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PHILADELPHIA, DECEMBER 12.

REPORT

OF THE

SECRETARY of the TREASURY,

Respecting the Redemption of the Public Debt and the Reimbursement of the Loan made of the Bank of the United States.

Treasury Department, Nov. 30, 1792.

SIR,

I have the honor to transmit herewith a Report, pursuant to two resolutions of the House of Representatives, one of the 21st instant, respecting the Redemption of the Public Debt; the other of the 22d instant, respecting the Reimbursement of the Loan made of the Bank of the United States, pursuant to the eleventh section of the act by which it is incorporated; and to be, with the most perfect respect,

SIR,

Your most obedient, and most humble servant,

ALEXANDER HAMILTON,

Secretary of the Treasury,

The Honorable the SPEAKER of the House of Representatives.

In obedience to two Resolutions of the House of Representatives, one of the 21st instant, directing the Secretary of the Treasury to report a Plan for the Redemption of so much of the Public Debt as by the Act entitled "An Act making Provision for the Debt of the United States," the United States have reserved the right to redeem; the other of the 22d instant, directing him to report the Plan of a Provision for the Reimbursement of the Loan made of the Bank of the United States, pursuant to the XIth section of the Act entitled "An Act to Incorporate the Subscribers to the Bank of the United States; the said Secretary respectfully submits the following

REPORT.

THE expediency of taking measures for the regular redemption of the public debt, according to the right which has been reserved to the government, being wisely predetermined by the resolution of the House of Representatives referring the subject to the Secretary, nothing remains for him but to endeavour to select and submit the most eligible means of providing for the execution of that important object.

With this view, the first enquiry, which naturally presents itself, is, whether the existing revenues are or are not adequate to the purpose?

The estimates which accompany the report of the Secretary of the 14th instant, will shew, that during the continuance of the present Indian war, the appropriations for interest and the demands for the current service, are likely to exhaust the product of the existing revenues; though they afford a valuable surplus beyond the permanent objects of expenditure, which it is hoped may, ere long, be advantageously applied to accelerate the extinguishment of the debt.

In the mean time, however, and until the restoration of peace, the employment of that resource in this way, must of necessity be suspended; and either the business of redemption must be deferred, or recourse must be had to other expedients.

But did no such temporary necessity for resorting to other expedients exist, the doing of it would still be recommended by weighty considerations.---It would appear, in the abstract, advisable to leave the surplus of the present revenues free, to be applied to such casual exigencies as may, from time to time occur; to occasional purchases of the debt when not exhausted by such exigencies, to the payment of interest on any balances which may be found due to particular states upon the general settlement of accounts; and finally, to the payment of interest on the deferred part of the debt, when the period for such payment arrives.

There is a reasonable prospect, that if not diverted, it will be found adequate to the two last important purposes.

Relinquishing, then, the idea of an immediate application of the present revenues to the object in view, it remains to examine what other modes are in the option of the Legislature.

Loans, from time to time, equal to the sums annually redeemable, and bottomed on the same revenues, which are now appropriated to pay the interest upon those sums, offer themselves as one expedient, which may be employed with a degree of advantage. As there is a probability of borrowing at a lower rate of interest, a material saving would result; and even this resource, if none better could be devised, ought not to be neglected.

But it is obvious, that to rely upon this resource alone would be to do little towards the final exoneration of the nation. To stop at that point would consequently be neither provident nor satisfactory. The interests as well as the expectations of the Union require something more effectual.

The establishment of additional revenues is the remaining resource. This, if the business is to be undertaken in earnest, is unavoidable: and a full confidence may reasonably be entertained, that the community will see with satisfaction the employment of those means, which alone can be effectual, for accomplishing an end, in itself so important, and so much an object of general desire. It cannot fail to be universally felt, that if the end is to be attained, the necessary means must be employed.

It can only be expected that care be taken to choose such as are liable to fewest objections, and that in the modifications of the business in other respects, due regard be had to the present and progressive circumstances of the country.

Assuming it as the basis of a plan of redemption, that additional revenues are to be provided, the further enquiry divides itself into the following branches:

I. Shall a revenue by immediately constituted, equal to the full sum, which may at present be redeemed, according to the terms of the contract?

II. Shall a revenue be constituted, from year to year, equal only to the interest of the sum, to be redeemed in each year—coupling with this operation an annual loan, commensurate with such sum? Or,

III. Shall a revenue be constituted each year, so much exceeding the interest of the sum to be redeemed as to be sufficient, within a short definite term of time, to discharge the principal itself; coupling with this operation also, an annual loan, equal to the sum to be annually redeemed, and appropriating the revenue created to its discharge, within the term which shall have been predetermined?

The first plan, besides being completely effectual, would be eventually most economical; but considering to what a magnitude the revenues of the United States have grown in a short period, it is not easy to pronounce how far the faculty of paying might not be strained by any sudden considerable augmentation, wherefoever immediately placed; while the rapid progress of the country in population and resource seems to afford a moral certainty, that the necessary augmentation may be made with conveniences by successive steps, within a moderate term of time, and invites to temporary and partial suspensions, as capable of conciliating the reasonable accommodation of the community with the vigorous prosecution of the main design. For these and for other reasons which will readily occur, the course of providing immediately the entire sum to be redeemed, is conceived not to be the most eligible.

