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REPORT ON RETRENCHMENT.

In the House of Representatives, April 15.

The following Report was delivered in by Mr. Hardin:

The Select Committee appointed to enquire whether any part of the public expenditure can be retrenched without detriment to the public service, and whether there be any offices or appointments in the government of the United States, which have become useless and unnecessary, and can be dispensed with, Report in part:

The first subject which presented itself to the committee, in the discharge of the duties imposed on them by the resolution of the House, was to ascertain, with as much certainty as practicable, the sums properly chargeable upon the revenue by the existing laws.

The next in order, the means of the government to meet those demands.

The public debt, independent of the floating unliquidated demands, is \$93,423,605 73; the interest upon that sum, annually, is \$5,165,248 24:

The stock composing the debt, and when reimbursable, is shown by the following table:

Table listing various types of government stock and their values, including deferred six per cent. stock, six per cent. stock, and Treasury notes.

The above amount of debt is reimbursable as follows:

Table showing the reimbursement of debt for the years 1822, 1823, and 1824.

1,525,826 12

Table listing 1825 exchanged six per cent. stock and Treasury notes.

Table listing 1826 six per cent. stock of 1813 (loan of 16,000,000).

Table listing 1826 six per cent. stock of 1813 (loan of 7,500,000).

Table listing 1827 six per cent. stock of 1814, 1828 six per cent. stock of 1815, 1832 five per cent. stock of 1820, and 1835 five per cent. stock of 1821.

Stock reimbursable at the pleasure of the government:

Table listing reimbursable stock including three per cent. stock, five per cent. subscription to Bank of the U. States, six per cent. of 1820, and six per cent. of 1796.

\$93,423,605 73

In addition to the public debt as it now stands, there will have to be added, it is presumed, \$5,000,000 of at least five per cent. stock, to discharge the claims against Spain, agreeably to the stipulations with that government, and which is the consideration for the purchase of Florida; which will make the public debt 98,423,605 73; the interest upon which will be 5,410,248 24 annually.

The estimates, as furnished by the Secretary of the Treasury, for the year 1822, stand thus:

Table listing various government expenses such as Civil, diplomatic, & miscellaneous; Military service, &c.; Naval service, &c.; and interest on national debt.

Making the sum of \$14,935,053 03

This estimate is made without allowing one cent to the sinking fund for the gradual discharge of the public debt.

The civil, diplomatic, and miscellaneous expenditures, they believe, are estimated too low, because the foreign intercourse about to be opened between the United States and Portugal, and also with the independent nations of North and South America, will add to the sum at least 120,000 dollars. Although it may be objected, that, in the estimates for the military service, &c. a sum is included for arrearages prior to the 1st of Jan'y, 1817, yet it is believed by the committee that the deficiencies not included in the estimate in that department for the year 1821, which amount to \$21,886 57, are equal to the arrearages prior to the first of January, 1817. It may also be objected, that part of the estimates for the War

Department, such as fortifications, are only temporary. To that it may be answered, that, when the fortifications are finished, the expenses will be rather increased than diminished, by the additional number of men necessary to man them. It may be further objected, that, in the estimates for the naval service, the sum of 500,000 dollars is included, which expenditure is also temporary, as the appropriation for that object is to last but five years. The committee are of opinion that the additional number of men and officers which the navy will then require, in addition to the sums required from time to time to refit and keep in repair the vessels, will make a greater demand from that Department upon the Treasury than is estimated.

They would further remark, that Congress, each session, upon an average, appropriates for temporary purposes, and which cannot be taken into any estimate, a sum equal to 200,000.

They therefore have no hesitation in giving it, as the result of their most deliberate opinion, that, according to the now existing laws, the estimate which they have made of 14,935,053 03, as a permanent charge upon the revenue, is not too high.

The committee will now proceed to the consideration of the means of the government to meet the current demands against it. The estimates given by the Secretary of the Treasury are as follows:

Table listing Treasury estimates for Customs, Public lands, Bank dividends, Arrears of direct tax and internal duties, Moneys recovered out of advances made in the War Department before the 1st of July, 1815, and Incidental receipts.

The committee are apprehensive that the customs will not be as productive as by some have been supposed, and by others confidently predicted. For the year 1821 the receipts from the same source amounted to 12,968,915 15.

Why then this increase in the estimates?

