



Ours are the plans of fair and rightful peace,
Unwarped by party rage, to the like brothers.

THURSDAY, NOVEMBER 19, 1807.

No 426.

V. IX.

REPORT of the

Secretary of the Treasury of the United States.
Communicated to Congress November 6, 1807.

IN obedience to the directions of the act supplementary to the act entitled an "An act to establish the Treasury Department," the Secretary of the Treasury respectfully submits the following Report and Estimates.

REVENUE and RECEIPTS.

The nett revenue arising from duties on merchandize and tonnage which accrued during the year 1805, amounted to \$ 14,135,138
And that which accrued during the year 1806, amounted, as will appear by the statement (A,) to 16,576,454
The same revenue, after deducting that portion which arose from the duty on salt, and from the additional duties constituting the Mediterranean fund, amounting during the year 1805, to 12,520,532
And, during the year 1806, to 14,809,758
It is ascertained that the nett revenue which has accrued during the three first quarters of the year 1807, exceeds that of the corresponding quarters of the year 1806; and that branch of the revenue may, exclusively of the duty on salt, and of the Mediterranean fund, both of which expire on the 1st day of January next, be safely estimated for the present, and if no change takes place in the relations of the U. States with foreign nations, at fourteen millions of dollars.
The statement (B) exhibits in detail, the several species of merchandize and other sources, from which the revenue was collected during the year 1806.

It appears by the statement (C) that the sales of the public lands have during the year ending on the 30th September, 1807, exceeded 284,000 acres. Some returns are not yet received: and the proceeds of sales in the Mississippi Territory being, after deducting the surveying and other incidental expences, appropriated in the first place to the payment of a sum of 1,250,000 dollars to the state of Georgia, have not been included, but are distinctly stated. The actual payments by purchasers have, during the same period, exceeded 680,000 dollars; and the receipts into the treasury from that source may, after deducting charges and the five per cent. reserved for roads, be estimated for the ensuing year, at 500,000 dollars.

The receipts arising from the permanent revenue of the U. States may, therefore, without including the duties on postage and other incidental branches, be computed for the year 1808, at \$ 14,500,000
And the payments into the Treasury during the same year, on account of the salt and Mediterranean duties previously accrued, are estimated at one million three hundred thousand

1,300,000
Making in the whole an aggregate of fifteen million eight hundred thousand dollars, \$ 15,800,000

LAST QUARTER OF THE YEAR 1807.

The balance in the Treasury which, on the 30th day of September 1806, amounted to 5,496,969 dollars 77 cents, did on the 30th day of September 1807, amount to \$ 8,530,000
The receipts into the Treasury from the 1st of October to the 31st day of December 1807, are estimated at 4,000,000

\$ 12,530,000
The expences during the same period for all objects whatever the public debt excepted, and including 686,076 dollars for the extraordinary expences of the Navy department, of which the estimate has been transmitted, are estimated at \$ 1,700,000

The ordinary payments on account of the public debt, including the provision for the interest on the Louisiana and Dutch debt, to the 1st of July, 1808, are estimated at 1,700,000

A further sum of about 1,500,000 dollars should also be paid during this quarter, in order to complete the annual appropriation of eight millions of dollars. If the whole of this sum, which is applicable to the purchase of the eight per cent stock, cannot be expended this year, the unexpended balance will form an additional expenditure for the year 1808, charging however the whole to this quarter, 1,500,000

Making an aggregate of 4,900,000 dollars, and will leave in the Treasury at the close of the year a balance of about seven millions six hundred thousand dollars 7,630,000

\$ 12,30,000

EXPENDITURES OF THE YEAR 1808.

The permanent expences calculated on a peace establishment are estimated at 11,600,000 dollars, and consist of the following items, viz.

1. For the civil department, and all domestic expences of a civil nature, including invalid pensions, the light house and mint establishments, the expences of surveying public lands and the sea coast, the 5th instalment of the loan due to Maryland, & a sum of 100,000 dollars to meet such miscellaneous appropriations, not included in the estimates, as may be made by Congress 1,100,000
2. For expences incident to the intercourse with foreign nations, including the permanent appropriation for Algiers, 200,000
3. For the military and Indian department, including trading houses, and the permanent appropriation for certain tribes, 1,280,000
4. For the naval establishment, 1,020,000
5. The annual appropriation of eight millions of dollars for the payment of the principal and interest of the public debt; of which sum not more than 3,400,000 dollars will for the year 1808 be applicable to the payment of interest, 8,000,000

\$ 11,600,000

To the permanent expences must be added for the year 1808, a sum of about 800,000 dollars, necessary in addition to the annual appropriation of eight millions of dollars, to complete on the 1st January, 1809, the reimbursement of the eight per cent stock, 800,000
And for paying the balance of American claims, assumed by the French convention, 200,000

Making altogether 12,600,000 dollars for the expences of that year, \$ 12,600,000

The receipts of that year having been estimated at \$ 15,300,000

And the probable balance in the Treasury on the 1st of January next, at 7,630,000

Making altogether 23,430,000

Will therefore probably leave in the Treasury on the first of January, 1809, a balance of near eleven millions of dollars, 10,830,000

\$ 23,430,000

PUBLIC DEBT.

