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TREASURY REPORT.

Copy of a letter from the chairman of the committee of Ways and Means to the Secretary of the Treasury, dated Washington, Oct. 14, 1814.

SIR—The committee of Ways and Means have had under their consideration the support of public credit by a system of taxation more extended than the one heretofore adopted. They have determined to suspend proceeding on their report with a view to afford you an opportunity of suggesting any other, or such additional provisions, as may be necessary to revive & maintain unimpaired the public credit.

I have the honor to be, your most obedient, JOHN W. EPPES. Secy of the Treasury.

THE ANSWER.

Treasury Department, Oct. 17.

SIR—I have the honor to acknowledge the receipt of your letter, dated the 14th inst. and aware of the necessity for an early interposition of Congress on the subject to which it relates I proceed, at the moment of entering upon the duties of office, to offer to the consideration of the committee of Ways and Means an answer on the several points of their enquiry.

Contemplating the present state of the finances it is obvious, that a deficiency in the revenue, and a depreciation in the public credit, exist from causes which cannot in any degree be ascribed, either to the want of resources, or to the want of integrity, in the nation. Different minds will conceive different opinions in relation to some of those causes; but it will be agreed on all sides, that the most operative have been the inadequacy of our system of taxation to form a foundation for public credit; and the absence even from that system of the means which are best adapted to anticipate, collect and distribute the public revenue.

The wealth of the nation, in the value and products of its soil, in all the acquisitions of personal property, and in all the varieties of industry, remains almost untouched by the hand of government; for the national faith, and not the national wealth, has hitherto been the principal instrument of finance. It was reasonable, however, to expect, that a period must occur in the course of a protracted war, when confidence in the accumulating public engagement could only be secured by an active demonstration, both of the capacity and the disposition to perform them. In the present state of the treasury, therefore, it is a just consolation to reflect, that a prompt and resolute application of the resources of the country will effectually relieve from every pecuniary embarrassment and vindicate the fiscal honor of the government.

But it would be vain to attempt to disguise, and it would be pernicious to palliate the difficulties which are now to be overcome. The exigencies of the government require a supply of treasure for the prosecution of the war, beyond any amount which it would be politic, even if it were practicable, to raise by an immediate and constant imposition of taxes. There must, therefore, be a resort to credit, for a considerable portion of the supply. But the public credit is at this juncture so depressed, that no hope of adequate success, on moderate terms, can safely rest upon it. Hence, it becomes the object first and last in every practical scheme of finance, to reanimate the confidence of the citizens; and to impress on the mind of every man, who, for the public account, renders services, furnishes supplies, or advances money, a conviction of the punctuality as well as of the security of the government. It is not to be regarded, indeed, as the case of preserving a credit which has never been impaired, but rather as the case of rising from reproach a credit over which doubt and apprehension (not the less injurious perhaps, because they are visionary) have cast an inauspicious shade. In the former case, the ordinary means of raising and appropriating the revenue will always be sufficient; but in the latter case, no exertion can be competent to attain the object, which does not quiet, in every mind, every fear of future loss or disappointment in consequence of trusting to the pledges of the public faith.

The condition of the circulating medium of the country presents another copious source of mischief and embarrassment. The recent exportations of specie have considerably diminished the fund of gold and silver coin; and another considerable portion of that fund has been drawn, by the timid and the wary, from the use of the community into the private coffers of the individuals. On the other hand the multiplication of banks in the several states has so increased the quantity of paper currency, that it would be difficult to calculate its amount; and still more difficult to ascertain its value, with reference to the capital on which it has been issued. But the benefit even of this paper currency is in a great measure lost, as the suspension of payments in specie at most of the banks has suddenly broken the chain of accommodation, that previously extended the credit and the circulation of the notes which were emitted in one state into every state in the union. It may in general be affirmed, therefore, that there exists at this time no adequate circulating medium common to the citizens of the United States. The monied transactions of private life are at a stand; and the fiscal operations of government labor with extreme inconvenience. It is impossible that such a state of things should be long endured; but, let it be fairly added, that with legislative aid it is not necessary that the endurance should be long. Under favorable circumstances, and to a limited extent an emission of treasury notes would, probably, afford relief; but treasury notes are an expensive and precarious substitute, either for coin or for bank notes, charged as they are with a growing interest, productive of no countervailing profit, or emolument, and exposed to every breath of popular prejudice or alarm. The establishment of a national institution, operating upon credit combined with capital, and regulated by prudence & good faith, is, after all, the only efficient remedy for the disordered condition of our circulating medium.

While accomplishing that object, too, there will be found, under the auspices of such an institution, a safe depository for the public treasure, and a constant auxiliary to the public credit. But whether the issues of a paper currency proceed from the national treasury, or from a national bank, the acceptance of the paper in a course of payments and receipts must be forever optional with the citizens. The extremity of that day cannot be anticipated, when any honest and enlightened statesman will again venture upon the desperate expedient of a tender law.

