

1st CONGRESS.]

No. 16.

[2d SESSION.]

RENEWAL OF FINAL SETTLEMENT CERTIFICATES.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, AUGUST 7, 1790.

TREASURY DEPARTMENT, *August 5th*, 1790.

The Secretary of the Treasury having considered the petition of Jacob Rash, referred to him on the 29th day of June last, respectfully reports:

That the reasons which induced the late Congress of the United States to grant a renewal of continental loan office certificates, destroyed through accident, appear of equal weight in regard to other evidences of the public debt which have been the subjects of similar casualty.

That justice to the petitioner, therefore, seems to require that an opportunity of renewing his certificates be granted to him; and, as there are several applications of the same nature, it is respectfully suggested, that it will be expedient to provide by law for administering relief to all who shall be found similarly circumstanced, under the following cautionary regulations, which are, in most particulars, the same as those provided in the case of loan Office certificates, so far as they will apply to the different species and circumstances of the certificates.

1st. That the certificates renewed be issued to those who shall appear to have been the holders of them at the time they were destroyed, or, if dead, to their legal representatives.

2d. That the certificates destroyed be advertised in the newspapers of the State where the accident happened, and in the State where they were issued; which advertisement shall be continued six weeks, and shall contain the numbers, dates, sums, names in which the certificates were taken out, and the time when, the place where, and the means by which, the same were destroyed.

3d. That a copy of the advertisement be lodged in the office of the Commissioner of Loans within the State, in which the certificates alleged to have been destroyed were issued, together with such testimony as can be procured, ascertaining the time when, the place where, and the means by which, the destruction happened; which copies and testimonies shall be duly certified by the said commissioner, to be laid, by the party claiming the renewal, before the Comptroller of the treasury, who shall finally decide on the sufficiency thereof.

4th. That the party claiming the renewal, enter into bond to the United States, with two or more sufficient freeholders as sureties (their sufficiency to be judged of by the said Comptroller) in double the amount of the value of the certificates claimed to be renewed, with condition to indemnify the United States against the holders of the certificates said to be destroyed, should any such afterwards appear.

5th. That no certificates be renewed before the expiration of three months after the publication of the advertisement above mentioned, and that there be an endorsement on each renewed certificate, signifying that the same was issued in lieu of one destroyed by accident, and describing the original.

In regard to certificates which have not been destroyed by accident, but which have either been lost or captured, or otherwise taken away, it appears extremely difficult to devise any mode of relief to the sufferers which will not subject the United States to so much hazard of imposition and injury, as to render the expediency of it questionable. If the House should, nevertheless, be of opinion that justice requires it, it may be granted under the same regulations which are proposed in respect to certificates destroyed.

All which is humbly submitted.

ALEXANDER HAMILTON, *Secretary of the Treasury.*

1st CONGRESS.]

No. 17.

[3d SESSION.]

PUBLIC CREDIT.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, DECEMBER 13, 1790.

TREASURY DEPARTMENT, *December 13*, 1790.

In obedience to the order of the House of Representatives, of the ninth day of August last, requiring the Secretary of the Treasury to prepare and report, on this day, such further provision as may, in his opinion, be necessary for establishing the public credit, the said Secretary respectfully reports:

That the object which appears to be most immediately essential to the further support of public credit, in pursuance of the plan adopted during the last session of Congress, is the establishment of proper and sufficient funds for paying the interest which will begin to accrue, after the year one thousand seven hundred and ninety-one, on the amount of the debts of the several States, assumed by the United States, having regard at the same time to the probable or estimated deficiency in those already established, as they respect the original debt of the Union.

In order to this, it is necessary, in the first place, to take a view of the sums requisite for those purposes.

The amount which has been assumed, of the State debts, is	-	-	-	-	-	\$21,500,000	00
The sum of annual interest upon that amount, which, according to the terms of the proposed loan, will begin to accrue after the year one thousand seven hundred and ninety one, is	-	-	-	-	-	\$788,333	33
The estimated deficiency in the funds already established, as they respect the original debt of the United States, is	-	-	-	-	-	38,291	40
Making, together	-	-	-	-	-	\$826,624,	73

For procuring which sum, the reiterated reflections of the Secretary have suggested nothing so eligible and unexceptionable, in his judgment, as a further duty on foreign distilled spirits, and a duty on spirits distilled within the United States, to be collected in the mode delineated in the plan of a bill, which forms part of his report to the House of Representatives, of the ninth day of January last.

