

AIRA POR24 Keynote Presentation

Keynote Presentation – Liability Management in the Current Era and At the Dawn of the American Republic

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Mr. Sprayregen will talk about the current state of Liability Management transactions, as well as comparing that with liability management transactions at the dawn of the American Republic in the last quarter of the 1700s. The learning objectives of this program are to define what Liability Management is and increase the attendees knowledge of the relationship of transactions circa the founding of the American Republic and those we witness today.

Supplemental Material:

1. Report of the Secretary of Treasury of the United States on Public Credit, January 9, 1790

Original text of Alexander Hamilton's first report on public credit advancing many concepts for establishing financial stability for the new nation that are recognized today as key characteristics of liability management.

2. 2016 Book Review of Thomas K. McCraw's "Founders of Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy".

Report of the Secretary of Treasury of the
United States on Public Credit, January 9, 1790

REPORTS

OF THE

SECRETARY OF THE TREASURY OF THE UNITED STATES.

ON PUBLIC CREDIT.

TREASURY DEPARTMENT, *January 9, 1790.*

The Secretary of the Treasury, in obedience to the resolution of the House of Representatives of the twenty-first day of September last, has, during the recess of Congress, applied himself to the consideration of a proper plan for the support of the public credit, with all the attention which was due to the authority of the House, and to the magnitude of the object.

In the discharge of this duty, he has felt, in no small degree, the anxieties which naturally flow from a just estimate of the difficulty of the task, from a well founded diffidence of his own qualifications for executing it with success, and from a deep and solemn conviction of the momentous nature of the truth contained in the resolution under which his investigations have been conducted, "That an adequate provision for the support of the Public Credit is a matter of high importance to the honor and prosperity of the United States."

With an ardent desire that his well meant endeavors may be conducive to the real advantage of the nation, and with the utmost deference to the superior judgment of the House, he now respectfully submits the result of his inquiries and reflections to their indulgent construction.

In the opinion of the Secretary, the wisdom of the House, in giving their explicit sanction to the proposition which has been stated, cannot but be applauded by all who will seriously consider and trace, through their obvious consequences, these plain and undeniable truths:

That exigencies are to be expected to occur, in the affairs of nations, in which there will be a necessity for borrowing;

That loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them;

And that in a country which, like this, is possessed of little active wealth, or, in other words, little monied capital, the necessity for that resource must, in such emergencies, be proportionably urgent.

And as, on the one hand, the necessity for borrowing in particular emergencies cannot be doubted, so, on the other, it is equally evident, that to be able to borrow upon good terms, it is essential that the credit of a nation should be well established.

For, when the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make. Nor does the evil end here; the same disadvantage must be sustained upon whatever is to be bought on terms of future payment.

From this constant necessity of borrowing and buying dear, it is easy to conceive how immensely the expenses of a nation, in a course of time, will be augmented by an unsound state of the public credit.

To attempt to enumerate the complicated variety of mischiefs in the whole system of the social economy, which proceed from a neglect of the maxims that uphold public credit, and justify the solicitude manifested by the House on this point, would be an improper intrusion on their time and patience.

In so strong a light, nevertheless, do they appear to the Secretary, that on their due observance at the present critical juncture, materially depends, in his judgment, the individual and aggregate prosperity of the citizens of the United States; their relief from the embarrassments they now experience; their character as a people; the cause of good government.

If the maintenance of public credit, then, be truly so important, the next inquiry which suggests itself is, by what means it is to be effected. The ready answer to which question is, by good faith, by a punctual performance of contracts. States, like individuals, who observe their engagements, are respected and trusted; while the reverse is the fate of those who pursue an opposite conduct.

Every breach of the public engagements, whether from choice or necessity, is, in different degrees, hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention on the part of the government, to carry the violation no further than the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation whenever circumstances shall permit. But, with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is, therefore, highly important, when an appearance of necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured that there is no method of escaping from it, before they yield to its suggestions. For, though it cannot safely be affirmed that occasions have never existed, or may not exist, in which violations of the public faith, in this respect, are inevitable; yet there is great reason to believe that they exist far less frequently than precedents indicate; and are oftenest either pretended through levity or want of firmness, or supposed, through want of knowledge. Expedients might often have been devised to effect, consistently with good faith, what has been done in contravention of it. Those who are most commonly creditors of a nation, are, generally speaking, enlightened men; and there are signal examples to warrant a conclusion, that when a candid and fair appeal is made to them, they will understand their true interest too well to refuse their concurrence in such modifications of their claims, as any real necessity may demand.

While the observance of that good faith which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connexion between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities that give peculiar force

to the obligation. There is, indeed, reason to regret that it has not hitherto been kept; that the necessities of the war, conspiring with inexperience in the subjects of finance, produced direct infractions; and that the subsequent period has been a continued scene of negative violation, or non-compliance. But a diminution of this regret arises from the reflection that the last seven years have exhibited an earnest and uniform effort on the part of the government of the Union, to retrieve the national credit, by doing justice to the creditors of the nation; and that the embarrassments of a defective Constitution, which defeated this laudable effort, have ceased.

From this evidence of a favorable disposition given by the former government, the institution of a new one, clothed with powers competent to calling forth the resources of the community, has excited correspondent expectations. A general belief accordingly prevails, that the credit of the United States will quickly be established on the firm foundation of an effectual provision for the existing debt. The influence which this has had at home, is witnessed by the rapid increase that has taken place in the market value of the public securities. From January to November, they rose thirty-three and a third per cent., and from that period to this time, they have risen fifty per cent. more; and the intelligence from abroad announces effects proportionably favorable to our national credit and consequence.

It cannot but merit particular attention, that among ourselves, the most enlightened friends of good government are those whose expectations are the highest.

To justify and preserve their confidence to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources, both to agriculture and commerce; to cement more closely the union of the States; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy—These are the great and invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit.

To this provision we are invited, not only by the general considerations which have been noticed, but by others of a more particular nature. It will procure to every class of the community some important advantages, and remove some no less important disadvantages.

The advantage to the public creditors from the increased value of that part of their property which constitutes the public debt, needs no explanation.

But there is a consequence of this, less obvious, though not less true, in which every other citizen is interested. It is a well known fact, that in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt, are there equivalent to payments in specie; or, in other words, stock in the principal transactions of business, passes current as specie. The same thing would, in all probability, happen here under the like circumstances.

The benefits of this are various and obvious:

First. Trade is extended by it, because there is a larger capital to carry it on, and the merchant can, at the same time, afford to trade for smaller profits; as his stock, which, when unemployed, brings him in an interest from the government, serves him also as money when he has a call for it in his commercial operations.

Secondly. Agriculture and manufactures are also promoted by it, for the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enterprise in foreign trade gives to them activity and extension, has greater means for enterprise.

Thirdly. The interest of money will be lowered by it; for this is always in a ratio to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labor, to industry, and to arts of every kind. But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an adequate and stable value; till then, it has rather a contrary tendency. The fluctuation and insecurity incident to it in an unfunded state, render it a mere commodity, and a precarious one. As such, being only an object of occasional and particular speculation, all the money applied to it is so much diverted from the more useful channels of circulation, for which the thing itself affords no substitute; so that, in fact, one serious inconvenience of an unfunded debt is, that it contributes to the scarcity of money.

This distinction, which has been little if at all attended to, is of the greatest moment; it involves a question immediately interesting to every part of the community, which is no other than this: whether the public debt, by a provision for it on true principles, shall be rendered a substitute for money; or whether, by being left as it is, or by being provided for in such a manner as will wound those principles and destroy confidence, it shall be suffered to continue as it is, a pernicious drain of our cash from the channels of productive industry.

The effect which the funding of the public debt, on right principles, would have upon landed property, is one of the circumstances attending such an arrangement, which has been least adverted to, though it deserves the most particular attention. The present depreciated state of that species of property is a serious calamity. The value of cultivated lands in most of the States, has fallen, since the revolution, from twenty-five to fifty per cent. In those furthest South, the decrease is still more considerable. Indeed, if the representations continually received from that quarter may be credited, lands there will command no price which may not be deemed an almost total sacrifice. This decrease in the value of lands, ought, in a great measure, to be attributed to the scarcity of money; consequently, whatever produces an augmentation of the monied capital of the country, must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell, but the necessity of selling would be itself greatly diminished. As the same cause would contribute to the facility of loans, there is reason to believe, that such of them as are indebted, would be able, through that resource, to satisfy their more urgent creditors.

It ought not, however, to be expected, that the advantages described as likely to result from funding the public debt, would be instantaneous. It might require some time to bring the value of stock to its natural level, and to attach to it that fixed confidence, which is necessary to its quality as money. Yet the late rapid rise of the public securities encourages an expecta-

tion, that the progress of stock to the desirable point, will be much more expeditious than could have been foreseen. And as, in the mean time, it will be increasing in value, there is room to conclude that it will, from the outset, answer many of the purposes in contemplation. Particularly it seems to be probable, that from creditors who are not themselves necessitous, it will early meet with a ready reception in payment of debts, at its current price.

Having now taken a concise view of the inducements to a proper provision for the public debt, the next inquiry which presents itself is, what ought to be the nature of such a provision? This requires some preliminary discussions.

It is agreed on all hands, that that part of the debt which has been contracted abroad, and is denominated the foreign debt, ought to be provided for according to the precise terms of the contracts relating to it. The discussions which can arise, therefore, will have reference essentially to the domestic part of it—or to that which has been contracted at home. It is to be regretted, that there is not the same unanimity of sentiment on this part, as on the other.

The Secretary has too much deference for the opinions of every part of the community, not to have observed one, which has more than once made its appearance in the public prints, and which is occasionally to be met with in conversation. It involves this question, whether a discrimination ought not to be made between original holders of the public securities, and present possessors, by purchase? Those who advocate a discrimination, are for making a full provision for the securities of the former at their nominal value; but contend that the latter ought to receive no more than the cost to them, and the interest. And the idea is sometimes suggested of making good the difference to the primitive possessor.

In favor of this scheme, it is alleged, that it would be unreasonable to pay twenty shillings in the pound, to one who had not given more for it than three or four. And it is added, that it would be hard to aggravate the misfortune of the first owner, who, probably through necessity, parted with his property at so great a loss, by obliging him to contribute to the profit of the person who had speculated on his distresses.

The Secretary, after the most mature reflection on the force of this argument, is induced to reject the doctrine it contains, as equally unjust and impolitic—as highly injurious, even to the original holders of public securities—as ruinous to public credit.

It is inconsistent with justice, because, in the first place, it is a breach of contract, a violation of the rights of a fair purchaser.

The nature of the contract, in its origin, is, that the public will pay the sum expressed in the security, to the first holder or his assignee. The intent in making the security assignable, is, that the proprietor may be able to make use of his property, by selling it for as much as it may be worth in the market, and that the buyer may be safe in the purchase.

Every buyer, therefore, stands exactly in the place of the seller, has the same right with him to the identical sum expressed in the security, and having acquired that right, by fair purchase, and in conformity to the original agreement and intention of the government, his claim cannot be disputed, without manifest injustice.

That he is to be considered as a fair purchaser, results from this: whatever necessity the seller may have been under, was occasioned by the government,

in not making a proper provision for its debts. The buyer had no agency in it, and therefore ought not to suffer. He is not even chargeable with having taken an undue advantage. He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He of course gave a fair equivalent, and ought to reap the benefit of his hazard; a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government.

That the case of those who parted with their securities from necessity, is a hard one, cannot be denied. But, whatever complaint of injury, or claim of redress they may have, respects the government solely. They have not only nothing to object to the persons who relieved their necessities, by giving them the current price of their property, but they are even under an implied condition to contribute to the reimbursement of those persons. They knew that, by the terms of the contract with themselves, the public were bound to pay to those to whom they should convey their title the sums stipulated to be paid to them; and that, as citizens of the United States, they were to bear their proportion of the contribution for that purpose. This, by the act of assignment, they tacitly engage to do; and, if they had an option, they could not, with integrity or good faith, refuse to do it, without the consent of those to whom they sold.

But, though many of the original holders sold from necessity, it does not follow that this was the case with all of them. It may well be supposed that some of them did it either through want of confidence in an eventual provision, or from the allurements of some profitable speculation. How shall these different classes be discriminated from each other? How shall it be ascertained, in any case, that the money which the original holder obtained for his security was not more beneficial to him than if he had held it to the present time, to avail himself of the provision which shall be made? How shall it be known whether, if the purchaser had employed his money in some other way, he would not be in a better situation than by having applied it in the purchase of securities, though he should now receive their full amount? And, if neither of these things can be known, how shall it be determined whether a discrimination, independent of the breach of contract, would not do a real injury to purchasers; and, if it included a compensation to the primitive proprietors, would not give them an advantage to which they had no equitable pretension?

It may well be imagined, also, that there are not wanting instances in which individuals, urged by a present necessity, parted with the securities received by them from the public, and shortly after replaced them with others, as an indemnity for their first loss. Shall they be deprived of the indemnity which they have endeavored to secure by so provident an arrangement?

Questions of this sort, on a close inspection, multiply themselves without end, and demonstrate the injustice of a discrimination, even on the most subtle calculations of equity, abstracted from the obligation of contract.

The difficulties, too, of regulating the details of a plan for that purpose, which would have even the semblance of equity, would be found immense. It may well be doubted whether they would not be insurmountable, and replete with such absurd as well as inequitable consequences, as to disgust even the proposers of the measure.

As a specimen of its capricious operation, it will be sufficient to notice the effect it would have upon two persons, who may be supposed two years ago to have purchased, each, securities at three shillings in the pound, and one of

them to retain those bought by him, till the discrimination should take place, the other to have parted with those bought by him, within a month past, at nine shillings. The former, who had had most confidence in the government, would, in this case, only receive at the rate of three shillings, and the interest; while the latter, who had had less confidence, would receive for what cost him the same money, at the rate of nine shillings, and his representative, standing in his place, would be entitled to a like rate.

