PART II.

PUBLIC INDEBTEDNESS.

INTRODUCTION TO PUBLIC INDEBTEDNESS.

HISTORY OF THE NATIONAL LOANS.

OWNERSHIP OF NATIONAL DEBT.

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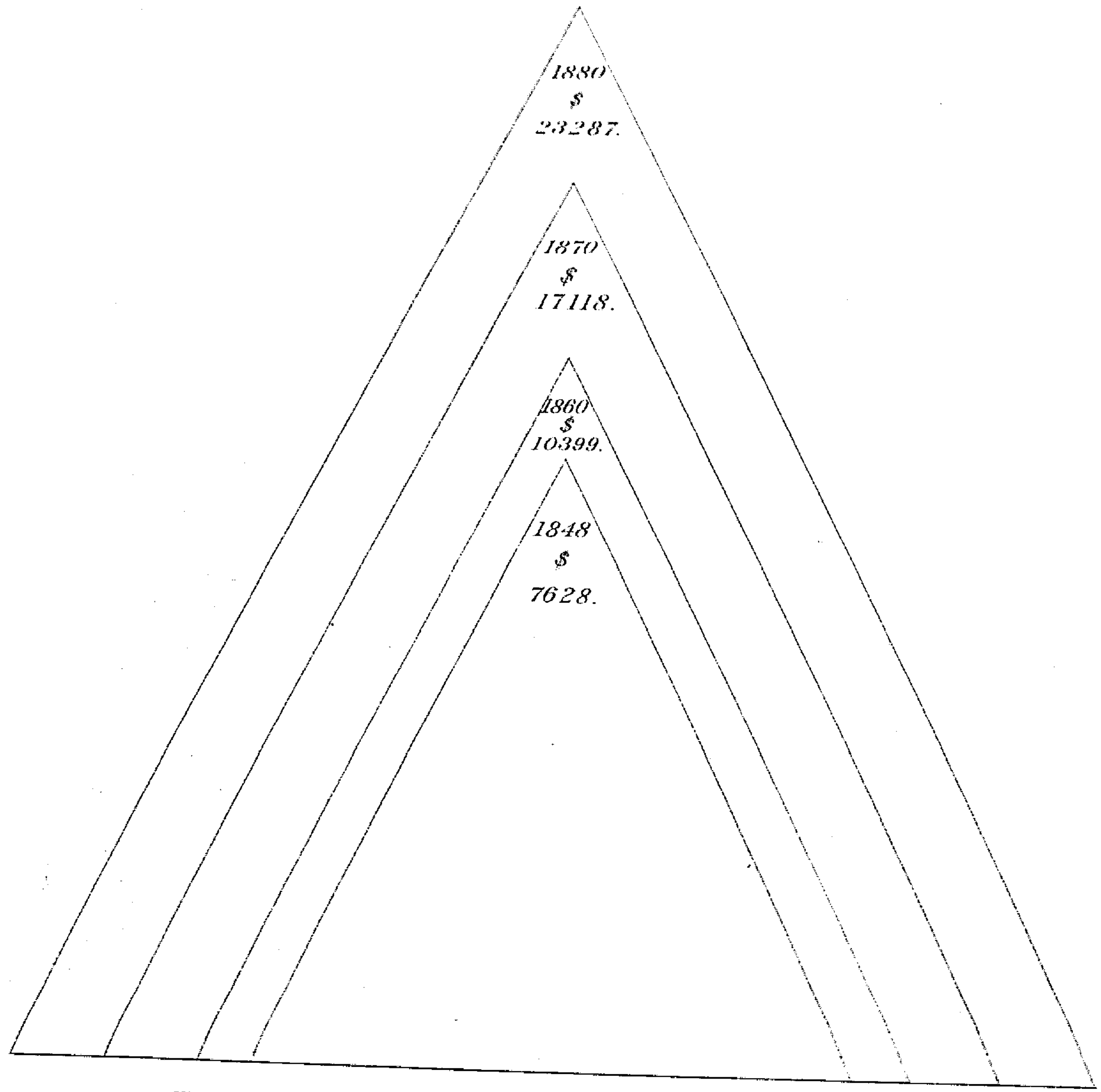
STATISTICS OF PUBLIC INDEBTEDNESS.

INTRODUCTION TO PUBLIC INDEBTEDNESS.

INCREASE OF THE NATIONAL DEBTS OF THE WORLD FROM 1848 to 1860, 1870 and 1880.



FIGURES REPRESENT MILLIONS OF DOLLARS.

INTRODUCTION TO PUBLIC INDEBTEDNESS.

NATIONAL DEBTS OF THE WORLD.

With the great expansion of human settlements and of material civilization, which is the most striking feature of the memorable epoch which began with the finding of gold in California and on the plains of Ballarat, have come great extension and development of national debts. According to the best authorities, the national debts of the principal countries of the world have increased since 1848 as follows:

Years.	Aggregate debt.	Actual increase.	*Per cent.* of increase.
1848	$7,627,692,215		
1860	10,399,341,688	$2,771,649,473	36
1870	17,117,640,428	6,718,298,740	65
1880	23,286,414,753	6,168,774,325	36

If to the above total be added the debts of the nations which, from want of reliable data, have not been included, the aggregate of the world's national debts would to-day exceed $25,000,000,000.

The average annual increase of these debts since 1848 has been $489,335,079; and if they go on augmenting at this rate until the close of the present century, they will have reached the enormous sum of $32,583,781,254.

Prior to 1848 but few data can be obtained. A new series of national debts dates from 1848. Baxter has shown that all before that belonged to the old *régime*. They were contracted for the most part in the days of sailing ships and post-roads and semaphores, and were the result of that first great outburst of democracy which swept over America and Europe a little less than a century ago, which in Europe was merged into military despotism, and finally extinguished by the resuscitated monarchies. The new debts began with the second struggle of democracy and military empire, in an era of steamships and railroads and electric telegraphs and accumulations of wealth which spread before governments facilities and temptations for borrowing previously unknown.

Both Professor Leone Levi and Dudley Baxter, probably the two best authorities on national debts, admit the impossibility of obtaining reliable figures. England and the United States furnish elaborate annual, or even monthly, statements of indebtedness; but the accounts of other nations are much more careless and vague, and information has to be gathered as best it can be from all sorts of unofficial sources, in which the amounts of external loans taken and paid up, the floating debt, the home debt, the currency debt, and the guarantees of railways or other public works, are often involved in confusion and obscurity, and hence the tables presented only give figures which afford an approximate idea of the progress of national borrowing. The subjoined statement of the debts of the principal countries of the world in 1848, 1860, 1870, and 1880 has been compiled from the most reliable authorities:

Statement showing the national debts of the principal countries of the world, and their increase or decrease in three decades.

	Countries.	1848.	1860.			1870.			1880.			Per cent. 1848–1880.	
				Per cent. 1848–1860.			Per cent. 1860–1870.			Per cent. 1870–1880.			
		Amount.	Amount.	Increase.	Decrease.	Amount.	Increase.	Decrease.	Amount.	Increase.	Decrease.	Increase.	Decrease.
1	France	$865,703,000	$1,854,136,500	109.3	.....	$2,277,522,000	22.8	.....	a$3,829,982,309	68.1	.....	332	.....
2	Great Britain	3,990,530,000	3,893,200,000	....	2.4	3,883,467,000	....	0.25	3,706,671,000	....	3.0	....	5.0
3	Russia	486,650,000	1,124,161,500	131.0	.....	1,070,630,000	....	4.70	3,318,953,000	210.0	.....	582	.....
4	Spain	549,914,500	525,582,000	....	4.4	1,386,952,500	163.8	.....	2,570,245,000	85.9	.....	369	.....
5	Italy	145,995,000	437,985,000	200.0	.....	*1,900,000,000	333.8	.....	2,540,316,000	33.7	.....	1,640	.....
6	United States	47,044,862	64,842,288	37.8	.....	2,480,672,428	3,725.7	.....	†2,120,415,371	....	14.5	4,407	.....
7	Austria-Hungary	608,312,500	1,163,093,500	91.2	.....	1,654,610,000	42.3	.....	a1,881,115,350	13.7	.....	209	.....
8	Turkey	....	160,594,500	....	.....	603,446,000	275.7	.....	1,376,486,500	128.1	.....	‡757	.....
9	Portugal	82,730,500	136,262,000	64.7	.....	291,990,000	114.3	.....	457,451,000	56.6	.....	453	.....
10	Australia	....	....	....	.....	180,060,500	....	.....	442,851,500	145.9	.....	....	.....
11	Holland	497,821,590	442,851,500	....	11.0	369,854,000	....	16.48	389,320,000	5.3	.....	....	21.8
12	Canada	32,118,900	....	....	.....	82,730,500	....	.....	175,194,000	111.7	.....	‡445	.....
13	Roumania	....	....	....	.....	63,000,000	....	.....	§118,742,600	88.5	.....	....	.....
14	Sweden and Norway	2,919,900	....	....	.....	29,199,000	....	.....	97,330,000	233.3	.....	3,233	.....
15	Greece	48,665,000	38,932,000	....	20.0	‖60,000,000	54.1	.....	§94,361,435	57.3	.....	94	.....
16	German empire¶	194,660,000	494,436,400	154.0	.....	720,242,000	45.7	.....	a49,317,598	....	93.2	....	75.0
17	Denmark	54,626,463	63,264,500	15.8	.....	63,264,500	....	.....	48,665,000	....	23.0	....	11.0
	Total	7,627,692,215	10,399,341,688	....	.....	17,117,040,428	....	.....	23,286,414,753	36	.....	....	.....

* Debt in 1868 by Baxter given as $1,776,272,500; no authorities for 1870; amount stated approximately.

† The debt November 30, 1881, was $2,009,704,370 18; but, as no data could be obtained from other countries for that date, it would not be a fair comparison.

‡ From 1860–1880.

§ Debt of 1875, Kolb; no authority for 1880.

‖ Debt in 1868 by Baxter given as $58,398,000; no authority for 1870; amount stated approximately.

¶ The debt given for the German empire in 1880 does not include any of the debts of states composing it, but only the empire proper. The amounts given for this country in 1870, and previous, represent the debt of the old German federation, which debt having been prorated among the different states since 1870 and in greater part paid off by the new empire, has thereby been reduced to the amount given in 1880. This country has been treated the same as Great Britain and other countries having dependencies, which have been shown separately.

