THE WILMINGTON GAZETTE.

ree Dollars per Annum.] THURSDAY, JUNE 5, 1800. [Vol. IV.—No. 173

PUBLISHED WEEKLY BY ALLMAND HALL.

THE FOLLOWING IMPORTANT REPORT,

ON THE

Public debt of the United States,

The causes of its accumulation, &c.

Was submitted to

THE HOUSE OF REPRESENTATIVES,

On the 8th inst. and ordered to lie on the Table.

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The Committee who were appointed on the 20th of March, "to examine the accounts of the United States, relating to the public debt, and to report the amount respectively incurred and extinguished, and generally such facts as relate to the increase or diminution of the same, since the establishment of the government of the United States under the present constitution,

REPORT:

THAT for the purpose of obtaining every statement from the Treasury, which could only elucidate the subject of enquiry, they addressed a letter to the Secretary of that department, on the twenty fourth of March, a copy of which is subjoined to this report and on the twenty-ninth of April they received his answer, transmitting sundry statements, numbered from 1 to 9 inclusive, and exhibited in the most clear and satisfactory manner, the most important of the Treasury operations in relation to the debt, from the commencement of the present government. These statements together with three letters from the Secretary on this subject, are now submitted to the House; and although it is certainly possible that some trivial errors may have taken place in the details which these documents contain, yet the committee are perfectly confident that the general results which they produce must be correct.

The statements number 1 and 2 contain an account of the receipt and expenditure of all public money from the commencement of the government, and whilst they shew the application of the revenue to the debt, they will present at the same time in one view, every expence with which the Treasury has been charged, and enable the legislature, with more accuracy, to decide how far these objects, or the amount of expence in particular cases, may be diminished.

The order of the House having particularly directed the attention of the committee to the increase or diminution of debt, they have thought it their duty to bring into view the amount of debt with which the present government commenced its operations, and to contrast the same with the balance of debt on the first of January in the present year. In discharging this duty, it will become necessary to explain the principles on which these statements rest; which the committee will do in as concise a manner as possible. But before they enter upon this detail, they cannot forbear to express the satisfaction which they feel in declaring, that the documents which have been obtained from the Treasury, will in their opinion, fully demonstrate the precision and ability with which the business of that department has been conducted, and that by the fiscal operations of the government, the public debt has been diminished.

In ascertaining the amount of the old debt, two different principles have been taken by those who have made their calculations on the subject. The first has been to include only the interest upon the debt to the close of the year 1789, as the nearest convenient period to the day when the government commenced its operations, and after deducting from the aggregate of debt the amount of funds then in the power of the government, to consider the balance as the amount of old debt. The second principle has been to take the amount of debt, as the same has been liquidated and funded under various Acts of congress, and after deducting therefrom the funds acquired, or paid for by the government at the close of the year, 1790, to consider the balance constituting the true amount of old debt. The difference between these principles consists in this: by the first mode of computation, the interest which accumulated upon the debt, subsequent to the close of the year 1789, and until the debt was funded and provided for by law, is considered as a part of the old debt, whereas by the first mode of computation that interest is totally excluded.

In consequence of a difference in opinion, which it is understood still exists on this point, the committee have thought proper to state the debt in both modes that the result in both cases may be perfectly understood.

