

American



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CONDITIONS.

The *American Patriot* shall be published every Saturday, and forwarded to subscribers by the earliest opportunities. The price is two dollars per annum, exclusive of postage; one half to be paid at the time of subscribing, and the residue at the expiration of six months.

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Advertisements, not exceeding a square shall be inserted three times for one dollar, and for every subsequent insertion, twenty five cents; those of greater length in proportion.

NATIONAL BANK & PUBLIC CREDIT

In the House of Representatives of the United States, the National Bank bill, after having been amended, re-amended, and discussed until the subject was nearly exhausted, was on the 23d ult. recommitted to a select committee. On the 28th the chairman of the committee reported the bill without amendment, and laid before the house the annexed letter from the secretary of the treasury. The house after spending the whole day on the bill, decided that it should not be read a third time! or in other words, that the bill should be rejected.

Frank. Ripon.

Treasury Department, Nov. 23, 1814.

SIR—I have the honor to acknowledge the receipt of your letter, requesting for a committee of the House of Representatives, an opinion on the following enquires.

1. The effects which a considerable issue of treasury notes, with the quality of being receivable in subscriptions to a national Bank, will have upon the credit of the government; and particularly upon the prospects of a loan for 1815?

2. The practicability of getting 44 millions of the treasury notes (forming, with 6 millions of specie, the capital for a national Bank) into circulation without depreciation?

The enquiries of the committee cannot be satisfactorily answered in the abstract but considered in connection with the state of our finances and the state of the public credit.

When I arrived at Washington, the treasury was suffering under every kind of embarrassment. The demands upon it were great in amount; while the means to satisfy them, were comparatively, small; precarious in the collection, and difficult in the application. The demands consisted of dividends upon the old and new funded debt; of treasury notes, and of legislative appropriations for the army, the navy, and the current service; all urgent and important. The means consisted, 1st, of the fragment of an authority to borrow money, when no body was disposed to lend, and to issue treasury notes, which none but necessitous creditors, or contractors in distress, or commissioners, quarter masters and navy agents, acting as it were officially, seemed willing to accept! 2d, of the amount of bank credits scattered through the United States, and particularly in the southern and western banks, which had been rendered in a great degree, useless, by the stoppage of payments in specie, and the consequent impracticability of transferring the public funds from one place, to meet the public engagements in another place. And 3d, of the current supply of money from the imposts; from internal duties, and from the sales of public lands, which ceased to be a foundation of any rational estimate or reserve to provide even for the dividends on the funded debt when it

was found, that the treasury notes (only requiring, indeed, a cash payment at the distance of a year) to whomsoever they were issued at the Treasury, and almost as soon as they were issued, reached the hands of the collectors in payment of debts, duties, and taxes: thus disappointing and defeating the only expectation of productive revenue.

Under those circumstances (which I had the honor to communicate to the committee of ways and means) it became the duty of this department, to endeavor to remove the immediate pressure from the treasury to endeavor to restore public credit, and to endeavor to provide for the expenses of the ensuing year. The only measures that occurred to my mind, for the accomplishment of such important objects, have been presented to the view of congress. The act authorising the receipt of treasury notes in payment of subscriptions to a public loan, was passed, I fear, too late to answer the purpose for which it was designed. It promises at this time, little relief, either as an instrument to raise money, or to absorb the claim for Treasury notes, which are daily becoming due. From this cause, and from other obvious causes, the dividend on the other funded debt, has not been punctually paid; a large amount of treasury notes has already been dishonored; and the hopes of preventing any further injury and reproach, in transacting the business of the treasury, is too visionary to afford a moment's consolation.

The actual condition of the treasury, thus described will serve to indicate the state of the public credit. Public credit depends essentially on public opinion. The usual test of public credit, is, indeed, the value of the public debt. The facility of borrowing money is not a test of public credit; for a faithless government like a desperate individual, has only to increase the premium, according to the exigency, in order to secure a loan. Thus, public opinion, manifested in every form, and in every direction hardly permits us at the present juncture to speak of the existence of public credit! and yet, it is not impossible, that the government, in the resources of its patronage and its pledges, might find the means of tempting the rich and the avaricious to supply its immediate wants.

But when the wants of to-day are supplied; what is the new expedient, that shall supply the wants of to-morrow? If it is now a charter of incorporation it may then be a grant in land; but after all, the immeasurable tracts of western wild, would be exhausted, in successive efforts to obtain pecuniary aids, and still leave the government necessitous, unless the foundations of public credit were re-established and maintained! In the measures, therefore which it has been my duty to suggest, I have endeavoured to introduce a permanent plan for reviving the public credit, of which the facility of borrowing money, in anticipation of settled and productive revenues is only an incident, although it is an incident as durable as the plan itself. The outline seemed to embrace whatever was requisite, to leave no doubt about the power and disposition of the government, in relation to its pecuniary engagements; to diminish and not to augment, the amount of public debt in the hands of individuals; and create general confidence, rather, by the manner of treating the claims of the

present class of creditors, than by the manner of conciliating the favor of a new class.

