

gument he had noticed to the gentleman, (Mr. Ames)—that Great Britain, in the year 1719, might have sunk all her debt, but for this very tie, which we were about to impose on ourselves.

Mr. MADISON could not admit some of the doctrines of the gentleman, nor some of the conclusions drawn from others. The proposed modifications, however veiled or varnished by ourselves, could not be reconciled with the tenor of the public engagements, and must rest for their justification with the world on the circumstances of the country. The British example adverted to was not applicable. The creditors there, by refusing to subscribe to the new loan, remained in possession of their stipulated interest. It was but to let the transaction speak its true meaning: as it was decided to be the sense of the committee that the public circumstances required that the debt should be modified, the only questions left must relate to the form and words of the modification to be proposed. He wished to simplify the debt as much as possible, and should therefore agree to strike out the clause restraining the right of redemption to the rate of 4 dollars and a fraction per annum, in order to authorize the government to pay it off at the rate of 10 dollars per annum, as suggested by another gentleman from Massachusetts. If this, said he, be done, it would be proper to adjust the sum to be funded at the end of ten years, to the change made in the irredeemable term. The gentleman had drawn a pleasing, and he hoped a true picture of the growing prosperity of this country. But what would result from it? Not that the debt should be perpetuated; but that we should be able to begin a reduction of the principal, and ought not therefore to throw away the right to do so.

FRIDAY, MARCH 12.

In Committee of the whole on the report of the Secretary of the Treasury, for making provision for the support of the public credit.

The third proposition was read.

Mr. Lee moved that this should be rejected.

Mr. Fitzsimons observed that if this is struck out, all idea of offering an alternative to the creditors is abandoned—he wished to enquire whether that was the mind of the Committee? For if this is struck out, the creditors must receive the two-thirds, at six per cent. and the residue in land.

Mr. Lee said, that having made provision for the debt to the extent of our abilities, he thought there was no obligation to attempt to do more, and being in favor of a simple plan of finance, he was opposed to encreasing the propositions on which it is to be funded.

Mr. Sedgwick observed that to an inhabitant of Virginia, the plan of paying one-third of the debt in lands, was an object of great consequence. But to those of the Middle and Northern States, this would prove a very inconsiderable inducement to subscribe to the loans: Upon terms of justice and equality, he therefore contended that different alternatives ought to be held out to the inhabitants of the United States.

Mr. Stone was in favor of the motion—he anticipated foreigners becoming proprietors of our funds, as an evil to be greatly deprecated. The settlement of the Western Territory, by our own citizens is a desirable event, from this source we have always expected to derive the means of sinking a great proportion of our debt; and by confining the creditors to one object, we shall equally interest the citizens of all the states. If we hold out different alternatives, we should probably deprive ourselves of the advantage of making sale of any of our Western Territory.

Mr. Sherman was opposed to the motion—he thought it wise and just to hold out different propositions; he differed with Mr. Sedgwick, he thought the lands would be an object with the New-England people: They are addicted to emigration as much as any part of the union. He was for shortening the period for redemption; but hoped that the proposition would not be rejected altogether.

Mr. Fitzsimons advocated the proposition, and entered into a particular consideration of the advantages which would result in the present circumstances of the country from foreigners purchasing our debt, provided they gave a full equivalent for it. The advantage of the cash which would thereby be brought into the country, would more than counterbalance the payment of interest for many years to come.

The motion for rejecting the proposition being put, it was negatived.

The question then was on the amendment proposed by Mr. Jackson for striking out what relates to irredeemability.

Mr. Tucker in a series of calculations upon certain principles attempted to shew that the irredeemable quality would greatly enhance the debt of the United States.

Mr. Lawrance replied to Mr. Tucker, and shewed that the gentleman's plan would greatly enhance the amount of the debt; whereas the Secretary's report demonstratively provides for lessening it.

He agreed with the gentleman from Maryland, that we ought to do the best for our creditors; but did not think that making them only one offer, and that the one already agreed to, was doing the best we can. He mentioned the existing

resources of the country, and the obligation we are under to exert ourselves upon that idea. He shewed the advantage of the speculation of foreigners, and that it ought to be encouraged.

