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[Whole No. 298.]

READ IN THE HOUSE OF REPRESENTATIVES, FEB. 7, 1792.

Treasury Department, February 6th, 1792.

SIR,
I HAVE the honor to send herewith a Report on the subject of the Public Debt, pursuant to the order of the House of Representatives of the 1st of November, 1791, and to subsequent references therein mentioned; and to be, with perfect respect, Sir, your most obedient, and most humble servant,
ALEXANDER HAMILTON,
Secretary of the Treasury.

To the Honorable the SPEAKER
of the House of Representatives.

TREASURY DEPARTMENT, JAN. 23d, 1792.

PURSUANT to the Order of the House of Representatives of the first of November, 1791, directing the Secretary of the Treasury, "to report to the House the amount of the SUBSCRIPTIONS to the LOANS proposed by the Act making Provision for the Public Debt, as well in the debts of the respective States as in the Domestic debt of the United States, and of the Parts which remain unsubscribed, together with such Measures as are, in his Opinion, expedient to be taken on the Subject: the said Secretary respectfully submits the following

R E P O R T.

1. THE whole amount of the domestic debt of the United States, principal and interest, which has been subscribed to the loan proposed concerning that debt, by the act intitled, "An act making provision for the debt of the United States," according to the statement herewith transmitted, marked A. and subject to the observations accompanying that statement, is

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| Dollars | 31,797,481. 22 |
| which pursuant to the terms of that act has been converted into stock, bearing an immediate interest of 6 per cent. per annum | 14,177,450. 43 |
| Stock bearing the like interest from the 1st of Jan. 1801 | 7,088,727. 79 |
| Stock bearing an immediate interest of 3 per cent. per annum | 10,531,303 |
| Making together | dols. 31,797,481. 22 |
| Of which there stands to the credit of the Trustees of the sinking fund, in consequence of purchases of the public debt, made under their direction, the sum of | dols. 1,131,364. 76 |
| The unsubscribed residue of the said debt, according to the statements herewith transmitted, marked B. and C. and subject to the observations accompanying the statement C. appears to amount to | dols. 10,616,604. 65 |
| Consisting of registered debt, principal and interest | 6,795,815. 26 |
| Unsubscribed stock on the books of the commissioners of loan for New-Jersey, Pennsylvania and Maryland, principal and interest | 15,674. 62 |
| Credits on the books of the Treasury, for which no certificates have issued, principal and interest | 107,648. 63 |
| Outstanding or floating evidences of debt, estimated per statement C. at | 3,697,466. 14 |
| Making together | dols. 10,616,604. 65 |

Concerning which some farther arrangement is necessary. The greatest part of the registered debt, hitherto unsubscribed, is owned, by the citizens of foreign countries, most, if not all of whom appear now disposed to embrace the terms held out by the act above mentioned; extensive orders having been received from those creditors, to subscribe to the loan, after the time for receiving subscriptions had elapsed.

A considerable part of the outstanding or floating debt, consists of loan-office certificates issued between the first of September, 1777, and the first of March, 1778, bearing interest on the nominal sum. Many of the holders of this species of debt have come in upon the terms of the act, but others have hitherto declined it; alleging, that the special nature of their contract gives a peculiarity to their case, and renders the commutation proposed not so fair an equivalent to them, as in other instances. They also complain, that the act has had, towards them, a compulsory aspect, by refusing the temporary payment of interest, unless they should change their old for new certificates, essentially varying the nature of their contract.

A resolution of Congress of the tenth of September, 1777, stipulates in favor of this class of creditors, interest upon the nominal, instead of the real principal of their debt, until that principal be discharged. This certainly renders their contract of a nature more beneficial than that of other creditors; but they are at the same time liable to be divested of the extra-benefit it gives them, by a payment of their specie-dues; and it may be observed, that they have actually enjoyed, and by accepting the terms offered to them, were enabled to realize, advantages superior to other creditors. They have been paid interest by bills on France from the tenth of September, 1777, to the first of March, 1782, while other creditors received their interest in depreciated bills of the old emissions; and the terms of the loan proposed put it in their power to realize the benefit of interest on the nominal amount of their respective debts, at rates from 6. 20-100ths. nearly to 10. 47-100ths. per cent. on their real or specie capital down to the last of December, 1790.