With these explanatory remarks, Sir, I proceed to answer, specifically the questions which you have proposed.

1st. I am of opinion that a considerable issue of treasury notes, with the quality of being receivable in subscriptions to a national bank, will have an injurious effect upon the credit of the government; and also upon the prospects of a loan for 1815.

Because it will confer gratuitously, an advantage upon a class of new creditors, over the present creditors of the government standing on a footing of, at least, equal merit.

Because it will excite general dissatisfaction among the present holders of the public debt: and general distrust among the capitalists, who are accustomed to advance their money to the government.

Because a quality of subscribing to the National Bank, attached to Treasury notes, exclusively will tend to depreciate the value of all the public debt, not possessing that quality; and whatever depreciates the value of the public debt in this way, must necessarily impair the public credit.

Because the specie capital of the citizens U. States, so far as it may be deemed applicable to investments in the public stocks, has already in a great measure, been so vested; the holders of the present debt will be enabled to become subscribers to the Bank, if that object should, eventually, prove desirable, without selling their stock at a reduced rate, in order to procure the whole amount of their subscriptions in treasury notes: and a general depreciation in the value of the public debt will inevitably ensue.

Because the very proposition of making a considerable issue of treasury notes, even with the quality of being subscribable to a national Bank, can only be regarded as an experiment on which it seems dangerous to rely. The treasury notes must be purchased at par, with money; a new set of creditors must be created; it may, or it may not, be deemed an object of speculation by the money holders, to subscribe to the bank: the result of the experiment cannot be ascertained, until it will be too late to provide a remedy, in the case of failure; while the credit of the government will be affected by every circumstance which keeps the efficacy of its fiscal operations in suspense or doubt.

Because the prospect of a loan for the year 1815, without the aid of a Bank, is faint and unpromising; except perhaps, so far as the pledge of a specific tax may succeed; and then it must be recollected, that a considerable supply of money will be required for the prosecution of the war, beyond the whole amount of taxes to be levied.

Because, if a loan for the year 1815 be made to depend upon the issue of the treasury notes subscribable to a national bank, it will, probably, fail for the reasons which have already been suggested. If the loan be independent of that operation a considerable issue of treasury notes, for the purpose of creating a Bank Capital, must, it is be-

lieved deprive the government of every chance of raising money in any other manner.

2d. I am of opinion that it will be extremely difficult, if not impracticable, to get 44 millions of treasury notes, (forming, with six millions of specie, the capital of a national Bank) into circulation, with or without depreciation.

Because, if the subscription to the bank becomes an object of speculation, the treasury notes will probably be purchased at the treasury, and at the loan office, and never pass into circulation at all.

Because whatever portion of the treasury notes might pass into circulation would be speedily withdrawn, by the speculators in the subscriptions to the bank, after arts had been employed to depreciate their value.

Because it is not believed, that in the present state of the public credit, 44 millions of treasury notes can be sent into circulation. The only difference between the treasury notes now issued & dishonored, & those proposed to be issued, consists in the subscribable quality: but reasons have already been assigned for an opinion that this difference does not afford such confidence in the experiment, as seems requisite to justify a reliance upon it, for accomplishing some of the most interesting objects of the government.

I must beg you sir, to pardon the haste in which I have written these general answers to your inquiries. But knowing the importance of time, and feeling a desire to avoid every appearance of contributing to the loss of a moment; I have chosen rather to rest upon the intelligence and candor of the committee, than to enter upon a more labored investigation of the subject referred to me.

I have the honor, &c.

A. J. DALLAS.

WM. LOWMEDES, Esq.

[When the motion was made in the house to print the above letter, it was opposed by Mr. Fisk of New York, and lost. He said the committee to which the letter had been addressed, had concluded that it ought not to be printed. It conveyed truths relative to our treasury too humiliating and portentous to be made known to the public, by which course they would necessarily reach the enemy. He had no doubt the letter would get to the public, having been publicly read in the house and being on the public journal. The letter contained the truth and nothing but the truth. Yet he ardently hoped its publication would never receive the sanction of the house.]

Letters from Washington state that it is currently reported that Mr. Mason, late agent for prisoners, is to be nominated to the senate in a day or two, to the office of Secretary of the navy. It is also rumored that Mr. Dallas will resign.