The impolicy of a discrimination results from two considerations: one, that it proceeds upon a principle destructive of that quality of the public debt, or the stock of the nation, which is essential to its capacity for answering the purposes of money, that is, the security of transfer; the other, that, as well on this account as because it includes a breach of faith, it renders property in the funds less valuable, consequently induces lenders to demand a higher premium for what they lend, and produces every other inconvenience of a bad state of public credit.

It will be perceived, at first sight, that the transferable quality of stock is essential to its operation as money, and that this depends on the idea of complete security to the transferee, and a firm persuasion that no distinction can, in any circumstances, be made between him and the original proprietor.

The precedent of an invasion of this fundamental principle, would, of course, tend to deprive the community of an advantage with which no temporary saving could bear the least comparison.

And it will as readily be perceived, that the same cause would operate a diminution of the value of stock in the hands of the first as well as of every other holder. The price which any man who should incline to purchase, would be willing to give for it, would be in a compound ratio to the immediate profit it afforded, and the chance of the continuance of his profit. If there was supposed to be any hazard of the latter, the risk would be taken into the calculation, and either there would be no purchase at all, or it would be at a proportionably less price.

For this diminution of the value of stock, every person who should be about to lend to the government, would demand compensation; and would add to the actual difference between the nominal and the market value, an equivalent for the chance of greater decrease; which, in a precarious state of public credit, is always to be taken into the account. Every compensation of this sort, it is evident, would be an absolute loss to the government.

In the preceding discussion of the impolicy of a discrimination, the injurious tendency of it to those who continue to be the holders of the securities they received from the government, has been explained. Nothing need be added on this head, except that this is an additional and interesting light in which the injustice of the measure may be seen. It would not only divest present proprietors, by purchase, of the rights they had acquired under the sanction of public faith, but it would depreciate the property of the remaining original holders. It is equally unnecessary to add any thing to what has been already said, to demonstrate the fatal influence which the principle of discrimination would have on the public credit.

But there is still a point in view in which it will appear perhaps even more exceptionable than in either of the former. It would be repugnant to an express provision of the Constitution of the United States. This provision is, that "all debts contracted, and engagements entered into, before the adoption of that Constitution, shall be as valid against the United States under it, as under the Confederation;" which amounts to a constitutional rati-

fication of the contracts respecting the debt in the state in which they existed under the Confederation. And, resorting to that standard, there can be no doubt that the rights of assignees and original holders must be considered as equal. In exploding thus fully the principle of discrimination, the Secretary is happy in reflecting, that he is only the advocat  of what has been already sanctioned by the formal and express authority of the government of the Union, in these emphatic terms: "The remaining class of creditors," say Congress, in their circular address to the States, of the 26th of April, 1783, "is composed partly of such of our fellow citizens as originally lent to the public the use of their funds, or have since manifested most confidence in their country, by receiving transfers from the lenders; and partly of those whose property has been either advanced or assumed for the public service. To discriminate the merits of these several descriptions of creditors would be a task equally unnecessary and invidious. If the voice of humanity plead more loudly in favor of some than of others, the voice of policy, no less than of justice, pleads in favor of all. A wise nation will never permit those who relieve the wants of their country, or who rely most on its faith, its firmness, and its resources, when either of them is distrusted, to suffer by the event."

The Secretary, concluding that a discrimination between the different classes of creditors of the United States cannot, with propriety, be made, proceeds to examine whether a difference ought to be permitted to remain between them and another description of public creditors—those of the States, individually. The Secretary, after mature reflection on this point, entertains a full conviction, that an assumption of the debts of the particular States by the Union, and a like provision for them as for those of the Union, will be a measure of sound policy and substantial justice.

It would, in the opinion of the Secretary, contribute, in an eminent degree, to an orderly, stable, and satisfactory arrangement of the national finances. Admitting, as ought to be the case, that a provision must be made, in some way or other, for the entire debt, it will follow that no greater revenues will be required, whether that provision be made wholly by the United States, or partly by them, and partly by the States separately.

The principal question, then, must be, whether such a provision cannot be more conveniently and effectually made, by one general plan, issuing from one authority, than by different plans, originating in different authorities? In the first case there can be no competition for resources; in the last, there must be such a competition. The consequences of this, without the greatest caution on both sides, might be interfering regulations, and thence collision and confusion. Particular branches of industry might also be oppressed by it. The most productive objects of revenue are not numerous. Either these must be wholly engrossed by one side, which might lessen the efficacy of the provisions by the other, or both must have recourse to the same objects, in different modes, which might occasion an accumulation upon them beyond what they could properly bear. If this should not happen, the caution requisite to avoiding it would prevent the revenue's deriving the full benefit of each object. The danger of interference and of excess, would be apt to impose restraints very unfriendly to the complete command of those resources which are the most convenient, and to compel the having recourse to others less eligible in themselves, and less agreeable to the community. The difficulty of an effectual command of the public resources, in case of separate provisions for the debt, may be seen in another, and, perhaps, more striking light. It would naturally happen that different States, from local

considerations, would, in some instances, have recourse to different objects, in others to the same objects, in different degrees, for procuring the funds of which they stood in need. It is easy to conceive how this diversity would affect the aggregate revenue of the country. By the supposition, articles which yielded a full supply in some States, would yield nothing, or an insufficient product, in others. And hence the public revenue would not derive the full benefit of those articles from State regulations: neither could the deficiencies be made good by those of the Union. It is a provision of the national Constitution, that "all duties, imposts, and excises, shall be "uniform throughout the United States." And, as the general government would be under a necessity, from motives of policy, of paying regard to the duty which may have been previously imposed upon any article, though but in a single State, it would be constrained either to refrain wholly from any further imposition upon such article, where it had been already rated as high as was proper, or to confine itself to the difference between the existing rate and what the article would reasonably bear. Thus the pre-occupancy of an article by a single State, would tend to arrest or abridge the impositions of the Union on that article. And as it is supposable, that a great variety of articles might be placed in this situation, by dissimilar arrangements of the particular States, it is evident that the aggregate revenue of the country would be likely to be very materially contracted by the plan of separate provisions.

If all the public creditors receive their dues from one source, distributed with an equal hand, their interest will be the same. And, having the same interests, they will unite in the support of the fiscal arrangements of the government: as these, too, can be made with more convenience where there is no competition. These circumstances combined, will ensure to the revenue laws a more ready and more satisfactory execution.

If, on the contrary, there are distinct provisions, there will be distinct interests, drawing different ways. That union and concert of views, among the creditors, which in every government is of great importance to their security, and to that of public credit, will not only not exist, but will be likely to give place to mutual jealousy and opposition. And from this cause, the operation of the systems which may be adopted both by the particular States and by the Union, with relation to their respective debts, will be in danger of being counteracted.

There are several reasons, which render it probable that the situation of the State creditors would be worse than that of the creditors of the Union, if there be not a national assumption of the State debts. Of these it will be sufficient to mention two: one, that a principal branch of revenue is exclusively vested in the Union; the other, that a State must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regulation to the other States, and from the tendency of partial duties to injure its industry and commerce. Should the State creditors stand upon a less eligible footing than the others, it is unnatural to expect they would see with pleasure a provision for them. The influence which their dissatisfaction might have, could not but operate injuriously, both for the creditors and the credit of the United States. Hence it is even the interest of the creditors of the Union, that those of the individual States should be comprehended in a general provision. Any attempt to secure to the former either exclusive or peculiar advantages, would materially hazard their interests. Neither would it be just, that one class of the public creditors should be more favored than the other. The objects for which both descrip-

tions of the debt were contracted, are in the main the same. Indeed a great part of the particular debts of the States has arisen from assumptions by them on account of the Union. And it is most equitable, that there should be the same measure of retribution for all. There is an objection, however, to an assumption of the State debts, which deserves particular notice. It may be supposed, that it would increase the difficulty of an equitable settlement between them and the United States.

The principles of that settlement, whenever they shall be discussed, will require all the moderation and wisdom of the government. In the opinion of the Secretary, that discussion, till further lights are obtained, would be premature. All, therefore, which he would now think adviseable on the point in question, would be, that the amount of the debts assumed and provided for, should be charged to the respective States, to abide an eventual arrangement. This, the United States, as assignees to the creditors, would have an indisputable right to do. But as it might be a satisfaction to the House to have before them some plan for the liquidation of accounts between the Union and its members, which, including the assumption of the State debts, would consist with equity, the Secretary will submit, in this place, such thoughts on the subject as have occurred to his own mind, or been suggested to him, most compatible, in his judgment, with the end proposed.

Let each State be charged with all the money advanced to it out of the treasury of the United States, liquidated according to the specie value at the time of each advance, with interest at six per cent.

Let it also be charged with the amount, in specie value, of all its securities which shall be assumed, with the interest upon them, to the time when interest shall become payable by the United States.

Let it be credited for all moneys paid, and articles furnished to the United States, and for all other expenditures during the war, either towards general or particular defence, whether authorized or unauthorized by the United States; the whole liquidated to specie value, and bearing an interest of six per cent., from the several times at which the several payments, advances, and expenditures accrued.

And let all sums of continental money now in the treasuries of the respective States, which shall be paid into the treasury of the United States, be credited at specie value.

Upon a statement of the accounts according to these principles, there can be little doubt that balances would appear in favor of all the States against the United States.

To equalize the contributions of the States, let each be then charged with its proportion of the aggregate of those balances, according to some equitable ratio, to be devised for that purpose.

If the contributions should be found disproportionate, the result of this adjustment would be, that some States would be creditors, some debtors, to the Union. Should this be the case—as it will be attended with less inconvenience to the United States to have to pay balances to, than to receive them from, the particular States—it may, perhaps, be practicable to effect the former by a second process, in the nature of a transfer of the amount of the debts of debtor States, to the credit of creditor States; observing the ratio by which the first apportionment shall have been made. This, whilst it would destroy the balances due from the former, would increase those due to the latter. These to be provided for by the United States, at a reasonable interest, but not to be transferable. The expediency of this second process must depend on a knowledge of the result of the first. If the inequalities

should be too great, the arrangement may be impracticable, without unduly increasing the debt of the United States. But it is not likely that this would be the case. It is also to be remarked, that though this second process might not, upon the principle of apportionment, bring the thing to the point aimed at, yet it may approach so nearly to it, as to avoid essentially the embarrassment of having considerable balances to collect from any of the States.

The whole of this arrangement to be under the superintendence of commissioners, vested with equitable discretion and final authority. The operation of the plan is exemplified in schedule A.

The general principle of it seems to be equitable, for it appears difficult to conceive a good reason why the expenses for the particular defence of a part, in a common war, should not be a common charge, as well as those incurred professedly for the general defence. The defence of each part is that of the whole; and unless all the expenditures are brought into a common mass, the tendency must be to add to the calamities suffered, by being the most exposed to the ravages of war, an increase of burthens. This plan seems to be susceptible of no objection which does not belong to every other, that proceeds on the idea of a final adjustment of accounts. The difficulty of settling a ratio is common to all. This must, probably, either be sought for in the proportions of the requisitions during the war, or in the decision of commissioners, appointed with plenary power. The rule prescribed in the Constitution with regard to representation and direct taxes, would evidently not be applicable to the situation of parties, during the period in question. The existing debt of the United States is excluded from the computation, as it ought to be, because it will be provided for out of a general fund. The only discussion of a preliminary kind which remains, relates to the distinctions of the debt into principal and interest. It is well known that the arrears of the latter bear a large proportion to the amount of the former. The immediate payment of these arrears is evidently impracticable; and a question arises—what ought to be done with them?

There is good reason to conclude, that the impressions of many are more favorable to the claim of the principal, than to that of the interest; at least so far as to produce an opinion, that an inferior provision might suffice for the latter.

But, to the Secretary, this opinion does not appear to be well founded. His investigations of the subject have led him to a conclusion, that the arrears of interest have pretensions at least equal to the principal.

The liquidated debt, traced to its origin, falls under two principal discriminations. One relating to loans, the other to services performed and articles supplied. The part arising from loans was at first made payable at fixed periods, which have long since elapsed, with an early option to lenders, either to receive back their money at the expiration of those periods, or to continue it at interest, till the whole amount of continental bills circulating should not exceed the sum in circulation at the time of each loan. This contingency, in the sense of the contract, never happened; and the presumption is, that the creditors preferred continuing their money indefinitely at interest, to receiving it in a depreciated and depreciating state.

The other parts of it were chiefly for objects which ought to have been paid for at the time, that is, when the services were performed, or the supplies furnished; and were not accompanied with any contract for interest.

But by different acts of government and administration, concurred in by the creditors, these parts of the debt have been converted into a capital, bearing an interest of six per cent. per annum, but without any definite

period of redemption. A portion of the Loan Office debt, has been exchanged for new securities of that import; and the whole of it seems to have acquired that character after the expiration of the periods prefixed for re-payment. If this view of the subject be a just one, the capital of the debt of the United States may be considered in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the government, by payment of the principal. For it seems to be a clear position, that when a government contracts a debt payable with interest, without any precise time being stipulated or understood for payment of the capital, that time is a matter of pure discretion with the government, which is at liberty to consult its own convenience respecting it, taking care to pay the interest with punctuality.

Wherefore, as long as the United States should pay the interest of their debt, as it accrued, their creditors would have no right to demand the principal. But with regard to the arrears of interest, the case is different. These are now due, and those to whom they are due, have a right to claim immediate payment. To say that it would be impracticable to comply, would not vary the nature of the right. Nor can this idea of impracticability be honorably carried further than to justify the proposition of a new contract, upon the basis of a commutation of that right for an equivalent. This equivalent too ought to be a real and fair one. And what other fair equivalent can be imagined for the detention of money, but a reasonable interest? Or what can be the standard of that interest, but the market rate, or the rate which the government pays in ordinary cases?