It does not therefore appear to have been an unreasonable expectation, that they, as readily as any other description of public creditors, would have acquiesced in a measure, calculated for the accommodation of the government, under circumstances, in respect to which, it has been demonstrated by subsequent events that the accommodation desired was consistent with the best interest of the public creditors. A large proportion of the parties interested have indeed viewed the matter in this light, and have embraced the proposition. It is probable, that the progress of things will satisfy the remainder, that it is equally their interest to concur; if a farther opportunity be afforded. But it is, nevertheless, for themselves only to judge, how far the equivalent proposed is, in their case, a reasonable and fair one; how far any circumstances in their claim may suggest reasons for moderation on their part; or how far any other motives, public or private, ought to induce an acceptance. And the principles of good faith require, that their election should be free.

On this ground, the complaint which regards the withholding of a temporary payment of interest, except on the condition of a

surrender of the old certificates for new ones importing a contract substantially different, appears to the Secretary not destitute of foundation. He presumes, that the operation of that provision, in the particular case was not adverted to; or, that an exception would have been introduced as most consonant with the general spirit and design of the act. Accordingly the farther measures which will be submitted, will contemplate a method of obviating the objection in question.

From the consideration, that an extension of the time for receiving subscriptions upon the terms of the act making provision for the debt of the United States, is desired by a large proportion of the non-subscribing creditors; and from the farther consideration, that sufficient experience has not yet been had of the productiveness of a considerable branch of the revenues which have been established, to afford the light necessary to the final arrangement—it is, in the judgment of the Secretary, advisable, to renew the proposition for a loan in the domestic debt, on the same terms with the one which has been closed, and to allow time for receiving subscriptions to it until the last day of September next, inclusively; making provision for the temporary payment of interest to such who may not think fit to subscribe, for the year 1792, of the like nature with that which was made in the same case for the year 1791—except as to the holders of loan-office certificates, issued between the first of September, 1777, and the first of March, 1778; in respect to whom it is submitted as proper to dispense with the obligation of exchanging their old certificates for new, as the condition of their receiving interest in capacity of non-subscribers; and to allow them, without such exchange, to receive the same interest, both for the years 1791 and 1792, as if they had subscribed to the first loan. It will not be materially difficult, so to regulate the operation at the treasury as to avoid in the particular case, that danger of imposition by counterfeits, which was the motive to the general provision for an exchange of certificates.

II. The amount of the subscriptions in the debts of the respective States, within the limits of the sum assumed in each, appears by the statement marked D. to be dollars 17,072,334. 39-100ths, subject to the observations accompanying that statement. Consequently the difference between the aggregate of the sums subscribed and the aggregate of the sums assumed, in dollars 4,427,665. 61-100ths.

This difference is to be attributed to several causes, the principal of which are the following: First, That the sums assumed in respect to certain States exceeded the actual amount of their existing debts. Second, That in various instances, a part of the existing debt was in a form which excluded it from being received, without contravening particular provisions of the law; as in the case of certificates issued after the first day of January, 1790, in lieu of certificates which had been issued prior to that period, which was reported upon by the Secretary on the twenty-fifth day of February last. Third, Ignorance of, or inattention to the limitation of time for receiving subscriptions. It appears, that a number of persons lost the opportunity of subscribing from the one or the other of these causes.

A strong desire that a farther opportunity may be afforded for subscriptions in the debts of the States, has been manifested by the individuals interested. And the States of Rhode-Island and New-Hampshire, have by the public acts referred to the Secretary, indicated a similar desire. The affording of such farther opportunity, may either be restricted within the limit, as to amount, which is contemplated by the act itself, or may receive an extension which will embrace the residuary debts of the States.

