

REPORTS

OF THE

SECRETARY OF THE TREASURY

OF THE
UNITED STATES,

PREPARED

IN OBEDIENCE TO THE ACT OF MAY 10, 1800,

"SUPPLEMENTARY TO THE ACT, ENTITLED 'AN ACT TO ESTABLISH THE TREASURY DEPARTMENT.'"

TO WHICH ARE PREFIXED

THE REPORTS OF ALEXANDER HAMILTON,

ON

PUBLIC CREDIT, A NATIONAL BANK, MANUFACTURES,

AND

THE ESTABLISHMENT OF A MINT.

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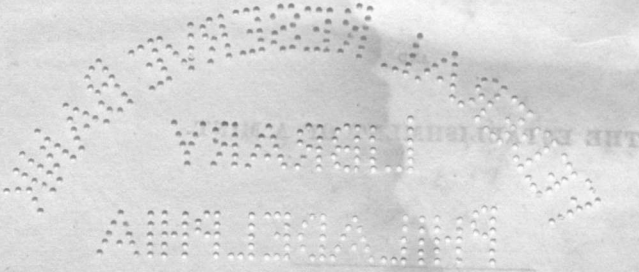
IN OBEEDIENCE TO THE ACT OF MAY 10, 1909.

TO WHICH ARE REFERRED

THE REPORTS OF ALEXANDER HAMILTON.

OF

PUBLIC CREDIT, A NATIONAL BANK MANUFACTURE.



FOR

WASHINGTON.

PRINTED BY BLAIR & BROWN

1887

TABLE OF CONTENTS

Page	Topic	Page	Topic
120	January	120	Report by Mr. Hamilton on Public Credit
121	December	121	Report by Mr. Hamilton on a National Bank
122	December	122	Report by Mr. Hamilton on Massachusetts
123	May	123	Report by Mr. Hamilton on Establishing a Mint
124	January	124	Report by Mr. Hamilton on Public Credit
125	December	125	Report by Mr. Gallatin on the Finances
126	December	126	Report by Mr. Gallatin on the Finances
127	October	127	Report by Mr. Gallatin on the Finances
128	November	128	Report by Mr. Gallatin on the Finances
129	December	129	Report by Mr. Gallatin on the Finances
130	December	130	Report by Mr. Gallatin on the Finances
131	December	131	Report by Mr. Gallatin on the Finances
132	November	132	Report by Mr. Gallatin on the Finances
133	December	133	Report by Mr. Gallatin on the Finances
134	June	134	Report by Mr. Gallatin on the Finances
135	December	135	Report by Mr. Gallatin on the Finances
136	December	136	Report by Mr. Gallatin on the Finances
137	November	137	Report by Mr. Gallatin on the Finances
138	December	138	Report by Mr. Gallatin on the Finances
139	December	139	Report by Mr. Gallatin on the Finances
140	December	140	Report by Mr. Gallatin on the Finances
141	December	141	Report by Mr. Gallatin on the Finances
142	November	142	Report by Mr. Gallatin on the Finances
143	December	143	Report by Mr. Gallatin on the Finances
144	December	144	Report by Mr. Gallatin on the Finances
145	June	145	Report by William Jones (Acting Secretary) on the Finances
146	December	146	Report by William Jones (Acting Secretary) on the Finances
147	December	147	Report by G. W. Campbell on the Finances

REPORTS

OF THE

SECRETARY OF THE TREASURY OF THE UNITED STATES.

REPORT ON PUBLIC CREDIT.

JANUARY, 1790.

The Secretary of the Treasury, in obedience to the resolution of the House of Representatives of the twenty-first day of September last, has, during the recess of Congress, applied himself to the consideration of a proper plan for the support of the public credit, with all the attention which was due to the authority of the House, and to the magnitude of the object.

In the discharge of this duty, he has felt, in no small degree, the anxieties which naturally flow from a just estimate of the difficulty of the task, from a well-founded diffidence of his own qualifications for executing it with success, and from a deep and solemn conviction of the momentous nature of the truth contained in the resolution under which his investigations have been conducted, "That an adequate provision for the support of the public credit is a matter of high importance to the honor and prosperity of the United States."

With an ardent desire that his well-meant endeavors may be conducive to the real advantage of the nation, and with the utmost deference to the superior judgment of the House, he now respectfully submits the result of his inquiries and reflections to their indulgent construction.

In the opinion of the Secretary, the wisdom of the House, in giving their explicit sanction to the proposition which has been stated, cannot but be applauded by all who will seriously consider and trace, through their obvious consequences, these plain and undeniable truths :

That exigencies are to be expected to occur, in the affairs of nations, in which there will be a necessity for borrowing ;

That loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them ;

And that in a country which, like this, is possessed of little active wealth, or, in other words, little moneyed capital, the necessity for that resource must, in such emergencies, be proportionably urgent.

And as, on the one hand, the necessity for borrowing in particular emergencies cannot be doubted, so, on the other, it is equally evident, that, to be able to borrow upon good terms, it is essential that the credit of a nation should be well established.

For, when the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make. Nor does the evil end here ; the same disadvantage must be sustained upon whatever is to be bought on terms of future payment.

From this constant necessity of borrowing and buying dear, it is easy to conceive how immensely the expenses of a nation, in a course of time, will be augmented by an unsound state of the public credit.

To attempt to enumerate the complicated variety of mischiefs in the whole system of the social economy, which proceed from a neglect of the maxims that uphold public credit, and justify the solicitude manifested by the House on this point, would be an improper intrusion on their time and patience.

In so strong a light, nevertheless, do they appear to the Secretary, that, on their due observance at the present critical juncture, materially depends, in his judgment, the individual and aggregate prosperity of the citizens of the United States; their relief from the embarrassments they now experience; their character as a people; the cause of good government.

If the maintenance of public credit, then, be truly so important, the next inquiry which suggests itself is, by what means it is to be effected. The ready answer to which question is, by good faith, by a punctual performance of contracts. States, like individuals, who observe their engagements, are respected and trusted; while the reverse is the fate of those who pursue an opposite conduct.

Every breach of the public engagements, whether from choice or necessity, is, in different degrees, hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention, on the part of the Government, to carry the violation no further than the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation whenever circumstances shall permit. But, with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is, therefore, highly important, when an appearance of necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured that there is no method of escaping from it, before they yield to its suggestions. For, though it cannot safely be affirmed that occasions have never existed, or may not exist, in which violations of the public faith, in this respect, are inevitable; yet there is great reason to believe that they exist far less frequently than precedents indicate; and are oftenest either pretended, through levity or want of firmness, or supposed, through want of knowledge. Expedients might often have been devised to effect, consistently with good faith, what has been done in contravention of it. Those who are most commonly creditors of a nation, are, generally speaking, enlightened men; and there are signal examples to warrant a conclusion, that when a candid and fair appeal is made to them, they will understand their true interest too well to refuse their concurrence in such modifications of their claims as any real necessity may demand.

While the observance of that good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connexion between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities that give peculiar force

to the obligation. There is, indeed, reason to regret that it has not hitherto been kept; that the necessities of the war, conspiring with inexperience in the subjects of finance, produced direct infractions; and that the subsequent period has been a continued scene of negative violation, or non-compliance. But a diminution of this regret arises from the reflection that the last seven years have exhibited an earnest and uniform effort on the part of the Government of the Union to retrieve the national credit, by doing justice to the creditors of the nation; and that the embarrassments of a defective constitution, which defeated this laudable effort, have ceased.

From this evidence of a favorable disposition given by the former Government, the institution of a new one, clothed with powers competent to calling forth the resources of the community, has excited correspondent expectations. A general belief accordingly prevails, that the credit of the United States will quickly be established on the firm foundation of an effectual provision for the existing debt. The influence which this has had at home, is witnessed by the rapid increase that has taken place in the market value of the public securities. From January to November, they rose thirty-three and a third per cent.; and from that period to this time, they have risen fifty per cent. more; and the intelligence from abroad announces effects proportionably favorable to our national credit and consequence.

It cannot but merit particular attention, that, among ourselves, the most-enlightened friends of good government are those whose expectations are the highest.

To justify and preserve their confidence; to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources both to agriculture and commerce; to cement more closely the union of the States; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy—these are the great and invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit.

To this provision we are invited, not only by the general considerations which have been noticed, but by others of a more particular nature. It will procure to every class of the community some important advantages, and remove some no less important disadvantages.

The advantage to the public creditors from the increased value of that part of their property which constitutes the public debt, needs no explanation.

But there is a consequence of this, less obvious, though not less true, in which every other citizen is interested. It is a well known fact, that in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt are there equivalent to payments in specie; or, in other words, stock, in the principal transactions of business, passes current as specie. The same thing would, in all probability, happen here under the like circumstances.

The benefits of this are various and obvious:

First. Trade is extended by it, because there is a larger capital to carry it on, and the merchant can, at the same time, afford to trade for smaller profits; as his stock, which, when unemployed, brings him in an interest from the Government, serves him also as money when he has a call for it in his commercial operations.

Secondly. Agriculture and manufactures are also promoted by it; for the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enterprise in foreign trade gives to them activity and extension, has greater means for enterprise.

Thirdly. The interest of money will be lowered by it; for this is always in a ratio to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labor, to industry, and to arts of every kind. But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an adequate and stable value; till then, it has rather a contrary tendency. The fluctuation and insecurity incident to it in an unfunded state, render it a mere commodity, and a precarious one. As such, being only an object of occasional and particular speculation, all the money applied to it is so much diverted from the more useful channels of circulation, for which the thing itself affords no substitute; so that, in fact, one serious inconvenience of an unfunded debt is, that it contributes to the scarcity of money.

This distinction, which has been little if at all attended to, is of the greatest moment; it involves a question immediately interesting to every part of the community, which is no other than this: whether the public debt, by a provision for it on true principles, shall be rendered a substitute for money; or whether, by being left as it is, or by being provided for in such a manner as will wound those principles and destroy confidence, it shall be suffered to continue as it is, a pernicious drain of our cash from the channels of productive industry.

The effect which the funding of the public debt, on right principles, would have upon landed property, is one of the circumstances attending such an arrangement, which has been least adverted to, though it deserves the most particular attention. The present depreciated state of that species of property is a serious calamity. The value of cultivated lands in most of the States has fallen, since the revolution, from twenty-five to fifty per cent. In those furthest south, the decrease is still more considerable. Indeed, if the representations continually received from that quarter may be credited, lands there will command no price which may not be deemed an almost total sacrifice. This decrease in the value of lands ought, in a great measure, to be attributed to the scarcity of money; consequently, whatever produces an augmentation of the moneyed capital of the country, must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell, but the necessity of selling would be itself greatly diminished. As the same cause would contribute to the facility of loans, there is reason to believe that such of them as are indebted would be able, through that resource, to satisfy their more urgent creditors.

It ought not, however, to be expected that the advantages described as likely to result from funding the public debt would be instantaneous. It might require some time to bring the value of stock to its natural level, and to attach to it that fixed confidence which is necessary to its quality as money. Yet the late rapid rise of the public securities encourages an expecta-

tion that the progress of stock to the desirable point will be much more expeditious than could have been foreseen. And as, in the mean time, it will be increasing in value, there is room to conclude that it will, from the outset, answer many of the purposes in contemplation. Particularly it seems to be probable, that from creditors who are not themselves necessitous, it will early meet with a ready reception in payment of debts, at its current price.

Having now taken a concise view of the inducements to a proper provision for the public debt, the next inquiry which presents itself is, what ought to be the nature of such a provision? This requires some preliminary discussions.

It is agreed on all hands, that that part of the debt which has been contracted abroad, and is denominated the foreign debt, ought to be provided for according to the precise terms of the contracts relating to it. The discussions which can arise, therefore, will have reference essentially to the domestic part of it, or to that which has been contracted at home. It is to be regretted that there is not the same unanimity of sentiment on this part, as on the other.

The Secretary has too much deference for the opinions of every part of the community not to have observed one, which has more than once made its appearance in the public prints, and which is occasionally to be met with in conversation. It involves this question, whether a discrimination ought not to be made between original holders of the public securities, and present possessors by purchase? Those who advocate a discrimination are for making a full provision for the securities of the former at their nominal value; but contend that the latter ought to receive no more than the cost to them, and the interest. And the idea is sometimes suggested of making good the difference to the primitive possessor.

In favor of this scheme, it is alleged that it would be unreasonable to pay twenty shillings in the pound, to one who had not given more for it than three or four. And it is added, that it would be hard to aggravate the misfortune of the first owner, who, probably through necessity, parted with his property at so great a loss, by obliging him to contribute to the profit of the person who had speculated on his distresses.

The Secretary, after the most mature reflection on the force of this argument, is induced to reject the doctrine it contains, as equally unjust and impolitic; as highly injurious, even to the original holders of public securities; as ruinous to public credit.

It is inconsistent with justice, because, in the first place, it is a breach of contract, a violation of the rights of a fair purchaser.

The nature of the contract, in its origin, is, that the public will pay the sum expressed in the security, to the first holder or his assignee. The intent in making the security assignable, is, that the proprietor may be able to make use of his property, by selling it for as much as it may be worth in the market, and that the buyer may be safe in the purchase.

Every buyer, therefore, stands exactly in the place of the seller, has the same right with him to the identical sum expressed in the security, and, having acquired that right by fair purchase, and in conformity to the original agreement and intention of the Government, his claim cannot be disputed, without manifest injustice.

That he is to be considered as a fair purchaser, results from this: whatever necessity the seller may have been under, was occasioned by the Government

in not making a proper provision for its debts. The buyer had no agency in it, and therefore ought not to suffer. He is not even chargeable with having taken an undue advantage. He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He of course gave a fair equivalent, and ought to reap the benefit of his hazard; a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government.

That the case of those who parted with their securities from necessity is a hard one, cannot be denied; but, whatever complaint of injury, or claim of redress, they may have, respects the Government solely. They have not only nothing to object to the persons who relieved their necessities, by giving them the current price of their property, but they are even under an implied condition to contribute to the reimbursement of those persons. They knew that, by the terms of the contract with themselves, the public were bound to pay, to those to whom they should convey their title, the sums stipulated to be paid to them; and that, as citizens of the United States, they were to bear their proportion of the contribution for that purpose. This, by the act of assignment, they tacitly engage to do; and, if they had an option, they could not, with integrity or good faith, refuse to do it, without the consent of those to whom they sold.

But, though many of the original holders sold from necessity, it does not follow that this was the case with all of them. It may well be supposed that some of them did it either through want of confidence in an eventual provision, or from the allurements of some profitable speculation. How shall these different classes be discriminated from each other? How shall it be ascertained, in any case, that the money which the original holder obtained for his security was not more beneficial to him than if he had held it to the present time, to avail himself of the provision which shall be made? How shall it be known whether, if the purchaser had employed his money in some other way, he would not be in a better situation than by having applied it in the purchase of securities, though he should now receive their full amount? And, if neither of these things can be known, how shall it be determined whether a discrimination, independent of the breach of contract, would not do a real injury to purchasers; and, if it included a compensation to the primitive proprietors, would not give them an advantage to which they had no equitable pretension?

It may well be imagined, also, that there are not wanting instances in which individuals, urged by a present necessity, parted with the securities received by them from the public, and shortly after replaced them with others, as an indemnity for their first loss. Shall they be deprived of the indemnity which they have endeavored to secure by so provident an arrangement?

Questions of this sort, on a close inspection, multiply themselves without end, and demonstrate the injustice of a discrimination, even on the most subtle calculations of equity, abstracted from the obligation of contract.

The difficulties, too, of regulating the details of a plan for that purpose, which would have even the semblance of equity, would be found immense. It may well be doubted whether they would not be insurmountable, and replete with such absurd as well as inequitable consequences, as to disgust even the proposers of the measure.

As a specimen of its capricious operation, it will be sufficient to notice the effect it would have upon two persons, who may be supposed two years ago to have purchased, each, securities at three shillings in the pound, and one of

them to retain those bought by him, till the discrimination should take place; the other, to have parted with those bought by him, within a month past, at nine shillings. The former, who had had most confidence in the Government, would, in this case, only receive at the rate of three shillings, and the interest; while the latter, who had had less confidence, would receive, for what cost him the same money, at the rate of nine shillings; and his representative, standing in his place, would be entitled to a like rate.

The impolicy of a discrimination results from two considerations: one, that it proceeds upon a principle destructive of that quality of the public debt, or the stock of the nation, which is essential to its capacity for answering the purposes of money—that is, the security of transfer; the other, that, as well on this account, as because it includes a breach of faith, it renders property in the funds less valuable, consequently induces lenders to demand a higher premium for what they lend, and produces every other inconvenience of a bad state of public credit.

It will be perceived, at first sight, that the transferable quality of stock is essential to its operation as money, and that this depends on the idea of complete security to the transferee, and a firm persuasion that no distinction can, in any circumstances, be made between him and the original proprietor.

The precedent of an invasion of this fundamental principle would, of course, tend to deprive the community of an advantage with which no temporary saving could bear the least comparison.

And it will as readily be perceived that the same cause would operate a diminution of the value of stock in the hands of the first as well as of every other holder. The price which any man who should incline to purchase would be willing to give for it, would be in a compound ratio to the immediate profit it afforded, and the chance of the continuance of his profit. If there was supposed to be any hazard of the latter, the risk would be taken into the calculation, and either there would be no purchase at all, or it would be at a proportionably less price.

For this diminution of the value of stock, every person who should be about to lend to the Government would demand compensation, and would add, to the actual difference between the nominal and the market value, an equivalent for the chance of greater decrease; which, in a precarious state of public credit, is always to be taken into the account. Every compensation of this sort, it is evident, would be an absolute loss to the Government.

In the preceding discussion of the impolicy of a discrimination, the injurious tendency of it to those who continue to be the holders of the securities they received from the Government has been explained. Nothing need be added on this head; except that this is an additional and interesting light in which the injustice of the measure may be seen. It would not only divest present proprietors, by purchase, of the rights they had acquired under the sanction of public faith, but it would depreciate the property of the remaining original holders. It is equally unnecessary to add any thing to what has been already said, to demonstrate the fatal influence which the principle of discrimination would have on the public credit.

But there is still a point in view, in which it will appear perhaps even more exceptionable than in either of the former. It would be repugnant to an express provision of the constitution of the United States. This provision is, that "all debts contracted, and engagements entered into, before the adoption of that constitution, shall be as valid against the United States under it as under the confederation;" which amounts to a constitutional

ratification of the contracts respecting the debt in the state in which they existed under the confederation : and, resorting to that standard, there can be no doubt that the rights of assignees and original holders must be considered as equal. In exploding thus fully the principle of discrimination, the Secretary is happy in reflecting that he is only the advocate of what has been already sanctioned by the formal and express authority of the Government of the Union, in these emphatic terms: "The remaining class of creditors," say Congress, in their circular address to the States, of the 26th of April, 1783, "is composed partly of such of our fellow-citizens as originally lent to the public the use of their funds, or have since manifested most confidence in their country by receiving transfers from the lenders; and partly of those whose property has been either advanced or assumed for the public service." To discriminate the merits of these several descriptions of creditors would be a task equally unnecessary and invidious. If the voice of humanity plead more loudly in favor of some than of others, the voice of policy, no less than of justice, pleads in favor of all. A wise nation will never permit those who relieve the wants of their country, or who rely most on its faith, its firmness, and its resources, when either of them is distrusted, to suffer by the event."

The Secretary, concluding that a discrimination between the different classes of creditors of the United States cannot, with propriety, be made, proceeds to examine whether a difference ought to be permitted to remain between them and another description of public creditors—those of the States, individually. The Secretary, after mature reflection on this point, entertains a full conviction that an assumption of the debts of the particular States by the Union, and a like provision for them as for those of the Union, will be a measure of sound policy and substantial justice.

It would, in the opinion of the Secretary, contribute, in an eminent degree, to an orderly, stable, and satisfactory arrangement of the national finances. Admitting, as ought to be the case, that a provision must be made, in some way or other, for the entire debt, it will follow that no greater revenues will be required, whether that provision be made wholly by the United States, or partly by them and partly by the States separately.

The principal question, then, must be, whether such a provision cannot be more conveniently and effectually made by one general plan, issuing from one authority, than by different plans, originating in different authorities? In the first case, there can be no competition for resources; in the last, there must be such a competition. The consequences of this, without the greatest caution on both sides, might be interfering regulations, and thence collision and confusion. Particular branches of industry might also be oppressed by it. The most productive objects of revenue are not numerous. Either these must be wholly engrossed by one side, which might lessen the efficacy of the provisions by the other, or both must have recourse to the same objects, in different modes, which might occasion an accumulation upon them beyond what they could probably bear. If this should not happen, the caution requisite to avoiding it would prevent the revenue's deriving the full benefit of each object. The danger of interference and of excess would be apt to impose restraints very unfriendly to the complete command of those resources which are the most convenient, and to compel the having recourse to others less eligible in themselves, and less agreeable to the community. The difficulty of an effectual command of the public resources, in case of separate provisions for the debt, may be seen in another and, perhaps, more striking light. It would naturally happen that different States, from local

considerations, would, in some instances, have recourse to different objects ; in others, to the same objects, in different degrees, for procuring the funds of which they stood in need. It is easy to conceive how this diversity would affect the aggregate revenue of the country. By the supposition, articles which yielded a full supply in some States, would yield nothing, or an insufficient product, in others. And hence the public revenue would not derive the full benefit of those articles from State regulations : neither could the deficiencies be made good by those of the Union. It is a provision of the national constitution, that "all duties, imposts, and excises shall be uniform throughout the United States." And, as the General Government would be under a necessity, from motives of policy, of paying regard to the duty which may have been previously imposed upon any article, though but in a single State, it would be constrained either to refrain wholly from any further imposition upon such article, where it had been already rated as high as was proper, or to confine itself to the difference between the existing rate and what the article would reasonably bear. Thus the pre-occupancy of an article by a single State, would tend to arrest or abridge the impositions of the Union on that article. And as it is supposable that a great variety of articles might be placed in this situation, by dissimilar arrangements of the particular States, it is evident that the aggregate revenue of the country would be likely to be very materially contracted by the plan of separate provisions.

If all the public creditors receive their dues from one source, distributed with an equal hand, their interests will be the same ; and, having the same interests, they will unite in the support of the fiscal arrangements of the Government ; as these, too, can be made with more convenience where there is no competition. These circumstances combined, will insure to the revenue laws a more ready and more satisfactory execution.

If, on the contrary, there are distinct provisions, there will be distinct interests, drawing different ways. That union and concert of views among the creditors, which in every Government is of great importance to their security, and to that of public credit, will not only not exist, but will be likely to give place to mutual jealousy and opposition ; and from this cause, the operation of the systems which may be adopted both by the particular States and by the Union, with relation to their respective debts, will be in danger of being counteracted.

There are several reasons which render it probable that the situation of the State creditors would be worse than that of the creditors of the Union, if there be not a national assumption of the State debts. Of these it will be sufficient to mention two : one, that a principal branch of revenue is exclusively vested in the Union ; the other, that a State must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regulation to the other States, and from the tendency of partial duties to injure its industry and commerce. Should the State creditors stand upon a less eligible footing than the others, it is unnatural to expect they would see with pleasure a provision for them. The influence which their dissatisfaction might have, could not but operate injuriously, both for the creditors and the credit of the United States. Hence it is even the interest of the creditors of the Union, that those of the individual States should be comprehended in a general provision. Any attempt to secure to the former either exclusive or peculiar advantages, would materially hazard their interests. Neither would it be just that one class of the public creditors should be more favored than the other. The objects for which both descrip-

tions of the debt were contracted, are in the main the same. Indeed, a great part of the particular debts of the States has arisen from assumptions by them on account of the Union; and it is most equitable that there should be the same measure of retribution for all. There is an objection, however, to an assumption of the State debts, which deserves particular notice: it may be supposed that it would increase the difficulty of an equitable settlement between them and the United States.