From this view of the matter, which appears to be the accurate and true one, it will follow, that the arrears of interest are entitled to an equal provision with the principal of the debt.

The result of the foregoing discussions is this. That there ought to be no discrimination between the original holders of the debt, and present possessors by purchase. That it is expedient there should be an assumption of the State debts by the Union, and that the arrears of interest should be provided for on an equal footing with the principal.

The next inquiry, in order, towards determining the nature of a proper provision, respects the quantum of the debt, and the present rates of interest.

The debt of the Union is distinguishable into foreign and domestic.

The Foreign Debt, as stated in schedule B, amounts to principal - - - - -	\$10,070,307 00
Bearing an interest of four, and partly an interest of five per cent.	
Arrears of interest to the last of December, 1789 - - - - -	1,640,071 62
Making together - - - - -	<u>\$11,710,378 62</u>

The Domestic Debt may be subdivided into liquidated and unliquidated; principal and interest.

The principal of the liquidated part, as stated in the schedule C, amounts to - - - - -	\$27,383,917 74
Bearing an interest of six per cent.	
The arrears of interest, as stated in the schedule D, to the end of 1790, amount to - - - - -	13,030,168 20
Making together - - - - -	<u>\$40,414,085 94</u>

This includes all that has been paid in indents (except what has come into the treasury of the United States,) which, in the opinion of the Secretary, can be considered in no other light than as interest due.

The unliquidated part of the domestic debt, which consists chiefly of the continental bills of credit, is not ascertained, but may be estimated at 2,000,000 dollars.

These several sums constitute the whole of the debt of the United States, amounting together to \$ 54,124,464 56. That of the individual States is not equally well ascertained. The schedule E shows the extent to which it has been ascertained by returns pursuant to the order of the House of the 21st September last, but this not comprehending all the States, the residue must be estimated from less authentic information. The Secretary, however, presumes, that the total amount may be safely stated at 25 millions of dollars, principal and interest. The present rate of interest of the State debts is, in general, the same with that of the domestic debt of the Union.

On the supposition that the arrears of interest ought to be provided for, on the same terms with the principal, the annual amount of the interest, which, at the existing rates, would be payable, on the entire mass of the public debt, would be—

On the foreign debt, computing the interest on the principal, as it stands, and allowing four per cent. on the arrears of interest,	\$ 542,599 66
On the domestic debt, including that of the States,	4,044,845 15

Making together,

\$ 4,587,444 81

The interesting problem now occurs. Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the government?

The Secretary will not say that such a provision would exceed the abilities of the country; but he is clearly of opinion, that to make it, would require the extension of taxation to a degree, and to objects, which the true interest of the public creditors forbids. It is therefore to be hoped, and even to be expected, that they will cheerfully concur in such modifications of their claims, on fair and equitable principles, as will facilitate to the government an arrangement substantial, durable, and satisfactory to the community. The importance of the last characteristic will strike every discerning mind. No plan, however flattering in appearance, to which it did not belong, could be truly entitled to confidence.

It will not be forgotten, that exigencies may, ere long, arise, which would call for resources greatly beyond what is now deemed sufficient for the current service; and that, should the faculties of the country be exhausted, or even strained, to provide for the public debt, there could be less reliance on the sacredness of the provision. But while the Secretary yields to the force of these considerations, he does not lose sight of those fundamental principles of good faith, which dictate that every practicable exertion ought to be made, scrupulously to fulfil the engagements of the government; that no change in the rights of its creditors ought to be attempted without their voluntary consent; and that this consent ought to be voluntary in fact, as well as in name. Consequently, that every proposal of a change ought to be in the shape of an appeal to their reason and to their interest; not to

their necessities. To this end it is requisite, that a fair equivalent should be offered for what may be asked to be given up, and unquestionable security for the remainder. Without this, an alteration consistently with the credit and honor of the nation would be impracticable.

It remains to see what can be proposed in conformity to these views.

It has been remarked, that the capital of the debt of the Union is to be viewed in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the government, by payment of the principal. And it will not be required that the arrears of interest should be considered in a more favorable light. The same character, in general, may be applied to the debts of the individual States.

This view of the subject admits, that the United States would have it in their power to avail themselves of any fall in the market rate of interest for reducing that of the debt.

This property of the debt is favorable to the public; unfavorable to the creditor; and may facilitate an arrangement for the reduction of interest, upon the basis of a fair equivalent.

Probabilities are always a rational ground of contract. The Secretary conceives, that there is good reason to believe, if effectual measures are taken to establish public credit, that the government rate of interest in the United States, will, in a very short time, fall at least as low as five per cent., and that in a period, not exceeding twenty-years, it will sink still lower, probably to four. There are two principal causes which will be likely to produce this effect; one, the low rate of interest in Europe; the other, the increase of the monied capital of the nation, by the funding of the public debt.

From three to four per cent. is deemed good interest in several parts of Europe. Even less is deemed so, in some places;—and it is on the decline;—the increasing plenty of money continually tending to lower it. It is presumable, that no country will be able to borrow of foreigners upon better terms than the United States, because none can, perhaps, afford so good security. Our situation exposes us less than that of any other nation, to those casualties which are the chief causes of expense; our incumbrances, in proportion to our real means, are less, though these cannot immediately be brought so readily into action; and our progress in resources from the early state of the country, and the immense tracts of unsettled territory, must necessarily exceed that of any other. The advantages of this situation have already engaged the attention of the European money lenders, particularly among the Dutch. And as they become better understood, they will have the greater influence. Hence, as large a proportion of the cash of Europe as may be wanted, will be, in a certain sense, in our market for the use of government. And this will naturally have the effect of a reduction of the rate of interest, not indeed to the level of the places which send their money to market, but to something much nearer to it than our present rate.

The influence which the funding of the debt is calculated to have in lowering interest, has been already remarked and explained. It is hardly possible that it should not be materially affected by such an increase of the monied capital of the nation, as would result from the proper funding of seventy millions of dollars. But the probability of a decrease in the rate of interest, acquires confirmation from facts which existed prior to the revolution. It is well known that, in some of the States, money might, with fa-

cility, be borrowed, on good security, at five per cent., and not unfrequently, even at less.

The most enlightened of the public creditors will be most sensible of the justness of this view of the subject, and of the propriety of the use which will be made of it. The Secretary, in pursuance of it, will assume, as a probability sufficiently great to be a ground of calculation, both on the part of the government and of its creditors—that the interest of money in the United States will, in five years, fall to five per cent. and in twenty, to four. The probability, in the mind of the Secretary, is rather that the fall may be more rapid and more considerable; but he prefers a mean, as most likely to engage the assent of the creditors, and more equitable in itself; because it is predicated on probabilities, which may err on one side, as well as on the other.

Premising these things, the Secretary submits to the House the expediency of proposing a loan, to the full amount of the debt, as well of the particular States as of the Union, upon the following terms:

First. That, for every hundred dollars subscribed, payable in the debt, (as well interest as principal,) the subscriber be entitled, at his option, either to have two-thirds funded at an annuity or yearly interest of six per cent., redeemable at the pleasure of the government, by payment of the principal, and to receive the other third in lands in the western territory, at the rate of twenty cents per acre. Or, to have the whole sum funded at an annuity or yearly interest of four per cent. irredeemable by any payment exceeding five dollars per annum, on account both of principal and interest, and to receive, as a compensation for the reduction of interest, fifteen dollars and eighty cents, payable in lands, as in the preceding case. Or, to have sixty-six dollars and two-thirds of a dollar funded immediately, at an annuity or yearly interest of six per cent. irredeemable by any payment exceeding four dollars and two-thirds of a dollar per annum, on account both of principal and interest; and to have, at the end of ten years, twenty-six dollars and eighty-eight cents, funded at the like interest and rate of redemption. Or, to have an annuity for the remainder of life, upon the contingency of living to a given age, not less distant than ten years, computing interest at four per cent. Or, to have an annuity for the remainder of life, upon the contingency of the survivorship of the youngest of two persons, computing interest in this case also at four per cent.

In addition to the foregoing loan, payable wholly in the debt, the Secretary would propose that one should be opened for ten millions of dollars, on the following plan:

That, for every hundred dollars subscribed, payable one half in specie, and the other half in debt, (as well principal as interest,) the subscriber be entitled to an annuity or yearly interest of five per cent. irredeemable by any payment exceeding six dollars per annum, on account both of principal and interest.

The principles and operation of these different plans may now require explanation.

The first is simply a proposition for paying one-third of the debt in land, and funding the other two-thirds at the existing rate of interest, and upon the same terms of redemption to which it is at present subject.

Here is no conjecture, no calculation of probabilities. The creditor is offered the advantage of making his interest principal, and he is asked to fa-

cilitate to the government an effectual provision for his demands, by accepting a third part of them in land, at a fair valuation.

The general price at which the western lands have been heretofore sold, has been a dollar per acre in public securities; but, at the time the principal purchases were made, these securities were worth in the market less than three shillings in the pound. The nominal price, therefore, would not be the proper standard, under present circumstances, nor would the precise specie value then given be a just rule: because, as the payments were to be made by instalments, and the securities were, at the times of the purchases, extremely low, the probability of a moderate rise must be presumed to have been taken into the account.

Twenty cents, therefore, seems to bear an equitable proportion to the two considerations of value at the time and likelihood of increase.

It will be understood that, upon this plan, the public retains the advantage of availing itself of any fall in the market rate of interest, for reducing that upon the debt; which is perfectly just, as no present sacrifice, either in the quantum of the principal, or in the rate of interest, is required from the creditor.

The inducement to the measure is, the payment of one-third of the debt in land. The second plan is grounded upon the supposition that interest, in five years, will fall to five per cent., in fifteen more to four. As the capital remains entire, but bearing an interest of four per cent. only, compensation is to be made to the creditor for the interest of two per cent. per annum, for five years, and of one per cent. per annum, for fifteen years, to commence at the distance of five years. The present value of these two sums or annuities, computed according to the terms of the supposition, is, by strict calculation, fifteen dollars and seven hundred and ninety-two thousandth parts of a dollar; a fraction less than the sum proposed.

The inducement to the measure here, is the reduction of interest to a rate more within the compass of a convenient provision, and the payment of the compensation in lands.

The inducements to the individual, are—the accommodation afforded to the public—the high probability of a complete equivalent—the chance even of gain, should the rate of interest fall, either more speedily, or in a greater degree, than the calculation supposes. Should it fall to five per cent. sooner than five years; should it fall lower than five before the additional fifteen were expired; or should it fall below four, previous to the payment of the debt, there would be, in each case, an absolute profit to the creditor. As his capital will remain entire, the value of it will increase with every decrease of the rate of interest.

The third plan proceeds upon the like supposition of a successive fall in the rate of interest. And upon that supposition offers an equivalent to the creditor. One hundred dollars, bearing an interest of six per cent. for five years; or five per cent. for fifteen years; and thenceforth of four per cent. (these being the successive rates of interest in the market,) is equal to a capital of \$122, 510725 parts, bearing an interest of four per cent., which, converted into a capital, bearing a fixed rate of interest of six per cent., is equal to \$81, 6738166 parts.

The difference between sixty-six dollars and two-thirds of a dollar (the sum to be funded immediately,) and this last sum, is \$15, 0172 parts, which, at six per cent. per annum, amounts, at the end of ten years, to \$26, 8755 parts, the sum to be funded at the expiration of that period. It ought, how-

ever, to be acknowledged that this calculation does not make allowance for the principle of redemption, which the plan itself includes; upon which principle the equivalent in a capital of six per cent. would be, by strict calculation, \$87, 50766 parts.

But there are two considerations which induce the Secretary to think that the one proposed would operate more equitably than this: One is, that it may not be very early in the power of the United States to avail themselves of the right of redemption reserved in the plan: the other is, that with regard to the part to be funded at the end of ten years, the principle of redemption is suspended during that time, and the full interest of six per cent. goes on improving at the same rate; which, for the last five years, will exceed the market rate of interest, according to the supposition.

The equivalent is regulated in this plan, by the circumstance of fixing the rate of interest higher than it is supposed it will continue to be in the market, permitting only a gradual discharge of the debt, in an established proportion, and consequently preventing advantage being taken of any decrease of interest below the stipulated rate.

Thus the true value of eighty-one dollars and sixty-seven cents, the capital proposed, considered as a perpetuity, and bearing six per cent. interest, when the market rate of interest was five per cent., would be a small fraction more than ninety-eight dollars; when it was four per cent. would be one hundred and twenty-two dollars and fifty-one cents. But the proposed capital being subject to gradual redemption, it is evident, that its value, in each case, would be somewhat less. Yet from this may be perceived the manner in which a less capital, at a fixed rate of interest, becomes an equivalent for a greater capital, at a rate liable to variation and diminution.

It is presumable that those creditors who do not entertain a favorable opinion of property in western lands, will give a preference to this last mode of modelling the debt. The Secretary is sincere in affirming, that, in his opinion, it will be likely to prove, to the full, as beneficial to the creditors, as a provision for his debt upon its present terms.

It is not intended, in either case, to oblige the government to redeem, in the proportion specified, but to secure to it the right of doing so, to avoid the inconvenience of a perpetuity.

The fourth and fifth plans abandon the supposition which is the basis of the two preceding ones, and offer only four per cent. throughout.

The reason of this is, that the payment being deferred, there will be an accumulation of compound interest, in the intermediate period, against the public, which, without a very provident administration, would turn to its detriment. And the suspension of the burthen would be too apt to beget a relaxation of efforts in the mean time. The measure, therefore, its object being temporary accommodation, could only be advisable upon a moderate rate of interest.