Mr. Madison said that foreigners speculating in our funds would induce a spirit of luxury. That the pernicious consequences of credit had been severely felt; that our experience did not justify the supposition that an influx of active property, or money would be employed in agricultural improvements.

He did not think that if a medium to the amount of one-fourth of the value of all the property of the United States was to be thrown into circulation, that any more land would be cultivated.

Mr. Goodhue said that if by retaining the words, any advantage can be derived, there can be no doubt with gentlemen as to the eligibility of retaining them. He thought it had been demonstrated, that advantages would result from this irredeemable quality.

Several other gentlemen spoke on the occasion—the motion was lost.

SATURDAY, MARCH 13.

The chairman of the committee having read the resolve, "that immediate provision ought to be made for the present debt of the United States," &c.

Mr. Gerry observed, that he should have risen before this proposition was read, had he not supposed that the gentleman from Pennsylvania (Mr. Fitzsimons) intended to bring forward his motion for filling up the blanks left in the last proposition which was considered yesterday, and Mr. Fitzsimons informing the committee that he proposed to make his motion in the House—Mr. Gerry said that, as many gentlemen appeared to be satisfied that the two propositions for modifying the debt would be acceptable to the creditors, and he entertained a different opinion, he hoped for the indulgence of the committee, whilst he submitted his reasons for differing from them. He said he considered this part of the Secretary's plan as the most important of the whole: it is the essence of the funding system, the pivot on which will depend the equilibrium of public credit. He had always conceived that public credit was indispensable to our national existence, under any form of government, and being in favor of the Secretary's plan in general, he should give it every support in his power; but not thinking it perfect, he expressed a wish that its defects might be cured.

The Secretary, said Mr. Gerry, lays it down as a maxim, and I think it cannot be contested, "that the maintenance of public credit can only be effected by good faith, and a punctual performance of contracts." Let us enquire what is the existing contract between the United States and their creditors, in what manner it has been complied with, and how far it is now in the power of Congress to do them justice.

The contract, he said, it is well known, is to pay the principal of the debt in specie, with an interest till paid of 6 per cent. per annum. The principal indeed, of part of the debt, being payable in three years after it was contracted, is now due; but this class of the creditors will probably be satisfied with the provision to be made for the others.

And in what manner, said he, has the contract been complied with? A small part of the interest has been paid by bills of exchange on France, and the residue has been paid in depreciated paper, or is now due to the creditors.

He then enquired, how far it is in the power of Congress to do justice to the creditors? This point, he said, had never been ascertained; but we now intend to propose to the subscribing creditors, to fund two thirds of their debt at 6 per cent. redeemable at the pleasure of Congress, and to pay the other third in western lands; or to fund two-thirds at 6 per cent. irredeemable in a stipulated degree, and to fund in ten years a sum not yet ascertained as an equivalent. The surplus of the funds, if any, is to be applied to the payment of the interest due to non-subscribers, so as not to exceed 4 per cent. agreeably to the proposition of the Secretary. Is this securing, or is it doing all we can to secure to the creditors a compliance with the terms of the contract? I conceive it is neither.

That the propositions do not secure such a compliance is evident at first blush; for who would give as much for 100 dollars, two-thirds of which shall be funded in one of the modes proposed, and the other third payable in lands, or in an equivalent to be funded ten years hence, as for 100 dollars funded at six per cent. per annum, and redeemable at the pleasure of Congress? No man of common understanding, as I think will hereafter appear.

That the making such proposals is not doing all we can to secure such a compliance, is, I think, equally evident.

Some gentlemen have declared, that they have no idea, of the ability of government to fulfil the contract; and that the creditors have abandoned an expectation of receiving either the whole of the principal or of the interest that is due to them. What evidence have we of this? If we may judge from the justice of their claims, from their urgency and impatience, and from the petitions of the creditors, they expect the whole of their principal and interest; but if they do not, is it not evident that they must consider the nation in a state of bankruptcy? And is it not our duty to convince them, and all the world, of our ability and disposition to pay our debts, by doing the strictest justice to our creditors.