Under this impression, he begs leave, with all deference, to propose to the consideration of the House—

That the following additions be made to the duties on distilled spirits imported from foreign countries, which are specified in the act making further provision for the payment of the debts of the United States, namely:

On those of the first class of proof, therein mentioned, per gallon, eight cents;
 On those of the second class, per gallon, eight and a half cents;
 On those of the third class, per gallon, nine cents;
 On those of the fourth class, per gallon, ten cents;
 On those of the fifth class, per gallon, ten cents;
 On those of the sixth class, per gallon, fifteen cents.

And that the following duties be laid on spirits distilled within the United States, namely:

If from molasses, sugar, or other foreign materials, and of the first class of proof, per gallon, eleven cents;
 Of the said second class of proof, per gallon, twelve cents;
 Of the said third class of proof, per gallon, thirteen cents;
 Of the said fourth class of proof, per gallon, fifteen cents;
 Of the said fifth class of proof, per gallon, twenty cents;
 Of the said sixth class of proof, per gallon, thirty cents.

If from materials of the growth or production of the United States, distilled within any city, town, or village, and
 Of the said first class of proof, per gallon, nine cents;
 Of the said second class of proof, per gallon, ten cents;
 Of the said third class of proof, per gallon, eleven cents;
 Of the said fourth class of proof, per gallon, thirteen cents;
 Of the said fifth class of proof, per gallon, seventeen cents;
 Of the said sixth class of proof, per gallon, twenty-five cents.

And upon each still employed in distilling spirits from the like materials, in any other place than a city, town, or village, in lieu of the rates abovementioned, the yearly sum of sixty cents for every gallon, English wine measure, of the capacity of such still, including its head: exempting, nevertheless, all such stills, within a certain defined dimension, as are used essentially for domestic purposes of their respective proprietors.

The product of these several duties (which correspond in their rates with those proposed in the report above referred to, of the ninth of January last) may, upon as good grounds as the nature of the case will admit, prior to an experiment, be computed at eight hundred and seventy-seven thousand and five hundred dollars, the particulars of which computation are contained in the statement which accompanies this report.

This computed product exceeds the sum which has been stated as necessary to be provided, by fifty thousand eight hundred and seventy-five dollars and twenty seven cents; an excess which, if it should be realized by the actual product, may be beneficially applied towards increasing the sinking fund.

The Secretary has been encouraged to renew the proposition of these duties, in the same form in which they were before submitted, from a belief, founded on circumstances which appeared in the different discussions of the subject, that collateral considerations, which were afterwards obviated, rather than objections to the measure itself, prevented its adoption, during the last session; from the impracticability, which he conceives to exist, of devising any substitute equally conducive to the ease and interest of the community; and from an opinion that the extension of the plan of collection, which it contemplates, to the duties already imposed on wines and distilled spirits, is necessary to a well grounded reliance on their efficacy and productiveness.

The expediency of improving the resource of distilled spirits, as an article of revenue, to the greatest practicable extent, has been noticed upon another occasion. Various considerations might be added to those then adduced, to evince it, but they are too obvious to justify the detail. There is scarcely an attitude in which the object can present itself, which does not invite, by all the inducements of sound policy and public good, to take a strong and effectual hold of it.

The manner of doing it, or, in other words, the mode of collection, appears to be the only point about which a difficulty or question can arise. If that suggested be liable to just objections, the united information and wisdom of the legislative body ensure the substitution of a more perfect plan.

The Secretary, however, begs leave to remark, that there appear to him two leading principles, one or the other of which must necessarily characterise whatever plan may be adopted. One of them makes the *security* of the revenue depend chiefly on the *vigilance* of the *public officers*; the other rests it essentially on the *integrity* of the *individuals* interested to avoid the payment of it.

The first is the basis of the plan submitted by the Secretary; the last has pervaded most, if not all the systems, which have hitherto been practised upon, in different parts of the United States. The oaths of the dealers have been almost the only security for their compliance with the laws.

It cannot be too much lamented, that these have been found inadequate dependence. But experience has, on every trial, manifested them to be such. Taxes or duties, relying for their collection on that security, wholly, or almost wholly, are uniformly unproductive. And they cannot fail to be unequal, as long as men continue to be discriminated by unequal portions of rectitude. The most conscientious will pay most; the least conscientious, least.