NOTE.—1848 taken from Baxter's figures; 1860 taken from Levi's figures; 1870 taken from Mulhall's figures; 1880 taken from Mulhall's figures and report of Secretary of the Treasury. Amounts marked *a* are from treasury report as being correct; balance are Mulhall's, treasury report not being definite enough.

Such have been the recent increase and the latest results of national indebtedness. What the future is likely to be was ably pointed out by Mr. Baxter in 1874, and it cannot be more tersely put than in his own language:

It is impossible not to fear, lest the inability or unwillingness to meet engagements which has overtaken Spain and Greece, and so many Spanish colonies, should also overtake some of the states whose securities are next highest in interest and lowest in value. Most of them are states whose expenditure largely exceeds their income, and who are compelled to resort to constant loans to balance their annual deficits and pay their interest. Three of them have lately been in the market with large loans that have not succeeded. The stock exchange practice of syndicates, which affords such facilities and assistance in launching loans, becomes an element of ultimate weakness and danger when the credit of a state is tottering and the loan is unmanageable in amount. Why do states go on borrowing instead of retrenching? We may pardon Turkey or Egypt or Peru for adopting such a short-sighted and half-civilized policy; but why does Italy, which yields to no nation in intelligence and genius, persist in a course of overexpenditure that is plunging her every year deeper into debt and danger?

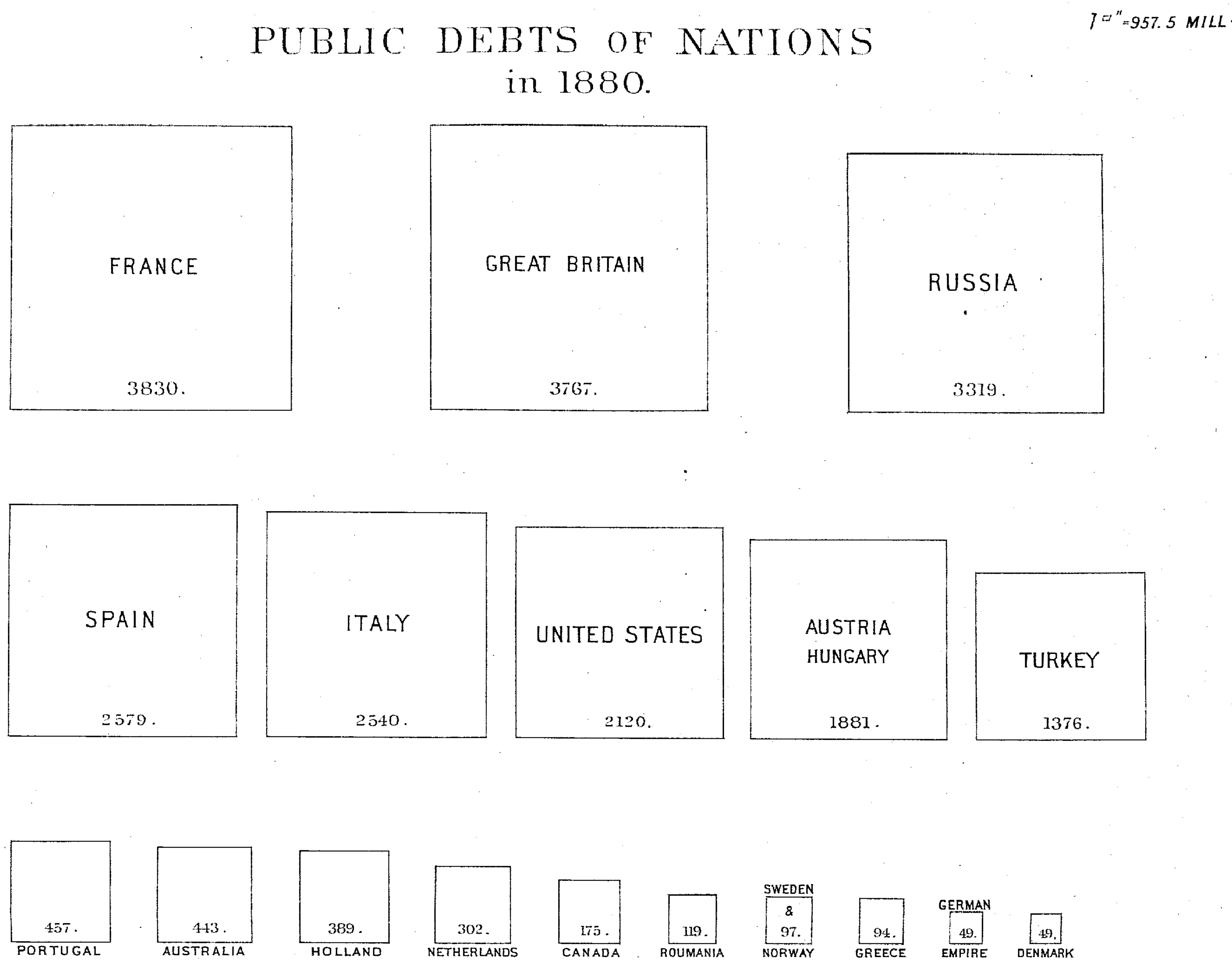
Austria is another country with a very large debt and continual deficits. Mr. Martin tells us, in the *Statesman's Year-Book*, that from 1789 to 1871, a period of eighty-two years, there was not a year in which the revenue came up to the expenditure. The deficits have been nine and ten millions sterling in recent peace budgets. Such a habit of borrowing must weaken the strongest state, and prepare the way for loss of financial credit and political consideration. Austria ought not to continue to expose herself to the risk that is now being run by Italy.

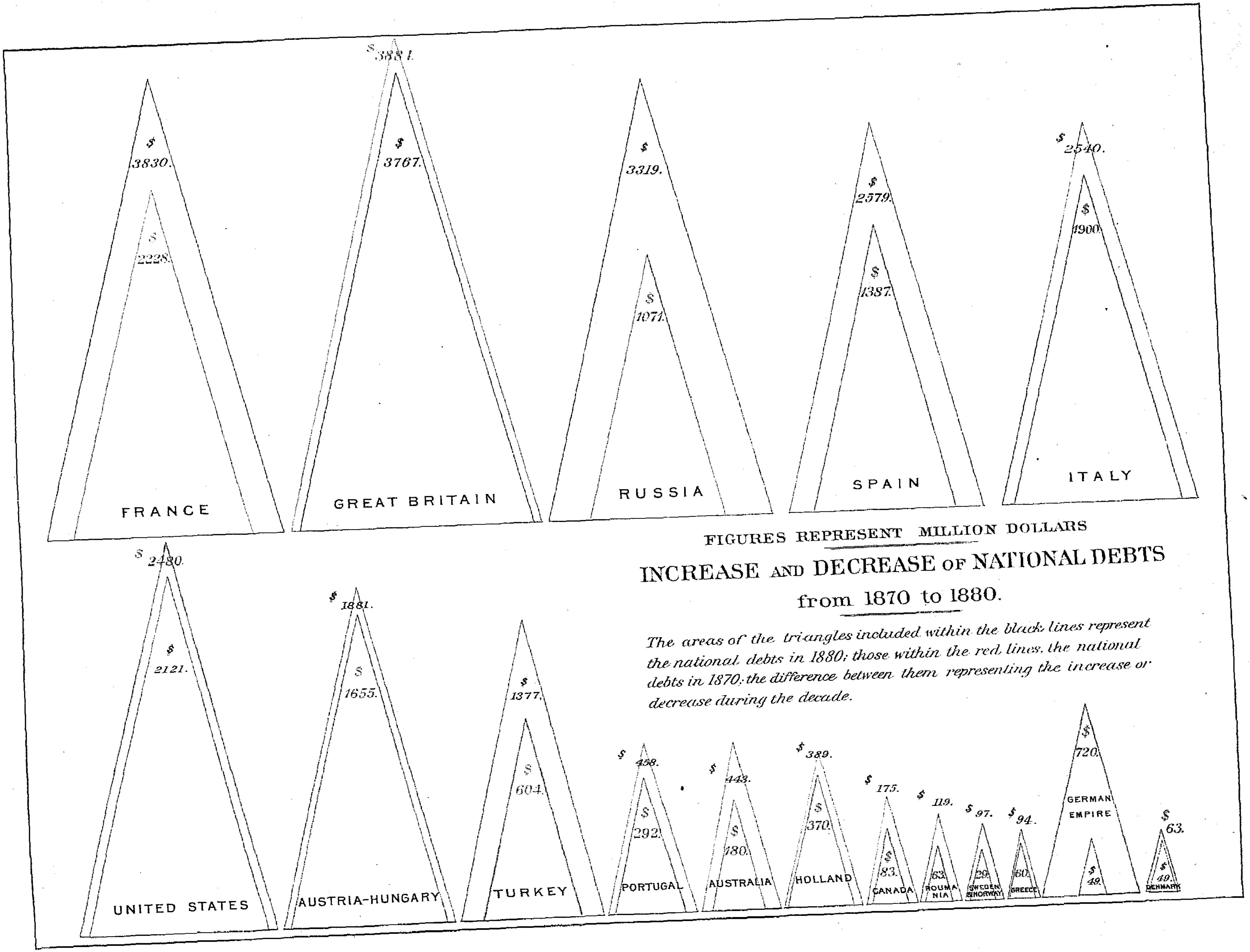
France is not free from the same danger. Her credit is greater, and the saving habits of her people lay up a store of wealth; but she is now bearing a burden of debt greater than that of any other nation, and at the same time is keeping up and even augmenting her war establishment. When England came out of the French war, in 1815, she had a load of debt of the same amount, £900,000,000, and greater in proportion to her resources. But England reduced her military and naval establishments to the lowest point, and from 1817 to 1850 her total expenditure never exceeded £52,000,000, out of which the charge of the debt was at first more than £32,000,000. France, with an equal charge of her debt, insists on keeping up a total expenditure of £100,000,000. England started with a monopoly of financial resources, and manufactures, and commerce; France starts with diminished manufactures and a loss of her position as a financial center. England found her debt intolerable till the immense expansion of trade lightened her burden; France will find her debt a very heavy burden, even if her national susceptibilities do not lead her to make it still more crushing. It is to be feared that war budgets may drag her down to the financial position of Austria, if not to that of Italy.