	Dolls.	*Cts.*
The nominal amount of debt on the first of Jan. 1790, as appears by statement number 9-3 mounting to	72,237,302	97
The funds then in possession of the government and to be deducted, were		
Cash in the treasury, Jan. 1, 1790,	28,239	61
Cash in the hands of collectors,	83,127	84
Bonds at the Custom houses,	591,468	6
Debts due to the United States under contracts of the late government, collected at sundry times,	62,586	64
Debts paid in specie during the year 1789,	15,927	13
Proceeds of the sale of land to the state of Pennsylvania, made by the late government,	151,392	41
	931,742	33
Amount of debt Jan. 1, 1790,	71,305,559	64
By the same document it appears, that the debt contracted by the late government, as the same has been liquidated & funded by acts of congress, amount to	76,781,953	14
That the funds possessed by the government on the 1st of January 1791, and to be deducted from the debt were as follow:		
	Dolls.	*cts.*
Cash in the treasury Jan. 1, 1791,	570,023	88
Cash in the hands of collectors,	215,786	95
Custom house bonds liquidated		
Money collected from the debtors of the late government as in the preceding statement,	62,586	74
Debts paid in specie during the year 1789	15,927	13
Sale of land to Pennsylvania,	151,392	41
Debts purchased and discharged during the year 1790	511,414	8
	2,597,336	32
True amount of debt Jan. 1, '91, *Dols.*	74,185,696	82
By the same document, number 9, it appears that the debt, exclusive of temporary loans on the first of January, 1800, amounted to	76,651,820	30
Temporary loans without deducting bank shares	363,000	
Nominal amount of debt, January 1, 1800, *Dolls.*	80,291,820	3
Funds acquired by the government		

and which may be applied to face the foregoing debt

Cash in the treasury January 1, 1800, deducting therefrom the amount of unclaimed registered debt and debt due to foreign officers, which are to be considered at all times as a charge on the specie balance in the treasury,	2,462,683	94
Remittances to Holland, beyond the sum necessary to meet all demands on the foreign debt, to the close of the year 1799,	548,955	84
Cash in the hands of collectors and Supervisors,	53,247	8
Bonds uncollected at the Custom houses, estimated at six millions, payable on an average at six months, deducting the interest for that term leaves	5,826,214	
2,333 shares of Bank stock cost 868,000		
Advance, 25 per cent.	222,000	
Value	1,110,000	1,110,000
		10,709,144
True amount of debt January 1st, 1800, *Dolls.*	70,212,718	94

For the purpose of shewing the rapidity with which the public debt was diminishing, at the time when the hostility of France compelled the government to incur those great and extraordinary expences, which appear in the Treasury statements, to enter upon that extensive system of defence, which has secured to the security of our commerce, the committee have thought it necessary, in addition to the preceding statements, to present a view of the debt on the first of January, 1798, remarking, at the same time, that the reduction which at that time had been made, proves, in the most satisfactory manner, the ease with which the debt may be extinguished, whenever the government shall be left unembarrassed by internal disorder or foreign hostility. The nominal amount of debt on the 1st of Jan. 1798 was *Dolls.* 76,366,618 82

Funds to be deducted, were——		
Cash in the Treasury Jan. 1st 1798.	1,021,889	4
Cash in the hands of collectors,	265,559	3
Cash in the hands of supervisors	32,964	39
Value of bonds uncollected at the Custom houses, January 1st, 1798, estimated at	6,000,000	
Bank stock at its value,	1,110,000	
	1,739,280	46
True amount of debt, Jan. 1st, 1798, *Dolls.*	67,627,338	36

From whence it results that the amount of debt on the first of January, 1800, is contrasted with the debt on the first of January, 1790, it will appear that the debt has diminished in the sum of 3,972,841, to that at 48 cents, or if it is compared with the debt of January 1st 1791, the debt has diminished by the sum of 3,972,878 dollars and 66 cents, for in either mode of stating the account, it clearly appears, that the debt has in fact been diminished.

It is perhaps of little importance whether the one or the other of the preceding views is taken of the public debt, as the result in either case will be highly favorable to the financial operations of the government; the committee, however, have inclined to the opinion, that the debt can not have been liquidated and funded by the government, after deducting the amount of funds which arose prior to the 1st of January, 1791, ought to be considered as constituting the true amount of debt, with which the present government has been entrusted by the constitution.

It is perfectly clear, that no part of the national debt can with propriety be considered a new debt, which arose prior to the establishment of the present government, and the payment of which was postponed from the period of the late government, and although it is certain that the interest for a certain period after the present government commenced its operations was funded and made a part of the capital of the debt, yet it will be proper to consider the operations of the government, connected with the operations without any system of finance, funds of any description to meet any expenditure but expenditures every item which was appropriated for the purposes to be devised, and which could not be executed without money could be procured, therefore, from a candid view of the subject, it will be evident that the amount of debt which had accumulated during the late war, and might have been funded by the creditors in cash, but by the terms of the new contracts were taken, that interest was converted into capital, bearing an interest of three per cent. and the difference between the value of stock and specie has been gained by the government; so that, in whatever point of view this subject is considered, it appears clearly to the committee, that the old debt cannot be considered, as comprising a sum less than that at which it has been funded.