From this painful, but necessary development of existing evils, we pass with hope and confidence, to a more specific consideration of the measures from which relief may be certainly and speedily derived. Remembering always, that the objects of the government are to place the public credit upon a solid and durable foundation; to provide a revenue commensurate with the demands of a war expenditure, and to remove from the treasury an immediate pressure, the following propositions are submitted to the committee, with every sentiment of deference and respect.

PROPOSITIONS.

I. It is proposed, that, during the war, and until the claims contemplated by the proposition are completely satisfied, or extinct, there shall be annually raised by taxes, duties, imposts, & excises, a fund for these purposes:

- 1. For the support of government \$1,500,000
2. For the principal and interest of the public debt, existing before the declaration of war, and payable according to the contract, 3,500,000
3. For the interest of the public debt contracted, and to be contracted, by loans or otherwise, from the commencement to the termination of the war, calculated upon an annual principal of 72 millions of dollars, 4,320,000
4. For the payment of treasury notes, with the accruing interest, 7,400,000
5. For the payment of debentures to be issued (as is hereinafter proposed) for liquidating balances, due to individuals, on account of services or supplies, authorized by law, but either not embraced by a specific appropriation, or exceeding the sum appropriated, 280,000
6. For a current addition to the sums raised by loan, or issues of treasury notes, towards defraying the general expenses of the war, 2,000,000
7. For the gradual establishment of a sinking fund, to extinguish the debt incurred during the war, 500,000
8. For a contingent fund, to meet sudden & occasional demands upon the treasury, 1,500,000
Total \$21,000,000

II. It is proposed, that during the war, and until the claims contemplated by the preceding proposition are completely satisfied, or other adequate funds shall be provided and substituted by law, there shall be annually raised, by the means here specified, the following sums:

- 1. By the customs (which cannot be safely estimated, during the war, at a higher product) \$4,000,000
2. By the existing internal duties 2,700,000
3. By the existing direct tax 2,500,000
4. By the sales of public lands (which cannot be safely estimated, during the war, at a higher product) 800,000
5. By an addition to the existing direct tax of 100 per cent. 2,850,000
6. By an addition of 100 per cent. on the present auction duties 150,000
7. By an addition of 100 per cent. on the existing duties upon carriages 300,000
8. By an addition of 50 per cent. on the existing duties on licenses to retail wines, spirituous liquors and foreign merchandise 300,000
9. By an addition of 100 per cent. on the existing rate of postage 500,000
10. By the proceeds of the new duties specified in the annexed schedule, marked A, making in the aggregate 7,000,000
Total \$21,000,000

III. It is proposed that a national bank shall be incorporated for a term of twenty years, to be established at Philadelphia, with a power to erect offices of discount and deposit elsewhere, upon the following principles:

- 1. That the capital of the bank shall be 50 millions of dollars, to be divided into 100,000 shares of five dollars each. Three fifths of the capital, being 60,000 shares, amounting to 30,000,000 of dollars, to be subscribed by corporations, companies or individuals; and two fifths of the capital being 40,000 shares, amounting to 20 millions of dollars, to be subscribed by the United States.
2. That the subscriptions of corporations, companies and individuals shall be paid for in the following manner: One fifth part, or 6,000,000 dollars, in gold or silver coin. Four fifth parts, or 24,000,000, in gold or silver coin, or in six per cent. stock issued since the declaration of war, and treasury notes, in the proportion of one fifth in treasury notes, and three fifths in six per cent. stock.
3. That the subscriptions of corporations, companies and individuals shall be paid at the following periods: 20 dollars on each share, to be paid at the time of subscribing, in gold or silver coin 1,200,000 40 dollars on each share, to be paid in gold or silver coin, one month after the subscription 2,400,000 40 dollars on each share, in two months after the subscription, in gold or silver coin 2,400,000 100 dollars specie 6,000,000 100 dollars on each share, in gold or silver coin, or in six per cent. stock, or in treasury notes, according to the preceding appointment, to be paid at the time of subscribing 6,000,000 150 dollars on each share, to be paid in like manner, in two months after subscribing 9,000,000 150 dollars on each share, to be paid in like manner, in three months after subscribing 9,000,000 Total 30,000,000

- 4. That the subscription of the U. States shall be paid in six per cent. stock, at the same periods and in the same proportions as the payments of private subscriptions, in stock and treasury notes.
5. That the United States may substitute 6 per cent. stock, for the amount of the treasury notes subscribed by corporations, companies, and individuals, as the notes respectively become due and payable.
6. That the bank shall loan to the U. States 30,000,000, at an interest of six per cent. at such periods, & in such sums, as shall be found mutually convenient.
7. That no part of the public stock, constituting a portion of the capital of the bank, shall be sold during the war; nor at any subsequent time, for less than par; nor at any time to an amount exceeding one moiety, without the consent of congress.
8. That provision shall be made for protecting the bank notes from forgery; for limiting the issue of bank notes; and for retaining them in all payments to the United States.
9. That the capital of the bank, its notes, deposits, dividends, or profits, (its real estate only excepted) shall not be subject to taxation by the United States, or by any individual State.
10. That no other bank shall be established by congress during the term for which the national bank is incorporated.
11. That the National Bank shall be governed by fifteen directors, being resident citizens of the United States and stockholders. The President of the United States shall annually name five directors, and designate one of the five to be the president of the bank. The other directors shall be annually chosen by the qualified stockholders, in person or by proxy, if resident within the United States, voting upon a scale graduated according to the number of shares which they respectively hold. The cashier and the other officers of the bank to be appointed as is usual in similar institutions.
12. That the directors of the national bank shall appoint seven persons, one of whom to preside as the manager of each office of discount and deposit, and one person to be the cashier.
13. That the general powers, privileges, and regulations of the bank, shall be the same as are usual in similar institutions; but with this special provision, that the general accounts shall be subject to the inspection of the secretary of the treasury.

