OLIVER WOLCOTT, Jun., *Comptroller.*

C & D.

STATEMENT of interest payable in the year 1794, on loans effected for account of the United States, at Amsterdam and Antwerp.

Guilders.	Guilders.		Guilders.	S.	D.	Rate of exchange per guilder.	Amount in dollars and cents.
		Five per cent. loans effected at Amsterdam—					
On 4,000,000	-	Of the loan of 5,000,000, per contracts dated June 11, 1782, at interest from June 1, 1793, to June 1, 1794 - - - - - -	200,000	00	00		
On 1,000,000	-	Per contract, dated June 1, 1787, at interest for the same period - -	50,000	00	00		
On 1,000,000	-	Per contract, dated March 13, 1788, at interest for the same period -	50,000	00	00		
	6,000,000	Effected under the late Government.					
On 3,000,000	-	Per contract, dated February 1, 1790, at interest from February 1, 1793, to February 1, 1794 - - - - - -	150,000	00	00		
On 2,500,000	-	Per contract, dated March 2, 1791, at interest from March 1, 1793, to March 1, 1794 - - - - - - -	125,000	00	00		
On 6,000,000	-	Per contract, dated December 14, 1791, at interest from September 1, 1793, to September 1, 1794 - - - - - -	300,000	00	00		
On 1,000,000	-	Being a reloan of the first instalment due on June 1, 1793, on the loan of 5,000,000, per contracts of June 11, 1782, at interest from June 1, 1793, to June 1, 1794 - - - - - - - -	50,000	0	00		
	12,500,000	Effected under the present Government.					
		Four per cent. loans effected at Amsterdam—					
On 2,000,000	-	Per contract, dated March 9, 1784, at interest from February 1, 1793, to February 1, 1794 - - - - - - - -	80,000	00	00		
	2,000,000	Effected under the late Government.					
On 3,000,000	-	Per contract, dated December 24, 1791, at interest from January 1, 1793, to January 1, 1794 - - - - - - - -	120,000	00	00		
On 2,950,000	-	Of a loan of 3,000,000, per contract of August 9, 1792, at interest from June 1, 1793, to June 1, 1794 - - - - - - - -	118,000	00	00		
	5,950,000	Effected under the present Government.					

		Four and a half per cent. loan effected at Antwerp—					
On 2,050,000	-	Of a loan of 3,000,000, per contract dated November 30, 1791, from December 1, 1793, to December 1, 1794. Of this loan 950,000 have been suppressed - - - - - - - - -	92,250	00	00		
	2,050,000	Effected under the present Government.					
			1,335,250	00	00	a 40 cents	534,100 00
		Commission on payment of interest at one per cent. - - -	13,352	10	00	do.	5,341 00
	28,500,000	Amount, exclusive of postage, expenses for advertising, &c. Guilders	1,348,602	10	00	Or dollars	539,441 00

STATEMENT of loans effected at Amsterdam and Antwerp for account of the United States, remaining unpaid on December 31, 1794.

Guilders.	Guilders.		Amount received.	Amount of loans at the same interest.
			Guilders.	*Guilders.*
		Five per cent. loans effected at Amsterdam—		
3,000,000	-	Of the loan of 5,000,000, per contracts of June 11, 1782, at interest from June 1, 1794 - - - -	3,000,000	
1,000,000	-	Per contract of June 1, 1787, at interest from June 1, 1794 - -	1,000,000	
1,000,000	-	Per contract of March 13, 1788, at interest from June 1, 1794 - -	1,000,000	
	5,000,000	Effected under the late Government.		
3,000,000	-	Per contract of February 1, 1790, at interest from February 1, 1794 -	3,000,000	
2,500,000	-	Per contract of March 2, 1791, at interest from March 1, 1794 - -	2,500,000	
6,000,000	-	Per contract of December 14, 1791, at interest from September 1, 1794 -	6,000,000	
1,000,000	-	Being a reloan of the first instalment due on June 1, 1793, on the loan of 5,000,000, per contracts of June 11, 1782, at interest from June 1, 1794 - - - - - - - - -	1,000,000	
3,000,000	-	Per contract of April 10, 1794, at interest from January 1, 1794 - -	3,000,000	
	15,500,000	Effected under the present Government.		
		Amount of five per cent. loans - - - - -	- -	20,500,000

STATEMENTS C & D—Continued.