With regard to individuals, the inducement will be sufficient at four per cent. There is no disposition of money, in private loans, making allowance for the usual delays and casualties, which would be equally beneficial as a future provision.

A hundred dollars advanced upon the life of a person of eleven years old, would produce an annuity* of—

* See Schedule F.

	Dolls.	Parts.
If commencing at twenty-one, of - - -	10	346
If commencing at thirty-one, of - - -	18	803
If commencing at forty-one, of - - -	37	286
If commencing at fifty-one, of - - -	78	580

The same sum advanced upon the chance of the survivors of the youngest of two lives, one of the persons being twenty-five, the other thirty years old, would produce, if the youngest of the two should survive, an annuity* for the remainder of life, of twenty-three dollars five hundred and fifty-six parts.

From these instances may readily be discerned, the advantages which these deferred annuities afford, for securing a comfortable provision for the evening of life, or for wives who survive their husbands.

The sixth plan also relinquishes the supposition, which is the foundation of the second and third, and offers a higher rate of interest, upon similar terms of redemption, for the consideration of the payment of one half of the loan in specie. This is a plan highly advantageous to the creditors who may be able to make that payment, while the specie itself could be applied in purchases of the debt, upon terms which would fully indemnify the public for the increased interest.

It is not improbable that foreign holders of the domestic debt, may embrace this as a desirable arrangement.

As an auxiliary expedient, and by way of experiment, the Secretary would propose a loan upon the principles of a tontine,†—

To consist of six classes, composed respectively of persons of the following ages:

First class, of those of 20 years and under.

Second class, of those above 20, and not exceeding 30.

Third class, of those above 30, and not exceeding 40.

Fourth class, of those above 40, and not exceeding 50.

Fifth class, of those above 50, and not exceeding 60.

Sixth class, of those above 60.

Each share to be two hundred dollars; the number of shares, in each class, to be indefinite. Persons to be at liberty to subscribe on their own lives, or on those of others nominated by them.

The annuity upon a share in the first class, to be - \$ 8 40

Upon a share in the second, - - 8 65

Upon a share in the third, - - 9 00

Upon a share in the fourth, - - 9 65

Upon a share in the fifth, - - 10 70

Upon a share in the sixth, - - 12 80

The annuities of those who die, to be equally divided among the survivors, until four-fifths shall be dead, when the principle of survivorship shall cease, and each annuitant thenceforth enjoy his dividend as a several annuity during the life upon which it shall depend.

These annuities are calculated on the best life in each class, and at a rate of interest of four per cent., with some deductions in favor of the public. To the advantages which these circumstances present, the cessation of the right of survivorship, on the death of four-fifths of the annuitants, will be no inconsiderable addition.

* See Table, Schedule G.

† See Table, Schedule H.

The inducements to individuals are, a competent interest for their money from the outset, secured for life, and the prospect of continual increase, and even of large profit to those whose fortune it is to survive their associates.

It will have appeared, that, in all the proposed loans, the Secretary has contemplated the putting the interest upon the same footing with the principal. That on the debt of the United States, he would have computed to the last of the present year; that on the debt of the particular States, to the last of the year 1791: the reason for which distinction will be seen hereafter.

In order to keep up a due circulation of money, it will be expedient that the interest of the debt should be paid quarter yearly. This regulation will, at the same time, conduce to the advantage of the public creditors, giving them, in fact, by the anticipation of payment, a higher rate of interest; which may, with propriety, be taken into the estimate of the compensation to be made to them. Six per cent. per annum, paid in this mode, will truly be worth six dollars, and one hundred and thirty-five thousandth parts of a dollar, computing the market interest at the same rate.

The Secretary thinks it advisable to hold out various propositions, all of them compatible with the public interest, because it is, in his opinion, of the greatest consequence that the debt should, with the consent of the creditors, be remoulded into such a shape as will bring the expenditure of the nation to a level with its income. Till this shall be accomplished, the finances of the United States will never wear a proper countenance. Arrears of interest, continually accruing, will be as continual a monument, either of inability or of ill faith, and will not cease to have an evil influence on public credit. In nothing are appearances of greater moment than in whatever regards credit. Opinion is the soul of it; and this is affected by appearances, as well as realities. By offering an option to the creditors between a number of plans, the change meditated will be more likely be accomplished. Different tempers will be governed by different views of the subject.

But while the Secretary would endeavor to effect a change in the form of the debt by new loans, in order to render it more susceptible of an adequate provision, he would not think it proper to aim at procuring the concurrence of the creditors by operating upon their necessities.

Hence, whatever surplus of revenue might remain, after satisfying the interest of the new loans and the demand for the current service, ought to be divided among these creditors, if any, who may not think fit to subscribe to them. But for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most advisable, and the sum must be limited to four per cent., as the revenues will only be calculated to produce in that proportion to the entire debt.

The Secretary confides for the success of the propositions to be made, on the goodness of the reasons upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors of their true interest; and on their disposition to facilitate the arrangements of the government, and to render them satisfactory to the community.

The remaining part of the task to be performed is to take a view of the means of providing for the debt, according to the modification of it which is proposed.

On this point the Secretary premises, that, in his opinion, the funds to be established ought, for the present, to be confined to the existing debt of the United States; as well because a progressive augmentation of the revenue will be most convenient, as because the consent of the State creditors is

necessary to the assumption contemplated; and though the obtaining of that consent may be inferred with great assurance, from their obvious interest to give it, yet, till it shall be obtained, an actual provision for the debt would be premature. Taxes could not, with propriety, be laid for an object which depended on such a contingency.

All that ought now to be done respecting it, is to put the matter in an effectual train for a future provision. For which purpose the Secretary will, in the course of this report, submit such propositions as appear to him advisable.

The Secretary now proceeds to a consideration of the necessary funds.

It has been stated that the debt of the United States consists of the foreign debt, amounting, with arrears of interest, to - - \$11,710,378 62

And the domestic debt, amounting, with like arrears,
computed to the end of the year 1790, to - - 42,414,085 94

Making together - - \$54,124,464 56

The interest on the domestic debt is computed to the end of this year, because the details of carrying any plan into execution, will exhaust the year.

The annual interest of the foreign debt has been stated at \$542,599 66

And the interest on the domestic debt, at four per cent.
would amount to - - - - 1,696,563 43

Making together - - \$2,239,163 09

Thus, to pay the interest of the foreign debt, and to pay four per cent. on the whole of the domestic debt, principal and interest, forming a new capital, will require a yearly income of \$2,239,163 09 cents.

The sum which, in the opinion of the Secretary, ought now to be provided, in addition to what the current service will require.

For, though the rate of interest proposed by the third plan, exceeds four per cent. on the whole debt, and the annuities on the tontine will also exceed four per cent. on the sums which may be subscribed; yet, as the actual provision for a part, is in the former case suspended, as measures for reducing the debt, by purchases, may be advantageously pursued, and as the payment of the deferred annuities will of course be postponed, four per cent. on the whole will be a sufficient provision.

With regard to the instalments of the foreign debt, these, in the opinion of the Secretary, ought to be paid by new loans abroad. Could funds be conveniently spared from other exigencies, for paying them, the United States could ill bear the drain of cash, at the present juncture, which the measure would be likely to occasion.

But to the sum which has been stated for payment of the interest, must be added a provision for the current service. This the Secretary estimates at six hundred thousand dollars,* making, with the amount of the interest, two millions eight hundred and thirty-nine thousand one hundred and sixty-three dollars and nine cents.

This sum may, in the opinion of the Secretary, be obtained from the present duties on imports and tonnage, with the additions which, without any possible disadvantage, either to trade or agriculture, may be made on wines, spirits, including those distilled within the United States, teas and coffee.

* See Schedule I.

The Secretary conceives that it will be sound policy to carry the duties upon articles of this kind as high as will be consistent with the practicability of a safe collection. This will lessen the necessity both of having recourse to direct taxation, and of accumulating duties where they would be more inconvenient to trade, and upon objects which are more to be regarded as necessities of life.

That the articles which have been enumerated will, better than most others, bear high duties, can hardly be a question. They are all of them, in reality, luxuries—the greatest part of them foreign luxuries—some of them, in the excess in which they are used, pernicious luxuries. And there is perhaps none of them which is not consumed in so great abundance, as may justly denominate it a source of national extravagance and impoverishment. The consumption of ardent spirits particularly, no doubt very much on account of their cheapness, is carried to an extreme which is truly to be regretted, as well in regard to the health and the morals, as to the economy of the community.

Should the increase of duties tend to a decrease of the consumption of those articles, the effect would be, in every respect, desirable. The saving which it would occasion would leave individuals more at their ease, and promote a more favorable balance of trade. As far as this decrease might be applicable to distilled spirits, it would encourage the substitution of cider and malt liquors, benefit agriculture, and open a new and productive source of revenue.

It is not, however, probable, that this decrease would be in a degree which would frustrate the expected benefit to the revenue from raising the duties. Experience has shown, that luxuries of every kind lay the strongest hold on the attachments of mankind, which, especially when confirmed by habit, are not easily alienated from them.

The same fact affords a security to the merchant that he is not likely to be prejudiced by considerable duties on such articles. They will usually command a proportional price. The chief things in this view to be attended to, are, that the terms of payment be so regulated as not to require inconvenient advances, and that the mode of collection be secure.

To other reasons which plead for carrying the duties upon the articles which have been mentioned, to as great an extent as they will well bear, may be added these: that they are of a nature, from their extensive consumption, to be very productive, and are amongst the most difficult objects of illicit introduction.

Invited by so many motives to make the best use of the resource which these articles afford, the essential inquiry is, in what mode can the duties upon them be most effectually collected?

With regard to such of them as will be brought from abroad, a duty on importation recommends itself by two leading considerations; one is, that, meeting the object at its first entrance into the country, the collection is drawn to a point, and so far simplified; the other is, that it avoids the possibility of interference between the regulations of the United States and those of the particular States.

But a duty, the precautions for the collection of which should terminate with the landing of the goods, as is essentially the case in the existing system, could not, with safety, be carried to the extent which is contemplated.

In that system, the evasion of the duties depends, as it were, on a single risk. To land the goods in defiance of the vigilance of the officers of the customs, is almost the sole difficulty. No future pursuit is materially to be

apprehended. And where the inducement is equivalent to the risk, there will be found too many who are willing to run it. Consequently there will be extensive frauds of the revenue, against which the utmost rigor of penal laws has proved, as often as it has been tried, an ineffectual guard.

The only expedient which has been discovered for conciliating high duties with a safe collection, is the establishment of a *second*, or interior scrutiny.

By pursuing the article from its importation into the hands of the dealers in it, the risk of detection is so greatly enhanced, that few, in comparison, will venture to incur it. Indeed, every dealer, who is not himself the fraudulent importer, then becomes, in some sort, a sentinel upon him.

The introduction of a system founded on this principle, in some shape or other, is, in the opinion of the Secretary, essential to the efficacy of every attempt to render the revenues of the United States equal to their exigencies, their safety, their prosperity, their honor.

Nor is it less essential to the interest of the honest and fair trader. It might even be added, that every individual citizen, besides his share in the general weal, has a particular interest in it. The practice of smuggling never fails to have one of two effects, and sometimes unites them both. Either the smuggler undersells the fair trader, as, by saving the *duty*, he can afford to do, and makes *it* a charge upon him—or he sells at the increased price occasioned by the duty, and defrauds every man who buys of him of his share of what the public ought to receive: for it is evident that the loss falls ultimately upon the citizens, who must be charged with other taxes to make good the deficiency, and supply the wants of the State.

The Secretary will not presume that the plan which he shall submit to the consideration of the House, is the best that could be devised. But it is the one which has appeared to him freest from objections of any that has occurred, of equal efficacy. He acknowledges, too, that it is susceptible of improvement, by other precautions in favor of the revenue, which he did not think it expedient to add. The chief outlines of the plan are not original; but it is no ill recommendation of it, that it has been tried with success.

The Secretary accordingly proposes—

That the duties heretofore laid upon wines, distilled spirits, teas, and coffee, should, after the last day of May next, cease; and that, instead of them, the following duties be laid:

Upon every gallon of Maderia wine, of the quality of London particular, thirty-five cents.

Upon every gallon of other Madeira wine, thirty cents.

Upon every gallon of Sherry, twenty-five cents.

Upon every gallon of other wine, twenty cents.

Upon every gallon of distilled spirits, more than ten per cent. below proof, according to Dicas's hydrometer, twenty cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twenty-one cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, twenty-two cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent. according to the same hydrometer, twenty-five cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, thirty cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, forty cents.

Upon every pound of Hyson tea, forty cents.

Upon every pound of other green tea, twenty-four cents.

Upon every pound of Souchong and other black teas, except Bohea, twenty cents.

Upon every pound of Bohea tea, twelve cents.

Upon every pound of coffee, five cents.

That upon spirits distilled within the United States, from molasses, sugar, or other foreign materials, there be paid—

Upon every gallon of those spirits more than ten per cent. below proof, according to Dicas's hydrometer, eleven cents.

Upon every gallon of those spirits under five, and not more than ten per cent. below proof, according to the same hydrometer, twelve cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent., according to the same hydrometer, fifteen cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, twenty cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, thirty cents.

That upon spirits distilled within the United States, in any city, town, or village, from materials of the growth or production of the United States, there be paid—

Upon every gallon of those spirits more than ten per cent. below proof, according to Dicas's hydrometer, nine cents.

Upon every gallon of those spirits under five, and not more than ten per cent. below proof, according to the same hydrometer, ten cents.

Upon every gallon of those spirits of proof, and not more than five per cent. below proof, according to the same hydrometer, eleven cents.

Upon every gallon of those spirits above proof, but not exceeding twenty per cent., according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, seventeen cents.