It is a fact well ascertained that the exports of domestic articles for the year 1820, amounted to 51,684,000, and that the exports of the same articles for the year 1821, amount to but 43,671,894.—Although the amount of imports may have an apparent increase, yet it may be considered as an axiom in political economy, that the imports never can be considered as increasing when, at the same time, there is a falling off of the exports; and if in any one year the imports shall appear to increase, when the exports, instead of a correspondent increase, are actually diminished, we ought to attribute it either to an excess upon the regular operations of trade, or that the imports were intended for exportation again. That the excess in the importations for the year 1821 was owing to an intention of re-exporting part of the same goods, is now manifested by the fact that the debentures will greatly exceed the estimate of the Treasury Department. They can, therefore, see no reason why the estimate for 1822 ought to exceed the amount received from the same source in 1821; but suppose that the customs shall yield, for a series of years, \$14,000,000—and beyond that sum it would be entirely unsafe to estimate them; because, although the nation is increasing in population & wealth, yet, with feelings of pride it ought to be recollected that she is rapidly increasing in her domestic manufactures, and, as far as they are consumed, so far will the foreign fabrics be thrown out of market, and part of the exports be turned into the channels of domestic trade by way of barter.

The duty arising from sugar imported will be greatly diminished, if not, in a few years, entirely cut off, by the use of the sugar of Louisiana and Florida. The estimate for the year 1822, of 1,600,000, from the public lands, they flatter themselves will be realized, owing to the discount of thirty-seven and one half per cent. which is offered to the debtors for public lands who shall pay by September next. All who do not avail themselves of the discount offered for prompt payment, will accept the credit given by the act of 1821. From this circumstance it is believed, that as a permanent source of revenue, after the year 1822, one million per annum would be a high estimate.—The resource of public lands cannot be considered as entirely a permanent one, and they very much depreciate the policy of throwing so much land into market, and hope, for the future, it will not be pursued beyond the limits of the present states and territories. The policy is ruinous to the western country, by draining it of all the precious metals, and consequently embarrassing its circulating medium. The origin of all the pecuniary difficulties of the West may be traced to this cause. The impolicy of the measure is again made manifest, by dispersing the population over too great an extent of territory, by which means there is great danger that the government, at a day not distant, if the policy be not checked, will fall to pieces by its own unweariness, and

consequently imbecility. The administration of such a government can never be felt to the extremities of the empire. This system of measures keeps up an irritated state of feelings between the Indian tribes and the people of the United States; besides, humanity forbids the driving those unfortunate people to the ends of the habitable earth; at the same time self-respect ought to restrain the United States from amusing and gulling them, and the world, about, in point of practice, the unmeaning word of civilization.

In the estimate of the bank dividend of \$350,000, on what data the Secretary went in making that estimate they know not, as the bank has never yet averaged four per cent. per annum. The items in the estimate of seventy-five, sixty, and twenty-five thousand dollars, are not of a permanent character.

Suppose, then, the estimate of a permanent nature should stand thus:

Table listing permanent estimates for Customs (\$14,000,000), Public lands (1,600,000), and Bank dividends (350,000).

The estimates of the committee, as a permanent charge upon the revenue 14,935,053 03

Balance in favor of the revenue \$414,246 97

Which balance is scarcely sufficient to relieve the Treasury from its immediate embarrassment and meet the unforeseen contingent expenses of government. To talk of the present resources of government, incumbered with the demands as now authorized by law; and, also, the present embarrassments of the Treasury, which will be more particularly noticed hereafter, as being sufficient to operate at all upon, much less redeem, within a reasonable time, the public debt, is the veriest delusion that any enlightened people ever fell into, and nothing could keep it up but a reluctance at parting with any of the expenditures of government. The conclusion of the committee, of the inadequacy of the present revenue, incumbered with the existing demands, is confirmed by the melancholy fact, that in 1820, the public debt was \$89,112,916 63; in 1821, 91,294,416 51; in 1822, 93,423,605 73.

The committee regret to find the Treasury not in as flourishing a situation as the President supposed, in his message to both Houses of Congress, at the opening of the session. It is true that, on the first of January, 1822, there was a supposed balance in the Treasury of \$1,777,648 58

which is part of the loan of 1821, and no part of the permanent revenue of government. That sum, nevertheless, is to be subjected to the following deductions \$226,185 83

The estimate of the quarter ending the 31st of Dec. 1821, being estimated too high by that amount.