Guilders.	Guilders.			Amount received.	Amount of loans at the same interest.
				Guilders.	*Guilders.*
		Four per cent. loans effected at Amsterdam—			
2,000,000	-	Per contract of March 9, 1784, at interest from February 1, 1794 - - - - - - -	2,000,000		
		To which add premiums and gratifications which will be payable on said loan - - - - - -	467,500		
				2,467,500	
	2,000,000	Effected under the late Government.			
3,000,000	-	Per contract of December 24, 1791, at interest from January 1, 1794 -		3,000,000	
2,950,000	-	Of a loan of 3,000,000, per contract of August 9, 1792, at interest from June 1, 1794 - - - - - - - - -		2,950,000	
	5,950,000	Effected under the present Government.			
		Amount of four per cent. loans, including premiums and gratifications to amount of 467,500, upon which no interest will be payable, if the premiums shall be discharged within six months after having been drawn - - - - - - - - - -			8,417,500
		Four and a half per cent. loan effected at Antwerp—			
2,050,000	-	Of a loan of 3,000,000, per contract dated November 30, 1791, at interest from December 1, 1794, (of this loan 950,000 have been suppressed) - - - - - - - - -		2,050,000	
	2,050,000	Effected under the present Government.			
		Amount of four and a half per cent. loan - - - -		- -	2,050,000
	30,500,000	Amount at interest.			
		Amount to be paid -		- -	30,967,500

Comptroller's Office, *January* 6, 1795.

OLIVER WOLCOTT, Jr., *Comptroller.*

C & D—Continued.

***STATEMENT** of one year's interest on the foreign loans effected for account of the United States, as due on the 31st of December, 1794.*

20,500,000	guilders, amount of five per cent. loans effected at Amsterdam	Guilders 1,025,000	
2,050,000	guilders, amount of four and a half per cent. loan effected at Antwerp	92,000	
7,950,000	guilders, amount of four per cent. loans effected at Amsterdam	318,000	
30,500,000	amount at interest.		
467,500	guilders, amount of premiums and gratifications to be paid on a loan of 2,000,000 guilders.		
30,967,500	guilders, amount to be paid for loans effected at Amsterdam and Antwerp.		
	Amount of one year's interest on the Dutch and Antwerp loans	1,435,250	
	Which, at 40 cents per guilder, is		$574,100 00
Livres. *s.* *d.* 12,188,040 12 2	balance due to the French Government *a* 4.706 per cent. per annum, being an average of interest payable on the French loans when obtained	Livres 573,569 3 9	
	Which, at 18.15 cents per livre, is		104,102 80
	Amount of one year's interest on the foreign loans, as due on the 31st of December, 1794		678,202 80

Statement of interest payable on the domestic debt.

1st. Interest payable by the existing contract on the debt as it stood on the last day of December, 1794—

On six per cent. stock	$29,046,730 62				
On the original capital of the debt to foreign officers	186,988 23				
		$29,233,718 85	*a* 6 per ct.	$1,754,023 13	
On three per cent. stock	19,484,840 68				
On the interest of the capital due to foreign officers to December 31, 1790	22,438 58				
		19,507,279 26	*a* 3 per ct.	585,218 37	
On the unfunded debt, per statement	1,184,323 40				
From which deduct indents of interest which bear no interest	83,805 00				
Unfunded debt bearing interest		1,100,518 40	*a* 6 per ct.	66,031 10	
Total of interest payable annually by the contract existing at the close of the year 1794					2,405,272 60

STATEMENTS C & D—Continued.

Statement of interest payable on the domestic debt.

2d. Interest payable after the year 1800, on the principles of the contract existing at the end of 1794—				
On the deferred stock existing at the end of 1794, being	$14,523,365 45	a 6 per ct.	$871,401 92	
On the six per cent. stock, as stated above	29,233,718 85	a 6 per ct.	1,754,023 13	
On the three per cent. stock, as stated above	19,507,279 26	a 3 per ct.	585,218 37	
On the unfunded debt, as stated above	1,100,518 40	a 6 per ct.	66,031 10	
Total of interest which would be payable after the year 1800 on the whole domestic debt, on the principles of the existing contract at the end of 1794				$3,276,674 52
3d. Interest which would be payable if the whole domestic debt was subscribed to the loan—				
On six per cent. stock	29,967,397 80	a 6 per ct.	1,798,043 86	
On three per cent. stock	19,967,936 00	a 3 per ct.	599,038 08	
Annual interest till the close of the year 1800				2,397,081 94
Interest on deferred debt, which becomes six per cent. stock after the year 1800	14,890,204 90	a 6 per ct.		893,412 29
Total interest which would be payable annually after the year 1800, if the whole debt was subscribed				3,290,494 23

E.

View of sinking fund, according to plan proposed in the report.