The first may be considered as nothing more than giving full effect to a measure already adopted.

The last appears to have in its favor all the leading inducements to what has been already done. The embarrassments which might arise from conflicting systems of finance, are not entirely obviated. The efficacious command of the national resources for national exigencies, is not unequivocally secured. The equalizing of the condition of the citizens of every state, and exonerating those of the states most indebted, from partial burthens which would press upon them in consequence of exertions in a common cause, is not completely fulfilled, until the entire debt of every state, contracted in relation to the war, is embraced on one general and comprehensive plan. The inconvenience to the United States, of disburthening the states, which are still encumbered with considerable debts, would bear no proportion to the inconvenience which they would feel, if left to struggle with those debts, unaided.

More general contentment, therefore, in the public mind, may be expected to attend such an exonerating, than the reverse; in proportion as the experience of actual inconvenience would be greater, though only applicable to parts, in the one than in the other case.

With regard to states, parts only of the debts of which have been assumed, and in proportions short of those, which have prevailed, in favor of other states, and short also of what would have resulted from a due apportionment of the entire sum assumed; the claim to a further assumption is founded on considerations of equal justice, as relative to the measure itself, considered in a separate and independent light.

But there is a further reason of material weight for an immediate general assumption. Monied men, as well foreigners as citizens, through the expectation of an eventual assumption, or that in some shape or other a substantial provision will be made for the unassumed residue of the state debts, will be induced to speculate in the purchase of them. In proportion as the event is unfeigned, or uncertain, the price of the article will be low, and the present proprietors will be under disadvantage in the sale. The loss to them in favor of the purchasers is to be regarded as an evil; and as far as it is connected with a transfer to foreigners, at an under value, it will be a national evil. By whatever authority an ultimate provision may be made, there will be an absolute loss to the community equal to the total amount of such under-value.

It may appear an objection to the measure, that it will require an establishment of additional funds by the government of the United States. But this does not seem to be a necessary consequence. The probability is, that without a supplementary assumption, an equal, or very nearly equal augmentation of funds will be requisite to provide for greater balances in favor of certain states, which would be proportionably diminished by such assumption. The destination, not the quantum of the fund, will therefore be the chief distinction between the two cases.

It may also appear an objection to a total assumption, that the magnitude of the object is not ascertained with precision. It is not certainly known, what sum is due in each state; nor has it been possible to acquire the information, owing to different causes. But though precise data are deficient, there are materials which will serve as guides. From the returns received at the treasury,

affisted by information in other ways, it may be stated without danger of material error—That the remaining debts of the states over and above the sums already subscribed, will not exceed the amounts specified in the statement D. accompanying this report—And that, including the sums already subscribed, the total amount to be ultimately provided for, in the event of a general assumption, will not exceed dols. 25,403,362. 71 which would constitute an addition of dols. 3,903,362. 71 to the sum of 21,500,000 dollars, already assumed.

Should a total assumption be deemed eligible, it may still be advisable to assign a determinate sum for each state, that the utmost limit of the operation may be pre-established; and it is necessary in order to the certainty of a due provision in proper time, that interest should not begin to be payable, on the additional sums assumed, till after the year 1792.

It will occur, that provision has been made, for paying to each state, in trust for its non-subscribing creditors, an interest upon the difference between the sum assumed for such state, and that actually subscribed, equal to what would have been payable, if it had been subscribed.

In the event of a farther assumption, either within the limits already established, or commensurate with the remaining debts of the states; it is conceived, that it will not be incompatible with the provision just mentioned, to retain, at the end of each quarter, during the progress of the farther subscription, out of the money directed to be paid to each state, the sum corresponding with the interest upon so much of its debts as shall have been subscribed to that period, paying the overplus, if any, to the state. An absolute suspension of that payment does not appear consistent with the nature of the stipulation, included in that provision; for though the money to be paid to a state be expressly a trust for the non-subscribing creditors; yet as it cannot be certain beforehand, that they will elect to change their condition, the possibility of it will not justify a suspension of payment to the state, which might operate as a suspension of payment to the creditors themselves.