IV. It is proposed, that after having thus provided for the punctual payment of the interest upon every denomination of public debt; for raising annually a portion of the annual expense, by taxes, for establishing a sinking fund, in relation to the new debt, as well as in relation to the old debt; and for securing to the public the efficient agency of a national bank; the only remaining object of supply shall be accomplished by annual loans, and issues of treasury notes, if, unexpectedly, such issues should continue to be necessary or expedient.

- 1. The amount of annual expenditure during the war, exceeding the sums provided for, does not admit of a prospective estimate beyond the year 1815; but for that year it may be estimated with sufficient accuracy for the general purposes of the present communication, at \$28,000,000
2. Then for the year 1815, an additional provision must be made, authorising a loan and the issue of treasury notes, to an equal amount \$28,000,000

V. It is proposed that the accounts for authorised expences being only stated and settled, a certificate or debenture shall issue to the accountant specifying the balance; and that in all cases where there has been no specific appropriation, or the claim exceeds the amount of the sum appropriated, the balance shall bear an interest of 3 per cent. until provision is made by law for paying the amount.

VI. And finally, it is proposed to relieve the treasury from an immediate pressure, upon the principles of the following statement:

- 1. The amount of demands upon the treasury, (exclusively of balances of appropriations for former years, unsatisfied) was stated in the report of the late secretary of the treasury, of the 23d of September, 1814, to be, on the 30th of June, \$27,376,391 19
2. The accounts of the 3d quarter of 1814, are not yet made up, and the precise sums paid during that quarter cannot now be ascertained; but they amount to nearly 8,470,000
Leaving to be paid in the 4th quarter of 1814 \$19,176,391 19
3. This balance, payable during the 4th quarter of 1814, consists of the following items: Civil, diplomatic and miscellaneous expences about 353,292 99 Military about 6,792 688 Naval, about 2,382,010 97 Public debt, about 7,648,412 23 Total 19,176,391 19

4. The existing provisions by law for the payment of the balance of \$19,176,391 19, may be estimated as follows: The act of the 24th March, 1814, authorised a loan for 25,000,000 The act of the 4th March, 1815, authorised an issue of treasury notes for 5,000,000 Total 30,000,000

Under these authorities there have been borrowed on loan, about 10,895,000 There has been sent to Europe in 6 per cent stock 6,000,000 There has been issued in treasury notes 3,504,000 Total 20,399,000 \$9,601,000

There remains therefore an unexecuted authority to borrow 8,105,000 To issue treasury notes 1,496,000 Total \$9,601,000

The demands of the fourth quarter being then 19,176,391 19 There may be applied to meet them, the revenue accruing during the quarter from all sources, about 2,900,000 Also, payments to be made on account of loans already contracted for, according to the authority above stated, about 5,400,000 Total 8,476,391 19

Leaving a balance to be provided for \$13,776,391 19 By the authority remaining to borrow 8,105,000 By the authority remaining to issue treasury notes 1,496,000 By an additional authority to be granted by law to borrow, and to issue treasury notes 4,175,391 19 Total \$13,776,391 19

These estimates, however, it will be observed, are made with a view, simply, to the appropriations by law for the expenses of the year 1814; and do not embrace a provision to satisfy balances of appropriation made for the expenses of preceding years which have not been called for the treasury. But it will, probably, be deemed expedient to make such provision by extending the new authority to borrow from the above balance, to 6,000,000. If the 6 per cent. stock which has been sent to Europe should be there disposed of, it will form an item in the estimates of the ensuing year.

As a portion of the amount to be provided during the present quarter, consists of treasury notes which will soon be due, it will be advisable to make them receivable in subscriptions to the loan.

It is proper to accompany these propositions with a few explanatory remarks.

1. The first proposition contemplates a permanent system; but the estimate of the particular items of claims and demands upon the public, must be regarded as immediately applying to the year 1815. In every subsequent year there will necessarily be some variation; as, for instance, the item of interest on the old debt will annually sink, while the item of interest on the new debt will annually rise during the continuance of the war.

The items for annually raising a portion of the public expence by taxes, and for applying to the new debt a sinking fund (gradually increasing, until it becomes commensurate with its object) are essential features in the plan suggested, with a view to the revival and maintenance of public credit. The extinguishment of the old debt is already in rapid operation by the wise precaution of a similar institution.

2. The second proposition will doubtless, generate many and very various objections. The endeavor has been, however, to spread the general amount of the taxes over a wide surface, with a hand as light and equal as is consistent with convenience in the process, and certainty in the result.