Russia has largely increased her debt, but has spent more than any other great state on the development of railways. Her system

PLATE III.

PUBLIC DEBTS OF NATIONS in 1880.





FIGURES REPRESENT MILLION DOLLARS

INCREASE AND DECREASE OF NATIONAL DEBTS from 1870 to 1880.

The areas of the triangles included within the black lines represent the national debts in 1880; those within the red lines, the national debts in 1870; the difference between them representing the increase or decrease during the decade.

of lines is now nearly complete, and must add very largely to the commerce and strength of the empire. She, like Austria, has had a long series of deficits, but the turning point seems now to have been reached, and, if no great war interferes, we may expect financial prosperity to raise the value of her securities.

The United States have been wonderful in their rapid accumulation of debt, and in its equally rapid reduction. Will they continue its diminution? Their growth in national wealth is so rapid that its proportionate burden is rapidly diminishing. The maintenance of peace and economy, and the adoption of some of the principles of monetary and commercial legislation, will do more for the debt than even large surpluses.

England has made some progress in reducing her debt, which now (1871) stands at £785,000,000, instead of the £900,000,000 of 1815; but, as in the United States, a great deal of this reduction was effected in the first years after the conclusion of the great peace. Since 1860 her reductions have been larger than usual, but small in comparison with the United States. England's danger is that we shall not reduce our debt with sufficient rapidity during the period of prosperity, and that we shall have to face, on unequal terms, with exhausted coal and unexhausted debt, the competition of the immense mineral resources and population and energy of the future development of the United States.

The present character and tendencies of indebted nations lead to the expectation that, unless the probable course of events is altered by great wars, the northern half of Europe and the other borrowing countries will improve in the position of their national debts, and the southern half deteriorate. England, the United States, the German empire, and their kindred states and colonies, show signs of lessening their debts in proportion to their resources, and gradually outgrowing them. France, Austria, Portugal, Italy, Turkey, and Egypt, and some of the solvent states of South America, unless they turn over a new leaf and manage to make both ends meet, so as to stop their constant borrowing, seem likely to go on increasing their debts, with the danger of being overwhelmed by them.

HISTORY OF THE NATIONAL DEBTS OF THE PRINCIPAL NATIONS.

It may be useful to consider the rise and progress of the national debts in the different countries where they exist, and their pressure upon populations, now that some idea of their aggregate burden has been formed. In presenting these brief sketches the same order has been observed in the arrangement as in the table before given.

1. FRANCE—$3,829,982,399.

In the address before referred to, Professor Levi gives a very interesting history of the public debt of France. As early as the reign of Louis XIV the debt amounted to $583,080,000. A national bankruptcy was then fully anticipated, and St. Simon did not scruple to make a formal proposal to that effect, though he was not seconded by the prince regent. The interest was, however, reduced to 4 per cent., and a commission was instituted to inquire into the state of the debts and into the claims of the creditors. After this epoch the celebrated Law deluded the government and the public with his schemes for the creation of paper money and banking, which put the finances of France in a perfect chaos. In 1721, by a series of measures both violent and arbitrary, the debt was reduced by half. After this again the debt rose considerably, and in 1764 the comptroller-general, Laverdy, so reduced the capital of the debt as to cause a new bankruptcy. In 1784 a sinking fund was established, but it was soon after suppressed by De Brienne. During the convention and the revolutionary periods the famous assignats and all kinds of government paper were issued, of fabulous amounts and utterly worthless; but when, in 1798, Napoleon introduced a proper system of finances, he did not recognize the debt incurred during the Revolution. All perpetual and life annuities, old and new, were changed for two-thirds of the amount in notes called *dette publique mobilisée*, and one-third was entered in the *Grand-livre* under the title of *Tiers consolidé*. The two-thirds exchangeable only in national property soon lost all value, and the third became the origin of the present national debt of France. In this connection the following table was given, which has been supplemented from the debt statement of Mulhall for 1870 and 1880:

*Progress of the French debt.**

	Fixed and floating.
1850	$978,166,500
1851-'53	1,167,960,000
1854-'55	1,333,421,000
1856	1,640,010,500
1857	1,713,008,000
1858	1,829,804,000
1859	1,810,338,000
1860	1,849,270,000
1870	†2,277,522,000
1880	3,829,082,399

At the fall of the first Napoleon the consolidated debt amounted to $141,635,200. The second peace of Paris burdened the state with a war contribution of $136,262,000 to the allies. The maintenance of the allied armies raised the debt to $410,113,552. The treasury also paid the private debts of the king in foreign countries. The king, in return, made a loan of $6,813,100 to the Austrian government in the year 1821, in order to supply it with means for the expedition against Naples, which was repaid after the Revolution—not to the state, but to the Bourbons. In

* Levi on national debt.

† Mulhall.

1825 the emigrants received $194,660,000. On this occasion the creation of the 3 per cent. rentes took place under the Villèle ministry. The 4 per cent. rentes arose in the year 1828, when $15,572,800 were borrowed for the expedition to the Morea. The large treasure found at the conquest of Algiers was soon expended. Under Louis Philippe the exchange of the 5 per cents rose to 123. Napoleon III reduced the rate of interest from 5 to 4½ in 1852.*

The annual expenditure of interest was increased by the Spanish war and by compensation to emigrants to $38,818,532 on August 1, 1830. It rose still higher under Louis Philippe, viz, to $47,552,946 on March 1, 1848, of which $7,786,400 were in the possession of the state itself. Notwithstanding the greatness of this sum, $45,063,790 were again required in 1852. Under Napoleon III, even from the time of his presidency, debts were accumulated as never previously. The decrease which appears to have taken place from 1866 to 1868 was fictitious, and caused by manipulating the accounts. The Crimean war cost France about $450,000,000; the Italian war about $90,000,000. The expenses of the war of 1870–'71, including the $1,000,000,000 for the purchase of peace, was not far from $1,750,000,000. Indeed, a ministerial calculation, made October 28, 1872, puts the total loss at $2,000,000,000.

2. ENGLAND—$3,766,671,000.

Dudley Baxter briefly summarizes the rise and progress of the debt of Great Britain in the following manner:

It commenced in earnest after the revolution of 1688, and passed the debt of France about 1750; took a step in advance during the wars of the elder Pitt; then a longer stride in the eight years of American war, and finally an immense bound in the great French wars, from 1793 to 1815, which made it tower like a giant over the debts of all other nations. Since 1815 it has decreased slowly in nominal amount, and more rapidly in pressure per head of the population and on the income of the country, but far less rapidly than it might have done with more determined efforts for its diminution.

The funded debt was commenced by William III to meet the expenses of his wars with France, and amounted, in 1700 (exclusive of annuities), to $61,317,900. The wars of Marlborough, under Queen Anne, raised it at her death, in 1714, the year after the peace of Utrecht, to treble the amount, or $175,194,000. The wars with Spain, under George I and George II, doubled it before the treaty of Aix-la-Chapelle, in 1748, when it was $369,854,000. The seven years' war brought it, in 1763, to nearly $647,244,500. After a reduction of $27,252,400 during the eleven years of peace that followed, the American war, in ten years, doubled its amount, and, including $145,995,000, capitalized value of terminable annuities, left it, in 1784, at $1,328,554,500.

After a second reduction of $16,546,100 during the ten years of peace that succeeded, the French war, in twenty-one years, added $3,022,096,500, and left, in 1815, a total debt of $4,190,056,500 capital, besides $199,526,500, the capitalized value of the terminable annuities; making a total debt, in 1815, of $4,389,583,000.

The thirty-nine years' peace that ensued diminished it by nearly $496,383,000, and, including $148,428,250, value of terminable annuities, left its amount, in 1854, $3,895,633,250. The Crimean war, which lasted two years, raised its amount, in 1856, including $145,508,350 of annuities, to $4,058,761,000.

The peace since 1856 has again reduced it, including $257,924,500, value of annuities, to the amount, in 1870, of $3,896,606,550.

The total amount of capital paid off or expired from 1815 to 1870, including the additions during that period, is shown in the following table:

Capital paid off, 1815 to 1870.

1834. Negro emancipation	
1846–'47. Irish famine	$97,330,000
1855–'56. Crimean war	34,065,500
1865, etc. Fortifications	170,327,500
1869. Purchase of telegraphs	29,199,000
Further balance paid off, being the difference between $4,389,583,000 in 1815 and $3,893,200,000 in 1870	34,065,500
	496,383,000
Total for the fifty-five years	861,370,500
Being per year	15,661,282

This does not include the cost of the Chinese and the Abyssinian wars, which was paid out of revenue. But these figures take credit for $199,526,500, the value of the annuities existing before 1815, which were not created as a sinking fund; and they also take credit for the failure to meet the extraordinary emergencies during that period. The true reduction of the debt of 1815, by the efforts of the nation during the last fifty-five years, after providing for the expenditure of those years, is only—

Clear reduction	$296,856,500
Being per year	5,397,391

*Condition of Nations.

Such has been the progress of the English nation in the task of reducing the nominal capital of the national debt—a rate of progress that would require 700 more years to effect the final extinction of the debt existing in 1815.

Professor Leone Levi read before the Statistical Society of England, February 18, 1862, a paper on the progress and economical bearings of national debts in England and in other countries, in which he opened by calling attention to the fact that each succeeding reign seemed to have taken a pride or an absolute pleasure in leaving behind a more gigantic tower of obligations. He called attention to the following figures to show how rapid had been the rise:

(A.)—*Total amount of debt, funded and unfunded.*

On the accession of William and Mary, 1691	$15, 232, 145
On the accession of William III, 1695	41, 057, 911
On the accession of Anne, 1702	62, 131, 700
On the accession of George I, 1714	176, 047, 876
On the accession of George II, 1727	255, 607, 671
On the accession of George III, 1760	496, 451, 219
On the accession of George IV, 1820	4, 063, 045, 522
On the accession of William IV, 1830	3, 819, 248, 641
On the accession of Victoria, 1837	3, 832, 510, 433

The larger portion of this immense debt, Professor Levi pointed out, was the fearful consequences of a policy of aggression or intervention, as the following amount of obligations were contracted by three wars only:

(B.)—*Amount of debt added.*

The seven years' war, 1756–'63	$291, 990, 000
The American war, 1775–'83	486, 650, 000
The French and American war, 1793–1815	2, 919, 900, 000

He does not enter into any critical examination of the ruinous rates at which these obligations were contracted, especially during the period from 1793 to 1815, but simply calls attention to the fact that at the commencement of this period the debt amounted to $1,117,418,701, and that in 1816, or twenty-three years after, it was $3,972,582,051, showing an addition to the amount of stock created of $2,855,163,350. On an average, $842 of stock was created for every $487 obtained, so that the country really received only $1,650,383,445, or $1,204,779,904 less than it engaged to pay at the ordinary rate of interest.