Present annual amount of sinking fund, supposing the investment of the residue of the surplus of revenue to the end of 1790, and of the arrears of interest on the debt to foreign officers, in the purchase of six per cent. stock, at par, and exonerating the fund from the charge to which it is subject by the last section of the act making provision for the reduction of the public debt, viz:

Interest for a year on stock actually purchased and redeemed, to the last of December, 1794, and carried to the credit of the fund -	$68,225 55
Interest for a year on the principal and arrears of interest, to the end of 1790, on the debt to foreign officers - -	11,892 44
Interest for a year on subsequent arrears of interest, not included in the above - - - - -	1,547 05
Interest for a year on $411,659 49, being the unexpended balance of surplus to the end of 1790 - - -	24,699 56
	$106,364 60
Interest for a year on the loan-office certificates, bearing interest on the nominal principal which (those certificates being paid off as proposed) would accrue to this fund - -	1,911 00
Add this sum, to be appropriated out of the revenue from imports and tonnage, for the redemption of stock bearing a present interest of six per cent., according to the 5th proposition in the report - - - - - -	408,134 64
The amount of two per cent. on $25,820,512 20, being the amount of stock *unredeemed*, bearing a present interest of six per cent. exclusive of State balances - - -	$516,410 24
Dividends on bank stock, deducting interest on such instalments of the loan of the bank as had not accrued in the year 1794 -	$62,500 00
Sum to be paid in addition thereto, on the 1st of January, 1796, out of the revenue from imports and tonnage, for reimbursement of the fourth instalment of the above loan	137,500 00
Amount of annual instalments of $2,000,000, had of the Bank of the United States, pursuant to the 11th section of the act of incorporation - - - - - -	$200,000 00

The surplus of the dividends on bank stock will increase each year $12,000; the interest, liberated by payment of each annual instalment of principal, and the sum to be paid out of the revenue, will annually decrease in the same ratio.

It will be, after the first year—

On the 1st of January, 1797 - - - - -	$125,500
On the 1st of January, 1798 - - - - -	113,500
On the 1st of January, 1799 - - - - -	101,500
On the 1st of January, 1800 - - - - -	89,500

On the 1st of January, 1801 - - - - - $77,500
On the 1st of January, 1802 - - - - - 65,500

The yearly average of the sums successively payable out of the revenue from imports and tonnage, towards reimbursing the two million loan, will be - - - - - - - - - $101,500 00

And the whole loan being discharged on the 1st of January, 1803, the annual dividend on bank stock will be liberated from the future payment of interest on the loan, and will thenceforth yield to the *sinking fund* an annuity liable to the redemption of the deferred stock - - - 152,500 00

Two per centum of $12,478,837 93, the amount of *unredeemed* stock, which, on the 1st of January, 1801, will bear interest at six per centum per annum, exclusive of State balances, and which will be payable on the 1st of January, 1802, is - - - - - - - 249,576 75

Yearly interest, which, on the 1st of January, 1801, will begin to accrue to the *sinking fund*, in the deferred stock standing to its credit, is $52,319 97. Further sum necessary for payment of the above two per centum - - 197,256 78

$249,576 75

This sum of $197,256 78 will, in the year 1802–'03, be payable out of the revenues from imports and tonnage. But the yearly dividends on bank stock, free from charge after the 1st of January, 1803, being - - - $152,500 00

The sum thenceforth payable out of the revenues from imports and tonnage, for payment of said two per centum, will be 44,756 78

Which, together with the yearly interest on deferred stock, being - - - - - - - - 52,319 97

Is equal to the amount of redeeming annuity of deferred stock, being - - - - - - - - - $249,576 75

Hence the permanent appropriations out of the revenue from imports and tonnage, for the redemption of the whole of the unredeemed funded stock, which now bears, and hereafter will bear, an interest of six per centum per annum, exclusive of the stock standing to the credit of certain States, pursuant to the report of the commissioners, is—

For that bearing a present interest - - - - $408,134 64
For that bearing a future interest - - - - 44,756 78

Total annual extra appropriation to sinking fund, out of the revenues, exclusive of bank dividends - - - $452,891 42

The whole of the stock bearing a present rate of interest will, by this fund, be redeemed in something less than twenty-three years, and the interest then set free (to wit) in the year 1818, will be - - $1,631,259 72

To which add the further appropriation towards principal, as above - - - - - - - 408,134 64

$2,039,394 36

This annuity, applied to payments or purchases of the foreign debt, on a calculation of five per cent. interest, would, by the 1st of January, 1824, extinguish that debt, and yield a surplus of $122,502 29.

The whole of the stock bearing a future interest of six per cent. will, by the fund to be applied to it as above, be also redeemed in something less than twenty-three years from the time of commencing the redemption, that is, by the year 1824; and the interest then set free on that stock will be - - - - - - -	$801,050 24
The sum appropriated towards the redemption then also set free, is - - - - - - -	197,256 78
To which add the sum liberated by the redemption of the present six per cent. stock - - - - -	2,039,394 36
And the interest on $13,745,379 35, being the amount of the foreign debt extinguished as above - - -	638,480 58
There will, therefore, be an annuity of -	$3,676,181 96

Thus will the whole of the foreign debt be extinguished by the year 1824, and the sinking fund will then possess an annuity of -	$3,676,181 96
And a sum, in gross, of - - - - - - -	122,502 29
Together -	$3,798,684 25

Which, in two years, would more than pay off the whole of the balances to creditor States, and the whole of the unfunded debt, if not sooner discharged.