The impulse of interest, always sufficiently strong, acts with peculiar force in matters of this kind, in respect to which, a loose mode of thinking is too apt to prevail. The want of a habit of appreciating, properly, the nature of the public rights, renders that impulse, in such cases, too frequently an overmatch for the sense of obligation, and the evasions which are perceived, or suspected to be practised by some, prompt others to imitation, by the powerful motive of self defence. They infer that they must follow the example, or be unable to maintain an advantageous competition in the business—an alternative very perplexing to all but men of exact probity, who are thereby rendered, in a great measure, victims to a principle of legislation which does not sufficiently accord with the bias of human nature. And thus the laws become sources of discouragement and loss to honest industry, and of profit and advantage to perjury and fraud. It is a truth that cannot be kept too constantly in view, that all revenue laws which are so constructed as to involve a lax and defective execution, are instruments of oppression to the most meritorious part of those on whom they immediately operate, and of additional burthens on the community at large.

The last effect is produced in too ways. The deficiencies in the funds (which, in the main, afford only partial exemptions) must be supplied from other taxes, and the charges of collection, which, in most cases, are nearly the same, whether a tax or duty yield much or little, occasion an accumulation of the ultimate expense of furnishing a given sum to the treasury.

Another, and a very serious evil, chargeable on the system opposite to that proposed, is, that it leads to frequent and familiar violations of oaths, which, by loosening one of the strongest bands of society, and weakening one of the principal securities to life and property, offends, not less against the maxims of good government and sound policy, than against those of religion and morality.

It may not be improper further to remark, that the two great objections to the class of duties denominated excises, are inapplicable to the plan suggested. These objections are, first, the *summary jurisdiction* confided to the officers of excise, in derogation from the course of the common law, and the right of trial by jury; and, secondly, the general power vested in the same officers, of *visiting and searching, indiscriminately*, the houses, stores, and other buildings, of the dealers in excised articles. But, by the plan proposed, the officers to be employed are to be clothed with no such *summary jurisdiction*, and their *discretionary* power of *visiting and searching*, is to be restricted to those places which the dealers themselves shall designate, by public insignia or marks, as the depositories of the articles on which the duties are to be laid. Hence, it is one of the recommendations of the plan, that it is not liable to those objections.

Duties of the kind proposed are not novel in the United States, as has been intimated in another place. They have existed, to a considerable extent, under several of the State Governments, particularly in Massachusetts, Connecticut, and Pennsylvania. In Connecticut, a State exemplary for its attachment to popular principles, not only all ardent spirits, but foreign articles of consumption, generally, have been the subjects of an excise or inland duty.

If the supposition, that duties of this kind are attended with greater expense in the collection, than taxes on lands, should seem an argument for preferring the latter, it may be observed that the fact ought not too readily to be

taken for granted. The state of things in England, is sometimes referred to as an example on this point, but, there, the smallness of the expense in the collection of the land tax, is to be ascribed to the peculiar modification of it, which, proceeding without new assessments, according to a fixed standard, long since adjusted, totally disregards the comparative value of lands, and the variations in their value. The consequence of this is, an inequality so palpable and extreme, as would be likely to be ill relished by the landholders of the United States. If, in pursuit of greater equality, accurate periodical valuations or assessments are to afford a rule, it may well be doubted whether the expense of a land tax will not always exceed that of the kind of duties proposed. The ingenious, but fallacious hypothesis, that all taxes on consumption fall, finally, with accumulated weight, on land, is now too generally and too satisfactorily exploded to require to be combatted here. It has become an acknowledged truth, that, in the operation of those taxes, every species of capital and industry contribute their proportion to the revenue, and, consequently, that, as far as they can be made substitutes for taxes on lands, they serve to exempt them from an undue share of the public burthen.

Among other substantial reasons which recommend, as a provision for the public debt, duties upon articles of consumption, in preference to taxes on houses and lands, is this: It is very desirable, if practicable, to reserve the latter fund for objects and occasions which will more immediately interest the sensibility of the whole community, and more directly affect the public safety. It will be a consolatory reflection, that so capital a resource remains untouched by that provision, which, while it will have a very material influence in favor of public credit, will, also, be conducive to the tranquillity of the public mind, in respect to external danger, and will really operate as a powerful guarantee of peace. In proportion as the estimation of our resources is exalted in the eyes of foreign nations, their respect for us must increase, and this must beget a proportionable caution, neither to insult nor injure us with levity; while, on the contrary, the appearance of exhausted resources (which would, perhaps, be a consequence of mortgaging the revenue to be derived from land, for the interest of the public debt) might tend to invite both insult and injury, by inspiring an opinion that our efforts to resent or repel them were little to be dreaded.

It may not be unworthy of reflection, that, while the idea of residuary resources, in so striking a particular, cannot fail to have many beneficial consequences, the suspension of taxes on real estate can as little fail to be pleasing to the mass of the community; and it may reasonably be presumed, that so provident a forbearance on the part of the Government, will ensure a more cheerful acquiescence on that of the class of the community immediately to be affected, whenever experience and the exigency of conjectures shall dictate a resort to that species of revenue.