It will be seen that, leaving out the cost of the army and navy, the charges for the interest and management of the debt form by far the most important branch of the national expenditure. The foundation of this debt, the burden of which could be safely borne only by the wealthiest of nations, was, as has already been shown, laid at the time of the revolution in 1688, and its growth since that time, both as regards capital and interest, is exhibited in the following epitomized form, which agrees substantially with Professor Levi and with Mr. Baxter:*

Historical periods.	Capital of debt.	Interest and management.
Debt at the revolution in 1689	$3, 232 636	$193, 954
Excess of debt contracted during reign of William III; above debt paid off	76, 552 181	6, 185, 745
Debt at the accession of Queen Anne, in 1702	79, 784 817	6, 379, 699
Debt contracted during Queen Anne's reign	183, 713, 592	9, 929, 684
Debt at the accession of George I, in 1714	263, 498, 409	16, 309, 383
Debt paid off during the reign of George I; above debt contracted	9, 991, 533	5, 517, 671
Debt at the accession of George II, in 1727	253, 506, 876	10, 791, 712
Debt contracted from the accession of George II till the peace of Paris, in 1763, three years after the accession of George III	422, 281, 739	12, 820, 794
Debt in 1763	675, 788, 615	23, 612, 506
Paid during peace from 1763 to 1775	50, 036, 355	1, 851, 606
Debt at commencement of the American war, in 1775	625, 752, 260	21, 760, 900
Debt contracted during the American war	590, 150, 687	24, 236, 148
Debt at the conclusion of the American war, in 1784	1, 215, 902, 947	45, 997, 048
Paid during peace from 1784 to 1793	51, 105, 452	1, 183, 907
Debt at the commencement of the French war, in 1793	1, 164, 797, 495	44, 813, 141
Debt contracted during the French war	2, 927, 201, 419	111, 100, 715
Total funded and unfunded debt on the 1st of February, 1817, when the English and Irish exchequers were consolidated	4, 091, 998, 914	155, 913, 856
Debt canceled from the 1st of February, 1817, to the 5th of January, 1836	258, 954, 616	14, 086, 931
Debt and charge thereon on the 5th of January, 1836	3, 833, 044, 298	141, 826, 925
Debt and charge thereon on the 31st of March, 1861	4, 012, 952, 199	128, 159, 832

*Encyclopedia Britannica.

The following table exhibits the amounts of capital of the debt, distinguishing funded and unfunded, during each of the sixteen years from 1861–'62 to 1876–'77:

Financial years ended March 31.	Capital of funded debt.	Capital of unfunded debt.	Total capital of national debt, inclusive of terminable annuities.
1862	$3,941,148,090	$82,580,500	$4,120,081,070
1863	3,937,114,640	82,477,000	4,123,175,275
1864	3,908,562,005	65,080,000	4,106,454,145
1865	3,901,010,520	53,712,500	4,081,764,870
1866	3,869,705,950	40,938,500	4,037,810,020
1867	3,850,943,125	39,784,000	4,028,334,090
1868	3,709,224,905	39,555,500	4,032,804,420
1869	3,705,503,200	44,480,500	4,027,400,820
1870	3,707,573,405	33,807,500	4,007,032,800
1871	3,660,216,350	30,455,000	3,980,520,775
1872	3,658,784,810	25,775,500	3,963,905,060
1873	3,636,870,410	24,145,500	3,928,808,815
1874	3,617,570,025	22,398,000	3,896,410,225
1875	3,573,988,575	20,105,000	3,870,741,930
1876	3,568,287,585	57,000,000	3,884,852,720
1877	3,563,106,775	60,710,000	3,870,368,565

The amount of terminable annuities included in the total capital of the debt, by computation in 3 per cent. stock, varied considerably in different years through additions made to them; as in 1864, when $24,332,500 of the funded debt were converted into terminable annuities, and again in 1875, when $19,466,000 of Suez canal bonds were added. The total computed capital of them amounted to $239,960,097 on the 31st of March, 1877. By the provisions of an act of Parliament passed in the session of 1875 the national debt will be gradually reduced by the establishment of a new permanent sinking fund, maintained by annual grants. The grants, by the same act, were fixed at $133,342,100 for the financial year 1875–'76, at $134,802,050 for the year 1876–'77, and at $136,262,000 for every subsequent year after 1877.

3. RUSSIA—$3,318,953,000.

The system of paper money is an old evil in Russia. As early as the reign of Katherine II (manifesto of December 29, 1768) an endeavor was made to relieve the finances by this means, the pretext being the unsuitability of the copper money in circulation. The total amount of the "assignats" was not to exceed $15,816,125 (ukase of 10th January, 1774); yet, by a manifesto of June 28, 1786, an increase to $79,080,625 as a new maximum followed. At the death of the empress, assignats for $124,749,686 had been issued. They lost 47 per cent. in exchange for coin. Further issues were made during the wars with France and Turkey. The amount of paper money in the year 1800 was $168,441,731; in 1810 it had reached the sum of $456,295,206. Alexander I declared the whole property of the state to be a security for it, and gave the promise (manifesto of February 2, 1810) that no further increase should take place; but the three years of war, 1812–'15, required $253,058,000 over the ordinary expenditure. In 1815 the exchange of the assignats was 418; that is to say, one silver rouble was worth four roubles and eighteen kopecks in assignats.

An improvement in the condition of finance was attempted after the first war. The actual amount of the state debt acknowledged was not much above $98,850,781, but paper money for $661,114,025 was in circulation. Loans were contracted, first at home, in 1817; 6 per cent. bonds were issued at 83⅓ per cent., and the payment was only required to be in paper; then in 1818 loans were contracted abroad, 6 per cent. at 85, likewise payable in paper. In 1820 there followed a loan of silver abroad at 72 (5 per cent.), so that the government actually received only $22,933,381 for $31,632,250. Further loans were contracted at 77 and 77½. In the year 1823, when Count Cancrin undertook the management of the finances, the amount of assignats in circulation was $471,320,525. An attempt was made to restore the silver standard in the year 1839; the government determined that the silver rouble at its value at the time and in its divisions should form the basis of unity for circulation. The exchange of the assignats was fixed at 350. The former bank assignats were entirely withdrawn from circulation, in the year 1843, by the creation of imperial bills of credit, which, with a forced exchange, were to circulate equally with the silver rouble. They came into existence with a sum of $131,160,205, with which the $461,496,035 assignats which were still current in 1843 had been redeemed.

A state bankruptcy was thus carried through. The whole of the state property was then to form a security for the newly-created imperial credit notes, and so to form sufficient capital for redemption. This state property was estimated at $3,063,003,399, but the redemption fund was not sufficient. Meanwhile the deficits in the state finance continued to exist. Some slight diminution of the paper money was only occasionally obtained. It was reduced to $237,505,474 in the year 1849. The issue was much increased during the Crimean war. The ukase of

January 10, 1855, instructed the minister of finance to cover "all the extraordinary expenses of war" by the temporary issue of bills of credit, so as to enable the treasury to satisfy all present demands without introducing any new taxes or increasing the existing ones. At the same time it was not only forbidden to export gold, but also to reintroduce paper money of the country. The mass of paper money issued in so extraordinary a manner was to be called in within three years after the restoration of peace. The amount was not diminished till long after the restoration of peace, but was even increased again after a slight diminution had begun. The silver loan of 1862 was at length to furnish the means of restoring the metal standard. The paper money was to be exchanged from May 1, 1862, with a loss of 10½ per cent.; afterward at a higher rate, so that it should be at par by January 1, 1864. A commencement was made, but just when the end seemed to be nearly reached by means of enormous sacrifices it was clearly seen that the available means were insufficient. A decree of November 19, 1863, again deferred the payment of the paper, the forced rate of exchange returned, and with it the variation of the standards.* While it must be admitted that the Russian state debt has increased in a most serious manner for many years past, and that the repetition of enormous deficits is becoming a permanent evil, yet Russia has never failed to fulfill her obligations to foreign creditors.

The following has been the progress of the debt of Russia, funded and unfunded:†

1853	$608,312,500
1854	642,378,000
1855	579,113,500
1856	802,972,500
1857	1,004,932,250
1858	1,167,960,000
1859	1,124,161,500
1870	‡1,070,630,000
1880	‡3,318,953,000

4. SPAIN—$2,579,245,000.

The debt of Spain dates from the conquest of Granada. The war of succession increased the debt, which had already been augmented in the reigns of Charles V and Philip II. At the death of Philip V, Spain was burdened with a debt of $38,932,000. Ferdinand VI asked his advisers whether he was obliged to recognize this debt, and they, in accordance with his wishes, answered in the negative. Charles III considered himself bound to recognize the debt, and payments on account were made from 1762 to 1779. The American war caused delay in the arrival of the silver fleet, and from 1780 the country was also overrun with a further issue of $38,932,000 of paper money. When Joseph Bonaparte ascended the Spanish throne, in 1808, a debt of $350,388,000 existed. The paper money, which had already fallen to 51 per cent. of its nominal value in 1806, sank in 1808 to 28, in 1809 to 20, and in 1811 to 4 per cent. From 1808 to 1819 no heed was paid to the debt. At the restoration it had increased to $571,083,775. The paper money again rose to 44 per cent. Ferdinand VII refused to recognize any fresh debt, although the Cortes of 1810 and 1811 had taken possession even of private moneys in the time of greatest need and had employed them to save his throne. The Cortes of 1820 contracted a debt of $69,887,806. Two-thirds of the acceptances belonged to ecclesiastical corporations, the abolition of which was determined, as well as that of "mortmain", in the celebrated sittings of August 17 and October 6, 1820. By this means the burden was diminished to $235,197,945, or, according to other calculations, to $256,610,545. To cover this there existed national lands to the value of $420,124,945. After the restoration of absolutism, King Ferdinand refused to recognize the loans contracted by the Cortes with his own approval, the proceeds of which had been partly applied to his civil list. The four loans contracted by the Cortes amounted to $389,320,000, scarcely a quarter of which had, however, found its way into the state treasury. The king also declared the sale of the monastic lands null, without, however, refunding to the purchasers the sums they had paid for them. Twenty-five thousand one hundred and seventy-seven estates, the taxable value of which amounted to $21,829,250, had been sold for $50,854,925.