Upon every gallon of those spirits more than forty per cent. above proof, according to the same hydrometer, twenty-five cents.

That upon all stills employed in distilling spirits from materials of the growth or production of the United States, in any other place than a city, town, or village, there be paid the yearly sum of sixty cents, for every gallon, English wine measure, of the capacity of each still, including its head.

The Secretary does not distribute the duties on teas into different classes, as has been done in the impost act of the last session; because this distribution depends on considerations of commercial policy, not of revenue. It is sufficient, therefore, for him, to remark, that the rates above specified are proposed with reference to the lowest class.

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 right 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 these may sustain by their acts or neglects; but even where seizures are made with probable cause, if there be an acquittal of the articles 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 nett 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 schedule K, which, if 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 unsubscribed, the excess of the revenue be divided among the creditors of the unsubscribed part, by a temporary disposition—with a limitation, however, to four per cent.

It will hardly have been unnoticed 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 that source to the purpose of a sinking fund. The Postmaster 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 Postmaster General is now engaged in preparing a plan which will be the foundation of a proposition 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 proper 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 public benefits," 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 attempted by the United States, and that they may commence their measures for the establishment of credit with the observance of it.

Under this impression, the Secretary proposes that the nett 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 adviseable, in conformity to 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 payments of the interest and instalments of the foreign debt, to the end of the present year, which will require \$3,491,923 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 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 unexceptionable 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 competition with them, it will not only reap a part of the profit itself, but will contract the extent, and lessen the extra profit of foreign purchasers. That competition will accelerate the rise of stock, and whatever greater rate this obliges foreigners to pay for what 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, at the first session in 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 to be 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, 1792.

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

SCHEDULE A.

Supposititious Statement of Accounts between the United States and individual States.

STATES.	Ratio.	Balances due to the States, respectively.	Proportion of each State of the aggregate of those balances, according to the ratio.	Balances against certain States.	Balances in favor of certain States.	Proportion of each State in the aggregate of the balances against certain States.	Ultimate balances in favor of certain States, &c.
New Hampshire,	3	\$ 57,500	\$ 60,000	\$ 2,500	-	\$ 3,000	\$ 500
Massachusetts, -	8	180,000	160,000	-	\$ 20,000	8,000	28,000
Rhode Island, -	1	20,000	20,000	-	-	1,000	1,000
Connecticut, -	5	110,000	100,000	-	10,000	5,000	15,000
New York, -	6	135,000	120,000	-	15,000	6,000	21,000
New Jersey, -	4	72,500	80,000	7,500	-	4,000	-
Pennsylvania, -	8	170,000	160,000	-	10,000	8,000	18,000
Delaware, -	1	30,000	20,000	-	10,000	1,000	11,000
Maryland, -	6	110,000	120,000	10,000	-	6,000	-
Virginia, -	10	187,500	200,000	12,500	-	10,000	-
North Carolina,	5	90,000	100,000	10,000	-	5,000	-
South Carolina,	5	87,500	100,000	12,500	-	5,000	-
Georgia, -	3	50,000	60,000	10,000	-	3,000	-
	65	\$ 1,300,000	\$ 1,300,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 94,500

EXPLANATION.

The first column supposes a ratio according to the present rule of representation.

The second column exhibits the balances which, on the principles of the statement suggested, are supposed to be due to the several States.

The third column shows the apportionment of the aggregate of those balances, according to the ratio given among the States.

The fourth column shows the balances against some States, in consequence of this apportionment

The fifth column shows the balances in favor of some States, in consequence of the same apportionment.

This completes the first process proposed.

The second process proposed is illustrated by the sixth and seventh columns.

The sixth shows the share of each State, according to the ratio given in the amount of the balances against the debtor States.

The seventh shows the ultimate balances in favor of certain States, crediting them for their proportions of the balances due from the debtor States.

SCHEDULE B.

A General Statement of the Foreign Loans; showing, in abstract, the capital sums borrowed, and the arrearages of interest, to the 31st of December, 1789.

CAPITAL SUMS BORROWED.

Of the Royal French Treasury, on interest at			
5 per cent.	-	-	24,000,000
In Holland, guarantied by the French Court, at			
4 per cent.	-	-	10,000,000
		<i>Livres</i>	
		34,000,000	\$6,296,296 00
Of the Royal Spanish Treasury, at 5 per cent.	-	-	174,011 00
Lenders in Holland:			
First loan, 5 per cent.	-	-	5,000,000
Second do. 4 per cent.	-	-	2,000,000
Third do. 5 per cent.	-	-	1,000,000
Fourth do. 5 per cent.	-	-	1,000,000
		<i>Florins</i>	
		9,000,000	3,600,000 00
		Capital,	\$ 10,070,307 00

Arrearages of Interest to 31st December, 1789.

ON THE FRENCH LOAN.

1789, January 1.—Five years interest on the		
6,000,000 livres, at five per cent.	\$	277,777 77
September 3.—Six years interest on the		
18,000,000 at five per cent.	-	999,999 96
November 5.—Four years interest on the		
10,000,000, at four per cent.	-	296,296 00

ON THE SPANISH LOAN.

Arrearages on the Spanish loan of \$174,011, to		
21st March, 1782, at five per cent.	-	5,093 27
March 21st, seven years interest on ditto.		60,904 62
		1,640,071 62
	Total,	\$ 11,710,378 62

NOTE.—There were certain parts of the capital of the Dutch guarantied loan of 10,000,000 florins, and of the French loan of 18,000,000 livres, which became due at the following periods, and remain unpaid, viz:

1787	{	Sept. 3, first payment of the 18,000,000,	1,500,000	\$ 277,777 77
	{	Nov. 5, first ditto of the 10,000,000,	1,000,000	185,185 19
1788	{	Sept. 3, second ditto of the 18,000,000,	the same,	462,962 96
	{	Nov. 5, second ditto of the 10,000,000,		

1789	{ Sept. 3, third payment of the 18,000,000, }	{ the same, \$ 462,962 96
	{ Nov. 5, third ditto of the 10,000,000, }	
		<u>\$ 1,388,888 88</u>

TREASURY DEPARTMENT, *Register's Office*, 31st Dec. 1789.

JOSEPH NOURSE, *Register*.

To the arrearage of interest to 31st December, 1789, above stated, amounting to	\$ 1,640,071 62
Add one year's interest, from 1st January to 31st December, 1789, on 186,427 dollars and 69 cents, being the amount of principal sum due to foreign officers employed in the service of the United States, which interest is annually payable at the house of Monsieur Grand, banker, at Paris, at six per cent.	11,185 66

Arrearages of interest to 31st December, 1789	\$ 1,651,257 28
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The above addition was adverted to after the conclusion of the report; but as it makes no material difference, an alteration in consequence of it is deemed unnecessary.

ALEXANDER HAMILTON,
Secretary of the Treasury,

SCHEDULE C.

Abstract of the Liquidated and Loan Office debt of the United States, on the 3d March, 1789.

	Dolls.	90ths.
Registered debt	\$ 4,598,462	78
Credits given to sundries on the Treasury books, by virtue of special acts of Congress, which are not yet put on the funded debt	187,578	65
Certificates issued by Commissioner of Army Accounts, deducting those which have been cancelled and registered	7,967,109	73
Certificates issued by the Commissioners of the five Departments, deducting those which have been cancelled and registered	903,574	59
Certificates issued by the late State Commissioners, deducting those which have been cancelled and registered	3,291,156	37
Loan Office Certificates issued in 1781, and expressed as specie value, deducting those which have been cancelled and registered	112,704	15
Loan Office Certificates, old emissions, reduced to specie value, agreeably to the scale made by Congress, by taking the medium of the loans made in each month, viz: three millions seven hundred and eighty-seven thousand nine hundred dollars loaned to first September, 1777, equal to	3,787,900	00

Dolls. 90ths.

\$3,459,000, between 1st September, 1777, and 1st March, 1778	- - - - -	2,538,572 00	
\$59,830,212, between 1st March, 1778, and the close of the Loan Offices	- - - - -	5,146,330 00	
		<hr/>	
		11,472,802 00	
Deduct specie amount cancelled and registered	- - - - -	365,983 15	
		<hr/>	11,106,818 75
Foreign officers, amount to their credit, the interest where- of is payable at the house of Mons. Grand, banker, at Paris, and included in the estimate of foreign interest		186,427 69	
		<hr/>	28,343,833 21
From which deduct this sum received into the Treasury, on account of lands and other property, and cancelled		960,915 44	
		<hr/>	
Leaves the amount of the domestic debt	- - - - -	\$27,383,917 74	

On the certificates issued between the 1st September, 1777, and 1st March, 1778, interest is payable on the nominal sum, (being \$3,459,000,) although the specie value of the principal is only \$2,538,572.

REGISTER'S OFFICE, *March 3d, 1789.*

JOSEPH NOURSE, *Register.*

TREASURY DEPARTMENT,

REGISTER'S OFFICE, *January 1st, 1790.*

The above estimate was formed to the expiration of the late government. Some variation hath since taken place in the several parts, without making any material alteration in the aggregate amount of the domestic debt. This arises from a daily exchange, at the Treasury, of Loan Office and Final Settlement Certificates, for Treasury certificates given as evidences of the registered debt, whereby the increase of the latter is carried on in proportion to the cancelment of the former.

JOSEPH NOURSE, *Register.*

SCHEDULE D.

An estimate of all the interest which will accrue on the Domestic Debt of the United States, from its formation to the 31st December, 1790; of such partial payments as have been made on account thereof; and of the balance which will remain to be provided for, to pay up the interest fully to that period.

The total amount of interest arising on the Loan Office debt, from the opening of the several offices in 1776 to 31st December, 1790 \$9,534,478 00

The total amount of interest arising on the Army debt, from the several periods of its drawing interest to 31st December, 1790	\$ 5,105,099 00
The total amount of interest arising on certificates issued by the thirteen State Commissioners, estimated at	2,146,799 00
The total amount of interest arising on certificates issued by the Commissioners, for the Commissaries, Quartermaster's, Marine clothing, and Hospital Departments, estimated at	737,338 00
The total amount of interest arising on the debt registered at the Treasury, estimated at	366,646 00
The total amount of interest on debts entered in the Treasury books, but for which certificates have not been issued by the Register, so as to become a part of the registered debt, estimated at	83,936 00
Total	<u>\$ 17,974,296 00</u>

From this total amount of interest the following deductions are to be made, viz:

So much paid on the Loan Office debt in old emission, equal to	\$ 372,368 30
In new emissions, as specie	39,433 49
In bills of exchange, as specie,	1,663,992 00
So much paid by the several States in Indents, paid into the Treasury on account of their quotas on the existing requisitions of the late Congress	2,244,231 31
So much paid by the State of New Jersey to their own citizens on the domestic debt, not included in the schedule of taxes	424,442 22
So much paid by the State of South Carolina, being two years interest on \$ 222,465 $\frac{9}{16}$ ths, the amount of certificates issued to the line of that State, at six per cent., is	26,695 73

Total amount of interest paid	\$ 4,771,163 05
Deduct three years interest, estimated in the foregoing, on \$960,915 42, being so much of the capital of the domestic debt received in payment for lands, and other public property	172,964 75

Total amount of deductions	4,944,127 80
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Leaves a balance of thirteen millions and thirty thousand one hundred and sixty-eight dollars, and twenty cents, which will accrue on the domestic debt, and for which provision is to be made to pay the interest fully, up to the 31st December, 1790

	<u>\$ 13,030,168 20</u>
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It is to be observed, that, as the certificates which have been issued for the principal of a debt of more than twenty-seven millions of dollars, are, in themselves, exceedingly numerous, and that as those several certificates bear an interest from different periods, it has not been practicable to form a statement of arrearages, but by ascertaining, in the most accurate manner, the different periods of time from which the several parts of the domestic debt bear interest, and therefrom calculating the interest to 31st December, 1790.

TREASURY DEPARTMENT, *Register's Office*, 31st Dec. 1789.

JOSEPH NOURSE, *Register*.

SCHEDULE E.

Abstract of the public debt of the States under-mentioned, agreeably to statements transmitted in pursuance of the resolution of the House of Representatives of the 21st of September, 1789.

MASSACHUSETTS.

	£.	s.	d.	
Principal, with interest to 1st Nov. 1789	-	-	1,548,040 7 9	lawful.
Due to sundries, for which no certificates have yet been issued	-	-	20,000 0 0	
Total,	1,568,040 7 9	at 6s. p.	dol. 5,226,801 29	

CONNECTICUT.

Principal bearing interest from 1st Feb. 1789	-	-	560,404 0 0	
To which ought to be added for balance of State bills emitted in the year 1780, bearing an interest at 5 per cent. to the 1st March, 1785, estimated at	-	-	24,948 0 0	
Total,	585,352 0 0	at 6s. p.	dol. 1,951,173 33 ³ / ₉	

NEW YORK.

Principal and interest computed to the 1st day of Jan. 1790	-	-	1,032,616 2 0	
From which ought to be deducted, for amount of principal and interest of Continental securities loaned to the State, in pursuance of their act of 18th of April, 1786, estimated at	-	-	565,586 0 0	
Leaves for State debt proper	467,030 2 0	at 8s. p.	dol. 1,167,575 25	

NEW JERSEY.

Principal unredeemed	295,755 4 11	at 7s. 6d. p.	dol. 788,680 65 ⁵ / ₉	
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VIRGINIA.		£.	s.	d.
Principal of domestic debt	1,063,396	17	1	
Ditto of foreign debt, with interest to the 1st of Jan. 1790	40,826	1	1	

Dolls. Cts.
Total, 1,104,222 18 2, at 6s. p. *dol.* 3,680,743 02½

SOUTH CAROLINA.