The committee would not have thought it necessary to explain the principles on which they have deducted, from the nominal amount of debt at the various periods when they have stated the same; the amount of funds acquired or paid for by the government at those periods respectively, had not the propriety of those deductions been formerly questioned.—It is, however, understood to be now admitted that all the items composing those funds form a proper reduction from the amount of debt, except the bonds remaining uncollected at the custom houses; this item alone it has been said, ought to be excluded from the account.

The propriety of deducting these bonds together with the other items, from the debt, has appeared to the committee so apparent, that they have found some difficulty in rendering a principle more intelligible which to them appears self evident.

The object of every statement of this nature must be to ascertain the balance of debt; and to do this, it is apparent that the debits and credits of the government must be drawn into the account. The principle which applies to the accounts of an individual, applies in the same manner to the accounts of a nation: the amount of debt can in neither case depend on the amount of the accounts but upon the balance which results from a comparison of debit and credit—that these bonds are the property of the government, has not been controverted, and if there is any meaning in terms, they contain positive engagements for money, and must be credits—the obligation to pay these bonds could be no stronger, if they had been executed by individuals for money loaned, nor would the mode of collection be in the least varied, and whilst the effect is precisely the same with that of credits, it remains for those who place them on different principles, to explain the grounds of difference.

That they have been executed for duties is true, but the credit which is thereby given to the merchant is entirely for his accommodation; and such are the express provisions of the law, which requires that the duties on goods shall be paid or secured before they are landed, at the option of the importer; the duties are to be paid or secured, not upon the consumption, but upon the importation, and the bonds which have at any given period been taken for duties, and which remain uncollected, are to be considered as securities for the revenue of the preceding year; the government has nothing to do with the goods on which duties have been secured after the bonds are taken; whether they are consumed or destroyed neither increases or diminishes the obligation of the merchant to pay the contents of his bond; a further circumstance must be adverted to, which, if anything can render this point more clear and certain, may perhaps produce that effect—it is the consideration, that a considerable amount of these bonds have already been pledged for the payment of a part of the debt. The temporary loans which appears in the preceding statements, have all been obtained in anticipation of the money arising from the bonds; and it would be a singular case indeed, if the pledge which is confessedly of greater value than the debt, and from the proceeds of which the debt must in fact be discharged, is to be totally excluded from a general account of debts and credits.

In reviewing the progress and present situation of the debt, the committee have been led to consider the causes which have hitherto retarded its extinguishment. The deranged state or rather total want of funds and revenue at the commencement of the government, has been already noticed, and it cannot be necessary to add that the delays which necessarily attend all financial operations, at their outset, must have prevented the government for a considerable time from extending the revenue so far as convenience and policy might afterwards require; but the committee deem it important to add that the extraordinary expense which has arisen within a few years, has swallowed up large sums of the public wealth and diverted the application of those monies which might otherwise have gone to the extinguishment of debt, to objects connected with the honor, and in some cases with the immediate existence of the government.

In this class of expence will be included a large sum occasioned by the Indian war—one million two hundred and fifty thousand dollars, expended in quelling two insurrections in the state of Pennsylvania—more than one million and an half expended in our transactions with Algiers and the other Mediterranean powers, together with a much larger expense occasioned by the unprovoked aggressions of France upon this country. Had it been possible literally to have applied those various sums to the purchase of debt, it is easy to conceive, how rapidly the same might have been extinguished—The committee have likewise noticed, the large sums which have been necessarily expended in the erection of light-houses, repairing fortifications, in purchases for replenishing our military naval arsenals, and in the building, purchase and equipment of more than forty sail of ships and armed vessels, together with a considerable loan of money to the commissioners of the city of Washington. The money expended on these objects, it is well known, arise