It appears by the statement (D,) that the payments on account of the principal of the public debt, have, during the year ending the 30th day of September, 1807, exceeded 4,600,000 dollars; making the total of public debt reimbursed from the 1st of April, 1801, to the 1st of October, 1807, about 25,380,000 dollars, exclusively of more than six millions, which have been reimbursed by the operations of Great Britain, and of the Louisiana convention.

Of the twelve millions of dollars, which, according to the preceding estimates, may be paid on account of the public debt, between the 30th September, 1807, and the 1st January, 1809, about eight millions will be on account of the principal. It must, however, be observed, that the unascertained result of the proposition made to the public creditors for the modification of the debt, may affect the amount payable during the year 1808, on account of both principal and interest.

On the 1st day of January, 1809, the principal of the debt will, if the proposed modification be not assented to by the public creditors, amount to near fifty-seven millions and five hundred thousand dollars. The subsequent annual payments thereon, on account of principal and interest, will not, exclusively of occasional purchases, exceed 14,000,000 dollars: And the whole of the debt, the nineteen millions of three per cent stock only excepted, will be reimbursed in sixteen years.

A general subscription would reduce the capital to about fifty millions of dollars. The payments would amount to eight millions of dollars annually, during six years, and average less than three millions during the seven following, at the end of which period the whole debt would be extinguished.

An annual unappropriated surplus of at least three millions of dollars may henceforth be relied on with great confidence. The receipts of the year 1803 have been estimated at 15,800,000 and the expences at 12,000,000 dollars. The permanent revenue has been computed at 14,500,000 dollars, and the permanent expences, predicated on annual payment of twelve millions of dollars on account of the debt, have been stated at 11,600,000 dollars; and as this would, if no modification of the debt should take place, be reduced to less than 1,500,000, the annual surplus would then amount to six millions of dollars. Nor are the seven millions and an half of dollars which will remain in the treasury at the end of the year, included in the calculation.

What portion of that surplus may be wanted for necessary measures of security and defence; what portion should be applied to internal improvements, which, while increasing & diffusing the national wealth, will strengthen the bonds of union, are subjects which do not fall within the province of the Treasury Department, but it is not impossible, that after making ample provision for both those objects considerable surpluses, and which can no longer be applied to the redemption of the debt, may still accumulate in the Treasury.

The previous accumulation of treasure in time of peace might, in a great degree, defray the extraordinary expences of war, and diminish the necessity of either loans or additional taxes. It would provide, during periods of prosperity, for those adverse events to which every nation is exposed, instead of increasing the burdens of the people at a time when they are least able to bear them, or of impairing by anticipations, the resources of ensuing generations; and the public money of the U. States not being locked up and withdrawn from the general circulation, but on the contrary deposited in banks, and continuing to form a part of the circulating medium, the most formidable objection to that system, which has nevertheless been at times adopted with considerable success in other countries, is thereby altogether removed. It is also believed that the renewal of the charter of the Bank of the U. States may, amongst other advantages, afford to government an opportunity of obtaining interest on the public deposits, whenever they shall exceed a certain amount.

Should the U. States, contrary to their expectation and desire, be involved in war, it is believed that the receipt of the year 1808 will not be materially affected by the event, inasmuch as they will principally arise from the revenue accrued during the present year. The amount of outstanding bonds due by importers after deducting the debentures issued on account of re-exportations, exceeds at this time, sixteen millions of dollars. The deductions to be made from these on account of subsequent re-exportations, would, in case of war, be less than usual: for exportations will then be checked, as well as importations, and in proportion as these will decrease, a greater home demand will be created for the stock on hand and the necessity of re-exporting be diminished.

It has already been stated, that the specie in the Treasury at the end of this year, together with the surplus of the year 1808, will amount to near eleven millions of dollars; a sum probably adequate to meet the extraordinary expences of the war for that year. It will also be recollected, that in the estimated expences of the year 1808, the reimbursement of near five millions and a half of the principal of the debt is included. The only provision therefore which may render any contingency necessary for the extraordinary service of that year in order to cover any deficiency of revenue or increase of expence beyond what has been estimated, will be an authority to borrow a sum equal to that reimbursement.