The principles of that settlement, whenever they shall be discussed, will require all the moderation and wisdom of the Government. In the opinion of the Secretary, that discussion, till further lights are obtained, would be premature. All, therefore, which he would now think advisable on the point in question, would be, that the amount of the debts assumed and provided for should be charged to the respective States, to abide an eventual arrangement. This the United States, as assignees to the creditors, would have an indisputable right to do. But as it might be a satisfaction to the House to have before them some plan for the liquidation of accounts between the Union and its members, which, including the assumption of the State debts, would consist with equity, the Secretary will submit, in this place, such thoughts on the subject as have occurred to his own mind, or been suggested to him, most compatible, in his judgment, with the end proposed.

Let each State be charged with all the money advanced to it out of the Treasury of the United States, liquidated according to the specie value at the time of each advance, with interest at six per cent.

Let it also be charged with the amount, in specie value, of all its securities which shall be assumed, with the interest upon them, to the time when interest shall become payable by the United States.

Let it be credited for all moneys paid, and articles furnished to the United States, and for all other expenditures during the war, either towards general or particular defence, whether authorized or unauthorized by the United States; the whole liquidated to specie value, and bearing an interest of six per cent. from the several times at which the several payments, advances, and expenditures accrued.

And let all sums of continental money now in the treasuries of the respective States, which shall be paid into the Treasury of the United States, be credited at specie value.

Upon a statement of the accounts according to these principles, there can be little doubt that balances would appear in favor of all the States against the United States.

To equalize the contributions of the States, let each be then charged with its proportion of the aggregate of those balances, according to some equitable ratio, to be devised for that purpose.

If the contributions should be found disproportionate, the result of this adjustment would be, that some States would be creditors, some debtors, to the Union. Should this be the case—as it will be attended with less inconvenience to the United States to have to pay balances to, than to receive them from, the particular States—it may, perhaps, be practicable to effect the former by a second process, in the nature of a transfer of the amount of the debts of debtor States, to the credit of creditor States; observing the ratio by which the first apportionment shall have been made. This, whilst it would destroy the balances due from the former, would increase those due to the latter: these to be provided for by the United States, at a reasonable interest, but not to be transferable. The expediency of this second process must depend on a knowledge of the result of the first. If the inequalities

should be too great, the arrangement may be impracticable, without unduly increasing the debt of the United States. But it is not likely that this would be the case. It is also to be remarked, that though this second process might not, upon the principle of apportionment, bring the thing to the point aimed at, yet it may approach so nearly to it as to avoid essentially the embarrassment of having considerable balances to collect from any of the States.

The whole of this arrangement to be under the superintendence of commissioners, vested with equitable discretion and final authority. The operation of the plan is exemplified in schedule A.

The general principle of it seems to be equitable, for it appears difficult to conceive a good reason why the expenses for the particular defence of a part, in a common war, should not be a common charge, as well as those incurred professedly for the general defence. The defence of each part is that of the whole; and unless all the expenditures are brought into a common mass, the tendency must be to add to the calamities suffered, by being the most exposed to the ravages of war, an increase of burdens. This plan seems to be susceptible of no objection which does not belong to every other that proceeds on the idea of a final adjustment of accounts. The difficulty of settling a ratio is common to all. This must probably either be sought for in the proportions of the requisitions during the war, or in the decision of commissioners appointed with plenary power. The rule prescribed in the constitution with regard to representation and direct taxes, would evidently not be applicable to the situation of parties, during the period in question. The existing debt of the United States is excluded from the computation, as it ought to be, because it will be provided for out of a general fund. The only discussion of a preliminary kind which remains, relates to the distinctions of the debt into principal and interest. It is well known that the arrears of the latter bear a large proportion to the amount of the former. The immediate payment of these arrears is evidently impracticable; and a question arises—what ought to be done with them?

There is good reason to conclude, that the impressions of many are more favorable to the claim of the principal, than to that of the interest; at least so far as to produce an opinion that an inferior provision might suffice for the latter.

But, to the Secretary, this opinion does not appear to be well founded. His investigations of the subject have led him to a conclusion that the arrears of interest have pretensions at least equal to the principal.

The liquidated debt, traced to its origin, falls under two principal discriminations: one relating to loans, the other to services performed and articles supplied. The part arising from loans was at first made payable at fixed periods, which have long since elapsed, with an early option to lenders, either to receive back their money at the expiration of those periods, or to continue it at interest, till the whole amount of continental bills circulating should not exceed the sum in circulation at the time of each loan. This contingency, in the sense of the contract, never happened; and the presumption is, that the creditors preferred continuing their money indefinitely at interest, to receiving it in a depreciated and depreciating state.

The other parts of it were chiefly for objects which ought to have been paid for at the time—that is, when the services were performed, or the supplies furnished; and were not accompanied with any contract for interest.

But by different acts of Government and administration, concurred in by the creditors, these parts of the debt have been converted into a capital, bearing an interest of six per cent. per annum, but without any definite

eriod of redemption. A portion of the loan office debt has been exchanged for new securities of that import; and the whole of it seems to have acquired that character after the expiration of the periods prefixed for repayment. If this view of the subject be a just one, the capital of the debt of the United States may be considered in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the Government, by payment of the principal; for it seems to be a clear position, that when a Government contracts a debt payable with interest, without any precise time being stipulated or understood for payment of the capital, that time is a matter of pure discretion with the Government, which is at liberty to consult its own convenience respecting it, taking care to pay the interest with punctuality.

Wherefore, as long as the United States should pay the interest of their debt as it accrued, their creditors would have no right to demand the principal. But with regard to the arrears of interest, the case is different. These are now due, and those to whom they are due have a right to claim immediate payment. To say that it would be impracticable to comply, would not vary the nature of the right. Nor can this idea of impracticability be honorably carried further than to justify the proposition of a new contract, upon the basis of a commutation of that right for an equivalent. This equivalent, too, ought to be a real and fair one. And what other fair equivalent can be imagined for the detention of money, but a reasonable interest? Or what can be the standard of that interest, but the market rate, or the rate which the Government pays in ordinary cases?

From this view of the matter, which appears to be the accurate and true one, it will follow, that the arrears of interest are entitled to an equal provision with the principal of the debt.

The result of the foregoing discussions is this: That there ought to be no discrimination between the original holders of the debt, and present possessors by purchase; that it is expedient there should be an assumption of the State debts by the Union, and that the arrears of interest should be provided for on an equal footing with the principal.

The next inquiry in order, towards determining the nature of a proper provision, respects the quantum of the debt, and the present rates of interest.

The debt of the Union is distinguishable into foreign and domestic.

The foreign debt, as stated in schedule B, amounts to,	
principal	\$10,070,307 60
Bearing an interest of four, and partly an interest of five per cent.	
Arrears of interest to the last of December, 1789	1,640,071 62
Making together	<u>\$11,710,378 62</u>
The domestic debt may be subdivided into liquidated and unliquidated; principal and interest.	
The principal of the liquidated part, as stated in the schedule C, amounts to	\$27,383,917 74
Bearing an interest of six per cent.	
The arrears of interest, as stated in the schedule D, to the end of 1790, amount to	13,030,168 20
Making together	<u>\$40,414,085 94</u>

This includes all that has been paid in indents, (except what has come into the Treasury of the United States,) which, in the opinion of the Secretary, can be considered in no other light than as interest due.

The unliquidated part of the domestic debt, which consists chiefly of the continental bills of credit, is not ascertained, but may be estimated at 2,000,000 dollars.

These several sums constitute the whole of the debt of the United States, amounting together to \$54,124,464 56. That of the individual States is not equally well ascertained. The schedule E shows the extent to which it has been ascertained, by returns pursuant to the order of the House of the 21st September last; but this not comprehending all the States, the residue must be estimated from less authentic information. The Secretary, however, presumes that the total amount may be safely stated at 25 millions of dollars, principal and interest. The present rate of interest of the State debts is, in general, the same with that of the domestic debt of the Union.

On the supposition that the arrears of interest ought to be provided for on the same terms with the principal, the annual amount of the interest, which, at the existing rates, would be payable on the entire mass of the public debt, would be—

On the foreign debt, computing the interest on the principal as it stands, and allowing four per cent. on the arrears of interest	-	\$542,599 66
On the domestic debt, including that of the States	-	4,044,845 15

Making together	-	<u>\$4,587,444 81</u>
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The interesting problem now occurs: Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the Government?

The Secretary will not say that such a provision would exceed the abilities of the country; but he is clearly of opinion, that to make it would require the extension of taxation to a degree, and to objects, which the true interest of the public creditors forbids. It is therefore to be hoped, and even to be expected, that they will cheerfully concur in such modifications of their claims, on fair and equitable principles, as will facilitate to the Government an arrangement substantial, durable, and satisfactory to the community. The importance of the last characteristic will strike every discerning mind. No plan, however flattering in appearance, to which it did not belong, could be truly entitled to confidence.

It will not be forgotten, that exigencies may, ere long, arise, which would call for resources greatly beyond what is now deemed sufficient for the current service; and that, should the faculties of the country be exhausted, or even strained, to provide for the public debt, there could be less reliance on the sacredness of the provision. But while the Secretary yields to the force of these considerations, he does not lose sight of those fundamental principles of good faith, which dictate that every practicable exertion ought to be made, scrupulously to fulfil the engagements of the Government; that no change in the rights of its creditors ought to be attempted, without their voluntary consent; and that this consent ought to be voluntary in fact, as well as in name. Consequently, that every proposal of a change ought to be in the shape of an appeal to their reason and to their interest; not to

their necessities. To this end, it is requisite that a fair equivalent should be offered for what may be asked to be given up, and unquestionable security for the remainder. Without this, an alteration, consistently with the credit and honor of the nation, would be impracticable.

It remains to see what can be proposed in conformity to these views.

It has been remarked, that the capital of the debt of the Union is to be viewed in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the Government, by payment of the principal. And it will not be required that the arrears of interest should be considered in a more favorable light. The same character, in general, may be applied to the debts of the individual States.

This view of the subject admits, that the United States would have it in their power to avail themselves of any fall in the market rate of interest for reducing that of the debt.

This property of the debt is favorable to the public; unfavorable to the creditor; and may facilitate an arrangement for the reduction of interest, upon the basis of a fair equivalent.

Probabilities are always a rational ground of contract. The Secretary conceives that there is good reason to believe, if effectual measures are taken to establish public credit, that the Government rate of interest in the United States will, in a very short time, fall at least as low as five per cent.; and that in a period not exceeding twenty years, it will sink still lower, probably to four. There are two principal causes which will be likely to produce this effect: one, the low rate of interest in Europe; the other, the increase of the moneyed capital of the nation, by the funding of the public debt.

From three to four per cent. is deemed good interest in several parts of Europe. Even less is deemed so, in some places; and it is on the decline; the increasing plenty of money continually tending to lower it. It is presumable that no country will be able to borrow of foreigners upon better terms than the United States, because none can, perhaps, afford so good security. Our situation exposes us less than that of any other nation to those casualties which are the chief causes of expense; our incumbrances, in proportion to our real means, are less, though these cannot immediately be brought so readily into action; and our progress in resources from the early state of the country, and the immense tracts of unsettled territory, must necessarily exceed that of any other. The advantages of this situation have already engaged the attention of the European money-lenders, particularly among the Dutch; and as they become better understood, they will have the greater influence. Hence, as large a proportion of the cash of Europe as may be wanted, will be, in a certain sense, in our market for the use of Government. And this will naturally have the effect of a reduction of the rate of interest, not indeed to the level of the places which send their money to market, but to something much nearer to it than our present rate.

The influence which the funding of the debt is calculated to have in lowering interest, has been already remarked and explained. It is hardly possible that it should not be materially affected by such an increase of the moneyed capital of the nation, as would result from the proper funding of seventy millions of dollars. But the probability of a decrease in the rate of interest acquires confirmation from facts, which existed prior to the revolution. It is well known that, in some of the States, money might, with fa-

cility, be borrowed, on good security, at five per cent., and not unfrequently even at less.

The most enlightened of the public creditors will be most sensible of the justness of this view of the subject, and of the propriety of the use which will be made of it. The Secretary, in pursuance of it, will assume, as a probability sufficiently great to be a ground of calculation, both on the part of the Government and of its creditors, that the interest of money in the United States will, in five years, fall to five per cent., and in twenty, to four. The probability, in the mind of the Secretary, is rather that the fall may be more rapid and more considerable; but he prefers a mean, as most likely to engage the assent of the creditors, and more equitable in itself; because it is predicated on probabilities, which may err on one side as well as on the other.

Premising these things, the Secretary submits to the House the expediency of proposing a loan, to the full amount of the debt, as well of the particular States as of the Union, upon the following terms:

First. That, for every hundred dollars subscribed, payable in the debt, (as well interest as principal,) the subscriber be entitled, at his option, either to have two-thirds funded at an annuity or yearly interest of six per cent., redeemable at the pleasure of the Government, by payment of the principal, and to receive the other third in lands in the western territory, at the rate of twenty cents per acre. Or, to have the whole sum funded at an annuity or yearly interest of four per cent., irredeemable by any payment exceeding five dollars per annum, on account both of principal and interest, and to receive, as a compensation for the reduction of interest, fifteen dollars and eighty cents, payable in lands, as in the preceding case. Or, to have sixty-six dollars and two-thirds of a dollar funded immediately, at an annuity or yearly interest of six per cent., irredeemable by any payment exceeding four dollars and two-thirds of a dollar per annum, on account both of principal and interest; and to have, at the end of ten years, twenty-six dollars and eighty-eight cents, funded at the like interest and rate of redemption. Or, to have an annuity for the remainder of life, upon the contingency of living to a given age, not less distant than ten years, computing interest at four per cent. Or, to have an annuity for the remainder of life, upon the contingency of the survivorship of the youngest of two persons, computing interest in this case also at four per cent.

In addition to the foregoing loan, payable wholly in the debt, the Secretary would propose that one should be opened for ten millions of dollars, on the following plan:

That, for every hundred dollars subscribed, payable one half in specie, and the other half in debt, (as well principal as interest,) the subscriber be entitled to an annuity or yearly interest of five per cent., irredeemable by any payment exceeding six dollars per annum, on account both of principal and interest.

The principles and operation of these different plans may now require explanation.

The first is simply a proposition for paying one-third of the debt in land, and funding the other two-thirds at the existing rate of interest, and upon the same terms of redemption to which it is at present subject.

Here is no conjecture, no calculation of probabilities. The creditor is offered the advantage of making his interest principal, and he is asked to fa-

cilitate to the Government an effectual provision for his demands by accepting a third part of them in land, at a fair valuation.

The general price at which the western lands have been heretofore sold, has been a dollar per acre in public securities; but, at the time the principal purchases were made, these securities were worth in the market less than three shillings in the pound. The nominal price, therefore, would not be the proper standard, under present circumstances; nor would the precise specie value then given be a just rule: because, as the payments were to be made by instalments, and the securities were, at the times of the purchases, extremely low, the probability of a moderate rise must be presumed to have been taken into the account.

Twenty cents, therefore, seems to bear an equitable proportion to the two considerations of value at the time and likelihood of increase.

It will be understood that, upon this plan, the public retains the advantage of availing itself of any fall in the market rate of interest, for reducing that upon the debt; which is perfectly just, as no present sacrifice, either in the quantum of the principal, or in the rate of interest, is required from the creditor.

The inducement to the measure is, the payment of one-third of the debt in land. The second plan is grounded upon the supposition that interest, in five years, will fall to five per cent.; in fifteen more, to four. As the capital remains entire, but bearing an interest of four per cent. only, compensation is to be made to the creditor for the interest of two per cent. per annum for five years, and of one per cent. per annum for fifteen years, to commence at the distance of five years. The present value of these two sums or annuities, computed according to the terms of the supposition, is, by strict calculation, fifteen dollars and seven hundred and ninety-two thousandth parts of a dollar; a fraction less than the sum proposed.

The inducement to the measure here, is the reduction of interest to a rate more within the compass of a convenient provision, and the payment of the compensation in lands.

The inducements to the individual, are, the accommodation afforded to the public; the high probability of a complete equivalent; the chance even of gain, should the rate of interest fall, either more speedily, or in a greater degree, than the calculation supposes. Should it fall to five per cent. sooner than five years, should it fall lower than five before the additional fifteen were expired, or should it fall below four previous to the payment of the debt, there would be, in each case, an absolute profit to the creditor. As his capital will remain entire, the value of it will increase with every decrease of the rate of interest.

The third plan proceeds upon the like supposition of a successive fall in the rate of interest, and upon that supposition offers an equivalent to the creditor. One hundred dollars, bearing an interest of six per cent. for five years, or five per cent. for fifteen years, and thenceforth of four per cent., (these being the successive rates of interest in the market,) is equal to a capital of \$122, 510725 parts, bearing an interest of four per cent., which, converted into a capital bearing a fixed rate of interest of six per cent., is equal to \$81, 6738166 parts.

The difference between sixty-six dollars and two-thirds of a dollar (the sum to be funded immediately) and this last sum, is \$15, 0172 parts, which, at six per cent. per annum, amounts, at the end of ten years, to \$26, 8755 parts, the sum to be funded at the expiration of that period. It ought, how-

ever, to be acknowledged that this calculation does not make allowance for the principle of redemption, which the plan itself includes; upon which principle, the equivalent in a capital of six per cent. would be, by strict calculation, \$87,50766 parts.

But there are two considerations which induce the Secretary to think that the one proposed would operate more equitably than this: one is, that it may not be very early in the power of the United States to avail themselves of the right of redemption reserved in the plan; the other is, that with regard to the part to be funded at the end of ten years, the principle of redemption is suspended during that time, and the full interest of six per cent. goes on improving at the same rate; which, for the last five years, will exceed the market rate of interest, according to the supposition.

The equivalent is regulated in this plan, by the circumstance of fixing the rate of interest higher than it is supposed it will continue to be in the market, permitting only a gradual discharge of the debt, in an established proportion, and consequently preventing advantage being taken of any decrease of interest below the stipulated rate.

Thus the true value of eighty-one dollars and sixty-seven cents, the capital proposed, considered as a perpetuity, and bearing six per cent. interest, when the market rate of interest was five per cent., would be a small fraction more than ninety-eight dollars; when it was four per cent., would be one hundred and twenty-two dollars and fifty-one cents. But the proposed capital being subject to gradual redemption, it is evident that its value, in each case, would be somewhat less. Yet from this may be perceived the manner in which a less capital, at a fixed rate of interest, becomes an equivalent for a greater capital, at a rate liable to variation and diminution.

It is presumable that those creditors who do not entertain a favorable opinion of property in western lands will give a preference to this last mode of modelling the debt. The Secretary is sincere in affirming, that, in his opinion, it will be likely to prove, to the full, as beneficial to the creditors, as a provision for his debt upon its present terms.

It is not intended, in either case, to oblige the Government to redeem, in the proportion specified, but to secure to it the right of doing so, to avoid the inconvenience of a perpetuity.

The fourth and fifth plans abandon the supposition which is the basis of the two preceding ones, and offer only four per cent. throughout.

The reason of this is, that the payment being deferred, there will be an accumulation of compound interest, in the intermediate period, against the public, which, without a very provident administration, would turn to its detriment. And the suspension of the burden would be too apt to beget a relaxation of efforts in the mean time. The measure, therefore, its object being temporary accommodation, could only be advisable upon a moderate rate of interest.

With regard to individuals, the inducement will be sufficient at four per cent. There is no disposition of money, in private loans, making allowance for the usual delays and casualties, which would be equally beneficial as a future provision.

A hundred dollars advanced upon the life of a person of eleven years old, would produce an annuity* of—

* See Schedule F.

	Dolls.	Parts.
If commencing at twenty-one, of	10	346
If commencing at thirty-one, of	18	803
If commencing at forty-one, of	37	286
If commencing at fifty-one, of	78	580

The same sum advanced upon the chance of the survivors of the youngest of two lives, one of the persons being twenty-five, the other thirty years old, would produce, if the youngest of the two should survive, an annuity* for the remainder of life, of twenty-three dollars five hundred and fifty-six parts.

From these instances may readily be discerned the advantages which these deferred annuities afford, for securing a comfortable provision for the evening of life, or for wives who survive their husbands.

The sixth plan also relinquishes the supposition which is the foundation of the second and third, and offers a higher rate of interest, upon similar terms of redemption, for the consideration of the payment of one-half of the loan in specie. This is a plan highly advantageous to the creditors who may be able to make that payment, while the specie itself could be applied in purchases of the debt, upon terms which would fully indemnify the public for the increased interest.

It is not improbable that foreign holders of the domestic debt may embrace this as a desirable arrangement.

As an auxiliary expedient, and by way of experiment, the Secretary would propose a loan upon the principles of a tontine,†—

To consist of six classes, composed respectively of persons of the following ages:

First class, of those of 20 years and under.

Second class, of those above 20, and not exceeding 30.

Third class, of those above 30, and not exceeding 40.

Fourth class, of those above 40, and not exceeding 50.

Fifth class, of those above 50, and not exceeding 60.

Sixth class, of those above 60.

Each share to be two hundred dollars; the number of shares, in each class, to be indefinite. Persons to be at liberty to subscribe on their own lives, or on those of others nominated by them.

The annuity upon a share in the first class, to be - - \$8 40

Upon a share in the second - - - 8 65

Upon a share in the third - - - 9 00

Upon a share in the fourth - - - 9 65

Upon a share in the fifth - - - 10 70

Upon a share in the sixth - - - 12 80

The annuities of those who die, to be equally divided among the survivors, until four-fifths shall be dead, when the principle of survivors shall cease, and each annuitant thenceforth enjoy his dividend as a several annuity during the life upon which it shall depend.

These annuities are calculated on the best life in each class, and at a rate of interest of four per cent., with some deductions in favor of the public. To the advantages which these circumstances present, the cessation of the right of survivors, on the death of four-fifths of the annuitants, will be no inconsiderable addition.

* See Table, Schedule G.

† See Table, Schedule H.

The inducements to individuals are, a competent interest for their money from the outset, secured for life, and the prospect of continual increase, and even of large profit to those whose fortune it is to survive their associates.

It will have appeared that, in all the proposed loans, the Secretary has contemplated the putting the interest upon the same footing with the principal. That on the debt of the United States, he would have computed to the last of the present year; that on the debt of the particular States, to the last of the year 1791: the reason for which distinction will be seen hereafter.

In order to keep up a due circulation of money, it will be expedient that the interest of the debt should be paid quarter-yearly. This regulation will at the same time conduce to the advantage of the public creditors, giving them, in fact, by the anticipation of payment, a higher rate of interest; which may, with propriety, be taken into the estimate of the compensation to be made to them. Six per cent. per annum, paid in this mode, will truly be worth six dollars, and one hundred and thirty-five thousandth parts of a dollar, computing the market interest at the same rate.

The Secretary thinks it advisable to hold out various propositions, all of them compatible with the public interest, because it is, in his opinion, of the greatest consequence that the debt should, with the consent of the creditors, be remoulded into such a shape as will bring the expenditure of the nation to a level with its income. Till this shall be accomplished, the finances of the United States will never wear a proper countenance. Arrears of interest, continually accruing, will be as continual a monument, either of inability or of ill faith, and will not cease to have an evil influence on public credit. In nothing are appearances of greater moment than in whatever regards credit. Opinion is the soul of it; and this is affected by appearances, as well as realities. By offering an option to the creditors between a number of plans, the change meditated will be more likely to be accomplished. Different tempers will be governed by different views of the subject.

But while the Secretary would endeavor to effect a change in the form of the debt by new loans, in order to render it more susceptible of an adequate provision, he would not think it proper to aim at procuring the concurrence of the creditors by operating upon their necessities.