Principal of domestic debt	1,069,652	2	4	
Indents of interest on ditto in circulation - - -	71,325	7	2	
Foreign debt, principal and interest, due to the 1st January, 1789 - - -	115,810	0	1	

Total, 1,256,787 9 7, at 4s. *sd. p. dol.* 5,386,232 05

Total, \$18,201,205 60½

It will be observed, that the period to which interest is calculated on the debts above-mentioned, is only specified with accuracy on the statements which have been transmitted from Massachusetts, Connecticut, and New York. From the best information which the Secretary can obtain, he presumes, that in the statement made of the debt of New Jersey, interest has been calculated to the 31st day of December, 1788; that, on the debt of Virginia, interest has been calculated to the 31st day of December, 1788; on that of South Carolina, to the 1st day of April, 1790.

From the States of New Hampshire, Pennsylvania, Delaware, Maryland, North Carolina, and Georgia, no accounts of their respective State debts have been forwarded.

The Secretary is, however, of opinion, from the result of inquiries made by him, that the State debt of New Hampshire may be estimated at about - - - - \$300,000 00

That the State debt proper of Pennsylvania, (that is, exclusive of their assumption of the continental debt,) at about 2,200,000 00

And that of Maryland, at - - - - 800,000 00

From the above statement and estimates, the amount of principal and interest, (exclusive of Delaware, North Carolina, Georgia, and Rhode Island,) appears to be about twenty-one millions and a half; but as the debts of the four last States are not included in the above sum, and it is possible that a greater arrearage of interest may be due on the State debts than is at present ascertained, the aggregate of the principal and interest may be computed at about twenty-five millions of dollars.

ALEXANDER HAMILTON,
Secretary of the Treasury.

COMMONWEALTH OF MASSACHUSETTS.

A statement of the debt of the Commonwealth of Massachusetts, as it respects the notes issued by the several Treasurers, to the first of November, 1789.

November 1, 1789, exclusive of half-pay notes - £ 1,403,459 16 11

Notes issued to widows and orphan children of the deceased officers of the late Continental Army, for the seven years half-pay, agreeable to resolves of Congress - - - - - £8,246 11 10

Interest on the foregoing notes since

October 1st, 1781, - - - £579,660 6 4

Of which has been paid - - - 443,326 7 4

Interest remaining due November 1st, 1789, - - - 136,333 19 0

£1,548,040 7 9

Remains due on the books of the Committee for settling with the late Continental Army, to the widows and orphan children of deceased officers of said army, and to officers and soldiers for their services, about 20,000 0 0

N. B.—By an act of the Legislature, one-third part of the revenue of excise is appropriated to pay the exigencies of government, and the other two-third parts for the payment of interest of the notes, which pays about one-quarter part of the interest; the other three quarters are provided for.

TREASURY OFFICE, *Boston*, Oct. 31, 1789.

ALEXANDER HODGDON, *Treasurer*.

Compared with the original in the Office of the Secretary of the Treasury.

WILLIAM DUER.

STATE OF CONNECTICUT.

A statement of the public debt of the State of Connecticut, as it stood November 1st, 1789.

Notes issued to the Connecticut Line, payable June 1st, 1782,	£2,334 13 11½
Do. do. 1783,	2,339 13 4
Do. do. 1784,	3,252 12 1
Do. do. 1785,	42,309 6 1½
Do. do. 1786,	28,189 6 3½
Do. do. 1787,	28,448 5 6½
Do. do. 1788,	21,593 0 4½
Do. do. 1789,	20,097 5 7½
Do. dated February, 1781, issued per act of Assembly,	
November, 1780, - - - - -	153,229 8 6½
Do. of various dates, issued per act of Assembly,	
May, 1781, - - - - -	33,947 11 8½
Notes dated June 1st, 1781, issued per act of Assembly, for remounting dragoons, - - -	1,932 8 0
Do. of various dates, issued per act of Assembly,	
May, 1783, - - - - -	41,841 6 1½
Do. issued per act of May, 1789, for old notes reloaned,	180,890 1 0
	560,404 18 9½

Notes issued per particular acts of Assembly, payable out of the civil list funds, - - - - -	£2,856	11	4
Certificates for interest &c., issued on the State debt, up to February 1st, 1789, and remaining unpaid November 1st, 1789, - - - - -	19,140	3	9½
Balance of orders unpaid, drawn by Oliver Wolcott, Esq. payable out of the 1s. tax, granted in January, 1783, - - - - -	692	8	10
Balance of State bills which were emitted in March, June, and July, 1780, with the interest at 5 per cent., to 1st March, 1785, estimated at - - - - -	24,948	9	1

There are a number of pay table orders drawn on former taxes, the amount, supposed not great, cannot be ascertained.

There is also outstanding a sum of old emissions of paper, issued before the war—the amount not known.

Account of Loan Office and Final Settlement certificates in the Treasury of the State of Connecticut.

Loan Office certificates - - - - -	£	442	19	7
Final Settlement certificates - - - - -		2,151	17	1
		<hr/>		
		£2,594	16	8

Amount of interest certificates that were issued upon the evidence of the United States debt, received by the Treasurer of the State of Connecticut, for taxes and impost duties, and delivered to William Imlay, Esq. Continental Loan Officer, from January 9th, 1786, to November 1st, 1789, - - - - -

£33,996 15 3

Compared with the original in the Office of the Secretary of the Treasury.

A statement of the funds provided for the payment of the principal and interest of the public debt of the State of Connecticut.

Balances of taxes laid for the payment of interest on the State debt, and the first three classes of army notes, as appears from the Treasury books, November 1st, 1789, being the balance of fifteen taxes, including abatements, collecting fees, &c. - - - - -	£40,489	14	10
Balance of excise and impost bonds payable, including collecting fees, &c. - - - - -	9,070	15	2
A tax of fourpence on the pound, laid on the list, 1788, amounting to £1,462,860 10 11, for the payment of interest on the State debt, and the balance of three first classes of the State notes; the nett avails estimated at - - - - -	20,266	14	4
A tax of eightpence on the pound, on the same list, laid for the payment of the balance of State bills, orders on 2s. 6d. and 1s. taxes, and part of the principal of the State debt; the nett avails estimated at - - - - -	40,533	8	8
Excise for the payment of interest on the State debt, &c. estimated at - - - - -	5,000	0	0

The first article in the above statement of funds, will, probably, upon settlement of those old taxes, fall greatly short of the sum set down; to say how much is merely conjectural. There will also be a loss upon the excise and impost bonds. The excise for the current year is very uncertain.

COMPTROLLER'S OFFICE, 1st December, 1789.

RALPH POMEROY,
Comptroller.

STATE OF NEW YORK.

A statement of the debt of the State of New York.

The following species of certificates, &c. have been issued by the State, and are still unredeemed, viz:

	Principal sum, specie value.	Interest to Jan. 1st, 1790.
Certificates for money loaned pursuant to resolutions of the 4th day of April, 1778,	£ 111 13 3	£ 78 14 5
For ditto, pursuant to a law of the 30th June, 1780,	- - - 741 6 0	422 10 9
For horses purchased in the year 1780,	904 5 0	515 8 5
For depreciation of pay to the army, dated 31st July, 1780	- - - 54,520 1 7	25,669 17 4
For pay of the year 1781, to ditto, dated 1st January, 1782	- - - 17,972 6 9	8,626 14 0
For pensions to widows of military officers	8,104 18 2	3,647 4 2
For pay of levies, militia, &c. &c.	42,871 43	18,220 5 3
For other certificates received on loan, pursuant to a law 18th April, 1786	- - - 523,848 5 1	144,058 5 4
Four-fifths of the interest due on those received on loan	- - - 105,669 9 8	
For claims on forfeited estates	- - - 25,897 8 10	3,884 12 3
Bills of credit called new emission, emitted pursuant to a law passed the 30th June, 1780, bearing interest	- - - 3,612 16 0	1,174 3 1
Ditto, emitted pursuant to resolutions of Congress and Convention of this State, reduced to specie value	- - - 1,047 0 0	
	<hr/> £ 785,300 14 7	<hr/> £ 206,297 15 0

There are large demands against forfeited estates unliquidated, and others liquidated, for which no certificates have yet issued, to the amount of - - - £ 41,017 12 5.

There are no funds especially provided for redeeming the aforesaid certificates, except the following, viz:

The arrears of old taxes may probably produce about 10,000 0 0

Quitrents about - - - 20,000 0 0

Fifteen townships of new lands, of 375,000 acres, ordered to be sold (by a law passed 25th February, 1789,) and are now surveying.

GERARD BANCKER,

Treasurer of the State of New York.

NEW YORK, November 30th, 1789.

Compared with the original in the Office of the Secretary of the Treasury.

An account of Continental Securities now in the Treasury of the State of New York.

	Principal.	Interest Jan. 1st, 1790.
Certificates issued by William Barber	£ 352,471 13 1	£ 105,741 9 11
Ditto do by Loan Offices in this State	277,448 16 4	83,234 12 11
Ditto do by John Pierce, Burrall Denning, Bindon and Fox	299,614 4 5	89,884 5 4
Interest facilities	2,502 14 8	
	<u>£ 932,037 8 6</u>	<u>£ 278,860 8 2</u>

Of the above-mentioned Loan Office and Barber's certificates, the sum of £ 470,649 17 6, was received in on loan by the State, in 1786, and one-fifth of the interest that was due thereon to the 31st December, 1784, then paid, and certificates for the remaining four-fifths issued, payable in one year, of which certificates three-fourths remain unredeemed, as represented in the former part of this statement.

GERARD BANCKER,
Treasurer of the State of New York.

NEW YORK, *November 30th, 1789.*

Compared with the original in the Office of the Secretary of the Treasury.

An account of Certificates due from the United States to the inhabitants of the State of New Jersey, which draw interest at the Treasury.

1st. Continental Loan Office certificates	£ 420,511 0 10	£ 25,230 13 3
2d. Certificates issued by John Pierce, Comm'r, for arrears of pay, &c.	147,118 15 2½	8,827 2 6
3d. Certificates by Benjamin Tompson, Commissioner	344,237 11 2	20,654 5 0
	<u>£ 911,867 7 2½</u>	<u>£ 54,712 0 9</u>

COMMUTATION.

4th. Certificates issued by John Pierce, Commissioner, and given to the officers of the late Jersey line, for their commutation	£ 66,899 2 6
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STATE DEBT.

1st. Certificates given to the officers and soldiers of the late Jersey line, for the depreciation of their pay, of which there was outstanding, October 1st, 1786	99,526 11 4
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2d. Ditto given by the Commissioners in the several counties for militia pay, of which there was outstanding, October 1st, 1786	-	-	£ 55,365	17	7½
3d. Certificates given by Silas Conduct, Commissioner	-	-	121,521	8	7
4th. Ditto given by the Treasurer and Auditor for demands against confiscated estates	-	-	32,020	2	9
5th. Ditto issued by the Auditor for militia pay	-	-	821	4	7½
			309,255	4	11
Paid into the Treasury since Oct. 1786			13,500	0	0
			£ 295,755	4	11
Annual interest of State debt	-	-		£ 17,745	6 3½

Compared with the original in the Office of the Secretary of the Treasury.

Abstract of the public debts due from the State of Virginia.

On interest at 6 per cent.	{	Army debt for pay and depreciation of the officers and soldiers	-	-	£ 936,830	7	6
		Loan Office debt	-	-	119,382	7	4
		Certificates issued for the paper money funded			7,183	2	3
Balance due to foreign creditors, including interest, (at six per cent.) to the 1st of January, 1790, on £ 9,415 0 2, part of the said balance, for which warrants have not been drawn by the creditors			-	-	40,826	1	1

JOHN PENDLETON,
Auditor of Public Accounts.

VIRGINIA, *Auditor's Office, November 20th, 1789.*

Compared with the original in the Office of the Secretary of the Treasury.

The Auditor General reports the following statement of the debt due by the State of South Carolina, viz.

PRINCIPAL INDENTS.

Balance issued from the Treasury of the State aforesaid, and yet remaining to be issued on the 1st October, 1789	£ 1,069,652	2	4½
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To be cancelled by

Bal. of bonds for confiscated property	£ 79,985	10	0½	
Purchases of bonds unsettled for	12,910	0	0	
Balance of amercements - -	7,713	4	6	
Balance for bonds for public property	35,065	10	6	
Balance of lands granted to 1st November, 1789 - -	42,568	1	7½	178,242 6 8
Balance still to be cancelled -				Sterling £ 891,409 15 8½

SPECIAL INDENTS.

Amount issued and to be issued	-	-	-	£ 446,368	0	0
Deduct for so much received into the Treasury	-	-	-	369,042	12	9½
Balance in circulation, and yet to be issued	-	-	-	£ 71,325	7	2½

Agreeably to a report of the Committee of Ways and Means, the debts due to the State for the arrears of taxes, &c. are sufficient to cancel the above balance.

FOREIGN DEBT.

Amount due to sundry persons	-	-	-	£ 93,244	17	4
Balance of interest due 1st January, 1789	29,558	4	11½			
Deduct for so much paid J. S. Cripps, agent	-	-	-	4,949	5	4½
Balance paid to such creditors as were here, or their attorneys	2,043	16	10	6,993	2	2½
Principal and balance due 1st January, 1789	-	-	-	£ 115,810	0	1

Funds appropriated by the Legislature.

Out of the taxes payable 1st April, 1790	-	-	-	£ 10,000	0	0
Interest on the paper medium to 1st May, 1791	-	-	-	12,750	0	0
Balance of bonds given for confiscated property, payable in specie	-	-	-	1,610	17	3½
The sums due, and that shall become due, for ameracements, in specie	-	-	-	8,371	16	6
Balance of bonds given for duties payable by instalments	-	-	-	6,240	14	3
Bonds for duties due prior to 1st January, 1788, not installed	-	-	-	233	3	4½
A tax of a quarter of a dollar per head, per annum, on all negroes, mustizoes, and mulattoes, for ten years, from February, 1791, the number computed to be about 100,000, which will amount to	-	-	-	58,333	6	8
Sterling	-	-	-	£ 97,539	18	0½

Auditor's Office, Charleston, 30th Nov. 1789.