That the revenue of the U. States will, in subsequent years, be considerably impaired by a war, neither can or ought to be concealed. It is on the contrary, necessary, in order to be prepared for the crisis, to take an early view of the subject, and to examine the resources which should be selected for supplying the deficiency, and defraying the extraordinary expences.

There is no data from which the extent of the defalcation can, at this moment, be calculated, or even estimated. It will be sufficient to state, 1st. That it appears necessary to provide a revenue at least equal to the annual expences on a peace establishment, the interest of the existing debt, and the interest on the loans which may be raised. 2d. That those expences together with the interest of the debt, will, after the year 1808, amount to a sum less than seven million of dollars, and therefore, that if the present revenue of 14,500,000 dollars shall not be diminished more than one half by the war, it will be still adequate to the object, leaving only the interest of war loans to be provided for.

Whether taxes should be raised to a greater amount, or loans be altogether relied on for defraying the expences of the war, is the next subject of consideration.

Taxes are paid by the great mass of the citizens, and immediately affect almost every individual of the community. Loans are supplied by capitals previously accumulated by a few individuals. In a country where the resources of individuals are not generally and materially affected by the war, it is practicable and wise to raise by taxes the greater part at least of the annual supplies. The credit of the nation may also, from various circumstances, be at times so far impaired as to leave no resource but taxation. In both respects, the situation of the United States is totally dissimilar.

A maritime war will, in the U. States, generally and deeply affect, whilst it continues, the resources of individuals, as not only commercial profits will

be curtailed, but principally because a great portion of the surplus of agricultural produce necessarily requires a foreign market. The reduced price of the principal articles exported from the United States will operate more heavily than any contemplated tax. And without enquiring whether a similar cause may not still more deeply and permanently affect the commerce with the U. States, it is to be observed, that so far as relates to America, the losses and privations caused by the war, should not be aggravated by taxes beyond what is strictly necessary. In addition to the debt is double an evil; but experience having now shown with what rapid progress the revenue of the union increases in time of peace, with what facility the debt formerly contracted has, in a few years, been reduced, a hope may confidently be entertained, that all the evils of the war will be temporary and easily repaired, and that the return of peace will, without any effort, afford ample resources for reimbursing whatever may have been borrowed during the war.

The credit of the U. States is also unimpaired either at home or abroad, and it is believed that loans to a reasonable amount may be obtained on eligible terms. Measures have been taken to ascertain to what extent this may be affected abroad; and it will be sufficient here to suggest, that the several banks of the U. States may find it convenient after the ensuing year, and as the diminished commerce of the country may require less capital, to loan to government a considerable portion of their capital, now computed at about forty millions of dollars.

It might be premature to enter into a particular detail of the several branches of revenue which may be selected, in order to provide for the interest of war loans, and to cover deficiencies in case the existing revenue should fall below seven millions of dollars. A general enumeration seems at present sufficient.

1. Not only the duty on salt and the Mediterranean duties may be immediately revived, but the duties on importation generally may, in case of war, be considerably increased, perhaps doubled, with less inconvenience than would arise from any other mode of taxation. Without resorting to the example of other nations, experience has proved that this source of revenue is, in the U. States, the most productive, the easiest to collect, & the least burthensome to the great mass of the people. In time of war the danger of smuggling is diminished, the scarcity of foreign articles prevents the duty ever falling on the importer; the consumers are precisely those members of the community who are best able to pay the duty; and the increase of Domestic Manufactures, which may be indirectly effected, is in itself a desirable object.

2. Indirect taxes, however eligible, will doubtless be cheerfully paid as War Taxes, if necessary. Several modifications of the system formerly adopted, might however be introduced, both in order to diminish some of the inconveniences which were experienced, and particularly to ensure the collection of the duties.

3. Direct taxes are liable to a particular objection arising from the unavoidable inequality produced by the general rule of the constitution. Whatever difference may exist between the relative wealth and consequent ability of paying of the several states, still the tax must necessarily be raised in proportion to their relative population. Should it, however, become necessary to resort to that resource, it is believed that the tax raised upon this species of property in each state, which, by the state laws, is liable to taxation, as had been contemplated by Congress, would be preferable to a general assessment laid uniformly on the same species of property in all the states, as was ultimately adopted.

All which is respectfully submitted,
ALBERT GALLATIN,
Sec. of Treasury,
Treasury Department,
Nov. 5, 1807

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STATE PRINTING OFFICE.