Deficiencies in the Indian & Pension Department, for the year 1821 521,886 57

Unavailable funds in the Treasury 842,159 60

Leaving only 187,466 58

This sum of 187,466 58 is all that is, in reality, left to discharge the balance of appropriations for the year 1821, which must be required, and which amounts to 2,268,611 28

Leaving a balance of 2,081,144 70

which must remain a charge upon the revenue of 1822.

From the previous part of this report, these three conclusions are clearly deducible.

First. That the present resources of the government are scarcely equal to the authorized and current demands upon the Treasury, without operating upon any part of the principal of the public debt.

Secondly. That the Treasury, after deducting the deficiencies for the last year, the over estimate for the quarter of the year ending 31st of December, 1821, the amount of unavailable funds, and the balance of appropriations, as above stated, which will be required, is in arrear \$2,081,144 70, for the year 1821, which sum must be charged upon the revenues of 1822.

Thirdly. That the public debt now amounts to \$93,423,605 73, and will shortly amount to 98,423,605 73.

The question comes fairly before the nation, What disposition shall be made of the public debt? Shall we go on and make the experiment, and solve the question long agitated among politicians—is a national debt a curse or a blessing? The committee, however solicitous some may be to try the experiment, and leave to the silent operations of time the solution of the proposition, are unanimously of opinion that every effort, within the power of the government, and which would not be extremely prejudicial to the interest of the people, should be made to redeem the public debt as soon as possible.

A national debt creates, in the persons of the stockholders, a proud, haughty aristocracy, in their manners extremely offensive, and ever destitute of that kind of patriotism and love of country that would sacrifice their pecuniary interest for that of the nation. It creates a body of men whose interest is separate and distinct, and at war with that of the great mass of the people, and who have an undue influence upon the administration of government. The stock contributes nothing to the support of government, when every other kind of property does. The balance of the nation, as we see by an example in G. Britain, become the slaves, the hewers of wood, and drawers of water, for the stockholders. Already have the people of the United States paid to the stockholders, on the score of interest, 119,489,394 84.

Money has been emphatically denominated the sinews of war. A payment of the public debt in times of peace is a much better and more pleasing preparation for war than armies, fortifications, and navies. It puts public credit upon a better footing, and, in another war, loans can be more advantageously obtained.—In every war the nation may be engaged in—and an exemption from that scourge of mankind is not to be expected—a resort must be had to loans. The consequence will be, that if the public debt is not paid off in times of peace, and additions made to it in times of war, the payment of the interest will become an insupportable burthen.

In 1816, a sinking fund was created of ten millions. It is believed by the committee, that unless commerce is much more prosperous than can be anticipated, that with the most rigid economy practicable, consistent with keeping up the necessary establishments of government, and without resorting to the aid of internal duties and taxes, the government cannot set apart ten millions of her revenue on account of the public debt, and that, instead of ten, eight millions will be the extent; but whatever the amount of the sinking fund may be, the same should not be nominal, but real, and held inviolate, and never touched for any other purpose. The people would thereby have certain assurances, that the national debt would be discharged within a given time. The full operation of a sinking fund of eight millions, would redeem the public debt in 1842, by extinguishing first the six per cent. stock until the seven shall become reimbursable, and then operate upon the stock bearing the highest interest first, computing the three per cent. stock at two-thirds the nominal amount. In this estimate, the stock which will be created on account of the purchase of Florida is included, and the stock due the Bank of the United States excluded, because the stock which the government has in Bank, will always be equal to the like amount of five per cent. stock due the Bank.

From the facts exhibited in this report, and the conclusions deduced therefrom by the committee, these questions necessarily occur.

First, has the government the means of creating and keeping up a sinking fund of eight millions; and if she has, what are those means?

Some politicians have supposed that at the end of each fiscal year, there will be an unexpended balance of appropriations which will be required in the year succeeding, and that the same will average, from year to year, one million and a half of dollars; that the government can consider that sum as a bank would her deposits, and carry the same to the credit of government for the succeeding year.—The amount of unexpended balances which will be required to meet the object of appropriations, depends so much upon unforeseen events, & contingencies, (some years the appropriations are deficient, other years, when the government has a full treasury, and appropriates liberally, the balance may be considerable) as, in the opinion of the committee, to reneget that sum too unsafe and precarious to be calculated upon.

The means within the control of government are not temporary loans, as a late short-sighted policy seems to indicate, but they are, first, a new modification of the tariff of duties; secondly, retrenchment in the expenditure of government; thirdly, internal, direct, and indirect taxation.