But, in order to be at liberty to pursue this salutary course, it is indispensable that an efficacious use should be made of those articles of consumption which are the most proper and most productive, to which class distilled spirits very evidently belong; and a prudent energy will be requisite, as well in relation to the mode of collection, as to the quantum of the duty.

It need scarcely be observed, that the duties on the great mass of imported articles have reached a point which it would not be expedient to exceed. There is at least satisfactory evidence that they cannot be extended further, without contravening the sense of the body of the merchants; and, though it is not to be admitted as a general rule, that this circumstance ought to conclude against the expediency of a public measure, yet, when due regard is had to the disposition which that enlightened class of our citizens has manifested towards the National Government; to the alacrity with which they have hitherto seconded its operations; to the accommodating temper with which they look forward to those additional impositions on the objects of trade, which are to commence with the ensuing year; and to the greatness of the innovation, which, in this particular, has already taken place in the former state of things; there will be perceived to exist the most solid reasons against lightly passing the bounds which coincide with their impressions of what is reasonable and proper. It would be, in every view, inauspicious to give occasion for a supposition that trade alone is destined to feel the immediate weight of the hands of Government, in every new emergency of the treasury.

However true, as a general position, that the consumer pays the duty, yet, it will not follow, that trade may not be essentially distressed and injured, by carrying duties on importations to a height which is disproportionate to the mercantile capital of a country. It may not only be the cause of diverting too large a share of it from the exigencies of business, but, as the requisite advances to satisfy the duties, will, in many, if not in most cases, precede the receipts from the sale of the articles on which they are laid, the consequence will often be sacrifices which the merchant cannot afford to make.

The inconveniences of exceeding the proper limit, in this respect, which will be felt every where, will fall with particular severity on those places which have not the advantage of public banks, and which abound least in pecuniary resources. Appearances do not justify such an estimate of the extent of the mercantile capital of the United States as to encourage to material accumulations on the already considerable rates of the duties on the mass of foreign importation.

Another motive for caution on this point arises from the reflection that the effect of an important augmentation, made by a law of the last session, is, hitherto, a mere matter of speculative calculation, and has not yet even begun to be tried.

It is presumable, too, that a still further augmentation would have an influence the reverse of favorable to the public credit. The operation would be apt to be regarded as artificial, as destitute of solidity, as presenting a numerical increase, but involving an actual diminution of revenue. The distrust of the efficacy of the present provision might also be accompanied with a doubt of a better substitute hereafter. The inference would not be unnatural, that a defect of other means, or an inability to command them, could alone have given birth to so unpromising an effort to draw all from one source.

A diversification of the nature of the funds is desirable on other accounts. It is clear that less dependence can be placed on one species of funds, and that, too, liable to the vicissitude of the continuance, or interruption of foreign intercourse, than upon a variety of different funds, formed by the union of internal with external objects.

The inference from these various and important considerations seems to be, that the attempt to extract wholly, from duties on imported articles, the sum necessary to a complete provision for the public debt, would probably be both deceptive and pernicious—incompatible with the interests not less of revenue than of commerce; that resources of a different kind must, of necessity, be explored; and that the selection of the most fit objects is the only thing which ought to occupy inquiry.

Besides the establishment of supplementary funds, it is requisite to the support of the public credit that those established should stand on a footing which will give all reasonable assurance of their effectual collection.

Among the articles enumerated in the act making further provision for the payment of the debt of the United States, there are two, wines and teas, in regard to which, some other regulations than have yet been adopted, seem necessary for the security of the revenue, and desirable for the accommodation of the merchant.

With these views it is submitted, that the term for the payment of the duties on wines be enlarged, as it respects Madeira wines, to eighteen months; and as it respects other wines, to nine months; and that they be collected on a plan similar to that proposed in relation to imported distilled spirits.

And that a third option (two being allowed by the present law) be given to the importers of teas, which shall be, to give bond, without security, for the amount of the duty in each case, payable in two years, upon the following terms:

The teas to be deposited, at the expense and risk of the importer, in store houses, to be agreed upon between him and the proper officer of the revenue; each store house having two locks, the key of one of which to be in the custody of the importer, or his agent; and the key of the other of which, to be in the custody of an officer whose duty it shall be made to attend, at all reasonable times, for the purpose of deliveries.

These deliveries, whether for home sale, or for exportation to a foreign country, to be warranted by permits, from the chief officer of inspection of the place.

If for home sale, the permits to be granted after the duties shall have been paid, or secured to be paid.