If gentlemen have no idea of the ability of government to do this, they must either despair of resources, or of the support of the people in drawing them forth: and if the former, is it not our duty, and will it not be more honorable to apply the resources as far as they will go to the discharge of the debt, and to depend on our increasing population, commerce, husbandry and manufactures, and also on the western territory, for an increase of means, rather than to declare a national bankruptcy? This, like Pandora's box would be pregnant with every evil; it would shake the government to the foundation, and endanger our national independence. But why, if they despair of resources, do gentlemen resolve to make adequate provision for fulfilling our engagements with foreigners? Are we, in cases of exigency, to rest the support of our government on foreigners, or on our own citizens? If on the latter, will they ever trust us after such partiality to foreigners? Are not the debts contracted with our citizens as justly due as those of the other description? If we are to make a discrimination, ought it not, on principles of policy, to be in favor of our citizens? May not our national existence depend on our credit with them? I am not, however, in any event, for making such a distinction; for, in case of a bankruptcy, I should be in favor of equal justice to every creditor. But why this dependency? Shall we not, by despairing, or even doubting of our ability to support public credit, materially injure it? Shall we not be censured for want of firmness? Shall we not be responsible for having thus despaired of the Commonwealth, and, what is worse, for having despaired without cause?

Have we attended to our resources? Have we an adequate idea of them, and of the demands of government? By the Secretary's report it appears that the whole amount of the foreign debt and interest, and of the domestic debt, liquidated and unliquidated, and interest including the State debts, is 79,124,464 dollars and 56 cents: That there will annually be requisite

	Dolls. Cts.
For the interest of the foreign debt,	542,599 66
For the interest of the domestic debt, if paid, according to the contract,	4,044,845 15
For the civil list, and other expences of government,	600,000
Total,	5,187,444 81
The revenue reported in his first estimate is,	2,843,000
In his last estimate,	1,060,000
Making	3,903,000

Which leaves a deficiency of 1,284,044 dollars, and 81 cents, for funding the whole debt according to contract.

The Secretary has likewise reported that he has additional resources, without extending taxation to houses or lands, or the stock or produce of farms; and we have no reason to suppose that those additional resources would not be adequate to the making up this deficiency. But if this is not the case, it is well known, that, in consequence of the propositions of Congress, in April 1783, many of the States divested, as they consented to be, of the impost, and loaded with State debts, far exceeding their present amount, agreed to provide annually their respective proportions of what were called the supplementary funds, amounting to 1,500,000 dollars; and can any one doubt that, exonerated as the States will now be of their debts, the citizens of the United States in their present circumstances, can with much more ease, pay the deficiency mentioned, than they could at that period the supplementary funds?—Indeed, can any one doubt our ability at this time to fund the national debt, according to the stipulated terms of the contract?—If there are any such, I confess myself not of the number. It is said we must have in reserve resources in case of exigencies: This may be proper; but is not the support of public credit of the greatest moment? May not the loss of it prove an irreparable injury? And are we to incur a certain evil to avoid an uncertain one?

If our resources then are not to be doubted, what reason have we to distrust the support of our constituents? Should it be suggested in our hearing that they were indisposed to pay a debt, that had not only a claim on their justice, but on their honor and generosity, a debt that is the price of their independence, should we not kindly with indignation? And shall we, by an unreasonable distrust, be the first to fix such a stigma on our constituents? Or, conducting thus, shall we not justly merit their resentment? If it be asked what shall we do to fulfill, as far as possible, our contract? I answer, we ought not to oblige the creditors to take two-thirds of their demands in funded securities, and the other third in wild lands, or in what you may call an equivalent, ten years hence; or to receive the alternative provided for the unsubscribed debt. A great part of the debt is still in the hands of the original holders, to do justice to whom the committee are unanimous in their wishes. If we suppose ten millions dollars in the hands of speculators, the value thereof will, at the late average rate of stocks, amount to between three or four millions dollars in specie, a sum I conceive, exceeding the property of the speculators altogether; but suppose they hold 15 millions dollars, foreigners 5 millions, and the States, exclusive of Pennsylvania, 3 or 4 millions (for that State, having exchanged her funded certificates for continental securities, which were generally owned by original holders, must according to the Secretary's plan, deliver them into the federal treasury, or re-exchange them) it is evident then that two-thirds of the public debt is in the hands of original holders: Let us however suppose but half, will many of them be willing, or, if willing be able to receive lands for a third of their debts? If the lands were cultivated and near them, would they be equal to an interest of 6 per cent. or of more than 4 per cent. except perhaps in some of the Southern States? And would they be disposed to accept of your proposal? But remote as these lands are, invested by hostile Indians, wild and uncultivated, will they furnish food or clothing for your creditors? Should a few purchase, will they not be comparatively very few.