Spain was now compelled to pay a war indemnity to France, $13,528,870, in 3 per cent. inscriptions. England also demanded an indemnity, and in order to satisfy the latter Spain borrowed $19,466,000 at 5 per cent. in Paris. In spite of his repudiation of the loans contracted by the Cortes, Ferdinand augmented the debt by $106,138,365. The new war of succession for Isabella cost about $778,640,000. After the revolution of July, the government was obliged to acknowledge the old debts in order to obtain fresh loans. In 1835 a storm broke over the monasteries in every province of the peninsula. Financial needs again compelled the sale of ecclesiastical lands. Therefore, between 1836 and October, 1839, sales took place to the amount of more than $63,264,500, which sum did not suffice. A reaction took place in 1843, but did not restore the lands to the clergy.

* Condition of Nations, p. 539. † Levi on National Debts. ‡ Mulhall.

Financial difficulties still increased. A decree of 1851 reduced the debt which paid higher interest to 3 per cent.: the interest long in arrears was "consolidated" as a deferred debt, and made to pay 1¼ per cent. interest.

Another revolution occurred in 1854. Treasury notes were issued by a forced circulation. Necessity led to the dis-amortization act of 1855. The state again ordered the confiscation of the lands in "mortmain", not only of those belonging to the clergy, but of those also belonging to the communes and to educational and benevolent institutions. For the capital thus obtained small annuities were given. The lands alienated from May 1, 1855, to the same period in 1856 yielded $48,665,000. In 1859 the pressure of the need was so irresistible that a treaty was made in August of that year between the pope and the state, by which the alienation of church lands was agreed to. These were all, with the exception of the churches and parsonages, to be sold, the clergy receiving in payment untransferable 3 per cent. annuity inscriptions. There flowed, therefore, into the state treasury $146,757,503. * * * In 1866, 35,987 national estates were sold, and in 1867, 28,139, producing together $46,394,199. A third part of the state and communal forests were destined to be sold, nor was any hesitation shown in taking possession of the money belonging to savings banks during the war with Morocco. Morocco purchased peace in 1860 by a cession of territory and the promise to pay a war indemnity of $7,591,740. In the years immediately following Spain cleared off some old claims which foreign powers had against her, viz, $2,287,255 to England, which the latter claimed from the time of the war of succession (Isabella); next, by agreement with France as to the demand made since 1823, by which she received $9,290,757 in 3 per cent. bonds; besides which Spain renounced a counter-claim of $3,114,560 for the confiscation of prizes taken. In 1869 an attempt was made to obtain a national loan for $97,330,000, to satisfy the most pressing demands, without success. In 1869 attempts were again made to obtain money, with partial success, from some bankers at 28 per cent.* In 1870 the debt was $1,386,952,500; in 1880, $2,579,245,000.†

5. ITALY—$2,540,313,000.

From the foundation of the present kingdom the capital and the interest of the debt have gone on steadily increasing, as may be seen from the following table: ‡

Years.	Capital of debt.	Interest.
1870	$1,715,982,794	$80,540,575
1871	1,742,347,934	79,901,117
1872	1,873,056,673	85,413,603
1873	1,899,416,947	86,812,920
1874	1,905,282,052	86,708,601
1875	1,933,911,477	87,272,781
1876	2,096,332,277	95,811,457
1877	2,198,203,433	95,480,061
1880†	2,540,313,000	....

In order to obtain money debts have been incurred in every possible direction. Consolidated loans, annuities, and ordinary loans of longer or shorter duration, with and without special security, with payments of simple interest and with premiums, have been resorted to. Recourse has even been had to a forced paper currency, which ran up from $107,063,000 in 1870 to $170,327,500 in 1874, and to $182,980,400 in 1877. In July, 1874, the Italian government had sold annuities for $11,679,600 to the houses of Rothschild in London and Paris, representing capital to the amount of $233,592,000. Many valuable national estates have been alienated, and the price of them likewise dissipated—crown lands to the value of $53,920,820, and church lands $81,465,210—by the end of 1872. Immediately after the foundation of the state the Italian government regarded it as a political duty to obliterate every difference between the debts of the various parts of the new kingdom, and, before all things, to facilitate the taking up of new loans. Thus, in July, 1861, there appeared a decree by which the alteration of all former bonds into new 5 per cent. bonds was ordered for the purpose of the unification of the state debts. This regulation affected the creditors of the former states in very unequal degrees, though generally very seriously. The market price of the older bonds had formerly been greatly varied, but all had been higher than the exchange of the new paper. The amount of debt, which the kingdom took as belonging to the former Roman territories, and after agreement with the pope in December, 1866, amounted annually to $1,427,505 in annuities and $2,581,245 in unredeemable debt, thus representing a capital debt of $80,175,042 at 5 per cent. To this was added, after the complete abolition of the states of the church, the debt which remained upon the rest of the papal dominions. As a remedy for these burdens, there were the old domains and ecclesiastical lands. The yearly value of the latter was estimated at $14,845,978, though afterward the estimate was reduced to $13,128,776. With the proceeds of the sales of these lands the state undertook the burden of maintaining the clergy. The total value of the lands now remaining to the state is about $222,885,700. Of these lands a considerable part is inalienable.

* Condition of Nations. † Mulhall. ‡ Condition of Nations, p. 585.

OUTSTANDING PRINCIPAL

of the

PUBLIC DEBT

from 1791 to 1881.

1" = 370 Millions.

Amounts are given in millions and tenths of millions.

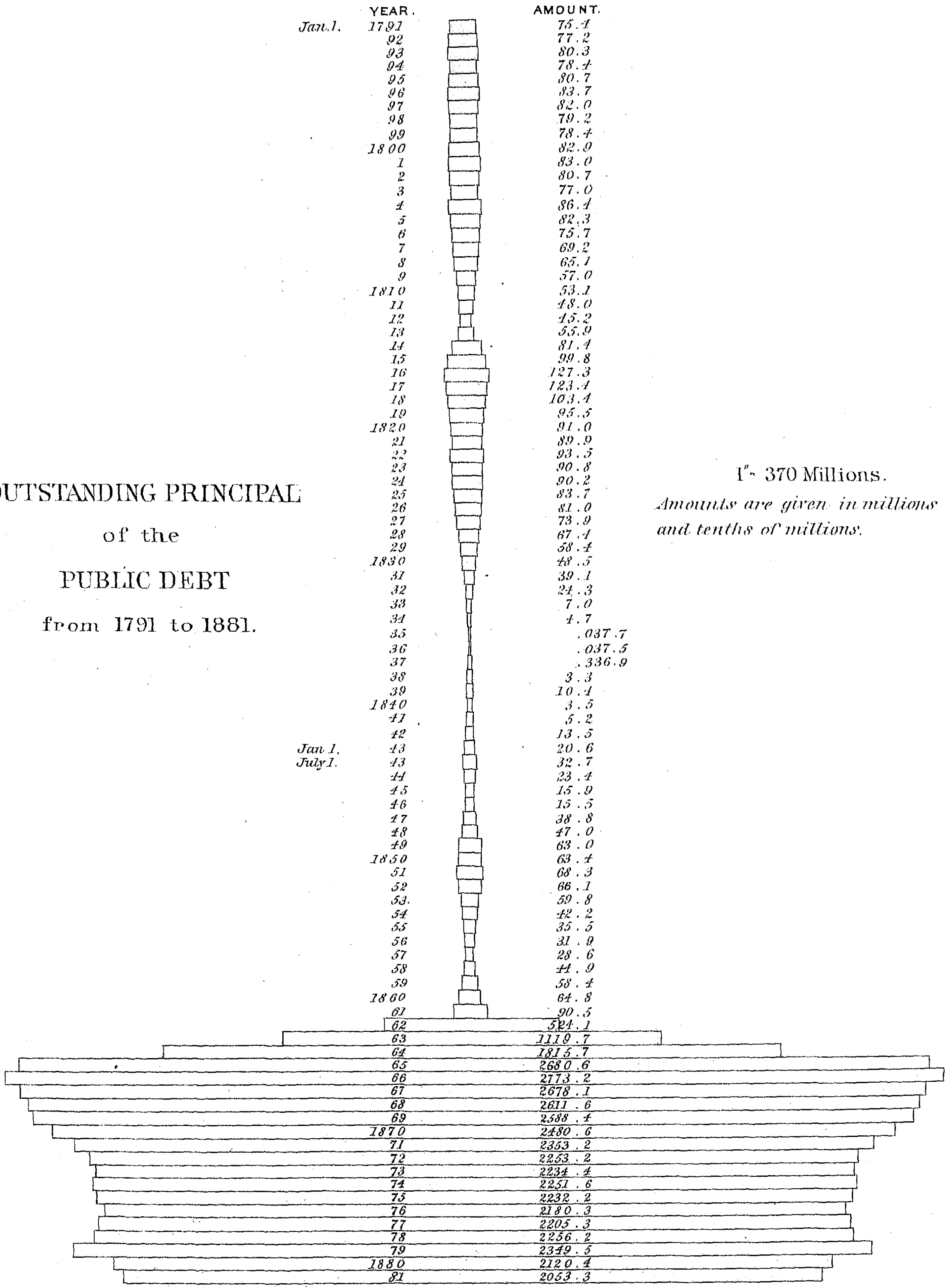
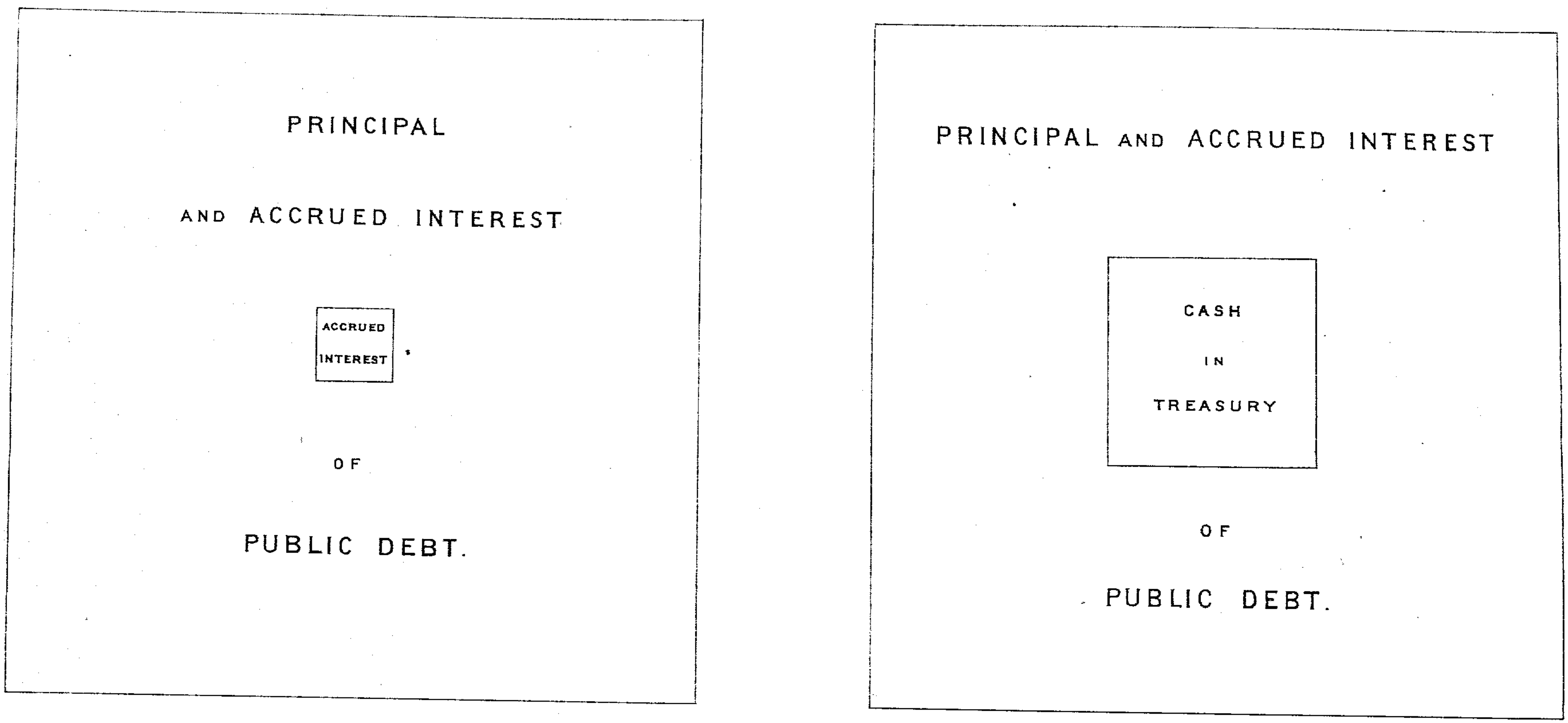