A farther objection to such a suspension results from the idea, that the provision in question appears to have a secondary object; namely, as a pledge for securing a provision for whatever balance may be found due to a state on the general settlement of accounts. The payment directed to be made to a state, is, "to continue until there shall be a settlement of accounts between the United States and the individual states; and in case a balance should then appear in favor of a state, until provision shall be made for the said balance."

This secondary operation as a pledge or security (consistently with the intent of the funding act) can only be superfluous in favor of the primary object, a provision for the creditors; and as far as may be necessary to admit them to an effectual participation of it. But as whatever money may be paid to a state, is to be paid over to its creditors, proportional deductions may, with propriety, be made from the debts of those creditors who may hereafter subscribe; so as that the United States may not have to pay twice for the same purpose.

If it shall be judged expedient, either to open again, or extend the assumption, it will be necessary to vary the description of the debts, which may be subscribed, so as to comprehend all those, which have relation to services or supplies during the war, under such restrictions as are requisite to guard against abuse.

In the original proposition for an assumption of the state debts, and in the suggestions now made on the same subject, the Secretary has contemplated, and still contemplates, as a material part of the plan, an effectual provision for the use of the vacant lands of the United States. He has considered this resource, as an important mean of sinking a part of the debt, and facilitating ultimate arrangements concerning the residue. If supplementary funds shall be rendered necessary, by an additional assumption, the provision will most conveniently be made at the next session of Congress, when the productiveness of the existing revenues, and the extent of the sum to be provided for, will be better ascertained.

There is a part of the public debt of the United States, which is a cause of some perplexity to the treasury. It is not comprehended within the existing provision for the foreign debt which is confined to loans made abroad; and it is questionable, whether it is to be regarded as a portion of the domestic debt. It is not only due to foreigners, but the interest upon it is payable, by express stipulation, in a foreign country; whence it becomes a matter of doubt, whether it be at all contemplated by the act making provision for the debt of the United States. The part alluded to, is that which is due to certain foreign officers who served the United States during the late war. In consequence of a resolution of Congress, directing their interest to be paid to them in France, the certificates which were issued to them specify, that "in pursuance of and compliance with a certain resolution of Congress of the third day of February, 1784, the said interest is to be paid, annually, at the house of Messrs. le Grand, banker in Paris." Interest has accordingly been paid to them at Paris, down to the 31st of December, 1788, by virtue of a special resolution of Congress of the 20th of August in that year, since which period, no payment has been made.

It has been heretofore suggested as the opinion of the Secretary, that it would be expedient to cause the whole of this description of debt to be paid off; among other reasons, because it bears an interest at six per centum per annum, payable abroad, and can be discharged with a saving. The other reasons alluded to are of a nature both weighty and delicate, and too obvious, it is presumed, to need a specification. Some recent circumstances have served to strengthen the inducements to the measure. But if it should, finally, be deemed unadvisable, it is necessary, at least, that provision should be made for the interest, which is now suspended, under the doubt that has been stated, and from the want of authority to remit it pursuant to the contract.

The amount of this debt, with the arrears of interest to the end of the year 1791, is dols. 220,646. 81.

IV. The act making provision for the debt of the United States, has appropriated the proceeds of the western lands as a fund for the discharge of the public debt. And the act making provision for the reduction of the public debt, has appropriated all the surplus of the duties on imports and tonnage, to the end of the year 1790, to the purpose of purchasing the debt at the market price, and has authorized the President to borrow the further sum of two millions of dollars for the same object.

These measures serve to indicate the intention of the legislature, as early and as fast as possible, to provide for the extinguishment of the existing debt.

In pursuance of that intention, it appears advisable, that a systematic plan should be begun for the creation and establishment of a sinking fund.

(TO BE CONTINUED.)