When the amount of the duties shall not exceed one hundred dollars, four months to be allowed for payment. When it shall exceed one hundred dollars, and not exceed five hundred dollars, the term of payment to be eight months;

and twelve months, whenever the amount shall exceed five hundred dollars: Provided, that the credit shall in no case extend beyond the period of two years, originally allowed for the entire sum. If the duties on the whole quantity deposited shall not have been paid, or secured to be paid, before the expiration of that time, it shall be lawful for the proper officer to cause a sale to be made of so much as shall be sufficient to discharge what shall remain unsatisfied. In every case, it shall be at the option of the party applying for the permit, either to pay the amount of duties on the quantity to be delivered, or to give bond for it, with one or more sureties, to the satisfaction of the officer whose province it shall be to grant the permits.

If the deliveries are to be made for exportation, the permits to be granted upon bond being entered into, to secure and ascertain the exportation. This may require some alterations of form, in the manner of proceeding, relatively to the exportation of this article.

All teas to be landed under the care of the inspectors of the revenue; the chests; and other packages containing them, to be marked; and certificates, which shall accompany them, be granted, as in the case of distilled spirits.

To these more direct expedients for the support of public credit, the institution of a national bank presents itself, as a necessary auxiliary. This the Secretary regards as an indispensable engine in the administration of the finances. To present this important object in a more distinct and more comprehensive light, he has concluded to make it the subject of a separate report.

All which is humbly submitted.

ALEXANDER HAMILTON, *Secretary of the Treasury.*

Estimate of the probable product of the funds proposed in the annexed report.

4,000,000 gallons of distilled spirits, imported from foreign countries, at 8 cents per gallon,	\$ 320,000 00
3,500,000 gallons of spirits, distilled in the United States, from foreign materials, at 11 cts. per gallon,	385,000 00
3,000,000 gallons of spirits, distilled from materials of the United States, at 9 cents per gallon,	270,000 00
Total dollars,	\$ 975,000 00
Deduct for drawbacks, and expense of collecting, 10 per cent. -	97,500 00
Nett product, -	\$ 877,500 00

1st CONGRESS.]

No. 18.

[3d Session.]

NATIONAL BANK.

COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, DEC. 14, 1790.

TREASURY DEPARTMENT, *December 13th, 1790.*

In obedience to the order of the House of Representatives, of the ninth day of August last, requiring the Secretary of the Treasury to prepare and report, on this day, such further provision as may, in his opinion, be necessary for establishing the public credit, the said Secretary further respectfully reports:

That, from a conviction (as suggested in his report herewith presented*) that a National Bank is an institution of primary importance to the prosperous administration of the finances, and would be of the greatest utility in the operations connected with the support of the public credit, his attention has been drawn to devising the plan of such an institution, upon a scale which will entitle it to the confidence, and be likely to render it equal to the exigencies of the public.

Previously to entering upon the detail of this plan, he entreats the indulgence of the House towards some preliminary reflections naturally arising out of the subject, which he hopes will be deemed neither useless nor out of place. Public opinion being the ultimate arbiter of every measure of government, it can scarcely appear improper, in deference to that, to accompany the origination of any new proposition with explanations, which the superior information of those to whom it is immediately addressed, would render superfluous.

It is a fact, well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successively obtained in Italy, Germany, Holland, England, and France, as well as in the United States. And it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that, after an experience of centuries, there exists not a question about their utility in the countries in which they have been so long established. Theorists and men of business unite in the acknowledgment of it.

Trade and industry, wherever they have been tried, have been indebted to them for important aid. And government has been repeatedly under the greatest obligations to them in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

With this twofold evidence before us, it might be expected that there would be a perfect union of opinions in their favor. Yet doubts have been entertained; jealousies and prejudices have circulated; and, though the experiment is every day dissipating them, within the spheres in which effects are best known, yet there are still persons by whom they have not been entirely renounced. To give a full and accurate view of the subject, would be to make a treatise of a report; but there are certain aspects in which it may be cursorily exhibited, which may perhaps conduce to a just impression of its merits. These will involve a comparison of the advantages, with the disadvantages, real or supposed, of such institutions.

The following are among the principal advantages of a Bank:

First. The augmentation of the active or productive capital of a country. Gold and silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead stock; but when deposited in banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality. This idea, which appears rather subtle and abstract, in a general form, may be made obvious and palpable, by entering into a few particulars. It is evident, for instance, that the money which a merchant keeps in his chest, waiting for a favorable opportunity to employ it, produces nothing till that opportunity arrives. But if, instead of locking it up in this manner, he either deposits it in a bank, or invests it in the stock of a bank, it yields a profit during the interval,

*See ante, No. 17.