PLATE V.

PUBLIC DEBT, INCLUDING ACCRUED INTEREST – 1880.

1 □" = 13,4 MILLIONS.



6. THE UNITED STATES (June 30, 1880)—$2,120,415,371.

The history of the national debt of the United States, by Rafael A. Bayley, esq., is given elsewhere in this volume. Also, the results of an investigation made by the Census Office into the ownership and distribution of the United States registered and coupon bonds at the dates of the payment of the interest nearest the census year.

The outstanding principal of the debt November 30, 1881, was $2,009,704,370 18.

7. AUSTRIA-HUNGARY—$1,881,115,350.

The financial condition of Austria has been unfortunate in the extreme for a long series of years. The progress of the Austrian debt has been as follows:*

Year.	Total debt.	Interest.
1811	$392,570,822	$3,747,205
1821	491,708,517	12,652,900
1831	547,072,177	16,546,100
1841	563,273,247	20,430,300
1851	822,357,585	24,332,500
1860	1,221,401,500	53,531,500
1870	†1,654,610,000	....
1880	‡1,881,115,350	....

At the conclusion of the "Seven years' war", in 1763, Austria found herself burdened with a debt estimated at $72,997,500, which had increased to $136,262,000 by 1781, and at the commencement of the French Revolution, in 1789, to $169,840,850. From this time forward the increase became colossal. The amount of debt in 1790 was almost $181,033,800. In 1793 it was $204,393,000; in 1795, $241,378,400; in the year following, $274,470,600. In 1799 the debt had reached $308,049,450; in 1802, $330,922,000; and in 1810, $353,894,550. A succession of the most unusual financial measures followed this accumulation of the consolidated debt. After the government had unfairly reduced the interest on the debt to half its original percentage, it forced the creditors to contract a further loan, under threat of the loss of their previous claim. A similar course was pursued with the paper money, by which the metal coinage was almost replaced. Paper money is an old evil in Austria. At first it was called bank bills, and stood at par. In the year 1781 it was limited to $3,759,371; in 1788 it amounted to more than $9,733,000; in 1794, to $15,572,800; in 1796, to $22,872,550; in 1797, to $36,012,100. From 1799 the exchange of bank bills fell lower and lower.

The worth of the paper sank gradually to one-seventeenth of its normal value, although most positive assurances had been given that no decline in the value should take place. An imperial mandate of February, 1811, contained these words: "I give my imperial word that the bank bills shall never be reduced in value." On March 26, 1811 (six weeks after this declaration), the government reduced the value of the paper money, which had increased to $515,849,000, to one-fifth; that is to say, the old paper money was exchanged for new, which was called redemption and anticipatory notes. As the quantity of paper money was continually increased in spite of all promises, and the amount, which had been reduced to $103,169,800 in the year 1811, was again augmented to $310,969,350 in 1816, the new paper money soon fell to a quarter of its nominal value, thereby making the total loss nineteen-twentieths. The owner of what had originally been $48 67 really possessed but the value of $2 40.§

The wars of 1813–'15 required fresh sacrifices, accompanied by extravagance. In order to get rid of a burdensome floating debt new financial operations were begun in 1816, which were nearly equal to a second bankruptcy. The owners of the paper money had the choice given them of either exchanging it for two-sevenths of its value in bank-notes and accepting state paper at 1 per cent. for the remaining five-sevenths, or of exchanging the paper money for shares in the newly-established "National Bank". The paper money certainly was diminished. In 1817 the amount was $253,058,000; in 1821, $160,594,500; in 1827 it was reduced to rather less than $48,665,000; and in 1839 to $9,733,000. At the same time the condition of the national debt had become much worse, although the nominal amount of it was reduced by exchanging the old debt, reduced to 2½ per cent. interest, for new 5 per cent. bonds, payable in silver. Loans, repayable in cash, followed rapidly one after another from 1818 to 1841. The first lottery loan was issued in 1820, followed by others in 1834 and 1839. The Metternich system, adopted from 1811 to 1840, brought the debt so far that the yearly public burden for interest rose from $3,747,205 to $19,806,655. After the pressing financial embarrassments in 1846 and 1847 the revolution followed in Vienna, Hungary, and Italy, in 1848. Paper money was again issued to an unlimited extent; the export of money was forbidden, and a decree of June 2, 1848, ordered the forced circulation of bank-notes. From 1848 to 1866 the amount of paper money issued was $850,450,025.

* Levi on National Debts. † Mulhall. ‡ United States Treasury report. § Condition of Nations, p. 496.

8. TURKEY—$1,376,486,500.

The debt of Turkey in 1861, according to Levi, consisted of—

Internal debt	$89,115,348
Foreign debt	70,745,381
Total	159,860,729

According to Mulhall it was:

In 1870	$603,446,000
In 1880	1,376,486,500

In order to understand the debt of Turkey, the origin of which dates from 1854, it is necessary to state that the first issue of paper money was for the purpose of creating funds for the Crimean war, the total issue being $58,398,000. The circulation was confined to the capital and its suburbs. This paper money was withdrawn in 1855, with other forms of recognition of indebtedness then extant, which together constituted the capital of the general debt represented by the first issue of 5 per cents. The financial decree of October 6, 1875, which, to all intents and purposes, declared the bankruptcy of the Ottoman empire, closed the European money markets to the Porte, and greatly restricted its resources for local accommodation; and when, a few weeks later, the political crisis resulted in a war with Servia, the Ottoman exchequer found itself destitute of cash and credit, and deprived of the means it was wont to employ for the supply of its daily wants. In these straits the Porte appealed to national and religious sentiment, which appeal was responded to very generously, but the amount was totally inadequate to supply the need. A forced loan was proposed and accepted; it produced but little, and the Porte decided for the second time upon an issue of paper money. The issue was to be absolutely limited to $13,272,269, and the population was informed that it would be received in payment of all taxes, both in the capital and in the provinces, at par, neither of which promises was kept. Paper money has since deluged the state far in excess of the means of its employment. The population of Turkey could not, under existing circumstances, absorb more than twenty-two million dollars of paper money, at par, and, no matter to what figure the issue might be extended, the purchasing power could not be increased. In February of 1880 the issue was excessive to the extent of nearly $48,665,000, and this excess the government sought to reduce by the very inadequate and vexatious measure of a flour and bread tax. The poor, therefore, are having the price of bread heavily increased at a time when the means of earning it are abnormally low. The population of many districts in Asia Minor are almost driven to rebellion and ruin. They had received the paper money with confidence, and, relying on the pledges of the government, had adopted it as their sole means of exchange, and their little savings were in paper money; they are all at once called upon to pay four-fifths of their taxes in other money, of which they have not a farthing. Not only is their capital annihilated, but they are driven to the usurer to escape imprisonment. Since the date of its first actual state loan, in 1854, Turkey has outstripped every other country in the world in the relative growth of its indebtedness.