J. McCALL, Treasurer.

Compared with the original in the Office of the Secretary of the Treasury.

SCHEDULE F.

TABLE showing the annuity which a person of a given age would be entitled to during life, from the time he should arrive at a given age, upon the present payment of a hundred dollars, computing interest at four per cent.

Age at the time of payment.	Age when entitled.	Annuity.	Age when entitled.	Annuity.	Age when entitled.	Annuity.	Age when entitled.	Annuity.
1	21	23.453	31	42.625	41	84.522	50	174.11
2	22	20.376	32	37.365	42	74.936	50	143.14
3	23	19.415	33	35.775	43	72.440	50	128.46
4	24	18.826	34	34.970	44	71.697	50	117.64
5	25	18.457	35	34.660	45	71.840	50	108.95
6	26	18.280	36	34.619	46	72.584	50	101.60
7	27	18.188	37	34.767	47	73.752	50	95.210
8	28	18.258	38	35.235	48	75.720	50	89.971
9	29	18.383	39	35.830	49	78.025	50	85.238
10	30	18.617	40	37.006	50	81.960		
11	21	10.346	31	18.803	41	37.286	50	75.500
12	22	10.414	32	19.072	42	38.162	50	73.058
13	23	10.519	33	19.382	43	39.249	50	70.246
14	24	10.608	34	19.704	44	40.493	50	66.279
15	25	10.727	35	20.088	45	41.638	50	63.151
16	26	10.818	36	20.489	46	42.957	50	60.129
17	27	10.939	37	20.911	47	44.358	50	57.258
18	28	11.065	38	21.354	48	45.888	50	54.520
19	29	11.195	39	21.821	49	47.519	50	51.907
20	30	11.352	40	22.313	50	49.415		
21	31	11.515	41	22.836	50	47.038		
22	32	11.687	42	23.386	50	44.770		
23	33	11.846	43	23.987	50	42.534		
24	34	12.028	44	24.719	50	40.460		
25	35	12.253	45	25.396	50	38.510		
26	36	12.462	46	26.128	50	36.572		
27	37	12.682	47	26.902	50	34.726		
28	38	12.913	48	27.749	50	32.967		
29	39	13.155	49	28.647	50	31.329		
30	40	13.385			50	29.643		
31	41	13.629			50	28.073		
32	42	13.884			50	26.580		
33	43	14.190			50	25.161		
34	44	14.547			50	23.812		
35	45	14.827			50	22.483		
36	46	15.157			50	21.217		
37	47	15.512			50	20.023		
38	48	15.896			50	18.886		
39	49	16.301			50	17.806		
40	50	16.783						

SCHEDULE G.

TABLE showing what annuity would be enjoyed by the survivor of any two persons, of certain ages, for the remainder of life, after the determination of the life in expectation, upon the present payment of one hundred dollars, computing interest at four per cent. per annum, and the duration of life according to Dr. Halley's tables.

Age of the youngest.	Age of the eldest.	Annuity of Survivor.	Age of the youngest.	Age of the eldest.	Annuity of Survivor.	Age of the youngest.	Age of the eldest.	Annuity of Survivor.	Age of the youngest.	Age of the eldest.	Annuity of Survivor.
10	10	28.248	20	20	28.169	30	30	28.555	45	45	30.620
	15	26.392		25	26.041		35	26.001		50	27.005
	20	24.545		30	23.923		40	23.496		55	23.375
	25	22.716		35	21.753		45	21.061		60	20.040
	30	20.920		40	19.825		50	18.730		65	16.957
	35	19.168		45	17.876		55	16.529		70	14.240
	40	17.464		50	16.018		60	14.484			
	45	15.847		55	14.261		65	12.600		50	32.164
	50	14.263		60	12.620		70	10.894		55	27.731
	55	12.782		65	11.100					60	23.513
	60	11.237		70	9.707					65	19.662
	65	10.099					35	28.993		70	16.257
	70	8.905					40	26.164			
				25	27.816		45	23.381			
15			25	30	25.556	35	50	20.702	55	55	34.286
	15	28.169		35	23.331		55	18.172		60	28.843
	20	26.198		40	21.159		60	15.820		65	23.742
	25	24.219		45	19.047		65	13.666		70	19.175
	30	22.276		50	17.030		70	11.724			
	35	20.376		55	15.117					60	37.509
	40	18.528		60	13.331		40	29.673		65	30.423
	45	16.750		65	11.689		45	26.469		70	24.044
	50	15.053		70	10.173		50	23.337			
	55	12.968				40	55	20.354		65	42.481
	60	11.948					60	17.604		70	32.679
	65	10.553					65	15.060			
	70	9.270					70	12.799		70	50.994

To find the annuity upon the survivorship of the youngest of any two lives expressed in this table, look for the respective ages under their respective heads, and opposite the number which corresponds with the age of the eldest will be seen the annuity required.

SCHEDULE H.

Table for a Tontine of six Classes, the number of lives in each Class being indefinite, calculated on a payment of two hundred dollars by each subscriber, and at a rate of interest of four per cent. The computation on the best life in each Class, and on the supposition that the subscribers to each class will not be less than the respective numbers specified in the first column.

Number of lives in each class.	Ages.	Annuity dividends at successive periods during the probable continuance of life.							
		Whilst all are in life.	At the expiration of 10 years.	At the expiration of 20 years.	At the expiration of 30 years.	At the expiration of 40 years.	At the expiration of 50 years.	At the expiration of 60 years.	At the expiration of 70 years.
75	1 to 20	8.426	9.722	11.490	14.042	18.054	25.278	42.130	126.390
64	21 to 30	8.676	10.272	12.606	16.314	23.110	39.618	138.666	
54	31 to 40	9.046	11.102	14.366	20.354	34.890	122.282		
44	41 to 50	9.650	12.488	17.608	30.328	106.150			
34	51 to 60	10.714	15.178	26.020	91.068				
24	61 to 70	12.802	20.518	71.802					

This table, which is calculated on so small a number of persons, will serve to show the greatness of the advantage to fortunate survivors, in case of a numerous subscription.

SCHEDULE I.

General Estimate for the services of the current year.

Civil List, as per No. 1	-	-	-	\$254,892 73
War Department, No. 2	-	-	-	155,537 72
Military Pensions, No. 3	-	-	-	96,979 72

\$507,410 17

With an eye to the necessary provisions for the Foreign Department, and to other arrangements which may be found requisite, it appeared advisable to state in the report, to which this is annexed, a sum of six hundred thousand dollars for the current service.

TREASURY DEPARTMENT, Jan. 5th, 1790.

No. 1.

Estimate of the expenditure for the Civil List of the United States, on the present establishment, for the year 1790.

For the compensation to the President of the United States	\$25,000 00
That of the Vice-President	5,000 00
Compensation to the Chief Justice	4,000 00
Do. to each of the five Associate Judges, \$3,500 each	17,500 00

To the Judges of the following Districts, viz:

District of Maine	-	-	\$ 1,000 00
New Hampshire	-	-	1,000 00
Massachusetts	-	-	1,200 00
Connecticut	-	-	1,000 00
New York	-	-	1,500 00
New Jersey	-	-	1,000 00
Pennsylvania	-	-	1,600 00
Delaware	-	-	800 00
Maryland	-	-	1,500 00
Virginia	-	-	1,800 00
Kentucky	-	-	1,000 00
South Carolina	-	-	1,800 00
Georgia	-	-	1,500 00
Attorney General	-	-	1,500 00
			<hr/> 69,790 00

Compensation to the members of Congress, estimating the attendance of the whole number for six months, viz:

Speaker of the House of Representatives, at twelve dollars per day	-	-	2,190 00
Eighty members, at six dollars per day	-	-	87,600 00
Travelling expenses computed	-	-	15,000 00
			<hr/> 104,790 00

To the Secretary of the Senate, one year's salary	1,500 00	
Additional allowance, estimated for six months, at two dollars per day	365 00	
		<hr/> 1,865 00

Principal clerk to the Secretary of the Senate, for the same time, at three dollars per day	-	547 50
Engrossing clerk to the Secretary of the Senate, estimated for same time, at two dollars per day	-	365 00
Chaplain to the Senate, estimated for six months, at five hundred dollars per annum	-	250 00
Compensation to the door-keeper of the Senate for the same time, at three dollars per day	-	547 50
Messenger to the Senate, for the same time, at two dollars per day	-	365 00
Clerk of the House of Representatives, for one year's salary	-	1,500 00
Additional allowance for six months, at two dollars per day	-	365 00
		<hr/> 1,865 00

Principal clerk in the office of do. estimated for same time, at three dollars per day	-	547 50
Engrossing clerk for same time, estimated at two dollars per day	-	365 00
Chaplain to the House of Representatives, estimated for same time, at 500 dollars per annum	-	250 00
Sergeant at Arms, estimated for same time, at four dollars per day	-	730 00

Doorkeeper for same time, at three dollars per day	\$547 50	
Assistant doorkeeper, for do. at two dollars per day	365 00	
		<hr/> \$6,745 00
		<hr/> \$ 183,100 00

Treasury Department.

Secretary of the Treasury	-	-	\$3,500 00
Assistant of the Secretary of the Treasury	-	-	1,500 00
Five clerks, at 500 dollars per annum each	-	-	2,500 00
Messenger and office-keeper	-	-	150 00
Comptroller of the Treasury	-	-	2,000 00
Principal clerk to do.	-	-	800 00
Four clerks, at \$ 500 each,	-	-	2,000 00
Treasurer	-	-	2,000 00
Principal clerk to do.	-	-	600 00
Auditor of the Treasury	-	-	1,500 00
Principal clerk to do.	-	-	600 00
Twelve clerks to do. who, besides the current business under the new government, has the settlement of the accounts which arose under the Confederation, in the quartermaster, commissary, clothing, hospital, and marine departments, and ordnance stores, and also the accounts of the secret and commercial committees of Congress, at 500 dollars each	-	-	6,000 00
Register of the Treasury	-	-	1,250 00
One clerk on the books of the public creditors, called funded debt at the Treasury, transfers, &c.			500 00
One clerk in the office of the Register, employed in keeping the accounts of interest arising on the domestic debt	-	-	500 00
One do. on the principal books of the Treasury in journalizing and posting into the Ledger	-	-	500 00
			<hr/> 208,950 00
One clerk in copying fair statements of the public accounts and other transcripts, as required, from the Treasury books	-	-	500 00
One do. in keeping the accounts of the registers, signed and sealed, &c. for ships, transmitted to the Collectors of the Customs at the several ports; filing duplicates of registers issued by the Collectors; keeping the accounts of the transfers of vessels, and other business of record arising from the act for registering of vessels, regulating the coasting trade, and other purposes therein mentioned	-	-	500 00
Two do. on the old accounts of the Treasury, and books and accounts of the thirteen late State Commissioners, at five hundred dollars each			1,000 00
Messenger and office-keeper to the Comptroller, Auditor's and Register's office	-	-	150 00
			<hr/> 2,150 00

Department of State.

Secretary of that Department	-	-	\$3,500 00
Chief clerk	-	-	800 00
Three clerks at 500 dollars each	-	-	1,500 00
Messenger and office-keeper	-	-	150 00
			<hr/> \$5,950 00

Department of War.

Secretary of that Department	-	-	3,000 00
Chief clerk	-	-	600 00
Two clerks at 500 dollars each	-	-	1,000 00
Messenger and office-keeper	-	-	150 00
			<hr/> 4,750 00

Government of the Western Territory.

The Governor, for his salary as such, and for discharging the duties of Superintendent of Indian Affairs in the Northern Department	-	\$2,000 00
The Secretary of the Western Territory	-	750 00
The three Judges, at \$ 800 each	-	2,400 00
		<hr/> 5,150 00

Officers employed to settle the accounts between the United States and individual States		
Three Commissioners of the General Board, at two thousand two hundred and fifty dollars per annum	6,750 00	
Chief clerk	600 00	
Four clerks, at four hundred dollars each,	1,600 00	
Messenger and office-keeper	150 00	
Paymaster General, and Commissioner of Army Accounts	1,250 00	
Eight clerks, at 500 dollars each,	4,000 00	
One clerk at four hundred dollars	400 00	
One clerk at four hundred and fifty dollars	450 00	
		<hr/> 15,200 00

Pensions granted by the late government.

Isaac Van Vert,	} A pension of \$ 200 per annum to each, pursuant to an act of Congress of 3d Nov. 1780,	
John Paulding,		
David Williams,	} Congress of 3d Nov. 1780,	600 00
Dominique L'Eglise, per act of 8th August, 1782,		120 00
Joseph Traversie, per do.	-	120 00
Youngest children of the late Major General Warren, per act of 1st July, 1780,	-	450 00
Eldest son of Maj. Gen. Warren, per act of 8th April, 1777, estimated at	-	600 00
Youngest son of Gen. Mercer, per act of 8th April, 1777, estimated at	-	700 00
James McKenzie,	} per act of 10th Sept'r, 1783, entitled to a pension of \$40 each per annum	
Joseph Brussels,		
John Jordan,	-	120 00
Elizabeth Bergen, per act 21st August, 1781,	-	53 33
Joseph De Beauleau, per act 5th August, 1782,	-	100 00
Richard Gridley, per acts 17th November, 1775, and 26th February, 1781,	-	444 40
Lieut. Col. Touzard, per act 27th October, 1778,	-	360 00
		<hr/> 3,667 78

For incidental and contingent expenses relative to the Civil List establishment.