So that, supposing the proceeds of the western lands to be sufficient, by the same time, to redeem the three per cent. stock, the whole of the present debt of the United States, foreign and domestic, funded and unfunded, may be redeemed by the operation of the provision proposed by the fifth proposition, by the year 1826; and there would revert to the United States a yearly revenue of $4,435,320 89.

ALEXANDER HAMILTON.

TREASURY DEPARTMENT,
January 17, 1795.

NOTE.—The calculations in this statement would require, to assure their perfect accuracy, a revision; but it is certain that any errors it may contain will be too inconsiderable to affect any important result.

F.

COMPARATIVE VIEW OF ANNUAL CURRENT REVENUE AND EXPENDITURE.

Current Revenue.

		Permanent revenue.	
Nett duties on imports and tonnage, as ascertained 1793, per account of receipts and expenditures for that year - -	$6,087,546 26		
Add product of additional duties on imports laid by the acts of the 5th and 7th of June, 1794, computed on the importations of 1793 - - - - -	1,091,872 32		
		$7,179,418 58	
Deduct for extra drawbacks, which would become payable after the year 1793, in consequence of extra importations of certain articles in that year, which were re-exported - - - - - -	1,500,000 00		
And amount of temporary duties on imports - - - - - -	1,479,626 91		
		2,979,626 91	
Permanent duties on imports and tonnage - - -		4,199,791 67	
Duties on spirits distilled within the United States, and upon stills - - - -		400,000 00	
Nett duties on postage of letters, as ascertained in 1793 - - - - - -		29,722 16	
Patent fees, as they accrued in the same year - -		660 00	
Dividends of bank stock beyond the interest payable to the bank in 1793 - -	38,500 00		
Add interest of two instalments, which, being paid off, will increase the dividend -	24,000 00		
		62,500 00	
Total permanent revenue - - - - - -			$4,692,673 83
		Temporary revenue.	
Duties on imports, as stated above - - -		$1,479,626 91	
Estimated product of duties on snuff manufactured, and sugar refined within the United States, carriages for the conveyance of persons, licenses for selling wines and spirits at retail, sales at auction - - -		380,000 00	
Total temporary revenue - - - - -			1,859,626 91
Total annual current revenue - - - -			$6,552,300 74

Current expenditure.

Interest on foreign debt, as stated	$678,102 80		
Deduct interest on instalments of foreign debt for 1795, to be paid out of the proceeds of foreign loans	39,622 22		
		$638,480 58	
Interest on funded domestic debt		2,339,241 50	
Interest on unsubscribed debt, computed according to contract		66,031 10	
		3,043,753 18	
Interest on temporary loans for anticipating the revenue		100,000 00	
Expenses of the civil department, including foreign intercourse		475,249 53	
Expenses of the military department	1,311,975 29		
Including pensions to invalids	85,357 04		
		1,397,332 33	
Expenses of naval department for one year		441,508 80	
Expenses of light-house and other establishments for the benefit of navigation		24,000 00	
			$5,481,843 84
Excess of revenue beyond expenditure			1,070,456 90
			$6,552,300 74

TREASURY DEPARTMENT, *January* 17, 1795.

ALEXANDER HAMILTON,
Secretary of the Treasury.

RESULT IN THE YEAR 1796, ACCORDING TO FIFTH PROPOSITION.

Surplus of revenue brought forward			$1,070,456 90
Increased interest on foreign debt		$67,291 89	
Interest on new emission		4,528 70	
Ten per cent. of arrears of unfunded interest, including indents		48,309 53	
Yearly instalment on account of 1,000,000 loan for foreign intercourse		200,000 00	
Appropriations for sinking fund, viz:			
Dividends of bank stock	$62,500 00		
Sum payable out of imports and tonnage for redemption of six per cent. stock	408,134 64		
Sum payable on the 1st of January, 1796, towards reimbursing of bank loan	137,500 00		
		608,134 64	
			928,264 76
Balance, being excess of revenue beyond expenditure			$142,192 14

It appears, by statement E, that these extra appropriations will, in the progress of the operation, be reduced; and that, including a provision for the redemption of the deferred debt, the permanent charge on the revenue, (exclusive of bank dividends,) for the sinking fund, will be no more than $152,891 42.

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END OF THE FIRST VOLUME.