9. PORTUGAL—$457,451,000.

The total funded debt of Portugal, internal and external, amounted, on the 30th June, 1878, to $404,592,157. Of this, $238,203,281 was internal and $166,388,876 was external debt. The state debt dates from the time of Don Emanuel; that is, from the end of the fifteenth century.* The funded debt of Portugal is nearly as large per capita as that of the United Kingdom. There is a large floating debt. Interest on the public debt has frequently remained unpaid. Portions of the debt have been repudiated. December 18, 1852, the interest on the whole funded debt was reduced to 3 per cent. by royal decree.† In 1870 the debt was $291,990,000;‡ in 1880 it had reached $457,451,000.‡

10. AUSTRALIA—$442,851,500.

The debts of the various Australian colonies have arisen from two causes: encouragement to immigration and the construction of public works. The latter have been, in general, highly reproductive.

11. HOLLAND—$389,320,000.

The credit of the state of Holland was so firmly established in the middle of the last century that the 2½ per cent. paper money was paid with the 10 per cent. "agio", notwithstanding the large amount of debt, but the rate of exchange declined in consequence of the war between England and North America. In 1795 the republic was obliged to pay $40,554,165 to France as war indemnity, besides the ceding of certain territory. When Louis Napoleon ascended the throne of Holland the old debt amounted to $405,177,821, and the amount of interest required upon it was $11,679,600. With the addition of the new debt this made a sum of $486,650,000, the annual interest

* Condition of Nations—consul's report, p. 715. † Statesman's Year-Book, 1881. ‡ Mulhall.

upon which was $14,599,500. Hence arose a forced loan, at 7 per cent., in the year 1807.* In 1810, Napoleon, upon his own responsibility, reduced the interest upon the debt to one-third. The two-thirds which were thus forcibly set aside were again recognized under William I, but they were declared not liable to interest until the first third and the new debt were paid off. In 1836 it became necessary to declare the colonies a legal mortgage for the state debt. Again, in 1838, there was a deficit of $4,460,955, but considerable relief was obtained by Belgium's being compelled to undertake the payment of an annuity of $2,027,705, in accordance with the treaty of April 19, 1839. Great exertions were needed, however, to restore the equilibrium in the state finance, notwithstanding rich contributions from the East Indies. The payment of the debt was effectually begun in 1850, and the result is a very considerable diminution of the debt, together with an annual saving of $3,649,875 for interest. In 1870 the debt was $369,854,000; in 1880 it was $389,320,000.†

12. CANADA—$175,194,000.

The growth of revenue and of debt has been by no means so rapid as in Australia; and it may be said that Canada is, in this respect, one of the countries lightest burdened. The debt per inhabitant was about $5 between 1840 and 1851, about $25 in 1867, and about $35 in 1877.

13. ROUMANIA—$118,742,600.

The debt of Roumania was very nearly paid off, both in Moldavia and in Wallachia, in 1853. The account on January 1, 1877, however, showed eleven categories of debt, originally amounting to $120,830,304, but of which $20,475,930 had been amortized, leaving the actual amount of the debt at $100,354,374. An annual sum of $10,678,857 was therefore required for the interest on and payment of the debt. At this period, however, came the war, which would have ruined even well-ordered finances. The government, being unable to obtain new loans, resolved, in March, 1877, to issue $6,083,125 of paper money, which could be withdrawn in proportion to the sale of state lands, but which was not, however, to have a forced circulation. In June, 1878, a further issue was determined on, and a forced circulation introduced. The tribute hitherto payable to the Porte amounted to 8,000 purses, equal to about $175,194. If this were capitalized at 4 per cent., it would make a sum of $4,379,850 which Roumania had to pay to the Porte; but nothing was decided about this in the decrees of the Congress of Berlin, nor upon the question whether Roumania might bring costs of war as compensation. Thus Roumania, as she cannot in any way demand compensation from Russia, and as any claims made upon Turkey are useless, finds herself burdened with a debt of $118,742,600. The loans which constituted the debt have sinking funds attached, to provide for their extinction between the years 1880 and 1961.

14. SWEDEN AND NORWAY—$97,330,000.

The national debt of these prosperous countries is very small. No less than three-fifths of the sum is represented by state railroads.

15. GREECE—$94,361,435.

Greece gained her independence in 1821, and became a debtor in 1824. The annual charge of a small portion is paid by Greece; that of about $10,000,000 by England, France, and Russia, its guarantors; and that of the remainder is paid by nobody.‡

16. THE GERMAN EMPIRE—$49,317,598.

At the death of Frederick the Great there was not only no national debt, but an enormous amount of treasure ($52,500,000) in the government vaults at Berlin, which money was afterward used in the wars against Napoleon. According to the *Statesman's Year-Book*, the German empire had no debt in 1871. In April, 1879, the total funded debt was $42,634,477, including a loan of $23,720,504 granted by a law of the Reichstag, June 14, 1878. The whole debt bears interest at 4 per cent. Besides the funded debt there exists an unfunded debt, represented by imperial treasure bills outstanding, to the amount of $40,635,275, September 30, 1879. There are invested funds amounting to $210,594,848, created out of the French war indemnity, which are yearly increasing by interest.

The total public debt of the several states of Germany is at present $1,075,000,000, but the various state properties would suffice to redeem it. In 1869 Baxter showed that nearly $350,000,000 had been expended by the different states on railroads alone, and that of the $850,000,000 of debt then existing about $500,000,000 was unremunerative. To assist in the payment of this state debt the German states have the net receipts of their railroads and the produce of their public mines and iron-works, which at that time in Prussia and Saxony and other

* Condition of Nations, p. 641. † Mulhall. ‡ Baxter's National Debt, p. 70.

8. TURKEY—$1,376,486,500.

The debt of Turkey in 1861, according to Levi, consisted of—

Internal debt	$89,115,348
Foreign debt	70,745,381
Total	159,860,729

According to Mulhall it was:

In 1870	$603,446,000
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In order to understand the debt of Turkey, the origin of which dates from 1854, it is necessary to state that the first issue of paper money was for the purpose of creating funds for the Crimean war, the total issue being $58,398,000. The circulation was confined to the capital and its suburbs. This paper money was withdrawn in 1855, with other forms of recognition of indebtedness then extant, which together constituted the capital of the general debt represented by the first issue of 5 per cents. The financial decree of October 6, 1875, which, to all intents and purposes, declared the bankruptcy of the Ottoman empire, closed the European money markets to the Porte, and greatly restricted its resources for local accommodation; and when, a few weeks later, the political crisis resulted in a war with Servia, the Ottoman exchequer found itself destitute of cash and credit, and deprived of the means it was wont to employ for the supply of its daily wants. In these straits the Porte appealed to national and religious sentiment, which appeal was responded to very generously, but the amount was totally inadequate to supply the need. A forced loan was proposed and accepted; it produced but little, and the Porte decided for the second time upon an issue of paper money. The issue was to be absolutely limited to $13,272,269, and the population was informed that it would be received in payment of all taxes, both in the capital and in the provinces, at par, neither of which promises was kept. Paper money has since deluged the state far in excess of the means of its employment. The population of Turkey could not, under existing circumstances, absorb more than twenty-two million dollars of paper money, at par, and, no matter to what figure the issue might be extended, the purchasing power could not be increased. In February of 1880 the issue was excessive to the extent of nearly $48,665,000, and this excess the government sought to reduce by the very inadequate and vexatious measure of a flour and bread tax. The poor, therefore, are having the price of bread heavily increased at a time when the means of earning it are abnormally low. The population of many districts in Asia Minor are almost driven to rebellion and ruin. They had received the paper money with confidence, and, relying on the pledges of the government, had adopted it as their sole means of exchange, and their little savings were in paper money; they are all at once called upon to pay four-fifths of their taxes in other money, of which they have not a farthing. Not only is their capital annihilated, but they are driven to the usurer to escape imprisonment. Since the date of its first actual state loan, in 1854, Turkey has outstripped every other country in the world in the relative growth of its indebtedness.

9. PORTUGAL—$457,451,000.

The total funded debt of Portugal, internal and external, amounted, on the 30th June, 1878, to $404,592,157. Of this, $238,203,281 was internal and $166,388,876 was external debt. The state debt dates from the time of Don Emanuel; that is, from the end of the fifteenth century.* The funded debt of Portugal is nearly as large per capita as that of the United Kingdom. There is a large floating debt. Interest on the public debt has frequently remained unpaid. Portions of the debt have been repudiated. December 18, 1852, the interest on the whole funded debt was reduced to 3 per cent. by royal decree.† In 1870 the debt was $291,990,000;‡ in 1880 it had reached $457,451,000.‡

10. AUSTRALIA—$442,851,500.

The debts of the various Australian colonies have arisen from two causes: encouragement to immigration and the construction of public works. The latter have been, in general, highly reproductive.

11. HOLLAND—$389,320,000.

The credit of the state of Holland was so firmly established in the middle of the last century that the 2½ per cent. paper money was paid with the 10 per cent. "agio", notwithstanding the large amount of debt, but the rate of exchange declined in consequence of the war between England and North America. In 1795 the republic was obliged to pay $40,554,165 to France as war indemnity, besides the ceding of certain territory. When Louis Napoleon ascended the throne of Holland the old debt amounted to $405,177,821, and the amount of interest required upon it was $11,679,600. With the addition of the new debt this made a sum of $486,650,000, the annual interest

* Condition of Nations—consul's report, p. 715. † Statesman's Year-Book, 1881. ‡ Mulhall.

VENEZUELA.

The foreign debt of Venezuela (capital and interest) at the end of June, 1877, was $49,112,791, and the home debt $14,411,497.*

With the exception of dividends on 6 per cent. loans of 1862, no regular interest has been paid by the government on foreign loans since 1865.†

PERU.

In 1860 the national debt of Peru was only $22,385,900; in 1876 it had reached the sum of $208,169,404.*

CHILI.

Years.	Total debt.	Foreign.
1876*	$49,324,508	$39,095,514
1877	51,630,470	36,045,679
1878	53,515,265	34,556,263

To the internal debt of Chili was added, in 1879, a forced war loan of $6,000,000, and there were large issues of paper money. All the foreign loans of Chili were contracted in England.†

PARAGUAY.