Hence, whatever surplus of revenue might remain, after satisfying the interest of the new loans and the demand for the current service, ought to be divided among these creditors, if any, who may not think fit to subscribe to them. But for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most advisable; and the sum must be limited to four per cent., as the revenues will only be calculated to produce in that proportion to the entire debt.

The Secretary confides, for the success of the propositions to be made, on the goodness of the reasons upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors of their true interest; and on their disposition to facilitate the arrangements of the Government, and to render them satisfactory to the community.

The remaining part of the task to be performed is, to take a view of the means of providing for the debt, according to the modification of it which is proposed.

On this point the Secretary premises, that, in his opinion, the funds to be established ought, for the present, to be confined to the existing debt of the United States; as well because a progressive augmentation of the revenue will be most convenient, as because the consent of the State creditors is necessary to the assumption contemplated; and though the obtaining of that

consent may be inferred with great assurance, from their obvious interest to give it, yet, till it shall be obtained, an actual provision for the debt would be premature. Taxes could not, with propriety, be laid for an object which depended on such a contingency.

All that ought now to be done respecting it, is to put the matter in an effectual train for a future provision. For which purpose the Secretary will, in the course of this report, submit such propositions as appear to him advisable.

The Secretary now proceeds to a consideration of the necessary funds.

It has been stated that the debt of the United States consists of the foreign debt, amounting, with arrears of interest, to - - - \$11,710,378 62

And the domestic debt, amounting, with like arrears,
computed to the end of the year 1790, to - - - 42,414,085 94

Making together - - - \$54,124,464 56

The interest on the domestic debt is computed to the end of this year, because the details of carrying any plan into execution will exhaust the year.

The annual interest of the foreign debt has been stated at \$542,599 66

And the interest on the domestic debt, at four per cent.,
would amount to - - - - - 1,696,563 43

Making together - - - \$2,239,163 09

Thus, to pay the interest of the foreign debt, and to pay four per cent. on the whole of the domestic debt, principal and interest, forming a new capital, will require a yearly income of \$2,239,163 09, the sum which, in the opinion of the Secretary, ought now to be provided, in addition to what the current service will require.

For, though the rate of interest proposed by the third plan exceeds four per cent. on the whole debt, and the annuities on the tontine will also exceed four per cent. on the sums which may be subscribed; yet, as the actual provision for a part is in the former case suspended, as measures for reducing the debt, by purchases, may be advantageously pursued, and as the payment of the deferred annuities will of course be postponed, four per cent. on the whole will be a sufficient provision.

With regard to the instalments of the foreign debt: these, in the opinion of the Secretary, ought to be paid by new loans abroad. Could funds be conveniently spared from other exigencies, for paying them, the United States could ill bear the drain of cash at the present juncture, which the measure would be likely to occasion.

But to the sum which has been stated for payment of the interest must be added a provision for the current service. This the Secretary estimates at six hundred thousand dollars,* making, with the amount of the interest, two millions eight hundred and thirty-nine thousand one hundred and sixty-three dollars and nine cents.

This sum may, in the opinion of the Secretary, be obtained from the present duties on imports and tonnage, with the additions which, without any possible disadvantage either to trade or agriculture, may be made on wines, spirits, (including those distilled within the United States,) teas, and coffee.

* See Schedule I.

The Secretary conceives that it will be sound policy to carry the duties upon articles of this kind as high as will be consistent with the practicability of a safe collection. This will lessen the necessity both of having recourse to direct taxation, and of accumulating duties where they would be more inconvenient to trade, and upon objects which are more to be regarded as necessities of life.

That the articles which have been enumerated will, better than most others, bear high duties, can hardly be a question. They are all of them, in reality, luxuries, (the greatest part of them foreign luxuries;) some of them, in the excess in which they are used, pernicious luxuries. And there is, perhaps, none of them which is not consumed in so great abundance as may justly denominate it a source of national extravagance and impoverishment. The consumption of ardent spirits, particularly, no doubt very much on account of their cheapness, is carried to an extreme which is truly to be regretted, as well in regard to the health and the morals, as to the economy of the community.

Should the increase of duties tend to a decrease of the consumption of those articles, the effect would be, in every respect, desirable. The saving which it would occasion would leave individuals more at their ease, and promote a more favorable balance of trade. As far as this decrease might be applicable to distilled spirits, it would encourage the substitution of cider and malt liquors, benefit agriculture, and open a new and productive source of revenue.

It is not, however, probable, that this decrease would be in a degree which would frustrate the expected benefit to the revenue from raising the duties. Experience has shown that luxuries of every kind lay the strongest hold on the attachments of mankind, which, especially when confirmed by habit, are not easily alienated from them.

The same fact affords a security to the merchant that he is not likely to be prejudiced by considerable duties on such articles. They will usually command a proportional price. The chief things in this view to be attended to are, that the terms of payment be so regulated as not to require inconvenient advances, and that the mode of collection be secure.

To other reasons which plead for carrying the duties upon the articles which have been mentioned to as great an extent as they will well bear, may be added these: that they are of a nature, from their extensive consumption, to be very productive, and are amongst the most difficult objects of illicit introduction.

Invited by so many motives to make the best use of the resource which these articles afford, the essential inquiry is, in what mode can the duties upon them be most effectually collected?

With regard to such of them as will be brought from abroad, a duty on importation recommends itself by two leading considerations; one is, that, meeting the object at its first entrance into the country, the collection is drawn to a point, and so far simplified; the other is, that it avoids the possibility of interference between the regulations of the United States and those of the particular States.

But a duty, the precautions for the collection of which should terminate with the landing of the goods, as is essentially the case in the existing system, could not, with safety, be carried to the extent which is contemplated.

In that system, the evasion of the duties depends, as it were, on a single risk. To land the goods in defiance of the vigilance of the officers of the customs, is almost the sole difficulty. No future pursuit is materially to be

apprehended. And where the inducement is equivalent to the risk, there will be found too many who are willing to run it. Consequently, there will be extensive frauds on the revenue, against which the utmost rigor of penal laws has proved, as often as it has been tried, an ineffectual guard.

The only expedient which has been discovered for conciliating high duties with a safe collection, is the establishment of a *second*, or interior scrutiny.

By pursuing the article from its importation into the hands of the dealers in it, the risk of detection is so greatly enhanced, that few, in comparison, will venture to incur it. Indeed, every dealer, who is not himself the fraudulent importer, then becomes, in some sort, a sentinel upon him.

The introduction of a system founded on this principle, in some shape or other, is, in the opinion of the Secretary, essential to the efficacy of every attempt to render the revenues of the United States equal to their exigencies, their safety, their prosperity, their honor.

Nor is it less essential to the interest of the honest and fair trader. It might even be added, that every individual citizen, besides his share in the general weal, has a particular interest in it. The practice of smuggling never fails to have one of two effects, and sometimes unites them both. Either the smuggler undersells the fair trader, as, by saving the *duty*, he can afford to do, and makes *it* a charge upon him—or he sells at the increased price occasioned by the duty, and defrauds every man who buys of him of his share of what the public ought to receive: for it is evident that the loss falls ultimately upon the citizens, who must be charged with other taxes to make good the deficiency, and supply the wants of the State.

The Secretary will not presume that the plan which he shall submit to the consideration of the House is the best that could be devised; but it is the one which has appeared to him freest from objections of any that has occurred, of equal efficacy. He acknowledges, too, that it is susceptible of improvement, by other precautions in favor of the revenue, which he did not think it expedient to add. The chief outlines of the plan are not original; but it is no ill recommendation of it that it has been tried with success.

The Secretary accordingly proposes—

That the duties heretofore laid upon wines, distilled spirits, teas, and coffee, should, after the last day of May next, cease; and that, instead of them, the following duties be laid:

Upon every gallon of Madeira wine, of the quality of London particular, thirty-five cents.

Upon every gallon of other Madeira wine, thirty cents.

Upon every gallon of Sherry, twenty-five cents.

Upon every gallon of other wine, twenty cents.

Upon every gallon of distilled spirits, more than ten per cent. below proof, according to Dicus's hydrometer, twenty cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twenty-one cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, twenty-two cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent., according to the same hydrometer, twenty-five cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, thirty cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, forty cents.

Upon every pound of Hyson tea, forty cents.

Upon every pound of other green tea, twenty-four cents.

Upon every pound of Souchong and other black teas, except Bohea, twenty cents.

Upon every pound of Bohea tea, twelve cents.

Upon every pound of coffee, five cents.

That upon spirits distilled within the United States, from molasses, sugar, or other foreign materials, there be paid—

Upon every gallon of those spirits more than ten per cent. below proof, according to Dicas's hydrometer, eleven cents.

Upon every gallon of those spirits under five, and not more than ten per cent. below proof, according to the same hydrometer, twelve cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent., according to the same hydrometer, fifteen cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, twenty cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, thirty cents.

That upon spirits distilled within the United States, in any city, town, or village, from materials of the growth or production of the United States, there be paid—

Upon every gallon of those spirits more than ten per cent. below proof, according to Dicas's hydrometer, nine cents.

Upon every gallon of those spirits under five, and not more than ten per cent. below proof, according to the same hydrometer, ten cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, eleven cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent., according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, seventeen cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, twenty-five cents.

That upon all stills employed in distilling spirits from materials of the growth or production of the United States, in any other place than a city, town, or village, there be paid the yearly sum of sixty cents, for every gallon, English wine measure, of the capacity of each still, including its head.

The Secretary does not distribute the duties on teas into different classes, as has been done in the impost act of the last session; because this distribution depends on considerations of commercial policy, not of revenue. It is sufficient, therefore, for him, to remark, that the rates above specified are proposed with reference to the lowest class.

The Secretary, conceiving that he could not convey an accurate idea of the plan contemplated by him, for the collection of these duties, in any mode so effectual as by the draught of a bill for the purpose, begs leave respectfully to refer the House to that which will be found annexed to this report, relatively to the article of distilled spirits; and which, for the better explanation of some of its parts, is accompanied with marginal remarks.

It would be the intention of the Secretary, that the duty on wines should be collected upon precisely the same plan with that on imported spirits.

But with regard to teas and coffee, the Secretary is inclined to think that it will be expedient, till experience shall evince the propriety of going further, to exclude the ordinary right of the officers to visit and inspect the places in which those articles may be kept. The other precautions, without this, will afford, though not complete, considerable security.

It will not escape the observation of the House, that the Secretary, in the plan submitted, has taken the most scrupulous care that those citizens upon whom it is immediately to operate, be secured from every species of injury by the misconduct of the officers to be employed. There are not only strong guards against their being guilty of abuses of authority; they are not only punishable, criminally, for any they may commit, and made answerable in damages, to individuals, for whatever prejudices these may sustain by their acts or neglects; but even where seizures are made with probable cause, if there be an acquittal of the articles seized, a compensation to the proprietors for the injury their property may suffer, and even for its detention, is to be made out of the public treasury.

So solicitous, indeed, has the Secretary been to obviate every appearance of hardship, that he has even included a compensation to the dealers for their agency in aid of the revenue.

With all these precautions to manifest a spirit of moderation and justice on the part of the Government; and when it is considered that the object of the proposed system is the firm establishment of public credit; that on this depend the character, security, and prosperity of the nation; that advantages in every light important may be expected to result from it; that the immediate operation of it will be upon an enlightened class of citizens, zealously devoted to good government, and to a liberal and enlarged policy; and that it is peculiarly the interest of the virtuous part of them to co-operate in whatever will restrain the spirit of illicit traffic; there will be perceived to exist the justest ground of confidence that the plan, if eligible in itself, will experience the cheerful and prompt acquiescence of the community.

The Secretary computes the nett product of the duties proposed in this report, at about one million seven hundred and three thousand four hundred dollars, according to the estimate in schedule K, which, if near the truth, will, together, with the probable product of the duties on imports and tonnage, complete the sum required.

But it will readily occur, that, in so unexplored a field, there must be a considerable degree of uncertainty in the data; and that, on this account, it will be prudent to have an auxiliary resource for the first year in which the interest will become payable, that there may be no possibility of disappointment to the public creditors, ere there may be an opportunity of providing for any deficiency which the experiment may discover. This will accordingly be attended to.

The proper appropriation of the funds provided, and to be provided, seems next to offer itself to consideration.

On this head the Secretary would propose, that the duties on distilled spirits should be applied, in the first instance, to the payment of the interest of the foreign debt.

That, reserving out of the residue of those duties an annual sum of six hundred thousand dollars for the current service of the United States, the surplus, together with the product of the other duties, be applied to the payment of the interest on the new loan, by an appropriation co-extensive with the duration of the debt.

And that, if any part of the debt should remain unsubscribed, the excess of the revenue be divided among the creditors of the unsubscribed part, by a temporary disposition; with a limitation, however, to four per cent.

It will hardly have been unnoticed that the Secretary has been thus far silent on the subject of the Post Office. The reason is, that he has had in view the application of the revenue arising from that source to the purpose of a sinking fund. The Postmaster General gives it as his opinion, that the immediate product of it, upon a proper arrangement, would probably be not less than one hundred thousand dollars. And from its nature, with good management, it must be a growing, and will be likely to become a considerable fund. The Postmaster General is now engaged in preparing a plan which will be the foundation of a proposition for a new arrangement of the establishment. This, and some other points relative to the subject referred to the Secretary, he begs leave to reserve for a future report.

Persuaded, as the Secretary is, that the proper funding of the present debt will render it a national blessing, yet he is so far from acceding to the position in the latitude in which it is sometimes laid down, that "public debts are public benefits"—a position inviting to prodigality, and liable to dangerous abuse—that he ardently wishes to see it incorporated, 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. This he regards as the true secret for rendering public credit immortal. And he presumes that it is difficult to conceive a situation in which there may not be an adherence to the maxim. At least, he feels 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.

Under this impression, the Secretary proposes that the nett product of the Post Office, to a sum not exceeding one million of dollars, be vested in commissioners, to consist of the Vice President of the United States, or President of the Senate, the Speaker of the House of Representatives, the Chief Justice, Secretary of the Treasury, and Attorney General of the United States, for the time being, in trust; to be applied by them, or any three of them, to the discharge of the existing public debt, either by purchases of stock in the market, or by payments on account of the principal, as shall appear to them most advisable, in conformity to public engagements; to continue so vested, until the whole of the debt shall be discharged.

As an additional expedient for effecting a reduction of the debt, and for other purposes which will be mentioned, the Secretary would further propose that the same commissioners be authorized, with the approbation of the President of the United States, to borrow, on their credit, a sum not exceeding twelve millions of dollars, to be applied—

First. To the payments of the interest and instalments of the foreign debt, to the end of the present year, which will require \$3,491,923 and 46 cents.

Secondly. To the payment of any deficiency which may happen in the product of the funds provided for paying the interest of the domestic debt.

Thirdly. To the effecting a change in the form of such part of the foreign debt as bears an interest of five per cent. It is conceived that, for this purpose, a new loan, at a lower interest, may be combined with other expedients. The remainder of this part of the debt, after paying the instalments which will accrue in the course of 1790, will be \$3,888,888 and 81 cents.

Fourthly. To the purchase of the public debt at the price it shall bear in the market, while it continues below its true value. This measure, which would be, in the opinion of the Secretary, highly dishonorable to the Government, if it were to precede a provision for funding the debt, would become altogether unexceptionable after that had been made. Its effect would be in favor of the public creditors, as it would tend to raise the value of stock; and all the difference between its true value and the actual price would be so much clear gain to the public. The payment of foreign interest on the capital to be borrowed for this purpose, should that be a necessary consequence, would not, in the judgment of the Secretary, be a good objection to the measure. The saving by the operation would be, itself, a sufficient indemnity; and the employment of that capital, in a country situated like this, would much more than compensate for it. Besides, if the Government does not undertake this operation, the same inconvenience which the objection in question supposes, would happen in another way, with a circumstance of aggravation. As long at least as the debt shall continue below its proper value, it will be an object of speculation to foreigners, who will not only receive the interest upon what they purchase, and remit it abroad, as in the case of the loan, but will reap the additional profit of the difference in value. By the Government's entering into competition with them, it will not only reap a part of the profit itself, but will contract the extent, and lessen the extra profit of foreign purchasers. That competition will accelerate the rise of stock; and whatever greater rate this obliges foreigners to pay for what they purchase, is so much clear saving to the nation. In the opinion of the Secretary, and contrary to an idea which is not without patrons, it ought to be the policy of the Government to raise the value of stock to its true standard, as fast as possible. When it arrives to that point, foreign speculations (which, till then, must be deemed pernicious further than as they serve to bring it to that point,) will become beneficial. Their money, laid out in this country upon our agriculture, commerce, and manufactures, will produce much more to us than the income they will receive from it.

The Secretary contemplates the application of this money through the medium of a national bank; for which, with the permission of the House, he will submit a plan in the course of the session.

The Secretary now proceeds, in the last place, to offer to the consideration of the House his ideas of the steps which ought, at the present session, to be taken towards the assumption of the State debts.

These are, briefly, that concurrent resolutions of the two Houses, with the approbation of the President, be entered into, declaring, in substance—

That the United States do assume, and will, at the first session in the year 1791, provide, on the same terms with the present debt of the United States, for all such part of the debts of the respective States, or any of them, as shall, prior to the first day of January, in the said year 1791, be subscribed towards a loan to the United States, upon the principles of either of the plans which shall have been adopted by them, for obtaining a loan of their present debt.

Provided, that the provision to be made as aforesaid, shall be suspended, with respect to the debt of any State which may have exchanged the securities of the United States for others issued by itself, until the whole of the said securities shall either be re-exchanged or surrendered to the United States.

And provided, also, that the interest upon the debt assumed be computed to the end of the year 1791; and that the interest to be paid by the United States commence on the first day of January, 1792.

That the amount of the debt of each State, so assumed and provided for, be charged to such State in account with the United States, upon the same principles upon which it shall be lent to the United States.

That subscriptions be opened for receiving loans of the said debts, at the same times and places, and under the like regulations, as shall have been prescribed in relation to the debt of the United States.

The Secretary has now completed the objects which he proposed to himself to comprise in the present report. He has, for the most part, omitted details, as well to avoid fatiguing the attention of the House, as because more time would have been desirable even to digest the general principles of the plan. If these should be found right, the particular modifications will readily suggest themselves in the progress of the work.

The Secretary, in the views which have directed his pursuit of the subject, has been influenced, in the first place, by the consideration that his duty, from the very terms of the resolution of the House, obliged him to propose what appeared to him an adequate provision for the support of the public credit, adapted, at the same time, to the real circumstances of the United States; and, in the next, by the reflection that measures which will not bear the test of future unbiassed examination, can neither be productive of individual reputation, nor (which is of much greater consequence) public honor or advantage.

Deeply impressed, as the Secretary is, with a full and deliberate conviction that the establishment of public credit, upon the basis of a satisfactory provision for the public debt, is, under the present circumstances of this country, the true desideratum towards relief from individual and national embarrassments; that, without it, these embarrassments will be likely to press still more severely upon the community; he cannot but indulge an anxious wish that an effectual plan for that purpose may, during the present session, be the result of the united wisdom of the Legislature.

He is fully convinced that it is of the greatest importance that no further delay should attend the making of the requisite provision; not only because it will give a better impression of the good faith of the country, and will bring earlier relief to the creditors, (both which circumstances are of great moment to public credit,) but because the advantages to the community, from raising stock, as speedily as possible, to its natural value, will be incomparably greater than any that can result from its continuance below that standard. No profit which could be derived from purchases in the market, on account of the Government, to any practicable extent, would be an equivalent for the loss which would be sustained by the purchases of foreigners at a low value—not to repeat that governmental purchases, to be honorable, ought to be preceded by a provision. Delay, by disseminating doubt, would sink the price of stock; and as the temptation to foreign speculations, from the lowness of the price, would be too great to be neglected, millions would probably be lost to the United States.

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.

TREASURY DEPARTMENT, *January 9, 1790.*

SCHEDULE A.

SUPPOSITITIOUS STATEMENT of accounts between the United States and individual States.

States.	Ratio.	Balances due to the States, respectively.	Proportion of each State of the aggregate of those balances, according to the ratio.	Balances against certain States.	Balances in favor of certain States.	Proportion of each State in the aggregate of the balances against certain States.	Ultimate balances in favor of certain States, &c.
New Hampshire -	3	\$57,500 00	\$60,000 00	\$2,500 00	-	\$3,000 00	\$500 00
Massachusetts -	8	180,000 00	160,000 00	-	\$20,000 00	8,000 00	28,000 00
Rhode Island -	1	20,000 00	20,000 00	-	-	1,000 00	1,000 00
Connecticut -	5	110,000 00	100,000 00	-	10,000 00	5,000 00	15,000 00
New York -	6	135,000 00	120,000 00	-	15,000 00	6,000 00	21,000 00
New Jersey -	4	72,500 00	80,000 00	7,500 00	-	4,000 00	-
Pennsylvania -	8	170,000 00	160,000 00	-	10,000 00	8,000 00	18,000 00
Delaware -	1	30,000 00	20,000 00	-	10,000 00	1,000 00	11,000 00
Maryland -	6	110,000 00	120,000 00	10,000 00	-	6,000 00	-
Virginia -	10	187,500 00	200,000 00	12,500 00	-	10,000 00	-
North Carolina -	5	90,000 00	100,000 00	10,000 00	-	5,000 00	-
South Carolina -	5	87,500 00	100,000 00	12,500 00	-	5,000 00	-
Georgia -	3	50,000 00	60,000 00	10,000 00	-	3,000 00	-
	65	1,300,000 00	1,300,000 00	65,000 00	65,000 00	65,000 00	94,500 00

EXPLANATION.

The first column supposes a ratio according to the present rule of representation.

The second column exhibits the balances which, on the principles of the statement suggested, are supposed to be due to the several States.

The third column shows the apportionment of the aggregate of those balances, according to the ratio given among the States.

The fourth column shows the balances against some States, in consequence of this apportionment.

The fifth column shows the balances in favor of some States, in consequence of the same apportionment.

This completes the first process proposed.

The second process proposed is illustrated by the sixth and seventh columns.

The sixth column shows the share of each State, according to the ratio given in the amount of the balances against the debtor States.

The seventh column shows the ultimate balances in favor of certain States, crediting them for their proportions of the balances due from the debtor States.

SCHEDULE B.

A GENERAL STATEMENT of the foreign loans; showing, in abstract, the capital sums borrowed, and the arrearages of interest, to the 31st of December, 1789.

CAPITAL SUMS BORROWED.

Of the royal French treasury, on interest at 5 per cent.	-	-	-	24,000,000	
In Holland, guarantied by the French court, at 4 per cent.	-	-	-	10,000,000	
			<i>Livres</i>	34,000,000	\$6,296,296 00
Of the royal Spanish treasury, at 5 per cent.	-	-	-		174,011 00
Lenders in Holland:					
First loan, 5 per cent.	-	-	-	5,000,000	
Second loan, 4 per cent.	-	-	-	2,000,000	
Third loan, 5 per cent.	-	-	-	1,000,000	
Fourth loan, 5 per cent.	-	-	-	1,000,000	
			<i>Florins</i>	9,000,000	3,600,000 00
			Capital		\$10,070,307 00

Arrearages of interest to 31st December, 1789.

ON THE FRENCH LOAN.

1789, January 1.—Five years' interest on the 6,000,000 livres, at five per cent.	\$277,777 77
September 3.—Six years' interest on the 18,000,000, at five per cent.	- 999,999 96
November 5.—Four years' interest on the 10,000,000, at four per cent.	- 296,296 00

ON THE SPANISH LOAN.

