

REPORT
of the SECRETARY OF THE TREASURY to the
TREASURY DEPARTMENT, Jan. 9, 1790.
[CONTINUATION.]

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 draft 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 rights 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 prejudice they may sustain by their acts or neglects: But even where seizures are made with probable cause, if there be an acquittal of the article 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 depends 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 net 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 the schedule K, which it 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 unfurnished, the excess of the revenue be divided among the creditors of the unfurnished part, by a temporary disposition: with a limitation, however, to four per cent.

It will hardly have been noticed, 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 the source, to the purposes of a sinking fund. The post-master-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 post-master-general is now engaged in preparing a plan, which will be the foundation of a disposition 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 proposed 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 a public benefit," 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 attended by the United States, and that they may commence their measure for the establishment of credit, with the observance of it.

Under this impression, the Secretary proposes, that the net 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 the 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 payment of the interest and instalments of the foreign debt, to the end of the present year, which will require 3,491,923 dollars, 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 dollars, 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 unexpedient, 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 a competition with them, it will not only reap a part of this profit itself, but will contract the extent, and lessen the extra profit of foreign purchases. That competition will accelerate the rise of stock; and 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, in the first session of 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 re-loan of their present debt.

Provided that the provision so 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, 1791.

That the amount of the debt of each State so assumed and provided for, be chargeable 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, 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 of 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.

FOR THE GAZETTE OF THE UNITED STATES.

MR. FENNO,

THE management of the public debt in an honest and suitable manner is a subject on which much of our character, as a nation, depends. The government under the confederation entered into solemn stipulations with those who loaned them monies—served them in the field—supplied them with provisions, &c.—And the former Congresses shewed a disposition on all occasions to make good those sacred engagements, but had not the power to draw forth the resources of the country.

The good people of these States finding that the powers vested in Congress by the former articles of confederation were very inadequate to those things which were indispensably requisite to good government, have established a New Constitution. The scene is now changed, and we be-

hold with pleasure a system of government, adequate to all the purposes of the nation. Justice is expected to flow in pure streams from this fountain, and that all the purposes expressed in the preamble to the Constitution will be fully answered. Now may the citizens of the United States contemplate with pleasure a government, chaste and pure—but any departure from public promises would give a wound to the system, which time itself cannot cure.

By one of the articles in this New System "all debts contracted and engagements entered in, to be before the adoption of this Constitution, shall be as valid against the United States under this Constitution, as under the confederation." Now may the public creditors, who have so long waited for payment, and who have exhibited examples of patience unknown in any other country, expect that the promises made them by the former government will be fulfilled. No doctrine of expediency can be admitted for any the least departure from the public engagements—these promises must be considered as obligatory as those which the people are under to support the government.

But it is said by some persons that the government must now be cautious what promises they make, for a punctual fulfillment of their engagements will be expected—and any departure therefrom would be attended with fatal consequences to the nation. To this I would say the greatest caution is necessary in making the promises, and an exact fulfillment will, and ought to be expected; but let me ask, is not the present government as sacredly bound to fulfill the engagements made by the United States under the old confederation, as the members who may compose the government in 1796 will be to fulfil the engagements which may be made the present year—most certainly they are—and if past promises may be departed from, who will be surety for the future.

But it is said revenue cannot be found to discharge the expence of government, and pay so great an interest on their debts (as they have promised) without too much burthening the people. Suppose this to be the case at this time, are we not rising in importance, daily increasing in numbers—and is it not highly probable that monied men will emigrate to our country, when they find that their property will be safe here—that the public faith is sacredly kept—and that no deviation from public promises has taken place since the people established a government adequate to all the purposes of the Union.

It has been frequently said that the Report of the Secretary of the Treasury discovers great abilities—in this sentiment I most readily join—and add, that I have the highest opinion of his integrity—his determination to do honor to his country—and justice to her creditors; but at the same time I do not wholly approve of his plan respecting the public debts, because I think it a departure from the promise of six per cent. and that the proposed loan must be considered, in a certain degree as compulsory.

The Secretary proposes four per cent. interest, and this is equal to six per cent. on two thirds of the debt. Let it now be proposed that two thirds of the debt, in the hands of each individual, be funded at six per cent. and for the other third that he receive a certificate, purporting that the United States are indebted in such sum, which they promise to pay, with interest, at six per cent. and that in the first session in the year 1795, they will provide funds for paying the annual interest, at the rate of six per cent. on such of those certificates as may be then unredeemed. Let the revenue from the Post Office, and the lands of the United States, be considered as a sinking fund, and employed in such manner as may be thought best, in purchasing the evidences of the debts of the Union—and let all the debt, whether funded or unfunded, be redeemable at the pleasure of the government. By this means may the National Faith be preserved inviolate—public creditors be satisfied when they see government doing all in its power to make good former engagements—and it is probable that the day may not be very distant, when the National Credit being firmly established, government may propose to her creditors to reduce their interest to four per cent. or borrow money at that rate of interest, and pay off the principal to those who may not wish to reduce the interest: In such case, and only such can government propose a reduction of interest with propriety, and without a violation of public faith.

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