In relation to the first question proposed, the committee decline going into the question with any other view than that of revenue; they do believe, that an additional duty upon woollen manufactures, and that a diminution of the duties already imposed upon articles, particularly cotton, imported from countries beyond the Cape of Good Hope, would increase the customs; besides, should the whole tariff be revised with no other view than that of revenue, they have no doubt but that the same could be made much more productive. As it respects the second proposition, to wit: a retrenchment of the expenditures of government, the committee disclaim all intention of cutting down and destroying any one useful or necessary establishment of government; but, at the same time that they make this declaration, they have no hesitation in saying, that from the best investigation they can give the subject, that such retrenchments can be made in public expenditures, as will save to the treasury, annually, near two millions of dollars, and not impair or

weaken any of the permanent establishments of the government; but, on the contrary, give it renewed health and vigor, like cutting away the dead timber from a forest of young trees. If there be any one feature in the administration of the different governments of the earth, more uniform, more alike, and more inveterate than any other, it is the continued disposition to increase the expenses of government; and an unwillingness to retrench; the cause is very obvious: those in power are disinclined to part with any of the emoluments of office. Even should not much be saved by efforts towards retrenchment; yet a check to the present disposition of government to increase the expenditures thereof, is gaining a great point. Fabius, the Roman Dictator, and Washington, both thought, and so did their countries, that to prevent the enemy from gaining a victory, was to obtain one themselves.

The committee, in this report, decline going into the several subjects of retrenchment; which they intend to propose; because each distinct subject will form the basis of a separate report and bill.

The third subject proposed in this inquiry, as forming a part of the ways and means of government, is a resort to a system of internal, direct, and indirect taxation; this mode of raising and collecting a revenue is at all times to be avoided by government, unless the most imperious necessity requires it, such as war, when the other resources of government are to a great extent cut off. In the imposition of internal direct taxes, only such objects can be selected as are visible, and of a certain extent tangible; it consequently falls principally upon the agricultural part of the country, and the great monied capitalists escape its operation. Owing to that clause in the constitution, which compels Congress to apportion direct taxes according to the representation, it falls unequally upon the different States; some paying three times as much upon the hundred dollars as others; again, the collection of that kind of revenue is odious and oppressive, because, there is no choice left to the people, whether they have the means of payment or not, as there is in the duty collected from the consumption of goods, and nothing is so consoling to the feelings of a man, as to have, or seem to have, the right to elect whether he will pay the tax or not.

The very collection of that kind of revenue is vexatious in its operation, by introducing into the domestic circle of man, the rude and not unfrequently fraudulent tax gatherer; moreover, internal taxation is the only source of revenue left to the states to support their respective governments; and common justice towards them forbids a resort to this kind of revenue, until every other means shall fail; besides, two sets of tax-gatherers at the same time collecting from the people renders it difficult for them to know how much they owe to each government, and greatly increases the facilities which the collectors of the revenue too frequently avail themselves of, to practice frauds and impositions in their collections. Another reason, which has great weight with the committee, is, that it costs the solvent man more to give his contribution in that way into the public treasury, than any other mode of collecting a revenue ever resorted to by the United States. From an inquiry at the Treasury Department, it is ascertained that the gross amount of the direct tax, since the formation of the government, is \$14,029,997 60; the payments into the treasury from the same source, is 12,626,813 50; from which deduct 672,516 27 for the expenses of collection, which leaves a balance of 11,954,297 23; this result shows that from former experiments it has cost the man who did pay, 14 78 for each 100 that reached the treasury. The gross amount of internal duties for the same period, is 25,015,720 43, the amount received from the same sources, is 21,937,661 14; the expenses of collection are 14,356,883 97; making 90 upon each hundred dollars. In 1819, an estimate was made of the amount of revenue bonds due, and the whole amount was equal to forty five cents upon the hundred dollars; or the gross amount of the custom, the greater part of which bonds are considered recoverable; since 1819, the revenue bonds due and unpaid, have not increased in a greater proportion.

The foregoing considerations induce the committee to believe, that it would be unwise and impolitic to resort to the ways and means of internal duties and taxes for the support of government, and redemption of public debt, at this time, when every object of government can be answered without it.

The committee cannot, in justice to themselves, conclude this report without bringing to the view of the House the former operations of this government under