Arrearages on the Spanish loan of \$174,011, to 21st March, 1782, at five per cent.	-	5,093 27
March 21st, seven years' interest on ditto	-	60,904 62
		1,640,071 62
	Total	\$11,710,378 62

NOTE.—There were certain parts of the capital of the Dutch guarantied loan of 10,000,000 florins, and of the French loan of 18,000,000 livres, which became due at the following periods, and remain unpaid, viz:

1787 {	Sept. 3, first payment of the 18,000,000,	1,500,000	\$277,777 77
	Nov. 5, first ditto of the 10,000,000,	1,000,000	185,185 19
1788 {	Sept. 3, second ditto of the 18,000,000	the same,	462,962 96
	Nov. 5, second ditto of the 10,000,000		

1789	{	Sept. 3, third payment of the 18,000,000	}	the same,	\$462,962 96
		Nov. 5, third ditto of the 10,000,000			
					<u>\$1,388,888 88</u>

TREASURY DEPARTMENT,

*Register's Office, 31st Dec., 1789.*JOSEPH NOURSE, *Register.*

To the arrearage of interest to 31st December, 1789, above stated, amounting to	-	-	-	-	\$1,640,071 62
Add one year's interest, from 1st January to 31st December, 1789, on 186,427 dollars and 69 cents, being the amount of principal sum due to foreign officers employed in the service of the United States, which interest is annually payable at the house of Monsieur Grand, banker, at Paris, at six per cent.	-	-	-	-	11,185 66
Arrearages of interest to 31st December, 1789					<u>\$1,651,257 28</u>

The above addition was adverted to after the conclusion of the report; but as it makes no material difference, an alteration in consequence of it is deemed unnecessary.

ALEXANDER HAMILTON,

Secretary of the Treasury.

SCHEDULE C.

ABSTRACT of the liquidated and loan-office debt of the United States, on the 3d March, 1789.

	Dolls.	90ths.
Registered debt	-	4,598,462 78
Credits given to sundries on the Treasury books, by virtue of special acts of Congress, which are not yet put on the funded debt	-	187,578 65
Certificates issued by commissioner of army accounts, deducting those which have been cancelled and registered	-	7,967,109 73
Certificates issued by the commissioners of the five departments, deducting those which have been cancelled and registered	-	903,574 59
Certificates issued by the late State commissioners, deducting those which have been cancelled and registered	-	3,291,156 37
Loan-office certificates issued in 1781, and expressed as specie value, deducting those which have been cancelled and registered	-	112,704 15
Loan-office certificates, old emissions, reduced to specie value, agreeably to the scale made by Congress, by taking the medium of the loans made in each month, viz: three millions seven hundred and eighty-seven thousand nine hundred dollars loaned to 1st September, 1777, equal to	-	3,787,900 00

Dolls. 90ths.

\$3,459,000, between 1st September, 1777, and 1st March, 1778	- - -	\$2,538,572 00	
\$59,830,212, between 1st March, 1778, and the close of the loan offices	- - -	5,146,330 00	
		<hr/>	
		11,472,802 00	
Deduct specie amount cancelled and regis- tered	- - - - -	365,983 15	
		<hr/>	11,106,818 75
Foreign officers, amount to their credit, the interest where- of is payable at the house of Mons. Grand, banker, at Paris, and included in the estimate of foreign interest	- - - - -		186,427 69
			<hr/>
			28,343,833 21
From which deduct this sum received into the Treasury, on account of lands and other property, and cancelled			960,915 44
			<hr/>
Leaves the amount of the domestic debt	- - - - -	\$27,383,917 74	

On the certificates issued between the 1st September, 1777, and 1st March, 1778, interest is payable on the nominal sum, (being \$3,459,000,) although the specie value of the principal is only \$2,538,572.

REGISTER'S OFFICE, *March 3, 1789.*

JOSEPH NOURSE, *Register.*

TREASURY DEPARTMENT,
Register's Office, January 1, 1790.

The above estimate was formed to the expiration of the late Government. Some variation hath since taken place in the several parts, without making any material alteration in the aggregate amount of the domestic debt. This arises from a daily exchange, at the Treasury, of loan-office and final settlement certificates, for Treasury certificates given as evidences of the registered debt, whereby the increase of the latter is carried on in proportion to the cancelment of the former.

JOSEPH NOURSE, *Register.*

SCHEDULE D.

AN ESTIMATE of all the interest which will accrue on the domestic debt of the United States, from its formation to the 31st December, 1790; of such partial payments as have been made on account thereof; and of the balance which will remain to be provided for, to pay up the interest fully to that period.

The total amount of interest arising on the loan-office debt, from the opening of the several offices in 1776 to 31st December, 1790 \$9,534,478 00

The total amount of interest arising on the army debt, from the several periods of its drawing interest to 31st December, 1790	\$5,105,099 00
The total amount of interest arising on certificates issued by the thirteen State commissioners, estimated at	2,146,799 00
The total amount of interest arising on certificates issued by the commissioners, for the commissary's, quartermaster's, marine clothing, and hospital departments, estimated at	737,338 00
The total amount of interest arising on the debt registered at the Treasury, estimated at	366,646 00
The total amount of interest on debts entered in the Treasury books, but for which certificates have not been issued by the Register, so as to become a part of the registered debt, estimated at	83,936 00
Total	\$17,974,296 00

From this total amount of interest the following deductions are to be made, viz:

So much paid on the loan-office debt in old emissions, equal to	\$372,368 30
In new emission, as specie	39,433 49
In bills of exchange, as specie	1,663,992 00
So much paid by the several States in indentments, paid into the Treasury on account of their quotas on the existing requisitions of the late Congress	2,244,231 31
So much paid by the State of New Jersey to their own citizens on the domestic debt, not included in the schedule of taxes	424,442 22
So much paid by the State of South Carolina, being two years' interest on \$222,465 $\frac{5}{8}$, the amount of certificates issued to the line of that State, at six per cent., is	26,695 73
Total amount of interest paid	4,771,163 05
Deduct three years' interest, estimated in the foregoing, on \$960,915 42, being so much of the capital of the domestic debt received in payment for lands, and other public property	172,964 75
Total amount of deductions	4,944,127 80
Leaves a balance of thirteen million and thirty thousand one hundred and sixty-eight dollars and twenty cents, which will accrue on the domestic debt, and for which provision is to be made to pay the interest fully, up to the 31st December, 1790	\$13,030,168 20

It is to be observed, that, as the certificates which have been issued for the principal of a debt of more than twenty-seven millions of dollars, are, in themselves, exceedingly numerous, and that as those several certificates bear an interest from different periods, it has not been practicable to form a statement of arrearages, but by ascertaining, in the most accurate manner, the different periods of time from which the several parts of the domestic debt bear interest, and therefrom calculating the interest to December 31, 1790.

TREASURY DEPARTMENT,

Register's Office, Dec. 31, 1789.

JOSEPH NOURSE, *Register.*

SCHEDULE E.

ABSTRACT of the public debt of the States under-mentioned, agreeably to statements transmitted in pursuance of the resolution of the House of Representatives, of the 21st of September, 1789.

MASSACHUSETTS.

	£	s.	d.	
Principal, with interest to 1st of November, 1789	1,548,040	7	9	lawful.
Due to sundries, for which no certificates have yet been issued	20,000	0	0	
Total	1,568,040	7	9	at 6s. p. <i>dol.</i> 5,226,801 29

CONNECTICUT.

Principal bearing interest from February 1, 1789	560,404	0	0	
To which ought to be added for balance of State bills emitted in the year 1780, bearing an interest at 5 per cent. to the 1st March, 1785, estimated at	24,948	0	0	
Total	585,352	0	0	at 6s. p. <i>dol.</i> 1,951,173 33 $\frac{1}{2}$

NEW YORK.

Principal and interest computed to 1st day of Jan., 1790	1,032,616	2	0	
From which ought to be deducted, for amount of principal and interest of continental securities loaned to the State, in pursuance of their act of 18th of April, 1786, estimated at	565,586	0	0	
Leaves for State debt proper	467,030	2	0	at 8s. p. <i>dol.</i> 1,167,575 25

NEW JERSEY.

Principal unredeemed	295,755	4	11	at 7s. 6d. p. <i>dol.</i> 788,680 65 $\frac{1}{2}$
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VIRGINIA.		£	s.	d.	
Principal of domestic debt	-	1,063,396	17	1	
Principal of foreign debt, with interest to 1st. of Jan., 1790	-	40,826	1	1	
Total	-	1,104,222	18	2	
					<i>Dollars. Cts.</i>
					at 6s. p. <i>dol.</i> 3,680,743 02½
SOUTH CAROLINA.					
Principal of domestic debt	-	1,069,652	2	4	
Indents of interest on ditto in circulation	-	71,325	7	2	
Foreign debt, principal and interest, due to the 1st January, 1789	-	115,810	0	1	
Total	-	1,256,787	9	7	
					at 4s. 8d. p. <i>dol.</i> 5,386,232 05
					Total <u>\$18,201,205 60½</u>

It will be observed, that the period to which interest is calculated on the debts above mentioned, is only specified with accuracy on the statements which have been transmitted from Massachusetts, Connecticut, and New York. From the best information which the Secretary can obtain, he presumes that, in the statement made of the debt of New Jersey, interest has been calculated to the 31st day of December, 1788; that, on the debt of Virginia, interest has been calculated to the 31st day of December, 1788; on that of South Carolina, to the 1st day of April, 1790.

From the States of New Hampshire, Pennsylvania, Delaware, Maryland, North Carolina, and Georgia, no accounts of their respective State debts have been forwarded.

The Secretary is, however, of opinion, from the result of inquiries made by him, that the State debt of New Hampshire may be estimated at about - \$300,000

That the State debt proper of Pennsylvania (that is, exclusive of their assumption of the continental debt) at about - 2,200,000

And that of Maryland at - 800,000

From the above statement and estimates, the amount of principal and interest (exclusive of Delaware, North Carolina, Georgia, and Rhode Island) appears to be about twenty-one millions and a half; but as the debts of the last four States are not included in the above sum, and it is possible that a greater arrearage of interest may be due on the State debts than is at present ascertained, the aggregate of the principal and interest may be computed at about twenty-five millions of dollars.

ALEXANDER HAMILTON,
Secretary of the Treasury.

COMMONWEALTH OF MASSACHUSETTS.

A statement of the debt of the Commonwealth of Massachusetts, as it respects the notes issued by the several Treasurers, to the 1st of November, 1789.

November 1, 1789, exclusive of half-pay notes - £1,403,459 16 11

Notes issued to widows and orphan children of the deceased officers of the late continental army, for the seven years' half pay, agreeable to resolves of Congress	£8,246	11	10
Interest on the foregoing notes since October 1, 1781	£579,660	16	4
Of which has been paid	443,326	7	4
Interest remaining due November 1, 1789	136,333	19	0
	£1,548,040	7	9
Remains due on the books of the committee for settling with the late continental army, to the widows and orphan children of deceased officers of said army, and to officers and soldiers for their services, about	20,000	0	0

N. B.—By an act of the Legislature, one-third part of the revenue of excise is appropriated to pay the exigencies of Government, and the other two-third parts for the payment of interest of the notes, which pays about one-quarter part of the interest; the other three quarters are provided for.

TREASURY OFFICE, *Boston*, October 31, 1789.

ALEXANDER HODGDON, *Treasurer*.

Compared with the original in the office of the Secretary of the Treasury.

WILLIAM DUER.

STATE OF CONNECTICUT.

A statement of the public debt of the State of Connecticut, as it stood November 1, 1789.

Notes issued to the Connecticut line, payable June 1, 1782,	£2,334	13	11½
1783,	2,339	13	4
1784,	3,252	12	1
1785,	42,309	6	1½
1786,	28,189	6	3½
1787,	28,448	5	6½
1788,	21,593	0	4½
1789,	20,097	5	7½
Notes dated February, 1781, issued per act of Assembly,			
November, 1780	153,229	8	6½
Notes of various dates, issued per act of Assembly, May, 1781	33,947	11	8½
Notes dated June 1, 1781, issued per act of Assembly, for remounting dragoons	1,932	8	0
Notes of various dates, issued per act of Assembly, May, 1783	41,341	6	1½
Notes issued per act of May, 1789, for old notes reloaned	180,890	1	0
	560,404	18	9½

Notes issued per particular acts of Assembly, payable out of the civil list funds - - - - -	£2,856 11 4
Certificates for interest, &c., issued on the State debt, up to February 1, 1789, and remaining unpaid November 1, 1789 - - - - -	19,140 3 9½
Balance of orders unpaid, drawn by Oliver Wolcott, Esq., payable out of the 1s. tax, granted in January, 1783 - - -	692 8 10
Balance of State bills which were emitted in March, June, and July, 1780, with the interest at 5 per cent., to 1st March, 1785, estimated at - - - - -	24,948 9 1

There are a number of pay table orders drawn on former taxes; the amount, supposed not great, cannot be ascertained.

There is also outstanding a sum of old emissions of paper, issued before the war—the amount not known.

Account of loan-office and final settlement certificates in the Treasury of the State of Connecticut.

Loan-office certificates - - - - -	£ 442 19 7
Final settlement certificates - - - - -	2,151 17 1
	<hr/> £2,594 16 8 <hr/>

Amount of interest certificates that were issued upon the evidence of the United States debt, received by the Treasurer of the State of Connecticut, for taxes and impost duties, and delivered to William Imlay, esquire, continental loan officer, from January 9, 1786, to November 1, 1789 - - - - -	£33,996 15 3
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Compared with the original in the office of the Secretary of the Treasury.

A statement of the funds provided for the payment of the principal and interest of the public debt of the State of Connecticut.

Balances of taxes laid for the payment of interest on the State debt, and the first three classes of army notes, as appears from the Treasury books, November 1, 1789, being the balance of fifteen taxes, including abatements, collecting fees, &c. - - - - -	£40,489 14 10
Balance of excise and impost bonds payable, including collecting fees, &c. - - - - -	9,070 15 2
A tax of fourpence on the pound, laid on the list, 1788, amounting to £1,462,860 10s. 11d., for the payment of interest on the State debt, and the balance of three first classes of the State notes; the nett avails estimated at - - -	20,266 14 4
A tax of eightpence on the pound, on the same list, laid for the payment of the balance of State bills, orders on 2s. 6d. and 1s. taxes, and part of the principal of the State debt; the nett avails estimated at - - - - -	40,533 8 8
Excise for the payment of interest on the State debt, &c., estimated at - - - - -	5,000 0 0

The first article in the above statement of funds will probably, upon settlement of those old taxes, fall greatly short of the sum set down ; to say how much, is merely conjectural. There will also be a loss upon the excise and impost bonds. The excise for the current year is very uncertain.

RALPH POMEROY,

Comptroller.

COMPTROLLER'S OFFICE, 1st December, 1789.

STATE OF NEW YORK.

A statement of the debt of the State of New York.

The following species of certificates, &c. have been issued by the State, and are still unredeemed, viz :

	Principal sum, specie value.	Interest to Jan. 1st, 1790.
Certificates for money loaned pursuant to resolutions of the 4th day of April, 1778	£111 13 3	£78 14 5
For ditto, pursuant to a law of the 30th June, 1780 - - -	741 6 0	422 10 9
For horses purchased in the year 1780	904 5 0	515 8 5
For depreciation of pay to the army, dated 31st July, 1780 - - -	54,520 1 7	25,669 17 4
For pay of the year 1781, to ditto, dated 1st January, 1782 - - -	17,972 6 9	8,626 14 0
For pensions to widows of military officers	8,104 18 2	3,647 4 2
For pay of levies, militia, &c. &c. -	42,871 4 3	18,220 5 3
For other certificates received on loan, pursuant to a law 18th April, 1786 -	523,848 5 1	144,058 5 4
Four-fifths of the interest due on those received on loan - - -	105,669 9 8	
For claims on forfeited estates - - -	25,897 8 10	3,884 12 3
Bills of credit called new emission, emitted pursuant to a law passed the 30th June, 1780, bearing interest - - -	3,612 16 0	1,174 3 1
Ditto, emitted pursuant to resolutions of Congress and Convention of this State, reduced to specie value - - -	1,047 0 0	
	<hr/> £785,300 14 7	<hr/> £206,297 15 0

There are large demands against forfeited estates, unliquidated, and others liquidated, for which no certificates have yet issued, to the amount of - - - £41,017 12 5

There are no funds especially provided for redeeming the aforesaid certificates, except the following, viz :

The arrears of old taxes may probably produce about - 10,000 0 0

Quitrents about - - - 20,000 0 0

Fifteen townships of new lands, of 375,000 acres, ordered to be sold (by a law passed 25th February, 1789,) and are now surveying.

GERARD BANCKER,

Treasurer of the State of New York.

New York, November 30, 1789.

An account of continental securities now in the Treasury of the State of New York.

	Principal.	Interest, Jan. 1st 1790.
Certificates issued by William Barber	£352,471 13 1	£105,741 9 11
Certificates issued by loan offices in this State	277,448 16 4	83,234 12 11
Certificates issued by John Pierce, Burrall Denning, Bindon and Fox	299,614 4 5	89,884 5 4
Interest facilities	2,502 14 8	
	<u>£932,037 8 6</u>	<u>£278,860 8 2</u>

Of the abovementioned loan office and Barber's certificates, the sum of £470,649 17s. 6d. was received in on loan by the State in 1786, and one-fifth of the interest that was due thereon to the 31st December, 1784, then paid, and certificates for the remaining four-fifths issued, payable in one year; of which certificates three-fourths remain unredeemed, as represented in the former part of this statement.

GERARD BANCER,

Treasurer of the State of New York.

NEW YORK, November 30, 1789.

Compared with the original in the office of the Secretary of the Treasury.

An account of certificates due from the United States to the inhabitants of the State of New Jersey, which draw interest at the Treasury.

1st. Continental loan-office certificates	£420,511 0 10	£25,230 13 3
2d. Certificates issued by John Pierce, comm'r, for arrears of pay, &c.	147,118 15 2 $\frac{1}{4}$	8,827 2 6
3d. Certificates by Benjamin Tompson, commissioner	344,237 11 2	20,654 5 0
	<u>£911,867 7 2$\frac{1}{4}$</u>	<u>£54,712 0 9</u>

COMMUTATION.

4th. Certificates issued by John Pierce, commissioner, and given to the officers of the late Jersey line, for their commutation

£66,899 2 6

STATE DEBT.

1st. Certificates given to the officers and soldiers of the late Jersey line, for the depreciation of their pay, of which there was outstanding, October 1, 1786

99,526 11 4

2d. Certificates given by the commissioners in the several counties for militia pay, of which there was outstanding, October 1st, 1786	£55,365	17	7½
3d. Ditto given by Silas Condict, commissioner	-	-	-
4th. Ditto given by the Treasurer and Auditor for demands against confiscated estates	-	-	-
5th. Ditto issued by the Auditor for militia pay	-	-	-
	309,255	4	11
Paid into the Treasury since Oct., 1786	13,500	0	0
	295,755	4	11
Annual interest of State debt	-	-	-
	£17,745	6	3½

Compared with the original in the office of the Secretary of the Treasury.

Abstract of the public debts due from the State of Virginia.

On interest at 6 per cent.	Army debt for pay and depreciation of the officers and soldiers	£936,830	7	6
	Loan-office debt	119,382	7	4
	Certificates issued for the paper money funded	7,183	2	3
Balance due to foreign creditors, including interest, (at six per cent.,) to the 1st of January, 1790, on £9,415 0 2, part of the said balance, for which warrants have not been drawn by the creditors				
		40,826	1	1

JOHN PENDLETON,
Auditor of Public Accounts.

VIRGINIA, Auditor's Office, November 20, 1789.

Compared with the original in the office of the Secretary of the Treasury.

The Auditor General reports the following statement of the debt due by the State of South Carolina, viz :

PRINCIPAL INDENTS.

Balance issued from the Treasury of the State aforesaid, and yet remaining to be issued on the 1st Oct., 1789 £1,069,652 2 4½

To be cancelled by

Bal. of bonds for confiscated property	£79,985	10	0¼
Purchases of bonds unsettled for	12,910	0	0
Balance of amercements	7,713	4	6
Balance for bonds for public property	35,065	10	6
Balance of lands granted to 1st November, 1789	42,568	1	7¾
	178,242	6	8
Balance still to be cancelled,	Sterling	891,409	15 8½

SPECIAL INDENTS.

Amount issued and to be issued	-	£440,368	0	0
Deduct for so much received into the Treasury	-	369,042	12	9½
Balance in circulation, and yet to be issued	-	71,325	7	2¼

Agreeably to a report of the Committee of Ways and Means, the debts due to the State for the arrears of taxes, &c., are sufficient to cancel the above balance.

FOREIGN DEBT.

Amount due to sundry persons	-	£93,244	17	4
Balance of interest due 1st January, 1789	£29,558	4	11¼	
Deduct for so much paid				
J. S. Cripps, agent	-	£4,949	5	4¼
Balance paid to such creditors as were here, or their attorneys	-	2,043	16	10
		6,993	2	2¼
		22,565	2	9
Principal and balance due 1st January, 1789		115,810	0	1

Funds appropriated by the Legislature.

Out of the taxes payable 1st April, 1790	-	£10,000	0	0
Interest on the paper medium to 1st May, 1791	-	12,750	0	0
Balance of bonds given for confiscated property, payable in specie	-	1,610	17	3¼
The sums due, and that shall become due, for amercements, in specie	-	8,371	16	6
Balance of bonds given for duties payable by instalments	-	6,240	14	3
Bonds for duties due prior to 1st January, 1788, not installed	-	233	3	4½
A tax of a quarter of a dollar per head, per annum, on all negroes, mustizoes, and mulattoes, for ten years, from February, 1791, the number computed to be about 100,000, which will amount to	-	58,333	6	8
		97,539	18	0¾
		Sterling		

AUDITOR'S OFFICE, Charleston,
30th November, 1789.

(J. McCALL, Treasurer.)

(Compared with the original in the office of the Secretary of the Treasury.)

SCHEDULE F.

TABLE showing the annuity which a person of a given age would be entitled to during life, from the time he should arrive at a given age, upon the present payment of a hundred dollars, computing interest at four per cent.

Age at the time of payment.	Age when entitled.	Annuity.	Age when entitled.	Annuity.	Age when entitled.	Annuity.	Age when entitled.	Annuity.
1	21	23.453	31	42.625	41	84.522	50	174.11
2	22	20.376	32	37.365	42	74.936	50	143.14
3	23	19.415	33	35.775	43	72.440	50	128.46
4	24	18.826	34	34.970	44	71.697	50	117.64
5	25	18.457	35	34.660	45	71.840	50	108.95
6	26	18.280	36	34.619	46	72.584	50	101.60
7	27	18.188	37	34.767	47	73.752	50	95.210
8	28	18.258	38	35.235	48	75.720	50	89.971
9	29	18.383	39	35.830	49	78.025	50	85.238
10	30	18.617	40	37.006	50	81.960		
11	21	10.246	31	18.803	41	37.286	50	75.500
12	22	10.414	32	19.072	42	38.162	50	73.058
13	23	10.519	33	19.382	43	39.249	50	70.246
14	24	10.608	34	19.704	44	40.493	50	66.279
15	25	10.727	35	20.088	45	41.638	50	63.151
16	26	10.818	36	20.489	46	42.957	50	60.129
17	27	10.939	37	20.911	47	44.358	50	57.258
18	28	11.065	38	21.354	48	45.888	50	54.520
19	29	11.195	39	21.821	49	47.519	50	51.907
20	30	11.352	40	22.313	50	49.415		
21	31	11.515	41	22.836	50	47.038		
22	32	11.687	42	23.386	50	44.770		
23	33	11.846	43	23.987	50	42.534		
24	34	12.028	44	24.719	50	40.460		
25	35	12.253	45	25.396	50	38.510		
26	36	12.462	46	26.128	50	36.572		
27	37	12.682	47	26.902	50	34.726		
28	38	12.913	48	27.749	50	32.967		
29	39	13.155	49	28.647	50	31.329		
30	40	13.385			50	29.643		
31	41	13.629			50	28.073		
32	42	13.884			50	26.580		
33	43	14.190			50	25.161		
34	44	14.547			50	23.812		
35	45	14.827			50	22.483		
36	46	15.157			50	21.217		
37	47	15.512			50	20.023		
38	48	15.896			50	18.886		
39	49	16.301			50	17.806		
40	50	16.783						

SCHEDULE G.

TABLE showing what annuity would be enjoyed by the survivor of any two persons, of certain ages, for the remainder of life, after the determination of the life in expectation, upon the present payment of one hundred dollars, computing interest at four per cent. per annum, and the duration of life according to Dr. Halley's tables.

Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.
10	10	28.248	20	20	28.169	30	30	28.555	45	45	30.620
	15	26.392		25	26.041		35	26.001		50	27.005
	20	24.545		30	23.923		40	23.496		55	23.375
	25	22.716		35	21.753		45	21.061		60	20.040
	30	20.920		40	19.825		50	18.730		65	16.957
	35	19.168		45	17.876		55	16.529		70	14.240
	40	17.464		50	16.018		60	14.484			
	45	15.847		55	14.261		65	12.600		50	32.164
	50	14.263		60	12.620		70	10.894		55	27.731
	55	12.782		65	11.100					60	23.513
	60	11.237		70	9.707		35	28.993		65	19.662
	65	10.099					40	26.164		70	16.257
	70	8.905					45	23.381			
15	15	28.169	25	25	27.816	35	35	28.993	55	55	34.286
	20	26.198		30	25.556		40	26.164		60	28.843
	25	24.219		35	23.331		45	23.381		65	23.742
	30	22.276		40	21.159		50	20.702		70	19.175
	35	20.376		45	19.047		55	18.172			
	40	18.528		50	17.030		60	15.820		60	37.509
	45	16.750		55	15.117		65	13.666		65	30.423
	50	15.053		60	13.331		70	11.724		70	24.044
	55	13.968		65	11.689		40	29.673		65	42.481
	60	11.948		70	10.173		45	26.469		70	32.679
	65	10.553					50	23.337			
	70	9.270					55	20.354			
							60	17.604			
							65	15.060			
							70	12.799		70	50.994

To find the annuity upon the survivorship of the youngest of any two lives expressed in this table, look for the respective ages under their respective heads, and opposite the number which corresponds with the age of the eldest will be seen the annuity required.

SCHEDULE H.

TABLE for a tontine of six classes, the number of lives in each class being indefinite, calculated on a payment of two hundred dollars by each subscriber, and at a rate of interest of four per cent. The computation on the best life in each class, and on the supposition that the subscribers to each class will not be less than the respective numbers specified in the first column.

Number of lives in each class.	Ages.	Annuity dividends at successive periods during the probable continuance of life.							
		Whilst all are in life.	At the expiration of 10 years.	At the expiration of 20 years.	At the expiration of 30 years.	At the expiration of 40 years.	At the expiration of 50 years.	At the expiration of 60 years.	At the expiration of 70 years.
75	1 to 20	8.426	9.722	11.490	14.042	18.054	25.278	42.130	126.390
54	21 to 30	8.676	10.272	12.606	16.314	23.110	39.618	138.666	
54	31 to 40	9.046	11.102	14.366	20.354	34.890	122.232		
44	41 to 50	9.650	12.488	17.608	30.328	106.150			
34	51 to 60	10.714	15.173	26.020	91.068				
24	61 to 70	12.802	20.518	71.802					

This table, which is calculated on so small a number of persons, will serve to show the greatness of the advantage to fortunate survivors, in case of a numerous subscription.

SCHEDULE I.

General estimate for the services of the current year.

Civil list, as per No. 1	-	-	-	-	\$254,892 73
War Department, No. 2	-	-	-	-	155,537 72
Military pensions, No. 3	-	-	-	-	96,979 72
					<u>\$507,410 17</u>

With an eye to the necessary provisions for the foreign department, and to other arrangements which may be found requisite, it appeared advisable to state in the report, to which this is annexed, a sum of six hundred thousand dollars for the current service.

TREASURY DEPARTMENT, January 5th, 1790.

No. 1.

Estimate of the expenditure for the civil list of the United States, on the present establishment, for the year 1790.

For the compensation to the President of the United States	\$25,000 00
That of the Vice President	5,000 00
Compensation to the Chief Justice	4,000 00
Compensation to each of the five associate judges, \$3,500 each	17,500 00

SCHEDULE G.

TABLE showing what annuity would be enjoyed by the survivor of any two persons, of certain ages, for the remainder of life, after the determination of the life in expectation, upon the present payment of one hundred dollars, computing interest at four per cent. per annum, and the duration of life according to Dr. Halley's tables.

Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.	Age of the youngest.	Age of the eldest.	Annuity of survivor.
10	10	28.248	20	20	28.169	30	30	28.555	45	45	30.620
	15	26.392		25	26.041		35	26.001		50	27.005
	20	24.545		30	23.923		40	23.496		55	23.375
	25	22.716		35	21.753		45	21.061		60	20.040
	30	20.920		40	19.825		50	18.730		65	16.957
	35	19.168		45	17.876		55	16.529		70	14.240
	40	17.464		50	16.018		60	14.484			
	45	15.847		55	14.261		65	12.600		50	32.164
	50	14.263		60	12.620		70	10.894		55	27.731
	55	12.782		65	11.100					60	23.513
	60	11.237		70	9.707					65	19.662
	65	10.099					35	28.993		70	16.257
	70	8.905					40	26.164			
				25	27.816		45	23.381			
15	15	28.169	25	30	25.556	35	50	20.702	55	55	34.286
	20	26.198		35	23.331		55	18.172		60	28.843
	25	24.219		40	21.159		60	15.820		65	23.742
	30	22.276		45	19.047		65	13.666		70	19.175
	35	20.376		50	17.030		70	11.724			
	40	18.528		55	15.117					60	37.509
	45	16.750		60	13.331		40	29.673		65	30.423
	50	15.053		65	11.689		45	26.469		70	24.044
	55	12.968		70	10.173		50	23.337			
	60	11.948					55	20.354		65	42.481
	65	10.553					60	17.604		70	32.679
	70	9.270					65	15.060			
							70	12.799		70	50.994

To find the annuity upon the survivors of the youngest of any two lives expressed in this table, look for the respective ages under their respective heads, and opposite the number which corresponds with the age of the eldest will be seen the annuity required.

SCHEDULE H.

TABLE for a tontine of six classes, the number of lives in each class being indefinite, calculated on a payment of two hundred dollars by each subscriber, and at a rate of interest of four per cent. The computation on the best life in each class, and on the supposition that the subscribers to each class will not be less than the respective numbers specified in the first column.

Number of lives in each class.	Ages.	Annuity dividends at successive periods during the probable continuance of life.							
		Whilst all are in life.	At the expiration of 10 years.	At the expiration of 20 years.	At the expiration of 30 years.	At the expiration of 40 years.	At the expiration of 50 years.	At the expiration of 60 years.	At the expiration of 70 years.
75	1 to 20	8.426	9.722	11.490	14.012	18.054	25.278	42.130	126.390
64	21 to 30	8.676	10.272	12.606	16.314	23.110	39.618	138.666	
54	31 to 40	9.046	11.102	14.366	20.354	34.890	122.282		
44	41 to 50	9.650	12.488	17.608	30.328	106.150			
34	51 to 60	10.714	15.175	26.020	91.068				
24	61 to 70	12.802	20.518	71.802					

This table, which is calculated on so small a number of persons, will serve to show the greatness of the advantage to fortunate survivors, in case of a numerous subscription.

SCHEDULE I.

General estimate for the services of the current year.

Civil list, as per No. 1	-	-	-	-	\$254,892 73
War Department, No. 2	-	-	-	-	155,537 72
Military pensions, No. 3	-	-	-	-	96,979 72
					<u>\$507,410 17</u>

With an eye to the necessary provisions for the foreign department, and to other arrangements which may be found requisite, it appeared advisable to state in the report, to which this is annexed, a sum of six hundred thousand dollars for the current service.

TREASURY DEPARTMENT, January 5th, 1790.

No. 1.

Estimate of the expenditure for the civil list of the United States, on the present establishment, for the year 1790.

For the compensation to the President of the United States	\$25,000 00
That of the Vice President	5,000 00
Compensation to the Chief Justice	4,000 00
Compensation to each of the five associate judges, \$3,500 each	17,500 00

To the judges of the following districts, viz :

District of Maine	-	-	-	\$1,000 00
New Hampshire	-	-	-	1,000 00
Massachusetts	-	-	-	1,200 00
Connecticut	-	-	-	1,000 00
New York	-	-	-	1,500 00
New Jersey	-	-	-	1,000 00
Pennsylvania	-	-	-	1,600 00
Delaware	-	-	-	800 00
Maryland	-	-	-	1,500 00
Virginia	-	-	-	1,800 00
Kentucky	-	-	-	1,000 00
South Carolina	-	-	-	1,800 00
Georgia	-	-	-	1,500 00
Attorney General	-	-	-	1,500 00
				<hr/>
				\$69,700 00

Compensation to the members of Congress, estimating the attendance of the whole number for six months, viz :

Speaker of the House of Representatives, at twelve dollars per day	-	-	2,190 00
Eighty members, at six dollars per day	-	-	87,600 00
Travelling expenses computed	-	-	15,000 00
			<hr/>
			104,790 00

To the Secretary of the Senate, one year's salary	1,500 00
Additional allowance, estimated for six months, at two dollars per day	-
	-
	-
	365 00
<hr/>	
	1,865 00

Principal clerk to the Secretary of the Senate, for the same time, at three dollars per day	-	547 50
Engrossing clerk to the Secretary of the Senate, estimated for the same time, at two dollars per day	-	365 00
Chaplain to the Senate, estimated for six months, at five hundred dollars per annum	-	250 00
Compensation to the door-keeper of the Senate, for the same time, at three dollars per day	-	547 50
Messenger to the Senate, for the same time, at two dollars per day	-	365 00
Clerk of the House of Representatives, for one year's salary	-	1,500 00
Additional allowance for six months, at two dollars per day	-	365 00
<hr/>		1,865 00

Principal clerk in the office of ditto, estimated for same time, at three dollars per day	-	547 50
Engrossing clerk for same time, estimated at two dollars per day	-	365 00
Chaplain to the House of Representatives, estimated for same time, at 500 dollars per annum	-	250 00
Sergeant-at-arms, estimated for same time, at four dollars per day	-	730 00

Doorkeeper for same time, at three dollars per day	\$547 50	
Assistant doorkeeper for do. at two dollars per day	365 00	
		<hr/>
		\$6,745 00
		<hr/>
		183,100 00

Treasury Department.

Secretary of the Treasury	\$3,500 00	
Assistant of the Secretary of the Treasury	1,500 00	
Five clerks, at \$500 per annum each	2,500 00	
Messenger and office keeper	150 00	
Comptroller of the Treasury	2,000 00	
Principal clerk to Comptroller of the Treasury	800 00	
Four clerks, at \$500 each	2,000 00	
Treasurer	2,000 00	
Principal clerk to Treasurer	600 00	
Auditor of the Treasury	1,500 00	
Principal clerk to Auditor of the Treasury	600 00	
Twelve clerks to Auditor of Treasury, who, besides the current business under the new Government, has the settlement of the accounts which arose under the confederation, in the quartermaster, commissary, clothing, hospital, and marine departments, and ordnance stores, and also the accounts of the secret and commercial committees of Congress, at \$500 each	6,000 00	
Register of the Treasury	1,250 00	
One clerk on the books of the public creditors, called funded debt at the Treasury, transfers, &c.	500 00	
One clerk in the office of the Register, employed in keeping the accounts of interest arising on the domestic debt	500 00	
One clerk on the principal books of the Treasury in journalizing and posting into the ledger	500 00	
		<hr/>
		208,950 00
One clerk in copying fair statements of the public accounts and other transcripts, as required, from the Treasury books	500 00	
One clerk in keeping the accounts of the registers, signed and sealed, &c., for ships, transmitted to the collectors of the customs at the several ports; filing duplicates of registers issued by the collectors; keeping the accounts of the transfers of vessels, and other business of record arising from the act for registering of vessels, regulating the coasting trade, and other purposes therein mentioned	500 00	
Two clerks on the old accounts of the Treasury, and books and accounts of the thirteen late State commissioners, at \$500 each	1,000 00	
Messenger and office keeper to the Comptroller's, Auditor's, and Register's offices	150 00	
		<hr/>
		2,150 00

Department of State.

Secretary of that department	-	-	-	\$3,500 00	
Chief clerk	-	-	-	800 00	
Three clerks, at \$500 each	-	-	-	1,500 00	
Messenger and office keeper	-	-	-	150 00	
				<hr/>	\$5,950 00

Department of War.

Secretary of that department	-	-	-	3,000 00	
Chief clerk	-	-	-	600 00	
Two clerks, at \$500 each	-	-	-	1,000 00	
Messenger and office keeper	-	-	-	150 00	
				<hr/>	4,750 00

Government of the Western Territory.

The Governor, for his salary as such, and for dis-					
charging the duties of superintendent of Indian					
affairs in the northern department	-	-	-	2,000 00	
The Secretary of the Western Territory	-	-	-	750 00	
The three judges, at \$800 each	-	-	-	2,400 00	
				<hr/>	5,150 00

Officers employed to settle the accounts between the United States and individual States.

Three commissioners of the General Board, at					
\$2,250 per annum	-	-	-	6,750 00	
Chief clerk	-	-	-	600 00	
Four clerks, at \$400 each	-	-	-	1,600 00	
Messenger and office keeper	-	-	-	150 00	
Paymaster General, and commissioner of army					
accounts	-	-	-	1,250 00	
Eight clerks, at \$500 each	-	-	-	4,000 00	
One clerk, at	-	-	-	400 00	
One clerk, at	-	-	-	450 00	
				<hr/>	15,200 00

Pensions granted by the late Government.

Isaac Van Vert,	{ A pension of \$200 per annum		
John Paulding,	{ to each, pursuant to an act	600 00	
David Williams,	{ of Congress of 3d Nov. 1780		
Dominique L'Eglise, per act of 8th August, 1782		120 00	
Joseph Traversie, per act of 8th August, 1782		120 00	
Youngest children of the late Maj. Gen. Warren,			
per act of 1st July, 1780	-	-	450 00
Eldest son of Major Gen. Warren, per act of 8th			
April, 1777, estimated at	-	-	600 00
Youngest son of General Mercer, per act of 8th			
April, 1777, estimated at	-	-	700 00
James McKenzie,	{ per act of 10th Sept. 1783, en-		
Joseph Brussels,	{ titled to a pension of \$40	120 00	
John Jordan,	{ each per annum		
Elizabeth Bergen, per act 21st August, 1781	-	53 33	
Joseph D. Beauleau, per act 5th August, 1782	-	100 00	
Richard Gridley, per acts 17th November, 1775,			
and 26th February, 1781	-	-	444 40
Lieut. Col. Touzard, per act 27th October, 1778	-	-	360 00
		<hr/>	3,667 73

For incidental and contingent expenses relative to the civil list establishment.

Under this head are comprehended firewood, stationery, together with printing work, and all other contingent expenses for the two Houses of Congress, rent and office expenses of the several departments, viz: Treasury, State, War, and of the General Board of Commissioners, and Paymaster General.

Congress estimated at	-	-	-	\$5,000 00
Treasury Department:				
Rent	-	-	-	500 00
Contingencies of the Secretary's office	-	-	-	500 00
Comptroller's	-	-	-	400 00
Contingencies of the Auditor's	-	-	-	200 00
Register's	-	-	-	200 00
Treasurer's	-	-	-	200 00
				<hr/> 2,000 00
Contingencies of the War Department	-	-	-	600 00
Department of State	-	-	-	500 00
Board of Commissioners	-	-	-	500 00
Paymaster and Commissioner of Army Accounts	-	-	-	425 00
				<hr/> 2,025 00
				<hr/> \$254,892 73

This estimate corresponds with the existing provisions; but it will probably receive additions from others in the course of the session. In particular, it will be observed, that there is no article respecting the salaries of foreign ministers, their allowances not having been regulated by law. Neither does the estimate include those objects which remain to be provided for, in consequence of some deficiency in the estimate for the services of last year, and also from certain demands on the Treasury, founded on acts of the late Government, which require an appropriation by Congress previous to their being discharged. These will form an estimate by themselves, under the head of "contingencies."

REGISTER'S OFFICE, January 5, 1790.

JOSEPH NOURSE, Register.

No. 2.

Estimate of moneys requisite for the Department of War for the year 1790.

INFANTRY.

1 Brigadier General, with the pay of Lieut. Col.			
Commandant, for 12 months, at	\$50 00	-	\$600 00
2 Majors, for 12 months	-	45 00	- 1,080 00
7 Captains,	-	35 00	- 2,940 00
7 Lieutenants,	-	30 00	- 2,520 00
8 Ensigns,	-	20 00	- 1,920 00
1 Paymaster,	-	10 00	- 120 00

1 Adjutant,	for 12 months, at	\$10 00	-	\$120 00
1 Quartermaster,		10 00	-	120 00
1 Surgeon,		45 00	-	540 00
4 Surgeon's Mates,		30 00	-	1,440 00
28 Sergeants,		6 00	-	2,016 00
28 Corporals,		5 00	-	1,680 00
14 Musicians,		5 00	-	840 00
490 Privates,		4 00	-	23,520 00
				<hr/>
				\$39,456 00

ARTILLERY.

1 Major,	for 12 months, at	45 00	-	540 00
4 Captains,		35 00	-	1,680 00
8 Lieutenants,		30 00	-	2,880 00
1 Surgeon's Mate,		30 00	-	360 00
16 Sergeants,		6 00	-	1,152 00
16 Corporals,		5 00	-	960 00
8 Musicians,		5 00	-	480 00
240 Matrosses,		4 00	-	11,520 00
				<hr/>
				19,572 00

Subsistence.

1 Brigadier General, for 12 months, at	48 00	-	576 00
3 Majors,	20 00	-	720 00
11 Captains,	12 00	-	1,584 00
23 Subalterns,	8 00	-	2,208 00
1 Surgeon,	16 00	-	192 00
5 Surgeon's Mates,	8 00	-	480 00
			<hr/>
			5,760 00

Rations.

For 840 non-commissioned officers and privates,				
one ration per day, each, for 365 days, is				
306,600 rations, at 12 cents per ditto		-	36,792 00	
Clothing, 840 }				
Contingencies, 100 }	940 suits, at 26 dollars each	24,440 00		
				<hr/>
				61,232 00

Quartermaster's Department.

Transportation, including the transportation of the recruits to the frontiers, the removal of troops from one station to another, the transportation of clothing, ordnance, and military stores for the troops on the frontiers, the necessary removal of ordnance and military stores, the hire of teams and pack-horses, the purchase of tents, boats, axes, camp-kettles, boards, firewood, company books, stationery for the troops, and all other expenses in the Quartermaster's department

15,000 00

Hospital Department.

For medicines, instruments, furniture, and stores for an hospital for the frontiers; also, for attendance, when necessary, at West Point

1,000 00

Ordinance Department.

For salaries for the store-keepers at the several
deposits, viz:

West Point,	} Three, at \$40 per month	\$1,440 00
Virginia,		
Springfield,		
Charlestown, one store-keeper, at \$100 per annum - - - - -		100 00
Two assistants, at 15 dollars per month		360 00
One store-keeper at Philadelphia - - -		500 00
One store-keeper at Rhode Island - - -		96 00
One store-keeper at Lancaster - - -		96 00
One store-keeper at Fort Herkimer, \$120 } His subsistence, one dollar per week, 52 }		172 00
		<hr/> \$2,764 00

Rents of buildings for deposits:

Philadelphia - - - - -	752 66
Virginia - - - - -	350 00
West Point - - - - -	400 00
	<hr/> 1,502 66

Laborers at the several deposits - - -	400 00
Eight artificers at the posts on the frontiers, in- cluding armorers, at 5 dollars per month - - -	480 00
Coopers, armorers, and carpenters employed occa- sionally at the several arsenals - - -	500 00
The expense of materials, and constructing twenty new carriages for cannon and howitzers - - -	2,000 00
	<hr/> 7,646 66

Buildings for arsenals and magazines are highly requisite
in the southern and middle departments, for which, particu-
larly, estimates will be formed.

Contingencies of the War Department, viz:

For maps, hiring expresses, allowance to officers for extra expenses, printing, loss of stores of all kinds, advertising and apprehending deserters - - - - -	3,000 00
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Contingencies for the War Office, viz:

Office rent, wood, stationery, desks, book-cases, sweeping, &c.	600 00
Subsistence due the officers of Colonel Marins	
Willett's regiment, 1782 - - - - -	786 06
Pay due to Lieutenant Joseph Wilcox, paymaster to the regiment lately commanded by Colonel David Humphreys - - - - -	315 00
Pay, subsistence, and forage due the officers ap- pointed by the State of Rhode Island, under the act of Congress of the 20th October, 1786 - - -	1,770 00
	<hr/> 2,871 06

Total amount, as above

156,137 72

Deduct contingencies of the War Office, office rent, wood, stationery, desks, &c., as above, the same being included with the salaries in the civil list estimate

\$600 00

\$155,537 72

Summary of the foregoing.

Pay of the troops	\$59,028 00
Subsistence of the troops	42,552 00
Clothing of the troops	24,440 00
Quartermaster's Department	15,000 00
Hospital Department	1,000 00
Contingencies of the War Department	3,000 00
Contingencies of the War Office	600 00
Arrears of pay and subsistence unprovided for	2,871 06
Ordnance Department	7,646 66
	<u>\$156,137 72</u>

WAR OFFICE, *December 29, 1789.*

HENRY KNOX,

Secretary for the Department of War.

No. 3.

Estimate of the annual pensions of the invalids of the United States, viz: taken from returns in the War Office, dated as follows:

November 28, 1789.—New Hampshire	\$3,024 00
December 14, 1789.—Massachusetts	11,166 00
December 1, 1789.—Connecticut	7,296 00
December 31, 1789.—New York	15,588 00
February 2, 1789.—New Jersey	4,357 06
December 10, 1789.—Pennsylvania	16,506 00
For 1787.—Virginia	9,276 66
	<u>67,213 72</u>
Conjectural.—No returns having been received, suppose Rhode Island and Delaware nearly equal to New Hampshire	3,170 00
Maryland nearly equal to Connecticut	7,000 00
North Carolina, South Carolina, and Georgia, nearly equal to New Hampshire, Connecticut, and Virginia	19,596 00
	<u>29,766 00</u>
	<u>\$96,979 72</u>

WAR OFFICE, *December 31, 1789.*

H. KNOX,

Secretary for the Department of War.

SCHEDULE K.

ESTIMATE of the probable product of the funds proposed for funding the debt, and providing for the current service of the United States, including the present duties on imports and tonnage.

Probable product of the duties on imports and tonnage, according to the acts of the last session	\$1,800,000
Including the State of North Carolina, this estimate may be said to correspond with the statement made by the Committee of Ways and Means, during the last session; which statement the Secretary is inclined to think is as near the truth as can be now obtained.	
In the preceding estimate are comprehended wines, distilled spirits, teas and coffee, amounting to about	600,000
Which, being deducted, leaves	\$1,200,000
From which, deducting five per cent. for expense of collection	60,000
Leaves nett product	\$1,140,000

PROBABLE PRODUCT OF DUTIES PROPOSED.

Imported.