Under this head are comprehended firewood, stationary, together with printing work, and all other contingent expenses for the two Houses of Congress, rent and office expenses of the several Departments, viz: Treasury, State, War, and of the General Board of Commissioners, and Paymaster General.

Congress estimated at	-	-	-	-	\$ 5,000 00
TREASURY DEPARTMENT, VIZ:					
Rent	-	-	-	-	500 00
Contingencies of the Secretary's office	-	-	-	-	500 00
Comptroller's	-	-	-	-	400 00
Contingencies of the Auditor's	-	-	-	-	200 00
Register's	-	-	-	-	200 00
Treasurer's	-	-	-	-	200 00
					<hr/> 2,000 00
Contingencies of the War Department	-	-	-	-	600 00
Department of State,	-	-	-	-	500 00
Board of Commissioners	-	-	-	-	500 00
Paymaster and Commission- er of Army Accounts	-	-	-	-	425 00
					<hr/> 2,025 00
					<hr/> <hr/> \$ 254,892 73

This estimate corresponds with the existing provisions; but it will probably receive additions from others in the course of the session. In particular, it will be observed, that there is no article respecting the salaries of foreign ministers, their allowances not having been regulated by law. Neither does the estimate include those objects which remain to be provided for, in consequence of some deficiency in the estimate for the services of last year, and also from certain demands on the Treasury, founded on acts of the late government, which require an appropriation by Congress previous to their being discharged. These will form an estimate by themselves, under the head of Contingencies.

REGISTER'S OFFICE, 5th January, 1790.

JOSEPH NOURSE, Register.

No. 2.

Estimate of Moneys requisite for the Department of War, for the year 1790.

INFANTRY.

1 Brigadier General, with the pay of Lieutenant Colonel Commandant, for 12 months, at \$ 50 -	\$ 600
2 Majors, for 12 months, at 45 dollars, -	1,080
7 Captains, 35 -	2,940
7 Lieutenants, 30 -	2,520
8 Ensigns, 20 -	1,920
1 Paymaster, 10 -	120

1 Adjutant,	10	-	-	\$ 120
1 Quartermaster,	10	-	-	120
1 Surgeon,	45	-	-	540
4 Surgeon's Mates,	30	-	-	1,440
28 Sergeants,	6	-	-	2,016
28 Corporals,	5	-	-	1,680
14 Musicians,	5	-	-	840
490 Privates,	4	-	-	23,520
				<hr/>
				\$ 39,456 00

ARTILLERY.

1 Major, for 12 months, at 45 dollars	45	-	-	540
4 Captains,	35	-	-	1,680
8 Lieutenants,	30	-	-	2,880
1 Surgeon's Mate,	30	-	-	360
16 Sergeants,	6	-	-	1,152
16 Corporals,	5	-	-	960
8 Musicians,	5	-	-	480
240 Matrosses,	4	-	-	11,520
				<hr/>
				19,572 00

Subsistence.

Brigadier General, 12 months, at 48 dollars	-	-	-	576 00
Three Majors, do at 20 do	-	-	-	720 00
Eleven Captains, do at 12 do	-	-	-	1,584 00
Twenty-three subalterns, do at 8 do	-	-	-	2,208 00
One Surgeon, do at 16 do	-	-	-	192 00
Five Surgeon's Mates, do at 8 do	-	-	-	480 00
				<hr/>
				5,760 00

Rations.

For 840 non-commissioned officers and privates, one ration per day, each, for 365 days, is 306,600 rations, at 12 cents per ditto,	-	-	-	36,792 00
Clothing 840 } 940 suits at 26 dollars each	-	-	-	24,440 00
Contingencies 100 }	-	-	-	<hr/>
				61,232 00

Quartermaster's Department.

Transportation, including the transportation of the recruits to the frontiers, the removal of troops from one station to another, the transpor- tation of clothing, ordnance, and military stores for the troops on the frontiers, the necessary removal of ordnance and military stores, the hire of teams and packhorses, the purchase of tents, boats, axes, camp-kettles, boards, fire wood, company books, stationary for the troops, and all other expenses in the Quartermaster's Department	-	-	-	15,000 00
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Hospital Department.

For medicines, instruments, furniture and stores for an hospital for the frontiers; also for attend- ance, when necessary, at West Point	-	-	-	1,000 00
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Ordinance Department.

For salaries for the store-keepers at the several
deposites, viz:

West Point,	} 3, at \$40 per month	\$ 1,440 00
Virginia,		
Springfield,		
Charlestown, one storekeeper, at \$100 per annum	-	100 00
Two assistants, at 15 dollars per month	-	360 00
One storekeeper at Philadelphia	-	500 00
One do at Rhode Island	-	96 00
One do at Lancaster	-	96 00
One storekeeper at Fort Herkimer, 120 } His subsistence, one dollar per week, 52 }		172 00
		<hr/> \$ 2,764 00

Rents of buildings for deposits:

Philadelphia	-	752 66
Virginia	-	350 00
West Point	-	400 00
		<hr/> 1,502 66
Laborers at the several deposits	-	400 00
Eight artificers at the posts on the frontiers, in- cluding armorers, at 5 dollars per month	-	480 00
Coopers, armorers, and carpenters employed oc- casionally at the several arsenals	-	500 00
The expense of materials and constructing twenty new carriages for cannon and howitzers	-	2,000 00

7,646 66

Buildings for arsenals and magazines are highly requisite in
the southern and middle departments, for which, particu-
larly, estimates will be formed.

Contingencies of the War Department, viz:

For maps, hiring expresses, allowance to officers for extra expenses, printing, loss of stores of all kinds, advertising and apprehending deserters	-	3,000 00
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Contingencies for the War Office, viz:

Office rent, wood, stationary, desks, book-cases, sweeping, &c.	600 00
Subsistence due the officers of Colonel Marinus Willett's regiment, 1782	786 06
Pay due to Lieutenant Joseph Wilcox, paymaster to the regiment lately commanded by Colonel David Humphreys	315 00
Pay, subsistence, and forage due the officers ap- pointed by the State of Rhode Island, under the act of Congress of the 20th October, 1786	1,770 00
	<hr/> 2,871 06
Total amount as above	<hr/> 156,137 72

Deduct contingencies of the War Office, office rent, wood, stationary, desks, &c. as above, the same being included with the salaries in the Civil List estimate - - - -

\$600 00

\$155,537 72

Summary of the foregoing.

Pay of the troops	-	-	-	-	\$59,028 00
Subsistence of do	-	-	-	-	42,552 00
Clothing of do	-	-	-	-	24,440 00
Quartermaster's Department	-	-	-	-	15,000 00
Hospital Department	-	-	-	-	1,000 00
Contingencies of the War Department	-	-	-	-	3,000 00
Contingencies of the War Office	-	-	-	-	600 00
Arrears of pay and subsistence unprovided for	-	-	-	-	2,871 06
Ordnance Department	-	-	-	-	7,646 66

\$156,137 72

WAR OFFICE, *December 29, 1789.*

(Signed)

HENRY KNOX,

Secretary for the Department of War.

No. III.

Estimate of the Annual Pensions of the Invalids of the United States, viz: Taken from returns in the War Office, dated as follows:

November 28, 1789.—New Hampshire,	-	\$ 3,024 00
December 14, 1789.—Massachusetts,	-	11,166 00
December 1, 1789.—Connecticut,	-	7,296 00
December 31, 1789.—New York,	-	15,588 00
February 2, 1789.—New Jersey,	-	4,357 06
December 10, 1789.—Pennsylvania,	-	16,506 00
For 1787.—Virginia,	-	9,276 66
		<u>67,213 72</u>
Conjectural.—No returns having been received, suppose Rhode Island and Delaware nearly equal to New Hampshire,	-	3,170 00
Maryland nearly equal to Connecticut,	-	7,000 00
North Carolina, South Carolina, and Georgia, nearly equal to New Hampshire, Connecticut, and Virginia,	-	19,596 00
		<u>29,766 00</u>
		<u>\$96,979 72</u>

(Signed)

H. KNOX,

Secretary for the Department of War.

WAR OFFICE, *31st December, 1789.*

SCHEDULE K.

Estimate of the probable product of the funds proposed for funding the debt, and providing for the current service of the United States, including the present duties on imports and tonnage.

Probable product of the duties on imports and tonnage, according to the acts of the last session	-	-	\$1,800,000
Including the State of North Carolina, this estimate may be said to correspond with the statement made by the Committee of Ways and Means, during the last session; which statement the Secretary is inclined to think is as near the truth as can be now obtained.			
In the preceding estimate are comprehended wines, distilled spirits, teas and coffee, amounting to about			600,000
Which, being deducted, leaves			\$1,200,000
From which, deducting five per cent. for expense of collection	-	-	60,000
Leaves nett product	-	-	\$1,140,000

PROBABLE PRODUCT OF DUTIES PROPOSED.

Imported.

1,000,000 gallons of wine,	at 20 cents,	\$ 200,000
4,000,000 gallons of distilled spirits,	at 20 cents,	800,000
700,000 pounds Bohea tea,	at 12 cents,	84,000
800,000 do. Souchong and other black teas	at 20 cents,	160,000
100,000 do. green tea, average	at 25 cents,	25,000
1,600,000 do. coffee,	at 5 cents,	80,000

Made in the United States.

3,500,000 gallons distilled spirits, from foreign materials, at 11 cents	-	-	385,000
3,000,000 gallons distilled from materials of the United States, at 9 cents	-	-	270,000
			2,004,000
Deduct for drawbacks and expense of collection, 15 per cent.	-	-	300,600
			1,703,400
			\$2,843,400

2016 Book Review of Thomas K.
McCraw's "Founders of Finance: How
Hamilton, Gallatin, and Other Immigrants
Forged a New Economy"

Suggested Reading

REVIEWED BY JAMES M. LUKENDA

Hamilton: Father of the Turnaround?

The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy

Written by Thomas K. McCraw

(Belknap Press of Harvard University Press 2012)

With the musical *Hamilton* (inspired by Ron Chernow's 2004 biography of Alexander Hamilton) on Broadway and the current round of presidential election debates focusing on how we run our government, taking a look at Hamilton's efforts on behalf of our infant nation is an enlightening exercise for the restructuring professional.

In his book *The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy*, Harvard Prof. Thomas K. McCraw provides a highly readable recap of the efforts of Hamilton and Albert Gallatin, the first and fourth Secretaries of the Treasury, respectively. One of the takeaways from Prof. McCraw's book is that Hamilton developed for the new United States one of the seminal turnaround plans in history. The results of Hamilton's efforts and the succeeding stewardship of Gallatin provided a blueprint for successful economic stabilization and eventual growth that many commercial entities have since unknowingly followed in their recoveries. Suffice it to say, Hamilton deserves the title "Father of the Turnaround" and arguably an award for "Turnaround of the Centuries."

Prof. McCraw, who passed away in November 2012, divided his book into three sections. The first is focused on Hamilton. Without any intention of being as comprehensive as Chernow's *Alexander Hamilton*, Prof. McCraw provides an overview of Hamilton's life and skills that is thorough enough to provide the context for his actions to stabilize the financial condition of the emerging nation. The second section picks up on the life and tenure of Gallatin as the fourth Treasury Secretary, and his tenure could be characterized as a period of stabilization and expansion. The book concludes with a commentary on the immigrant influence on early U.S. finance.

Hamilton recognized that creditworthiness was critical to the survival of the new nation. Having come through the Revolution with no real economic plan, the new U.S. was bankrupt at the start of its existence. Hamilton foresaw that bold action was required to rescue the new nation. To that end, he developed a four-part plan, which should seem familiar to anyone who has participated in a comprehensive restructuring.

First, Hamilton argued for the immediate authority to repay — at face value — the entire principal and interest owed to foreign creditors. While parties argued that the distressed-debt funds of the day would reap excessive rewards if the Treasury did so, Hamilton recognized the need to establish that the U.S. would stand behind the foreign obligations that it had assumed. To accomplish this, he refinanced the entire foreign debt with new foreign financing.

As the second step, Hamilton refinanced domestic debts with new federal bonds, which provided for a fixed annual payment but no maturity date. The fixed payment provided the Treasury with protection from demands for excessive repayment in difficult times. The absence of a maturity date bought time for the national economy to grow and provide a greater ability to repay the debt. Hamilton included call protection in the bonds to protect the bondholders against market interest rate declines.

The third part of Hamilton's program was the assumption of all state obligations on the same basis as the federal debt, binding the states together with the federal government on the economic plan. Finally, Hamilton negotiated a rate reduction on the debts from 6 percent to 4 percent, and established provisions for a fund for interest payments to avoid annual debate on funding by Congress (does this sound familiar?). As an additional inducement for creditors to accept his terms, Hamilton provided that annual payments would be made in gold or silver.

Fast-forward seven years. The U.S. is on a better financial footing, and the success of Hamilton's turnaround plan is assured. Enter Gallatin. Following the financial turnaround, the time was right for the nation to begin its expansion and growth. Gallatin, not unlike contemporary post-restructuring management with a longer-term outlook, brings three goals to his term: (1) reduce taxes and spending, (2) establish tighter controls over appropriations, and (3) control the expansion of the military and the navy. To accomplish these goals with growth, he sought to establish the balance among the four economic factors of production: land, labor, capital and entrepreneurship. To drive growth, Gallatin oversaw the first sales of public lands and the Louisiana Purchase.

As a history lesson, Prof. McCraw provides a good read in *The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy*. For turnaround professionals, it may bring recognition and the unique perspective that corporate turnarounds have deep roots that started with our founding fathers. **abi**



James M. Lukenda
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James Lukenda, CIRA is a founding managing director of Huron Consulting Group in New York and a past chair of ABI's VALCON program. He has worked on behalf of companies and their directors, lenders, committees of creditors and other parties-in-interest in capacities ranging from consultant and advisor to CFO.