The second plan, though much more efficacious than that of annual loans, bottomed on the revenues now appropriated for the payment of interest on the sums to be redeemed, does not appear to be

sufficiently efficacious. The schedule A. will shew the effect of it to the 1st of January, 1802, when the deferred debt will become redeemable in the proportions stipulated. Supposing the investment of the interest which is each year liberated, together with that which has been, and will be released by purchases, pursuant to provisions heretofore made, in the purchase of 6 per cent. stock; a sum of principal equal to 2,043,837 dollars and 7 cents would be sunk, and a clear annuity, equal to 459,212 dollars and 82 cents would be created, towards further redemptions; but the fund then necessary for the future progressive redemption of the debt, according to the right reserved, would be 1,126,616 dollars and 44 cents, exceeding by 667,403 dollars and 62 cents, the amount of the redeeming fund.—Something more effectual than this is certainly desirable, and appears to be practicable.

The last of the three plans best accords with the most accurate view which the Secretary has been able to take of the public interest.

In its application it is of material consequence to endeavour to accomplish these two points: I. The complete discharge of the sums annually redeemable within the period prefixed, and the reimbursement within the same period of all auxiliary loans which may have been made for that purpose. II. The constituting by the expiration of that period, a clear annual fund competent to the future redemption of the debt to the extent of the right reserved.

The period to which it is conceived the plan ought to refer, is the first day of January, 1802; because then, the first payment, on account of the principal of the deferred debt, may rightfully be made.

In conformity to these ideas, the following plan is most respectfully submitted: Premising that the sum redeemable for the first year of the 6 per cent stock, bearing a present interest, is computed at 550,000 dollars.

Let an annual fund be constituted, during the present session, equal to 103,199 dollars and 6 cents, to begin to accrue from the first of January, 1793.—Let the sum of 550,000 dollars be borrowed upon the credit of this annuity, reimbursable within five years, that is by the first of January 1799. The sum borrowed to be applied on the first of January 1794, to the first payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest by the first of January 1799, and will be thenceforth free for any further application.

The sum redeemable the second year, that is on the first of January 1795, is computed at 583,000 dollars.

Let an annual fund be constituted during the second session after the present, equal to 109,391 dollars and 60 cents, to begin to accrue from the first of January 1794. Let the sum of 583,000 dollars be borrowed upon the credit of this annuity reimbursable within five years, that is, by the first of January 1800; the sum borrowed to be applied on the first of January 1795, to the second payment on account of the principal of the debt. The proposed annuity will reimburse the sum borrowed with interest by the first of January 1800, and will be thenceforth free for any further application.

The sum redeemable the third year, that is, on the first of January 1796, is computed at 617,980 dollars.

Let an annual fund be constituted during the third session, after the present, equal to 115,955 dollars and 17 cents, to begin to accrue from the first of January 1795. Let the sum of 617,980 dollars be borrowed upon the credit of this annuity, reimbursable within five years, that is, by the first of January 1801.

The sum borrowed to be applied on the first of January 1796, to the third payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest by the 1st of January, 1801.

The sum redeemable the fourth year, that is on the 1st of January 1797, is computed at 655,058 dollars and 80 cents.

Let an annual fund be constituted during the fourth session, after the present, equal to 122,912 dollars and 48 cents; to begin to accrue from the 1st of January, 1796. Let the sum of 655,058 dollars and 80 cents, be borrowed upon the credit of this annuity, reimbursable within five years; that is by the 1st of January 1802. The sum borrowed to be applied on the 1st of January 1797, to the fourth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest by the 1st of January 1802.

The sum redeemable the fifth year, that is on the 1st of January 1798, is computed at 694,362 dollars and 33 cents.

Let an annual fund be constituted during the fifth session, after the present, equal to 152,743 dollars and 12 cents, to begin to accrue from the 1st of January 1797. Let the sum of 694,362 dollars and 33 cents be borrowed upon the credit of this annuity, reimbursable within four years, that is by the 1st of January 1802. The sum borrowed to be applied on the 1st of January 1798 to the fifth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest by the 1st of January 1802.

The sum redeemable the sixth year, that is on the first of January 1799 is computed at 736,024 dollars and 7 cents.

Let an annual fund be constituted during the sixth session, after the present, equal to 197,680 dollars and 20 cents, to begin to accrue from the 1st January 1798. Let the sum of 736,024 dollars and 7 cents, be borrowed upon the credit of this annuity, reimbursable within three years, that is by the 1st of January 1802. The sum borrowed to be applied on the 1st of January 1799 to the sixth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest by the 1st of January 1802.

The sum redeemable the seventh year, that is, on the 1st of January 1800, is computed at 780,185 dollars and 52 cents.

Let an annual fund be constituted during the seventh session, after the present, equal to 272,848 dollars and 38 cents, to begin to accrue from the 1st of January 1799. Let the sum of 780,185 dollars and 52 cents be borrowed upon the credit of this annuity, reimbursable within two years, that is, by the 1st of January 1802. The sum borrowed to be applied on the first of January 1800 to the seventh payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest, by the 1st of January 1802.

The sum redeemable the eighth year, that is, on the 1st of January, 1801, is computed at 826,996 dollars and 65 cents.

Let an annual fund be constituted during the eighth session, after the present, equal to 423,583 dollars and 64 cents, to begin to accrue from the 1st of January 1800. Let the sum of 826,996 dollars and 65 cents be borrowed upon the credit of this annuity, reimbursable within one year, that is, on the 1st of January 1802.

The sum borrowed to be applied on the 1st of January 1801 to the eighth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed with interest on the 1st of January 1802.

The sum redeemable the ninth year, that is, on the 1st of January 1802, is computed at 1,126,616 dollars and 44 cents.

The then existing means for the discharge of this sum, arising from the operation of the plan, will be

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