1,000,000 gallons of wine, at 20 cents	\$200,000
4,000,000 gallons of distilled spirits, at 20 cents	800,000
700,000 pounds Bohea tea, at 12 cents	84,000
800,000 pounds Souchong and other black teas, at 20 cents	160,000
100,000 pounds green tea, average at 25 cents	25,000
1,600,000 pounds coffee, at 5 cents	80,000
<i>Made in the United States.</i>	
3,500,000 gallons distilled spirits, from foreign materials, at 11 cents	385,000
3,000,000 gallons distilled from materials of the United States, at 9 cents	270,000
	2,004,000
Deduct for drawbacks and expense of collection, 15 per cent.	300,600
	1,703,400
	<u>\$2,843,400</u>

REPORT ON A NATIONAL BANK.

DECEMBER, 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 No. 1, 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, where 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, in which he partakes, or not, according to the choice he may have made of being a depositor, or a proprietor; and when any advantageous speculation offers, in order to be able to embrace it, he has only to withdraw his money, if a depositor, or, if a proprietor, to obtain a loan from the bank, or to dispose of his stock; an alternative seldom or never attended with difficulty, when the affairs of the institution are in a prosperous train. His money, thus deposited or invested, is a fund upon which himself and others can borrow to a much larger amount. It is a well established fact, that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver. The extent of the possible excess seems indeterminate; though it has been conjecturally stated at the proportions of two and three to one. This faculty is produced in various ways. *First*—A great proportion of the notes which are issued and pass current as cash, are indefinitely suspended in circulation, from the confidence which each holder has, that he can at any moment turn them into gold and silver. *Secondly*—Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing in every stage the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin. *Thirdly*—There is always a large quantity of gold and silver in the repositories of the bank, besides its own stock, which is placed there with a view partly to its safe-keeping, and partly to the accommodation of an institution which is itself a source of general accommodation. These deposits are of immense consequence in the operations of a bank. Though liable to be re-drawn at any moment, experience proves that the money so much oftener changes proprietors than place, and that what is drawn out is

generally so speedily replaced, as to authorize the counting upon the sums deposited as an *effective fund*; which, concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of those loans, or arising from the occasional return of its notes.

These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin is acquired. This, however, must be gradual, and must be preceded by a firm establishment of confidence; a confidence which may be bestowed on the most rational grounds, since the excess in question will always be bottomed on good security of one kind or another. This, every well conducted bank carefully requires, before it will consent to advance either its money or its credit; and where there is an auxiliary capital, (as will be the case in the plan hereafter submitted,) which, together with the capital in coin, define the boundary that shall not be exceeded by the engagements of the bank, the security may, consistently with all the maxims of a reasonable circumspection, be regarded as complete.

The same circumstances illustrate the truth of the position, that it is one of the properties of banks to increase the active capital of a country. This, in other words, is the sum of them: the money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe-keeping, or invested in its stock, is in a condition to administer to the wants of others, without being put out of his own reach when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it, and keeps the money itself in a state of incessant activity. In the almost infinite vicissitudes and competitions of mercantile enterprise, there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are, to all the purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus, by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth; a consequence as satisfactorily verified by experience, as it is clearly deducible in theory.

Secondly. Greater facility to the Government in obtaining pecuniary aids, especially in sudden emergencies. This is another, and an undisputed advantage of public banks; one which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious: the capitals of a great number of individuals are, by this operation, collected to a point, and placed under one direction. The mass formed by this union, is, in a certain sense, magnified by the credit attached to it; and while this mass is always ready, and can at once be put in motion in aid of the Government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances as can in prudence be desired. There is, in the nature of things, as will be more particularly noticed in another place, an intimate connexion of interest between the Government and the bank of a nation.

Thirdly. The facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the

bank, can have the assistance of loans, to answer, with punctuality, the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid by those who reside where establishments of this nature exist. This, however, though an extensive, is not a universal benefit. The other way in which the effect here contemplated is produced, and in which the benefit is general, is the increasing of the quantity of circulating medium, and the quickening of circulation. The manner in which the first happens, has already been traced. The last may require some illustration. When payments are to be made between different places, having an intercourse of business with each other, if there happen to be no private bills at market, and there are no bank notes which have a currency in both, the consequence is, that coin must be remitted; this is attended with trouble, delay, expense, and risk. If, on the contrary, there are bank notes current in both places, the transmission of these by the post, or any other speedy or convenient conveyance, answers the purpose; and these again, in the alternations of demand, are frequently returned very soon after to the place from whence they were first sent: whence the transportation and retransportation of the metals are obviated, and a more convenient and more expeditious medium of payment is substituted. Nor is this all: the metals, instead of being suspended from their usual functions during this process of vibration from place to place, continue in activity, and administer still to the ordinary circulation, which, of course, is prevented from suffering either diminution or stagnation. These circumstances are additional causes of what, in a practical sense, or to the purposes of business, may be called greater plenty of money. And it is evident, that whatever enhances the quantity of circulating money, adds to the ease with which every industrious member of the community may acquire that portion of it of which he stands in need, and enables him the better to pay his taxes, as well as to supply his other wants. Even where the circulation of the bank paper is not general, it must still have the same effect, though in a less degree; for, whatever furnishes additional supplies to the channels of circulation in one quarter, naturally contributes to keep the streams fuller elsewhere. This last view of the subject serves both to illustrate the position that banks tend to facilitate the payment of taxes, and to exemplify their utility to business of every kind in which money is an agent.

It would be to intrude too much on the patience of the House to prolong the details of the advantages of banks; especially as all those which might still be particularized, are readily to be inferred as consequences from those which have been enumerated. Their disadvantages, real or supposed, are now to be reviewed. The most serious of the charges which have been brought against them are:

- That they serve to increase usury;
- That they tend to prevent other kinds of lending;
- That they furnish temptations to overtrading;
- That they afford aid to ignorant adventurers, who disturb the natural and beneficial course of trade;
- That they give to bankrupt and fraudulent traders a fictitious credit, which enables them to maintain false appearances, and to extend their impositions; and, lastly,
- That they have a tendency to banish gold and silver from the country.

There is great reason to believe that, on a close and candid survey, it will be discovered that these charges are either without foundation, or that, as

far as the evils they suggest have been found to exist, they have proceeded from other, or partial, or temporary causes; are not inherent in the nature and permanent tendency of such institutions; or are more than counterbalanced by opposite advantages. This survey shall be had, in the order in which the charges have been stated. The first of them is—

That banks serve to increase usury.

It is a truth, which ought not to be denied, that the method of conducting business, which is essential to bank operations, has, among us, in particular instances, given occasion to usurious transactions. The punctuality in payments, which they necessarily exact, has sometimes obliged those who have adventured beyond both their capital and *credit*, to procure money at any price, and, consequently, to resort to usurers for aid.

But experience and practice gradually bring a cure to this evil. A general habit of punctuality among traders is the natural consequence of the necessity of observing it with the bank; a circumstance which, itself, more than compensates for any occasional ill which may have sprung from that necessity, in the particular under consideration. As far, therefore, as traders depend on each other for pecuniary supplies, they can calculate their expectations with greater certainty; and are in proportionably less danger of disappointments, which might compel them to have recourse to so pernicious an expedient as that of borrowing at usury; the mischiefs of which, after a few examples, naturally inspire great care in all but men of desperate circumstances, to avoid the possibility of being subjected to them. One, and not the least of the evils incident to the use of that expedient, if the fact be known, or even strongly suspected, is, loss of credit with the bank itself.

The directors of a bank, too, though in order to extend its business and its popularity in the infancy of an institution, they may be tempted to go further in accommodation than the strict rules of prudence will warrant, grow more circumspect, of course, as its affairs become better established, and as the evils of too great facility are experimentally demonstrated. They become more attentive to the situation and conduct of those with whom they deal; they observe more narrowly their operations and pursuits; they economize the credit they give to those of suspicious solidity; they refuse it to those whose career is more manifestly hazardous. In a word, in the course of practice, from the very nature of things, the *interest* will make it the *policy* of a bank to succor the wary and industrious; to discredit the rash and unthrifty; to discountenance both usurious lenders and usurious borrowers.

There is a leading view in which the tendency of banks will be seen to be to abridge rather than to promote usury. This relates to their property of increasing the quantity and quickening the circulation of money. If it be evident that usury will prevail or diminish, according to the proportion which the demand for borrowing bears to the quantity of money at market to be lent—whatever has the property just mentioned, whether it be in the shape of paper or coin, by contributing to render the supply more equal to the demand, must tend to counteract the progress of usury.

But bank lending, it is pretended, is an impediment to other kinds of lending; which, by confining the resource of borrowing to a particular class, leaves the rest of the community more destitute, and therefore more exposed to the extortions of usurers. As the profits of bank stock exceed the legal rate of interest, the possessors of money, it is argued, prefer investing it in that article to lending it at this rate; to which there are the additional motives of a more prompt command of the capital, and of more frequent and

exact returns, without trouble or perplexity in the collection. This constitutes the second charge which has been enumerated.

The fact on which this charge rests is not to be admitted without several qualifications, particularly in reference to the state of things in this country.

First. The great bulk of the stock of a bank will consist of the funds of men in trade, among ourselves, and moneyed foreigners; the former of whom could not spare their capitals out of their reach, to be invested in loans for long periods, on mortgages or personal security; and the latter of whom would not be willing to be subjected to the casualties, delays, and embarrassments of such a disposition of their money in a distant country. *Secondly.* There will always be a considerable proportion of those who are properly the money-lenders of a country, who, from that spirit of caution which usually characterizes this description of men, will incline rather to vest their funds in mortgages on real estate, than in the stock of a bank, which they are apt to consider as a more precarious security.

These considerations serve, in a material degree, to narrow the foundation of the objection, as to the point of fact. But there is a more satisfactory answer to it. The effect supposed, as far as it has existence, is temporary. The reverse of it takes place in the general and permanent operation of the thing.

The capital of every public bank will, of course, be restricted within a certain defined limit. It is the province of legislative prudence so to adjust this limit, that while it will not be too contracted for the demand which the course of business may create, and for the security which the public ought to have for the solidity of the paper which may be issued by the bank, it will still be within the compass of the pecuniary resources of the community; so that there may be an easy practicability of completing the subscriptions to it. When this is once done, the supposed effect of necessity ceases. There is then no longer room for the investment of any additional capital. Stock may indeed change hands, by one person selling and another buying; but the money which the buyer takes out of the common mass to purchase the stock, the seller receives and restores to it. Hence the future surpluses which may accumulate, must take their natural course, and lending at interest must go on as if there were no such institution.

It must, indeed, flow in a more copious stream. The bank furnishes an extraordinary supply for borrowers, within its immediate sphere. A larger supply consequently remains for borrowers elsewhere. In proportion as the circulation of the bank is extended, there is an augmentation of the aggregate mass of money for answering the aggregate mass of demand. Hence greater facility in obtaining it for every purpose.

It ought not to escape without a remark, that, as far as the citizens of other countries become adventurers in the bank, there is a positive increase of the gold and silver of the country. It is true that from this a half-yearly rent is drawn back, accruing from the dividends upon the stock. But as this rent arises from the employment of the capital by our own citizens, it is probable that it is more than replaced by the profits of that employment. It is also likely that a part of it is, in the course of trade, converted into the products of our country. And it may even prove an incentive, in some cases, to emigration to a country in which the character of citizen is as easy to be acquired, as it is estimable and important. This view of the subject furnishes an answer to an objection which has been deduced from the circumstance here taken notice of, namely, the income resulting to foreigners from

the part of the stock owned by them, which has been represented as tending to drain the country of its specie. In this objection, the original investment of the capital, and the constant use of it afterwards, seem both to have been overlooked.

That banks furnish temptations to overtrading, is the third of the enumerated objections. This must mean, that, by affording additional aid to mercantile enterprise, they induce the merchant sometimes to adventure beyond the prudent or salutary point. But the very statement of the thing shows that the subject of the charge is an occasional ill, incident to a general good. Credit of every kind (as a species of which only can bank lending have the effect supposed) must be, in different degrees, chargeable with the same inconvenience. It is even applicable to gold and silver, when they abound in circulation. But would it be wise on this account to deery the precious metals, to root out credit, or to proscribe the means of that enterprise which is the main-spring of trade, and a principal source of national wealth, because it now and then runs into excesses, of which overtrading is one?

If the abuses of a beneficial thing are to determine its condemnation, there is scarcely a source of public prosperity which will not speedily be closed. In every case, the evil is to be compared with the good; and in the present case, such a comparison will issue in this, that the new and increased energies derived to commercial enterprise from the aid of banks, are a source of general profit and advantage, which greatly outweigh the partial ills of the overtrading of a few individuals at particular times, or of numbers in particular conjunctures.

The fourth and fifth charges may be considered together. These relate to the aid which is sometimes afforded by banks to unskilful adventurers and fraudulent traders. These charges also have some degree of foundation, though far less than has been pretended; and they add to the instances of partial ills connected with more extensive and overbalancing benefits.

The practice of giving fictitious credit to improper persons, is one of those evils which experience, guided by interest, speedily corrects. The bank itself is in so much jeopardy of being a sufferer by it, that it has the strongest of all inducements to be on its guard. It may not only be injured immediately by the delinquencies of the persons to whom such credit is given, but eventually by the incapacities of others, whom their impositions or failures may have ruined.

Nor is there much danger of a bank's being betrayed into this error from want of information. The directors themselves, being, for the most part, selected from the class of traders, are to be expected to possess individually an accurate knowledge of the characters and situations of those who come within that description. And they have, in addition to this, the course of dealing of the persons themselves with the bank, to assist their judgment, which is in most cases a good index of the state in which those persons are. The artifices and shifts which those in desperate or declining circumstances are obliged to employ, to keep up the countenance which the rules of the bank require, and the train of their connexions, are so many prognostics, not difficult to be interpreted, of the fate which awaits them. Hence, it not unfrequently happens, that banks are the first to discover the unsoundness of such characters, and, by withholding credit, to announce to the public that they are not entitled to it.

If banks, in spite of every precaution, are sometimes betrayed into giving a false credit to the persons described, they more frequently enable honest and

industrious men, of small, or, perhaps, of no capital, to undertake and prosecute business with advantage to themselves and to the community; and assist merchants, of both capital and credit, who meet with fortuitous and unforeseen shocks, which might, without such helps, prove fatal to them and to others, to make head against their misfortunes, and finally to retrieve their affairs; circumstances which form no inconsiderable encomium on the utility of banks.

But the last and heaviest charge is still to be examined: this is, that banks tend to banish the gold and silver out of the country.

The force of this objection rests upon their being an engine of paper credit, which, by furnishing a substitute for the metals, is supposed to promote their exportation. It is an objection which, if it has any foundation, lies not against banks peculiarly, but against every species of paper credit.

The most common answer given to it is, that the thing supposed is of little or no consequence; that it is immaterial what serves the purpose of money, whether paper or gold and silver; that the effect of both upon industry is the same; and that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labor and industry.

This answer is not destitute of solidity, though not entirely satisfactory. It is certain that the vivification of industry, by a full circulation, with the aid of a proper and well-regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a nation, if the consequence of avoiding that loss should be a scanty or defective circulation.

But the positive and permanent increase or decrease of the precious metals in a country can hardly ever be a matter of indifference. As the commodity taken in lieu of every other, it is a species of the most effective wealth; and, as the money of the world, it is of great concern to the State that it possess a sufficiency of it to face any demands which the protection of its external interests may create.

The objection seems to admit of another and a more conclusive answer, which controverts the fact itself. A nation that has no mines of its own must derive the precious metals from others; generally speaking, in exchange for the products of its labor and industry. The quantity it will possess will, therefore, in the ordinary course of things, be regulated by the favorable or unfavorable balance of its trade; that is, by the proportion between its abilities to supply foreigners and its wants of them; between the amount of its exportations and that of its importations. Hence, the state of its agriculture and manufactures, the quantity and quality of its labor and industry, must, in the main, influence and determine the increase or decrease of its gold and silver.

If this be true, the inference seems to be, that well-constituted banks favor the increase of the precious metals. It has been shown that they augment, in different ways, the active capital of a country. This it is which generates employment; which animates and expands labor and industry. Every addition which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both; and, by furnishing more materials for exportation, conduces to a favorable balance of trade, and, consequently, to the introduction and increase of gold and silver.

This conclusion appears to be drawn from solid premises. There are, however, objections to be made to it.

It may be said, that, as bank paper affords a substitute for specie, it serves to counteract that rigorous necessity for the metals, as a medium of circulation, which, in the case of a wrong balance, might restrain, in some degree, their exportation; and it may be added that, from the same cause, in the same case, it would retard those economical and parsimonious reforms in the manner of living, which the scarcity of money is calculated to produce, and which might be necessary to rectify such wrong balance.

There is, perhaps, some truth in both these observations; but they appear to be of a nature rather to form exceptions to the generality of the conclusion, than to overthrow it. The state of things in which the *absolute exigencies* of circulation can be supposed to resist, with any effect, the urgent demands for specie which a wrong balance of trade may occasion, presents an *extreme case*. And a situation in which a too expensive manner of living of a community, compared with its means, can stand in need of a corrective, from distress or necessity, is one which, perhaps, rarely results but from extraordinary and adventitious causes: such, for example, as a national revolution, which unsettles all the established habits of the people, and inflames the appetite for extravagance, by the illusions of an ideal wealth, engendered by the continual multiplication of a depreciating currency, or some similar cause. There is good reason to believe that, where the laws are wise and well executed, and the inviolability of property and contracts maintained, the economy of a people will, in the general course of things, correspond with its means.

The support of industry is, probably, in every case, of more consequence towards correcting a wrong balance of trade than any practicable retrenchments in the expenses of families or individuals; and the stagnation of it would be likely to have more effect in prolonging, than any such savings in shortening, its continuance. That stagnation is a natural consequence of an inadequate medium, which, without the aid of bank circulation, would, in the cases supposed, be severely felt.

It also deserves notice that, as the circulation of a bank is always in a compound ratio to the fund upon which it depends, and to the demand for it, and as that fund is itself affected by the exportation of the metals, there is no danger of its being overstocked, as in the case of paper issued at the pleasure of the Government, or of its preventing the consequences of any unfavorable balance from being sufficiently felt to produce the reforms alluded to, as far as circumstances may require and admit.

Nothing can be more fallible than the comparisons which have been made between different countries to illustrate the truth of the position under consideration. The comparative quantity of gold and silver in different countries depends upon an infinite variety of facts and combinations, all of which ought to be known in order to judge whether the existence or non-existence of paper currencies has any share in the relative proportions they contain. The *mass* and *value* of the productions of the labor and industry of each, compared with its wants; the nature of its establishments abroad; the kind of wars in which it is usually engaged; the relations it bears to the countries which are the original possessors of those metals; the privileges it enjoys in their trade; these, and a number of other circumstances, are all to be taken into the account, and render the investigation too complex to justify any reliance on the vague and general surmises which have been hitherto hazarded on the point.

In the foregoing discussion, the objection has been considered as applying to the permanent expulsion and diminution of the metals. Their temporary exportation, for particular purposes, has not been contemplated. This, it must be confessed, is facilitated by banks, from the faculty banks possess of supplying their place. But their utility is in nothing more conspicuous than in these very cases. They enable the Government to pay its foreign debts, and to answer any exigencies which the external concerns of the community may have produced. They enable the merchant to support his credit, (on which the prosperity of trade depends,) when special circumstances prevent remittances in other modes. They enable him also to prosecute enterprises which ultimately tend to an augmentation of the species of wealth in question. It is evident that gold and silver may often be employed in procuring commodities abroad, which, in a circuitous commerce, replace the original fund, with considerable addition. But it is not to be inferred from this facility given to temporary exportation, that banks, which are so friendly to trade and industry, are, in their general tendency, inimical to the increase of the precious metals.

These several views of the subject appear sufficient to impress a full conviction of the utility of banks, and to demonstrate that they are of great importance, not only in relation to the administration of the finances, but in the general system of the political economy.

The judgment of many concerning them has, no doubt, been perplexed by the misinterpretation of appearances which were to be ascribed to other causes. The general devastation of personal property, occasioned by the late war, naturally produced, on the one hand, a great demand for money, and, on the other, a great deficiency of it to answer the demand. Some injudicious laws, which grew out of the public distresses, by impairing confidence, and causing a part of the inadequate sum in the country to be locked up, aggravated the evil. The dissipated habits contracted by many individuals during the war, which, after the peace, plunged them into expenses beyond their incomes; the number of adventurers without capital, and, in many instances, without information, who at that epoch rushed into trade, and were obliged to make any sacrifices to support a transient credit; the employment of considerable sums in speculations upon the public debt, which, from its unsettled state, was incapable of becoming itself a substitute: all these circumstances concurring, necessarily led to usurious borrowing, produced most of the inconveniences, and were the true cause of most of the appearances, which, where banks were established, have been by some erroneously placed to their account: a mistake which they might easily have avoided by turning their eyes towards places where there were none, and where, nevertheless, the same evils would have been perceived to exist, even in a greater degree than where those institutions had obtained.

These evils have either ceased or been greatly mitigated. Their more complete extinction may be looked for from that additional security to property which the constitution of the United States happily gives; (a circumstance of prodigious moment in the scale, both of public and private prosperity;) from the attraction of foreign capital, under the auspices of that security, to be employed upon objects, and in enterprises, for which the state of this country opens a wide and inviting field; from the consistency and stability which the public debt is fast acquiring, as well in the public opinion at home and abroad, as, in fact, from the augmentation of capital which that circumstance and the quarter-yearly payment of interest will afford; and from the

more copious circulation which will be likely to be created by a well constituted national bank.

The establishment of banks in this country seems to be recommended by reasons of a peculiar nature. Previously to the revolution, circulation was in a great measure carried on by paper emitted by the several local Governments. In Pennsylvania alone, the quantity of it was near a million and a half of dollars. This auxiliary may be said to be now at an end. And it is generally supposed that there has been, for some time past, a deficiency of circulating medium. How far that deficiency is to be considered as real or imaginary, is not susceptible of demonstration; but there are circumstances and appearances, which, in relation to the country at large, countenance the supposition of its reality.

The circumstances are, besides the fact just mentioned respecting paper emissions, the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former, while it promises ample retribution in the generation of future resources, diminishes or obstructs, in the mean time, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts, into its own channels, a portion of that species of labor and industry which would otherwise be employed in furnishing materials for foreign trade, and which, by contributing to a favorable balance, would assist the introduction of specie. In the early periods of new settlements, the settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labor of others. The same thing is a cause that manufactures do not advance, or advance slowly. And notwithstanding some hypotheses to the contrary, there are many things to induce a suspicion that the precious metals will not abound in any country which has not mines, or variety of manufactures. They have been sometimes acquired by the sword; but the modern system of war has expelled this resource, and it is one upon which it is to be hoped the United States will never be inclined to rely.

The appearances alluded to, are, greater prevalency of direct barter in the more interior districts of the country—which, however, has been for some time past gradually lessening; and greater difficulty, generally, in the advantageous alienation of improved real estate; which, also, has of late diminished, but is still seriously felt in different parts of the Union. The difficulty of getting money, which has been a general complaint, is not added to the number; because it is the complaint of all times, and one in which imagination must ever have too great scope to permit an appeal to it.

If the supposition of such a deficiency be in any degree founded, and some aid to circulation be desirable, it remains to inquire what ought to be the nature of that aid.

The emitting of paper money by the authority of Government is wisely prohibited to the individual States by the national constitution; and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the States, separately, yet they are of a nature so liable to abuse—and, it may even be affirmed, so certain of being abused—that the wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient.

In times of tranquillity, it might have no ill consequence; it might even

perhaps be managed in a way to be productive of good: but in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes, that a Government, in the practice of paper emissions, would rarely fail, in any such emergency, to indulge itself too far in the employment of that resource, to avoid as much as possible one less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of the political economy.

Among other material differences between a paper currency, issued by the mere authority of Government, and one issued by a bank, payable in coin, is this: that, in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge, the circulation; in the last, that standard results from the demand. If more should be issued than is necessary, it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand: whence it is evident, that there is a limitation in the nature of the thing; while the discretion of the Government is the only measure of the extent of the emissions by its own authority.

This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.

The payment of the interest of the public debt at thirteen different places, is a weighty reason, peculiar to our immediate situation, for desiring a bank circulation. Without a paper, in general currency, equivalent to gold and silver, a considerable proportion of the specie of the country must always be suspended from circulation, and left to accumulate, preparatorily to each day of payment; and as often as one approaches, there must in several cases be an actual transportation of the metals, at both expense and risk, from their natural and proper reservoirs, to distant places. This necessity will be felt very injuriously to the trade of some of the States; and will embarrass, not a little, the operations of the Treasury in those States. It will also obstruct those negotiations between different parts of the Union, by the instrumentality of Treasury bills, which have already afforded valuable accommodations to trade in general.

Assuming it, then, as a consequence, from what has been said, that a national bank is a desirable institution, two inquiries emerge: Is there no such institution, already in being, which has a claim to that character, and which supersedes the propriety or necessity of another? If there be none, what are the principles upon which one ought to be established?

There are at present three banks in the United States: that of North America, established in the city of Philadelphia; that of New York, established in the city of New York; that of Massachusetts, established in the town of Boston. Of these three, the first is the only one which has at any time had a direct relation to the Government of the United States.

The Bank of North America originated in a resolution of Congress of the 26th of May, 1781, founded upon a proposition of the Superintendent of Finance, which was afterwards carried into execution by an ordinance of the 31st of December following, entitled "An ordinance to incorporate the subscribers to the Bank of North America."

The aid afforded to the United States by this institution, during the remaining period of the war, was of essential consequence; and its conduct

towards them since the peace, has not weakened its title to their patronage and favor. So far, its pretensions to the character in question are respectable; but there are circumstances which militate against them and considerations which indicate the propriety of an establishment on different principles.

The directors of this bank, on behalf of their constituents, have since *accepted and acted* under a new charter from the State of Pennsylvania, materially variant from their original one, and which so narrows the foundation of the institution, as to render it an incompetent basis for the extensive purposes of a national bank.

The limit assigned by the ordinance of Congress to the stock of the bank, is ten millions of dollars. The last charter of Pennsylvania confines it to two millions. Questions naturally arise, whether there be not a direct repugnancy between two charters so differently circumstanced? and whether the acceptance of the one, is not to be deemed a virtual surrender of the other? But perhaps it is neither advisable nor necessary to attempt a solution of them.

There is nothing in the acts of Congress, which imply an exclusive right in the institution to which they relate, except during the term of the war. There is, therefore, nothing, if the public good require it, which prevents the establishment of another. It may, however, be incidentally remarked, that in the general opinion of the citizens of the United States, the Bank of North America has taken the station of a bank of Pennsylvania only. This is a strong argument for a new institution, or for a renovation of the old, to restore it to the situation in which it originally stood in the view of the United States.

But, though the ordinance of Congress contains no grant of exclusive privileges, there may be room to allege that the Government of the United States ought not, in point of candor and equity, to establish any rival or interfering institution, in prejudice of the one already established; especially as this has, from services rendered, well-founded claims to protection and regard.

The justice of such an observation ought, within proper bounds, to be admitted. A new establishment of the sort ought not to be made without cogent and sincere reasons of public good. And, in the manner of doing it, every facility should be given to a consolidation of the old with the new, upon terms not injurious to the parties concerned. But there is no ground to maintain, that, in a case in which the Government has made no condition restricting its authority, it ought voluntarily to restrict it, through regard to the interests of a particular institution, when those of the State dictate a different course; especially, too, after such circumstances have intervened, as characterize the actual situation of the Bank of North America.

The inducements to a new disposition of the thing are now to be considered. The first of them which occurs, is, the at least ambiguous situation in which the Bank of North America has placed itself, by the acceptance of its last charter. If this has rendered it the mere bank of a particular State, liable to dissolution at the expiration of fourteen years, (to which term the act of that State has restricted its duration,) it would be neither fit nor expedient to accept it as an equivalent for a Bank of the United States.

The restriction of its capital also, which, according to the same supposition, cannot be extended beyond two millions of dollars, is a conclusive reason for a different establishment. So small a capital promises neither the re-

quisite aid to Government, nor the requisite security to the community. It may answer very well the purposes of local accommodation, but is an inadequate foundation for a circulation co-extensive with the United States, embracing the whole of their revenues, and affecting every individual into whose hands the paper may come.

And, inadequate as such a capital would be to the essential ends of a national bank, it is liable to be rendered still more so, by that principle of the constitution of the Bank of North America, contained equally in its old and in its new charter, which leaves the increase of the *actual* capital at any time (now far short of the allowed extent) to the discretion of the directors or stockholders. It is naturally to be expected that the allurements of an advanced price of stock, and of large dividends, may disincline those who are interested to an extension of capital, from which they will be apt to fear a diminution of profits. And from this circumstance, the interest and accommodation of the public, as well individually as collectively, are made more subordinate to the interest, real or imagined, of the stockholders, than they ought to be. It is true that, unless the latter be consulted, there can be no bank, (in the sense at least in which institutions of this kind, worthy of confidence, can be established in this country;) but it does not follow that this is alone to be consulted, or that it even ought to be paramount. Public utility is more truly the object of public banks, than private profit. And it is the business of Government to constitute them on such principles, that while the latter will result in a sufficient degree to afford competent motives to engage in them, the former be not made subservient to it. To effect this, a principal object of attention ought to be to give free scope to the creation of an ample capital; and with this view, fixing the bounds which are deemed safe and convenient, to leave no discretion either to stop short of them, or to overpass them. The want of this precaution in the establishment of the Bank of North America, is a further and an important reason for desiring one differently constituted.

There may be room at first sight for a supposition, that as the profits of a bank will bear a proportion to the extent of its operations, and as for this reason the interest of the stockholders will not be disadvantageously affected by any necessary augmentations of capital, there is no cause to apprehend that they will be indisposed to such augmentations. But most men, in matters of this nature, prefer the certainties they enjoy to probabilities depending on untried experiments; especially when these promise rather that they will not be injured, than that they will be benefited.

From the influence of this principle, and a desire of enhancing its profits, the directors of a bank will be more apt to overstrain its faculties, in an attempt to face the additional demands which the course of business may create, than to set on foot new subscriptions, which may hazard a diminution of the profits, and even a temporary reduction of the price of stock.

Banks are among the best expedients for lowering the rate of interest in a country; but, to have this effect, their capitals must be completely equal to all the demands of business, and such as will tend to remove the idea that the accommodations they afford are in any degree favors; an idea very apt to accompany the parsimonious dispensation of contracted funds. In this, as in every other case, the plenty of the commodity ought to beget a moderation of the price.

The want of a principle of rotation in the constitution of the Bank of North America, is another argument for a variation of the establishment.

Scarcely one of the reasons which militate against this principle in the constitution of a country, is applicable to that of a bank; while there are strong reasons in favor of it in relation to the one, which do not apply to the other. The knowledge to be derived from experience is the only circumstance common to both, which pleads against rotation in the directing officers of a bank.

But the objects of the government of a nation, and those of the government of a bank, are so widely different, as greatly to weaken the force of that consideration in reference to the latter. Almost every important case of legislation requires, towards a right decision, a general and accurate acquaintance with the affairs of the State, and habits of thinking seldom acquired but from a familiarity with public concerns. The administration of a bank, on the contrary, is regulated by a few simple fixed maxims, the application of which is not difficult to any man of judgment, especially if instructed in the principles of trade. It is, in general, a constant succession of the same details.

But, though this be the case, the idea of the advantages of experience is not to be slighted. Room ought to be left for the regular transmission of official information; and, for this purpose, the head of the direction ought to be excepted from the principle of rotation. With this exception, and with the aid of the information of the subordinate officers, there can be no danger of any ill effects from want of experience or knowledge; especially as the periodical exclusion ought not to reach the whole of the directors at one time.

The argument in favor of the principle of rotation is this: that, by lessening the danger of combinations among the directors, to make the institution subservient to party views, or to the accommodation, preferably, of any particular set of men, it will render the public confidence more firm, stable, and unqualified.

When it is considered that the directors of a bank are not elected by the great body of the community, in which a diversity of views will naturally prevail at different conjunctures, but by a small and select class of men, among whom it is far more easy to cultivate a steady adherence to the same persons and objects, and that those directors have it in their power so immediately to conciliate, by obliging the most influential of this class, it is easy to perceive that, without the principle of rotation, changes in that body can rarely happen, but as a concession which they may themselves think it expedient to make to public opinion.

The continual administration of an institution of this kind, by the same persons, will never fail, with or without cause, from their conduct, to excite distrust and discontent. The necessary secrecy of their transactions gives unlimited scope to imagination to infer that something is or may be wrong. And this *inevitable* mystery is a solid reason for inserting in the constitution of a bank the necessity of a change of men. As neither the mass of the parties interested, nor the public in general, can be permitted to be witnesses of the interior management of the directors, it is reasonable that both should have that check upon their conduct, and that security against the prevalency of a partial or pernicious system, which will be produced by the certainty of periodical changes. Such, too, is the delicacy of the credit of a bank, that every thing which can fortify confidence and repel suspicion, without injuring its operations, ought carefully to be sought after in its formation.

A further consideration in favor of a change, is the improper rule by which the right of voting for directors is regulated in the plan upon which

the Bank of North America was originally constituted, namely, a vote for each share, and the want of a rule in the last charter; unless the silence of it, on that point, may signify that every stockholder is to have an equal and a single vote, which would be a rule in a different extreme not less erroneous. It is of importance that a rule should be established on this head, as it is one of those things which ought not to be left to discretion; and it is, consequently, of equal importance that the rule should be a proper one.

A vote for each share renders a combination between a few principal stockholders to monopolize the power and benefits of the bank too easy. An equal vote to each stockholder, however great or small his interest in the institution, allows not that degree of weight to large stockholders which it is reasonable they should have, and which, perhaps, their security and that of the bank require. A prudent mean is to be preferred. A conviction of this has produced a by-law of the corporation of the Bank of North America, which evidently aims at such a mean. But a reflection arises here, that a like majority with that which enacted this law, may, at any moment, repeal it.

The last inducement which shall be mentioned is the want of precautions to guard against a foreign influence insinuating itself into the direction of the bank. It seems scarcely reconcilable with a due caution, to permit that any but citizens should be eligible as directors of a national bank, or that non-resident foreigners should be able to influence the appointment of directors by the votes of their proxies. In the event, however, of an incorporation of the Bank of North America, in the plan it may be necessary to qualify this principle, so as to leave the right of foreigners, who now hold shares of its stock, unimpaired; but without the power of transmitting the privilege in question to foreign alienees.

It is to be considered that such a bank is not a mere matter of private property, but a political machine of the greatest importance to the State.

There are other variations from the constitution of the Bank of North America, not of inconsiderable moment, which appear desirable, but which are not of magnitude enough to claim a preliminary discussion. These will be seen in the plan which will be submitted in the sequel.

If the objections which have been stated to the constitution of the Bank of North America are admitted to be well founded, they will, nevertheless, not derogate from the merit of the main design, or of the services which that bank has rendered, or of the benefits which it has produced. The creation of such an institution, at the time it took place, was a measure dictated by wisdom. Its utility has been amply evinced by its fruits—American independence owes much to it. And it is very conceivable, that reasons of the moment may have rendered those features in it inexpedient, which a revision, with a permanent view, suggests as desirable.

The order of the subject leads next to an inquiry into the principles upon which a national bank ought to be organized.

The situation of the United States naturally inspires a wish that the form of the institution could admit of a plurality of branches. But various considerations discourage from pursuing this idea. The complexity of such a plan would be apt to inspire doubts, which might deter from adventuring in it. And the practicability of a safe and orderly administration, though not to be abandoned as desperate, cannot be made so manifest in perspective, as to promise the removal of those doubts, or to justify the Government in adopting the idea as an original experiment. The most that would seem

advisable, on this point, is, to insert a provision which may lead to it hereafter, if experience shall more clearly demonstrate its utility, and satisfy those who may have the direction that it may be adopted with safety. It is certain that it would have some advantages, both peculiar and important. Besides more general accommodation, it would lessen the danger of a run upon the bank.

The argument against it is, that each branch must be under a distinct, though subordinate direction, to which a considerable latitude of discretion must of necessity be intrusted. And as the property of the whole institution would be liable for the engagements of each part, that and its credit would be at stake, upon the prudence of the directors of every part. The mismanagement of either branch might hazard serious disorder in the whole.

Another wish, dictated by the particular situation of the country, is, that the bank could be so constituted as to be made an immediate instrument of loans to the proprietors of land; but this wish also yields to the difficulty of accomplishing it. Land is alone an unfit fund for a bank circulation. If the notes issued upon it were not to be payable in coin, on demand, or at a short date, this would amount to nothing more than a repetition of the paper emissions, which are now exploded by the general voice. If the notes are to be payable in coin, the land must first be converted into it by sale or mortgage. The difficulty of effecting the latter, is the very thing which begets the desire of finding another resource; and the former would not be practicable on a sudden emergency, but with sacrifices which would make the cure worse than the disease. Neither is the idea of constituting the fund partly of coin and partly of land, free from impediments. These two species of property do not, for the most part, unite in the same hands. Will the moneyed man consent to enter into a partnership with the landholder, by which *the latter* will share in the profits *which will be made by the money of the former*? The money, it is evident, will be the agent or efficient cause of the profits; the land can only be regarded as an additional security. It is not difficult to foresee that a union, on such terms, will not readily be formed. If the landholders are to procure the money by sale or mortgage of a part of their lands, this they can as well do when the stock consists wholly of money, as if it were to be compounded of money and land.

To procure for the landholders the assistance of loans, is the great desideratum. Supposing other difficulties surmounted, and a fund created, composed partly of coin and partly of land, yet the benefit contemplated could only then be obtained by the bank's advancing them its notes for the whole, or part, of the value of the lands they had subscribed to the stock. If this advance was small, the relief aimed at would not be given; if it was large, the quantity of notes issued would be a cause of *distrust*, and, if received at all, they would be likely to return speedily upon the bank for payment; which, after exhausting its coin, might be under the necessity of turning its lands into money, at any price that could be obtained for them, to the irreparable prejudice of the proprietors.

Considerations of public advantage suggest a further wish, which is, that the bank could be established upon principles that would cause the profits of it to redound to the immediate benefit of the State. This is contemplated by many who speak of a national bank, but the idea seems liable to insuperable objections. To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure that it shall be

under a *private*, not a *public* direction; under the guidance of *individual interest*, not of *public policy*, which would be supposed to be, and, in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity*. The suspicion of this would most probably be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous. It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the Government, if, in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the Government not to abuse it; its genuine policy to husband and cherish it with the most guarded circumspection, as an inestimable treasure. But what Government ever uniformly consulted its true interests in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

The keen, steady, and, as it were, magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariably to its true pole, the prosperity of the institution is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained.

The precedents of the banks established in several cities of Europe, (Amsterdam, Hamburgh, and others,) may seem to militate against this position. Without a precise knowledge of all the peculiarities of their respective constitutions, it is difficult to pronounce how far this may be the case. That of Amsterdam, however, which we best know, is rather under a municipal than a governmental direction. Particular magistrates of the city, not officers of the republic, have the management of it. It is also a bank of deposit, not of loan or circulation; consequently, less liable to abuse, as well as less useful. Its general business consists in receiving money for safe-keeping, which, if not called for within a certain time, becomes a part of its stock, and irreclaimable; but a credit is given for it on the books of the bank, which, being transferable, answers all the purposes of money.

The directors being magistrates of the city, and the stockholders, in general, its most influential citizens, it is evident that the principle of private interest must be prevalent in the management of the bank. And it is equally evident that, from the nature of its operations, that principle is less essential to it than to an institution constituted with a view to the accommodation of the public and individuals, by direct loans and a paper circulation.

As far as may concern the aid of the bank, within the proper limits, a good Government has nothing more to wish for than it will always possess, though the management be in the hands of private individuals. As the institution, if rightly constituted, must depend for its renovation, from time to time, on the pleasure of the Government, it will not be likely to feel a disposition to render itself, by its conduct, unworthy of public patronage. The Government, too, in the administration of its finances, has it in its power to reciprocate benefits to the bank, of not less importance than those which the bank affords to the Government, and which, besides, are never unattended with an immediate and adequate compensation. Independent of these more particular considerations, the natural weight and influence of a good Government will always go far towards procuring a compliance with its desires;

and as the directors will usually be composed of some of the most discreet, respectable, and well-informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

It will not follow, from what has been said, that the State may not be the holder of a part of the stock of a bank, and, consequently, a sharer in the profits of it. It will only follow that it ought not to desire any participation in the direction of it, and, therefore, ought not to own the whole, or a principal part of the stock; for, if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the State to persons not interested, or not enough interested in their proper management.

There is one thing, however, which the Government owes to itself and to the community—at least to all that part of it who are not stockholders—which is, to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank; excluding, however, all pretension to control. This right forms an article in the primitive constitution of the Bank of North America; and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country; if it is even to be tolerated as the substitute for gold and silver in all the transactions of business, it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence require that the Government should possess the means of ascertaining, whenever it thinks fit, that so delicate a trust is executed with fidelity and care. A right of this nature is not only desirable, as it respects the Government, but it ought to be equally so to all those concerned in the institution, as an additional title to public and private confidence, and as a thing which can only be formidable to practices that imply mismanagement. The presumption must always be, that the characters who would be intrusted with the exercise of this right on behalf of the Government, will not be deficient in the discretion which it may require; at least, the admitting of this presumption cannot be deemed too great a return of confidence for that very large portion of it which the Government is required to place in the bank.

Abandoning, therefore, ideas which, however agreeable or desirable, are neither practicable nor safe, the following plan, for the constitution of a national bank, is respectfully submitted to the consideration of the House.

1. The capital stock of the bank shall not exceed ten millions of dollars, divided into twenty-five thousand shares, each share being four hundred dollars; to raise which sum subscriptions shall be opened on the first Monday of April next, and shall continue open until the whole shall be subscribed. Bodies politic as well as individuals may subscribe.

2. The amount of each share shall be payable, one-fourth in gold and silver coin, and three-fourths in that part of the public debt which, according to the loan proposed by the act making provision for the debt of the United States, shall bear an accruing interest at the time of payment of six per centum per annum.

3. The respective sums subscribed shall be payable in four equal parts, as well specie as debt, in succession, and at the distance of six calendar months from each other; the first payment to be made at the time of subscription. If there shall be a failure in any subsequent payment, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

4. The subscribers to the bank, and their successors, shall be incorporated, and shall so continue until the final redemption of that part of its stock which shall consist of the public debt.

5. The capacity of the corporation to hold real and personal estate shall be limited to fifteen millions of dollars, including the amount of its capital or original stock. The lands and tenements which it shall be permitted to hold, shall be only such as shall be requisite for the immediate accommodation of the institution; and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted, in the usual course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

6. The totality of the debts of the company, whether by bond, bill, note, or other contract, (credits for deposits excepted,) shall never exceed the amount of its capital stock. In case of excess, the directors, under whose administration it shall happen, shall be liable for it in their private or separate capacities. Those who may have dissented may excuse themselves from this responsibility by immediately giving notice of the fact, and their dissent, to the President of the United States, and to the stockholders, at a general meeting, to be called by the president of the bank, at their request.

7. The company may sell or demise its lands and tenements, or may sell the whole or any part of the public debt, whereof its stock shall consist; but shall *trade* in nothing, except bills of exchange, gold and silver bullion, or in the sale of goods pledged for money lent; nor shall take more than at the rate of six per centum per annum, upon its loans or discounts.

8. No loan shall be made by the bank for the use or on account of the Government of the United States, or of either of them, to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

9. The stock of the bank shall be transferable, according to such rules as shall be instituted by the company in that behalf.

10. The affairs of the bank shall be under the management of twenty-five directors, one of whom shall be the president; and there shall be, on the first Monday of January, in each year, a choice of directors, by a plurality of suffrages of the stockholders, to serve for a year. The directors, at their first meeting after each election, shall choose one of their number as president.

11. The number of votes to which each stockholder shall be entitled shall be according to the number of shares he shall hold, in the proportions following—that is to say: For one share, and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote; but no person, co-partnership, or body politic, shall be entitled to a greater number than thirty votes. And, after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders actually resident within the United States, and none other, may vote in the elections by proxy.

12. Not more than three-fourths of the directors in office, exclusive of the president, shall be eligible for the next succeeding year. But the director who shall be president at the time of an election may always be re-elected.

13. None but a stockholder being a citizen of the United States shall be eligible as a director.

14. Any number of stockholders not less than sixty, who together shall be proprietors of two hundred shares or upwards, shall have power at any time to call a general meeting of the stockholders, for purposes relative to the institution; giving at least six weeks notice in two public gazettes of the place where the bank is kept, and specifying in such notice the object of the meeting.

15. In case of the death, resignation, absence from the United States, or removal of a director by the stockholders, his place may be filled by a new choice for the remainder of the year.

16. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders at a general meeting. The stockholders shall make such compensation to the President, for his extraordinary attendance at the bank, as shall appear to them reasonable.

17. Not less than seven directors shall constitute a board for the transaction of business.

18. Every cashier or treasurer, before he enters on the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than twenty thousand dollars, with condition for his good behavior.

19. Half-yearly dividends shall be made of so much of the profits of the bank, as shall appear to the directors advisable. And once in every three years, the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid, after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of profit, if any, after deducting losses and dividends.

20. The bills and notes of the bank originally made payable, or which shall have become payable on demand in gold and silver coin, shall be receivable in all payments to the United States.

21. The officer at the head of the Treasury Department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the bank, and of the debts due to the same, of the moneys deposited therein, of the notes in circulation, and of the cash in hand; and shall have a right to inspect such general accounts in the books of the bank, as shall relate to the said statements; provided that this shall not be construed to imply a right of inspecting the account of any private individual or individuals with the bank.

22. No similar institution shall be established by any future act of the United States, during the continuance of the one hereby proposed to be established.

23. It shall be lawful for the directors of the bank to establish offices wheresoever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the same terms, and in the same manner, as shall be practised at the bank, and to commit the management of the said offices, and the making of the said discounts, either to agents specially appointed by them, or to such persons as may be chosen by the stockholders residing at the place where any such office shall be, under such agreements, and subject to such regulations, as they shall deem proper, not being contrary to law, or to the constitution of the bank.

24. And, lastly, the President of the United States shall be authorized to cause a subscription to be made to the stock of the said company, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the moneys which shall be borrowed by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States," and the other, entitled "An act making provision for the reduction of the public debt;" borrowing of the bank an equal sum, to be applied to the purposes for which the said moneys shall have been procured, reimbursable in ten years by equal annual instalments; or at any time sooner, or in any greater proportions, that the Government may think fit.

The reasons for the several provisions, contained in the foregoing plan, have been so far anticipated, and will for the most part be so readily suggested by the nature of those provisions, that any comments which need further be made will be both few and concise.

The combination of a portion of the public debt, in the formation of the capital, is the principal thing of which an explanation is requisite. The chief object of this is to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. As has been elsewhere remarked, the original plan of the Bank of North America contemplated a capital of ten millions of dollars, which is certainly not too broad a foundation for the extensive operations to which a national bank is destined. But to collect such a sum in this country in gold and silver into one depository, may, without hesitation, be pronounced impracticable. Hence the necessity of an auxiliary, which the public debt at once presents.

This part of the fund will be always ready to come in aid of the specie; it will more and more command a ready sale, and can therefore expeditiously be turned into coin, if an exigency of the bank should at any time require it. This quality of prompt convertibility into coin renders it an equivalent for that necessary agent of bank circulation, and distinguishes it from a fund in land, of which the sale would generally be far less compendious, and at great disadvantage. The quarter-yearly receipts of interest will also be an actual addition to the specie fund, during the intervals between them and the half-yearly dividends of profits. The objection to combining land with specie, resulting from their not being generally in possession of the same persons, does not apply to the debt, which will always be found in considerable quantity among the moneyed and trading people.

The debt composing part of the capital, besides its collateral effect in enabling the bank to extend its operations, and consequently to enlarge its profits, will produce a direct annual revenue of six per centum from the Government, which will enter into the half-yearly dividends received by the stockholders.

When the present price of the public debt is considered, and the effect which its conversion into bank stock, incorporated with a specie fund, would in all probability have to accelerate its rise to the proper point, it will easily be discovered that the operation presents, in its outset, a very considerable advantage to those who may become subscribers; and from the influence which that rise would have on the general mass of the debt, a proportional benefit to all the public creditors, and, in a sense which has been more than once adverted to, to the community at large.

There is an important fact which exemplifies the fitness of the public debt for a bank fund, and which may serve to remove doubts in some minds

on this point: it is this, that the Bank of England, in its first erection, rested wholly on that foundation. The subscribers to a loan to Government of one million two hundred thousand pounds sterling, were incorporated as a bank, of which the debt created by the loan, and the interest upon it, were the sole fund. The subsequent augmentations of its capital, which now amounts to between eleven and twelve millions of pounds sterling, have been of the same nature.

The confining of the right of the bank to contract debts to the amount of its capital, is an important precaution, which is not to be found in the constitution of the Bank of North America, and which, while the fund consists wholly of coin, would be a restriction attended with inconveniences; but would be free from any, if the composition of it should be such as is now proposed. The restriction exists in the establishment of the Bank of England, and, as a source of security, is worthy of imitation. The consequence of exceeding the limit there, is, that each stockholder is liable for the excess, in proportion to his interest in the bank. When it is considered that the directors owe their appointments to the choice of the stockholders, a responsibility of this kind on the part of the latter does not appear unreasonable; but, on the other hand, it may be deemed a hardship upon those who may have dissented from the choice; and there are many among us, whom it might perhaps discourage from becoming concerned in the institution. These reasons have induced the placing of the responsibility upon the directors by whom the limit prescribed should be transgressed.

The interdiction of loans on account of the United States, or of any particular State, beyond the moderate sum specified, or of any foreign power, will serve as a barrier to executive encroachments, and to combinations inauspicious to the safety, or contrary to the policy of the Union.

The limitation of the rate of interest is dictated by the consideration, that different rates prevail in different parts of the Union; and as the operations of the bank may extend through the whole, some rule seems to be necessary. There is room for a question, whether the limitation ought not rather to be to five than to six per cent., as proposed. It may with safety be taken for granted, that the former rate would yield an ample dividend, perhaps as much as the latter, by the extension which it would give to business. The natural effect of low interest is to increase trade and industry; because undertakings of every kind can be prosecuted with greater advantage. This is a truth generally admitted; but it is requisite to have analyzed the subject in all its relations, to be able to form a just conception of the extent of that effect. Such an analysis cannot but satisfy an intelligent mind, that the difference of one per cent. in the rate at which money may be had, is often capable of making an essential change for the better in the situation of any country or place.

Every thing, therefore, which tends to lower the rate of interest, is peculiarly worthy of the cares of legislators. And though laws which violently sink the legal rate of interest greatly below the market level are not to be commended, because they are not calculated to answer their aim; yet whatever has a tendency to effect a reduction, without violence to the natural course of things, ought to be attended to and pursued. Banks are among the means most proper to accomplish this end; and the moderation of the rate at which their discounts are made is a material ingredient towards it; with which their own interest, viewed on an enlarged and permanent scale, does not appear to clash.

But, as the most obvious ideas are apt to have greater force than those which depend on complex and remote combinations, there would be danger that the persons whose funds must constitute the stock of the bank would be diffident of the sufficiency of the profits to be expected, if the rate of loans and discounts were to be placed below the point to which they have been accustomed; and might, on this account, be indisposed to embarking in the plan. There is, it is true, one reflection, which, in regard to men actually engaged in trade, ought to be a security against this danger; it is this—that the accommodations which they might derive in the way of their business, at a low rate, would more than indemnify them for any difference in the dividend; supposing even that some diminution of it were to be the consequence. But, upon the whole, the hazard of contrary reasoning among the mass of moneyed men is a powerful argument against the experiment. The institutions of the kind already existing add to the difficulty of making it. Mature reflection, and a large capital, may, of themselves, lead to the desired end.

The last thing which requires any explanatory remark is, the authority proposed to be given to the President to subscribe to the amount of two millions of dollars on account of the public. The main design of this is to enlarge the specie fund of the bank, and to enable it to give a more early extension to its operations. Though it is proposed to borrow with one hand what is lent with the other, yet the disbursement of what is borrowed will be progressive, and bank notes may be thrown into circulation instead of the gold and silver. Besides, there is to be an annual reimbursement of a part of the sum borrowed, which will finally operate as an actual investment of so much specie. In addition to the inducements to this measure, which result from the general interest of the Government to enlarge the sphere of the utility of the bank, there is this more particular consideration, to wit: that, as far as the dividend on the stock shall exceed the interest paid on the loan, there is a positive profit.

The Secretary begs leave to conclude with this general observation: that if the Bank of North America shall come forward with any propositions which have for their object the ingrafting upon that institution the characteristics which shall appear to the Legislature necessary to the due extent and safety of a national bank, there are, in his judgment, weighty inducements to giving every reasonable facility to the measure. Not only the pretensions of that institution, from its original relation to the Government of the United States, and from the services it has rendered, are such as to claim a disposition favorable to it, if those who are interested in it are willing, on their part, to place it on a footing satisfactory to the Government, and equal to the purposes of a Bank of the United States, but its co-operation would materially accelerate the accomplishment of the great object; and the collision, which might otherwise arise, might, in a variety of ways, prove equally disagreeable and injurious. The incorporation or union here contemplated may be effected in different modes, under the auspices of an act of the United States, if it shall be desired by the Bank of North America, upon terms which shall appear expedient to the Government.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

TREASURY DEPARTMENT,
December 13, 1790.

INDEX.

A.

- Agriculture, the effect of funding the public debt on, 6.
 productiveness of, contrasted with manufactures, 78.
 promoted by manufactures, 88, 92, 104.
- Alloy, proportion of, used in gold and silver coinage, 135, 141.
 Why it is used in coinage, 142.
- Annuity proposed, as a plan for funding the public debt, 17, 43, 99.
- Army expenses of 1802, estimated, 222.
 of 1803, do 253.
 of 1804, do 263.
 of 1805, do 286.
 of 1806, do 298.
 from 1st April, 1801, to 31st March, 1805, 326.
 of 1807, estimated, 331.
 of 1808, do 358.
 paid, 374.
 of 1809, estimated, 375, 392.
 paid, 399.
 from 1802 to 1807, 420.
 of 1810, estimated, 400.
 paid, 421.
 of 1811, estimated, 423.
 paid, 443, 466.
 of 1812, estimated, 444.
 paid, 468, 484.
 of 1813, estimated, 470, 489.
 paid, 490, 492, 499.
 of 1814, estimated, 500.
 paid, 523, 532.
 of 1815, estimated, 530.

B.

- Balances in the Treasury, in 1801, 223, 224.
 1802, 255.
 1803, 263.
 1804, 287.
 1805, 298.
 1806, 332.
 1807, 357.
 1808, 374.
 1809, 391, 399.
 1810, 422.
 1811, 443.
 1812, 468.
 1813, 488, 499.
 1814, 525.

- Bank, plan of a national, proposed, 54, 72.
 capital stock, of what amount, and how composed, 72.
 the United States may be a stockholder, 75.
- Bank of the United States, a renewal of the charter of, recommended, 359.
- Bank shares, dividends on, in 1801, 221.
 sold, 254.
 proceeds of, 317.
- Banks, benefits resulting from, 55, 97.
 number of, in the United States in 1790, 65.
 objections to, considered, 57.
 stock of, how composed, 59.
 favor the increase of the precious metals, 61.
 tend to lower the rate of interest, 67.
- Bounties considered as a mean of encouraging manufactures, 110, 130.
- C.
- Claims of American citizens against France, amount of, assumed and paid, 264, 266, 288.
- Coffee, additional duty on, proposed, 22.
 imported and consumed from 1790 to 1798, quantity of, 241.—See *Merchandise imported*.
- Coins, foreign, comparative value of, 135, 142.
 circulation of, to be prohibited, 155.
- Coins of the United States, of what to be composed, and how denominated, 152.
- Commercial restrictions, effects of, on the revenue in 1807-8, 398, 409.
- Commerce, benefited by funding the public debt, 5.
 promoted by manufactures, 90, 104.
 how affected by the French and British decrees, 376.
- Compensation of officers of Government in 1790, 45.
- Connecticut, claim of, in 1789, 35.
- Creditors of the United States, not expedient to discriminate between the classes of the, 7.
- Credit.—See *Public Credit*.
- Customs, where paid, and the amount, from 1st April, 1801, to 31st March, 1805, 319.

D.

- Debt, amount of interest on the domestic, from 1776 to 1791, 33.
- Debt.—See *Public Debt*.
- Debts due to States, to be assumed by the United States, 10, 28.
 suppositions account of the, 30.
 statement of the, 35.
 provision for liquidating, 164.
- Direct taxes, collected in 1801, 221.
 arrear of, in 1803, 263.
 receipts from, in 1801 to 1805, 317.
 receipts from, in 1814, 524, 526.
 an increase of the, recommended, 531.—See *Revenue, &c.*

- Drawback of duties, considered in reference to the encouragement of manufactures, 114.
 amount of, from 1790 to 1799, 239.
 system of, proposed to be modified, 378.—See *Merchandise imported*.
 Duties, additional, proposed on wines, spirits, teas, and coffee, 22.
 Duties on imports, tariff of, proposed to be modified, 218, 227.
 cost of collecting the, 218, 227.
 an increase of, proposed, 219, 242, 378, 401, 424, 448.
 Duties on imports and tonnage, estimated for 1790, 53.
 for 1795, 170.
 Duties.—See *Internal Duties, Protecting Duties, Imports, Merchandise*.
 Dutch debt, created in 1790, 166.
 amount of, in 1794, 206.
 amount of, in 1802, 225.
 instalments payable to 1809, 250.
 difficulties in remitting instalments of the, 254, 260.
 amount of the, in 1803, 276.

E.

- Embargo, its effects upon the revenue considered, 377, 503.
 Estimates of receipts and expenditures for 1791, 45, 53.
 1795, 170, 185, 214.
 1801-2, 222.
 1802-3, 253.
 1803-4, 263.
 1804-5, 286.
 1805-6, 298.
 1806-7, 331.
 1807-8, 357.
 1808-9, 375.
 1809-10, 399.
 1810-11, 422.
 1811-12, 444, 448.
 1812-13, 469.
 1813-14, 488, 500.
 1814-15, 526, 530.

- Exemption of materials for manufactures from duty, effect of, 113.
 Expenditures.—See *Receipts and Expenditures*.
 Exportation.—See *Re-exportation*.

F.

- Finances, the effects of a national bank in administering the, considered, 54.
 Finances, state of the, in 1801, 216.
 1802, 252.
 1803, 262.
 1804, 285.
 1805, 297.
 1806, 331.
 1807, 356.
 1808, 373.
 1809, (June,) 391.

- Finances, state of the, in 1809, (December,) 398.
 1810, 421.
 1811, 443.
 1812, 468.
 1813, (June,) 488.
 1813, (December,) 499.
 1814, 523.
- Fisheries, benefited by manufactures, 107.
- Florida, imports and exports to and from, for the years 1799 to 1802, 265, 281 to 284.
- Foreign intercourse, expenses of, from 1801 to 1805, 325.—*See Receipts and Expenditures.*
- Foreign officers, provision made in 1792, for paying certain, 166.
- France, claims against, assumed by the United States, and paid, 264-6, 288.
- Frauds on the revenue, how prevented, 23.
- Funding system established in 1790, 165.

G.

- Gold and silver, amount of, increased by establishing banks, 55.
 proportion of, in the United States, in 1790, estimated, 141.

I.

- Imported articles, and the duty on each.—*See Merchandise imported.*
- Imports from Great Britain in 1810, duties accrued on, 456.
 a table of duties chargeable on, in 1801, 227.
- Imports, value and quantity of, from 1790 to 1800, 229 to 238.
 amount of duties accrued on, from 1790 to 1799, 239.
 quantity of consumed in the United States from 1790 to 1798, 241.
 duties accrued on, from October 1800, to October 1802, 259, 268.
 duties accrued on, in the years 1802 and 1803, 290.
 1801 to 1804, 297, 302, 311.
 1804 and 1805, 337.
 1805 and 1806, 362.
 1806 and 1807, 379.
 1807 and 1808, 403.
 1808 and 1809, 426.
 1809 and 1810, 451.
 1810 and 1811, 478.
 1811 and 1812, 505.
 1812 and 1813, 544.—*See Merchandise imported.*
- Incidental revenues received from 1st April, 1801, to 31st March, 1805, 322.
 —*See Revenue.*
- Internal duties created in 1794, 159.
- Internal duties, receipts from in 1800, 218, 243.
 cost of collection, 219.
 receipts from, in 1801 to 1805, 317.
 outstanding, amount of in 1803, 263.
 proposed to be increased, 531.—*See Revenue.*
- Internal improvements, surplus revenue may be applied to, 359.
- Inventions and discoveries promote manufactures, 114.

L.

- Lands.—See *Public Lands*.
 Laws creating revenue, and providing for the public debt, reviewed, 157.
 Limitation act, passed in 1793, 167.
 Loan recommended to supply a deficiency in the receipts, 392, 400, 423, 448, 471, 491.
 Loans, foreign, amount of on 31st December, 1789, 31.
 Loans preferred to taxes to meet the exigencies of a war, 377, 401.
 Loans, amount received from, in 1810, 443.
 1812, 468, 486.
 1813, 488, 492, 499, 516.
 1814, 524, 527.—See *Revenue*.
 Loans, terms on which they were obtained, 441, 491, 492 to 498; 519 to 522, 528; 535 to 540.
 Louisiana, provision for the purchase of, 264.
 imports and exports to and from, for the years 1796 to 1802, 265, 281 to 284.

M.

- Manufactures benefited by funding the public debt, 6.
 expediency of encouraging, 78.
 advantages of, 85.
 encourage emigration, 87.
 effects of, on commerce and agriculture, 90.
 objections to encouraging, considered, 91, 103, 107.
 progress of, in the United States, 102.
 necessary to the independence of a country, 106.
 sectional jealousies on the subject of, considered, 107.
 how to be protected, 109.
 materials for, exempted from duty, effect of, 113.
 articles of, requiring particular encouragement, 118.
 Massachusetts, amount due to, in 1789, 35.
 Mediterranean fund, created, and estimated product of the, for 1805, 286.
 duties constituting the, cease 1st January, 1809, 356.
 a continuation of the, recommended, 378, 401, 424, 448.
 annual amount of.—See *Merchandise imported*, and *Revenue*.
 Merchandise imported and consumed, from 1790 to 1800, 237, 241.
 (paying ad valorem duties) in 1795 to 1800, 234.
 (the quantity re-exported deducted) in 1801, 312.
 1802, 270.
 1803, 291.
 1804, 303.
 1805, 338.
 1806, 368.
 1807, 380.
 1808, 404.
 re-exported in 1807 and 1808, 409.
 imported, (the quantity re-exported deducted,) in 1809, 427.
 1810, 452.
 1811, 474.
 1812, 506.
 1813, 545.

Mint, plan for the establishment of a, 133.
 expenses of a, how defrayed, 143, 150.
 organization of a, 156.
 Molasses, imported and consumed from 1790 to 1798, quantity of, 241.—
See Merchandise imported.

N.

National bank proposed to be established, 54.
 Navy expenses of 1802, estimated, 222.
 1803, do 253.
 1804, do 263.
 1805, do 286.
 1806, do 298.
 from 1st April, 1801, to 31st March, 1805, 327.
 of 1807, estimated, 331.
 1808, do 358.
 paid, 374.
 1809, estimated, 375, 392.
 paid, 399.
 from 1802 to 1807, 420.
 of 1810, estimated, 400.
 paid, 421.
 1811, estimated, 423.
 paid, 443, 466.
 1812, estimated, 444.
 paid, 468, 484.
 1813, estimated, 470, 489.
 paid, 490, 492, 499.
 1814, estimated, 500.
 paid, 523, 532.
 1815, estimated, 530.

New Jersey, claim of, in 1789, 35.

New York, claim of, in 1789, 35.

Non-importation act, modification of the, proposed, 425.

O.

Officers of Government, compensation allowed to the, in 1790, 45.

P.

Paper money, the expediency of emitting, considered, 64.

Passports and clearances, amount of revenue derived from, in 1790 to 1798, 241.—*See Merchandise imported.*

Penalties and forfeitures for infractions of the revenue laws, to be distributed to informers and custom-house officers, 425.—*See Revenue.*

Postage of letters, receipts from, in 1801 to 1805, 317.—*See Revenue.*

Post Office, revenue derived from the, to be applied to the sinking fund, 27.
 review of the law establishing the, 159.

Premiums, effect of granting, on agriculture and manufactures, 113.

- Protecting duties on imports considered as a bounty on domestic fabrics, 109.
the constitutional power to levy considered, 112.
- Prohibitions of imports and exports may be resorted to for the encouragement and protection of manufactures, 109.
- Public credit, plans for the support of, 3, 157, 172.
a national bank necessary to the support of, 54.
essential to the prosperity of the nation, 197.
defined, 198.
- Public debt, advantages of funding the, 5, 98.
nature of the provisions for funding the, 7, 161.
of what it consists, 14, 168, 347.
plans for funding the, 17, 43, 45, 161.
plans for redeeming the, 22, 27, 165.
may constitute a part of the capital of a national bank, 72, 75, 157.
laws relating to the, reviewed, 157.
plan for completing the system for liquidating the, 173.
revenues pledged for the payment of the, 168.
amount of foreign and domestic, in 1790, 14, 22, 31, 33.
1795, 169, 201 to 210.
1802, 223, 248, 250, 279.
when it may be redeemed, estimated, 172, 225, 251, 354.
amount paid, in 1802, 254.
1803, 264, 276.
1804, 288, 296.
1805, 299, 310.
from Apr. 1, 1801, to March 31, 1805, 328, 329, 333.
in 1806, 333, 345.
plan for consolidating the, proposed, 333, 347 to 355.
amount of the, in 1806, 349.
estimated amount that may be paid, in 1809 to 1824, 354, 355.
amount paid in 1807, 358, 371.
in 1808, 373, 389.
from April 1, 1801, to Oct., 1809, 399, 415 to 418.
1810, 423, 436.
in 1811, 445, 461.
from April 1, 1801, to January 1, 1812, 463.
amount on January 1, 1812, 446, 464.
amount paid in 1812, 468, 480.
1813, 492, 499, 514.
1814, 534.
- Public funds not taxable nor liable to sequestration, 192, 196.
- Public lands, may be applied, in part, to the payment of the public debt, 17, 18.
proposed as a premium on loans, 449.
estimated quantity and product of the, in 1795 and 1801, 161, 219, 244.
proceeds of the, pledged for the public debt, 163.
sold in 1801, 220, 246.
intrusions on the, to be prevented, 221.
sold in 1802, 252, 257.

Public lands, sold in 1803, 262, 274.

1804, 285, 294, 315.

1805, 297, 308.

receipts from, in 1801 to 1805, 317.

sold in 1806, 331, 348.

1807, 356, 368.

1808, 373, 385.

1809, 398, 411.

sold from 1800 to 1810, 421, 432.

sold in 1811, 448.

may be applied as a bounty to soldiers enlisting, 448.

sold in 1812, 478.

1813, 511.

1814, 550.

Public vessels sold, 222.

R.

Receipts and expenditures, estimated for 1790, 45, 53.

1795, 170.

comparative view of the, for 1795, 214.

in 1801, 216.

1802, 252.

1803, 262.

1804, 285.

1805, 297.

from April 1, 1801, to March 31, 1805, 317 to 330.

in 1806, 331.

1807, 356.

1808, 373.

1809, 391, 395, 398, 419.

1810, 421, 438.

1811, 443, 466.

1812, 468, 482, 486.

1813, 488, 492, 499, 516, 532.

1814, 523, 533.

Re-exportation of foreign merchandise in 1807 and 1808, 409.

Revenue, frauds of the, how to be prevented, 23.

plan for increasing the, 24.

laws relating to, reviewed, 157.

for what purposes pledged, 168.

how to be increased in the event of war, 361, 378.

an increase of, proposed, 219, 242, 378, 401, 424, 448, 504.

from what sources derived, and the amount in 1795, 157, 167.

1801, 216.

1801 to 1805, 317,

322.

1808, 395.

1809, 419.

1810, 438.

1811, 466.

Revenue, from what sources derived, and the amount in 1812, 482, 492.
 1813, 492, 516, 518.
 1814, 532-3.

See *Receipts and expenditures.*

S.

Salt imported and exported from 1790 to 1800, 233.
 and consumed from 1790 to 1798, quantity of, 241.—See
Merchandise imported.

Salt duty expires 1st January, 1808, 356.
 a renewal of the, recommended, 449, 490.—See *Merchandise imported.*

Sinking fund, plan of a, proposed, 27.
 established in 1790, 165, 171.
 made permanent in 1792, 166, 169.
 operations of the, to 1st January, 1795, 167, 171, 211.
 proceedings of the, in 1802, 260.
 state of the, in 1806, 346.
 in 1810, 440.
 in 1813, 498.

South Carolina, claim of, in 1789, 36.

Specie increased by the operation of banks, 55.

Specie payments suspended by banks, 529.

Spirits imported in 1792 to 1799, quantity of, paying duties, 235.
 and consumed in 1790 to 1798, quantity of, 241.—See
Merchandise imported.

Spirits, foreign and domestic, additional duties proposed on, 22.

Stamp duties expire 4th March, 1803, 218, 221.—See *Revenue.*

State debts, ought to be assumed by the Union, 14, 28, 30.

amount of, estimated, 35, 36.

provision for liquidating the, 164.

Stocks of the United States not taxable, 192.

Sugar imported and consumed in 1790 to 1798, quantity of, 241.—See
Merchandise imported.

Surplus revenues may be applied to internal improvements, 359.

T.

Taxes, internal, proposed to be levied, 449, 490.—See *Direct taxes.*

Teas, additional duties on, proposed, 22.

imported in 1790 to 1800, quantity of, paying duties, 236.

estimated quantity of, consumed during the years 1790 to 1798, 241.

—See *Merchandise imported.*

Tonnage, amount of American and foreign, from 1790 to 1799, 240.

1800 to 1802, 269.

in 1803, 290.

1804, 302.

1805, 337.

1806, 362.

1807, 379.

1808, 394, 403.

INDEX.

- Tonnage, amount of American and foreign, in 1809, 426.
 1810, 451.
 1811, 473.
 1812, 505.
 1813, 544.
- Tontine, proposed as a plan for funding the public debt, 20, 45.
- Treasury notes, amount authorized in 1812, 469, 492.
 1813, 492, 499, 518.
 1814, 525, 528, 532, 541-2.
 in circulation in 1814, 529.
 an increase of the rate of interest on, proposed, 530.

V.

Virginia, claims of, in 1789, 36.

W.

Wines, additional duties proposed on, 22.
 imported and consumed, quantity of, from 1790 to 1798, 241.—See
Merchandise imported.

END OF THE FIRST VOLUME.