Again, will funding an equivalent for one third ten years hence, be fulfilling the contract? After being ten or fifteen years put off with promises, will the creditors be thus satisfied? Will it be in their power—advanced as many of them are in years, and called on, perhaps, by their own creditors, whom your disappointments have prevented them from paying to accept such terms? Suppose an individual had trusted an other for such a term of years, and at the end thereof, when the latter was in possession of his estate, had been told, that two thirds of the interest should be annually paid; and that the other third, or an equivalent should be paid in ten years: would the proposal establish the credit of the debtor? Or would he not be considered as a person destitute of honesty? How then can we expect, merely by such proposals, to establish the public credit?

Gentlemen conceive that the proposition, referred to will be an equivalent, on the principle laid down by the Secretary, viz. that a less capital at a fixed rate of interest, may be an equivalent for a greater capital at a variable rate: but admitting this principle, are not the data doubtful on which the calculations are made, that interest in five years will fall to 5 per cent. and in 20 years to 4?

It is well known that the genius of our fellow-citizens is enterprising? We see them, although we have wild lands exceeding in extent the German dominion, crossing the Mississippi to speculate in lands in the Spanish dominions: we see them extending their commercial speculations to the North pole, and they will go to the South Pole on the first discovery of a commercial territory; in our funds, they speculate deeply and they are as conspicuous for their speculations in forms of government. Scarcely a year revolves, without our seeing some of the States, or the United States, adopting a new system of government; and, before 20 years shall elapse, we may expect that the latter, in their turn, will form one or two constitutions. We are also, like other nations, subject to foreign wars and internal commotions: these, and such like events, are beyond our control; and, whenever they take place, will encrease the rates of interest. The probability is not therefore more in favor of the fall than of the rise of interest: and if it should not fall, the proposition to be made will injure the creditors. I conceive, then, that we have no more right to assume the principle that interest will fall, and by assuming it, to reduce the interest, than the creditors whose principal is due have a right to assume the contrary principle, in order to increase the rates of interest. The fairest way is to presume that the interest will continue at the rate it now is, and whenever it falls, to take the benefit of it so far as shall be consistent with justice. Few of the creditors understand the calculation of equivalents, and will be apt to consider them as a State artifice to reduce the value of stocks: they will be confirmed in this opinion, however honest our intentions may be, by the disposition we are making to purchase the debt at the market price. We have no right to make arrangements of this kind, until the whole debt is fairly funded; and then, if we have funds left, we shall have a right to apply them in the way mentioned.

Some gentlemen have supposed that 66 and two-thirds of dollars in ten years hence, may be worth 100 dollars: but this supposition does not establish the fact. The rise and fall of stocks, depend on events, these may reduce the sum first mentioned to 33 and one third dollars.

If, then, the two propositions which have been examined do not secure a compliance with the original contract, will the alternative which is left for non-subscribers? This provides that the dregs of the revenue, which may amount to nothing, shall be applied to pay their interest, not to exceed, in any event, 4 per cent. per annum. Will not this, in lieu of an equitable provision for the creditors, be considered as a penalty for their not subscribing?

Mr. Gerry then said, he presumed it must appear that further provision is necessary, and he should offer a proposition, as an addition to the two, that are adopted in the words following: