

REPORT

Of the SECRETARY of the TREASURY to the HOUSE of REPRESENTATIVES.

TREASURY DEPARTMENT, Jan. 9, 1790.

THE Secretary of the Treasury, in obedience to the resolution of the House of Representatives, of the twenty-first day of Sept. 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 enquiries 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 m. ned 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 expences 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 enquiry 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 farther than the necessity absolutely requires, and to manifest, if the nature of the case admits 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 oftentimes 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 connection between public virtue and public happiness, will be its repugnance 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 25 to 50 per cent. In those farthest 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 monied 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 of 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 expectation, 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 outlet, 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 enquiry 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 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 alledged, 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; in 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.

[TO BE CONTINUED.]

[We have already given a summary sketch of the foregoing Article, but its importance in a political view, its intrinsic excellence as a composition, and the immutability of the principles it contains, render it highly proper that it should form part of the contents of this Paper entire, more especially as the Subscribers in general prefer it for binding in volumes.]

PROGRESS OF MANUFACTURES.

S A L E M, January 12.

A correspondent says, There is an evident preference given by people in general to such Home Manufactures as have any considerable degree of merit. The wear of the BEVERLY CORDUROY is already become very common; and the sale of them, in different parts of the State, has been much more considerable than could have been expected, in this infant stage of the manufacture, when it cannot be supposed to have attained to that degree of perfection which it will derive from longer experience. Our country brethren, it is said, are determined to make use of this manufacture in preference to European, from the consideration that the increase of manufactures among us, will increase the demand and enhance the value of the produce of their lands. The same principle of self interest will undoubtedly induce our mechanics and laborers to do the same, as every branch of manufactures requires the aid of many other branches. It is like the hand raising food to the mouth, from which it afterwards receives strength and vigor.

ADVERTISEMENT.

NOTICE is hereby given to all the Creditors of THOMAS EATON, WILLIAM PELLs, JACOB SAYRS, ANTHONY SAYRS, and GEORGE WELCH, Insolvent Debtors, now confined in the common goal of Newark, in the county of Essex, and State of New-Jersey, that they are requested to appear on Monday the Twenty Second Day of February next, at Nine o'Clock in the forenoon of said day, at the Court-House in Newark aforesaid, before the Judges of the Inferior Court, and shew cause, if any there be, why an assignment of the above Insolvent Debtor's Estates should not be made, and they the Insolvents be discharged agreeable to law.

Thomas Eaton, William Pells, Jacob Sayrs, Anthony Sayrs, George Welch. Newark, 18th January, 1790. w. 4 t

WILLIAM TAYLOR,

Has for Sale, at his EAST-INDIA GOODS STORE, No. 4, BURLING-SLIP,

A General Assortment of EAST-INDIA GOODS.

Among which are the following Articles: BOOK Mullins 3-4 6-4 5-4 HUMHUMS, Jacketed do. Long Cloths, Handkerchiefs, of various kinds, Calfas, Chintzes, Scerfucers, Gingham, Boglapores.

A Variety of handsome painted MUSLINS.

With many other Articles, which will be sold by the Piece or Package, low for cash.

And a few pair large handsome Cotton COUNTERPANES, much warmer than Blankets.

JANUARY 9, 1790. t. f.

BOSTON STAGE.

THE subscriber informs the public, that having contracted to carry the public mail in the stage from New-York to Boston, for the year 1790—commencing January the first to go twice a week till the first of May, and three times a week from first May to first November, and to employ a person to go thro' with the mail to take Care of it. He engages that this conductor shall transact all private business committed to him with fidelity at a reasonable Commission—he will carry bundles, money, newspapers, &c. And may be seen every Wednesday and Saturday Evening in New-York, at Frances Tavern, in Boston at the subscribers House, in Hartford at Frederick Bull's, Coffee House.

Four active men are now engaged as Conductors, who have given bonds for the faithful discharge of their trust.

January, 1790.

LEVI PEASE.

The Boston, Albany, and Philadelphia Stages now put up at Frances' Tavern, Cortlandt-Street, where passengers will please to apply.

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