In 1871 and 1872 two 8 per cent. loans of $14,599,500 (together) were obtained from Robinson, Fleming & Co., payable within twenty-one years. Payment ceased in 1874. The money was to be chiefly employed in construction of railroads.

URUGUAY.

The debt, in 1877, was $43,806,452; in 1879, $46,413,796. The paper money in circulation on January 1, 1877, was $5,893,390.

MEXICO.

In 1856 the debt was stated to be $135,349,531,‡ of which $53,480,806 was foreign debt. No interest has been paid on the foreign debt since 1851. The whole arrangement of the state was overthrown by French intervention. The Emperor Maximilian was bound by a treaty of April 10, 1864, to pay to France $20,439,300, compensation for services rendered in loan bills. He further bound himself to the payment of $40,878,600 in annuities of $4,866,500, by which the cost of the French expedition should be defrayed until July 1, 1864; and in addition to all this the cost of maintaining the French auxiliary troops was to be entirely paid by Mexico. July 30, 1866, Maximilian pledged half the naval dues to France in order to cover her demands. The French commission on the budget reckoned the total amount of the credit given by France to Mexico at $58,626,725. The latter, it will be easily understood, repudiates the whole of this demand. According to a declaration made by Romero, the minister of finance, in 1868, the republic recognized only the following claims: $51,918,100, London debt, 3 per cent.; $4,224,730, 6 per cent. English loan; further English claims for unpaid interest, etc., $14,757,729; Spanish 3 per cent. loan of $6,726,335, and $1,216,625 for the loan contracted with Corlies & Co.; thus making a total of $78,843,519. Including the French claims, the total debt was reckoned, on August 1, 1865, at $321,753,918. Virtually, the whole debt is repudiated.

HAYTI—SAN DOMINGO.

A loan of $2,472,182 was obtained in Paris in 1825, which could not be repaid. Help was sought in the issue of a mass of paper money, and thus the ruin was complete. It was determined by law of the 19th September, 1876, to pay off gradually the old debts, and $1,013,979 was voted for that purpose in that year.§

EGYPT.

The khedive, like the sultan, accumulated debt upon debt, burdening both the state and the civil list. The Egyptian debt has all been the growth of a very few years. As late as 1862 Egypt had no foreign debt, but it began by issuing a loan on the English market in 1863, and it continued to issue until 1873, when the debt, exclusive of the floating debt, amounted to upward of $243,325,000, and this in ten years. In May, 1876, a decree was issued by the khedive, by which all existing debts were converted into a general 7 per cent. state debt, the amount of which

* Condition of Nations. † Statesman's Year-Book, 1881. ‡ Condition of Nations, p. 816. § Ibid., p. 855.

was stated to be $442,851,500, and holders of loans paying higher interest were to receive fixed compensation. Strong objections were raised to this, especially by England and France. A new decree followed in November of the same year, by which a number of debts were exempted from this conversion, and the amount was reduced to $287,123,500, which sum was to be paid off in sixty-five years by means of an annuity of $20,330,913. The creditors were not really helped by any of these measures, for the khedive did as he pleased with the revenues, and these were quite insufficient for the lavish expenditure. The khedive also claimed for his private purposes an area of 910,000 English acres in the most fertile portion of the land, but a commission of inquiry into the debt demanded the restitution of this land to the state, to which the khedive was at length obliged to submit, as well as to the introduction of a European management. The amount of debt in 1878 was, according to the public debt commissioners, $412,350,517.*

SERVIA.

Servia was not only free from debt at the outbreak of the war, but it possessed a reserve fund, stated to be $1,677,940. At the commencement of the war attempts were made to negotiate a foreign loan, but the conditions proposed were not such as could be accepted. Upon this the government, April 2, 1876, arranged the acceptance of a so-called voluntary loan of $2,335,920 in the country at 8 per cent., which was practically divided among the communes, and which was nothing less than a forced loan, payable within five years. In September, 1876, an attempt was made to raise a loan of $2,889,484, but only about $200,334 was really obtained. Notwithstanding the Russian subsidies, a further loan of $4,866,500 became necessary in May, 1877, and was obtained at 7½ per cent., amortizable in thirty-three years. The state has no claim to indemnity on account of the war; but, on the contrary, she is liable for the capitalization of the tribute, hitherto existing, of 4,600 purses, or $90,444, or about $2,189,925 capital, as well as for a proportion of the Turkish debt belonging to the acquired territory. All these things must burden the finances for a long time to come.†

SWITZERLAND.

The debt of Switzerland has been, as a rule, contracted either for real acquisitions or for the actual defense of the country. The loan of 1857 (which has been already repaid) was for extraordinary outlay for new arms required on account of the dispute about Neuchatel, and the loan of 1870 and 1871 was required for the maintenance of neutrality. At the end of 1866 the liabilities only amounted to $741,654, $194,660 of which was for the reserve fund of the mint, while the assets reached the sum of $2,764,980. In February, 1867, however, a loan of $2,335,920 was contracted for defraying the expenditures for arms and re-establishing the cash balance of the treasury for the confederacy. The outlay for arms was thus divided: three-quarters of the cost of alteration of weapons and the purchase of new breech-loaders was borne by the confederacy, one-quarter only being paid by the cantons. The maintenance of considerable masses of troops for the preservation of neutrality during the Franco-German war caused an expenditure of nearly $1,751,940.‡

On December 31, 1877, the debt was $6,359,542; the interest of the debt and mint reserve fund, $271,346; the sinking fund, $297,830; making the liabilities $6,928,718, the assets being $7,107,835. In 1880 the total debt was $5,710,870.§

INDIA.

The rise of the public debt has been as follows:

Year.	Amount.	Per inhabitant.
1814	$90,000,000	$1 25
1857	300,000,000	2 50
1862	500,000,000	3 75
1879	695,000,000	3 50

The service of the debt costs $27,500,000 per annum, 9 per cent. of the revenue.

JAPAN.

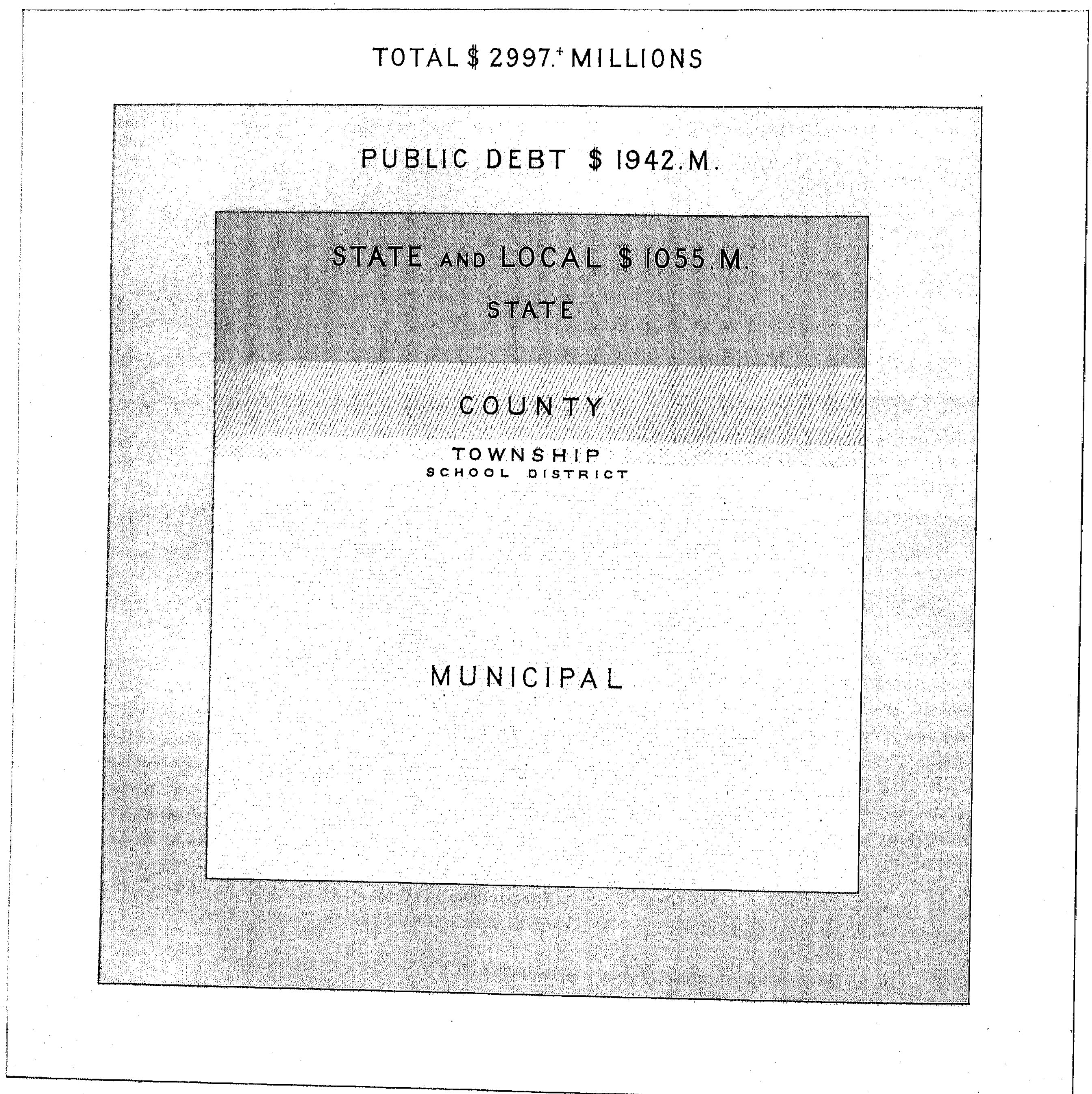
The public debt of Japan has risen enormously of late years, from $236,188,249 in 1875 to $380,449,135 in 1878–'79, of which the national debt was $245,047,614; paper money, $122,602,552; foreign debt, $12,798,968.

The increase of the debt is, in a measure, owing to the capitalizing of the pensions of the higher and lower nobility, together with those of the ex-Sinto priests, and not a little is to be attributed to the well-nigh yearly occurrence of rebellion. Much money has been required likewise for the furtherance of industrial works, for harbors and dams.‖

* Condition of Nations, p. 764. † Ibid., p. 741. ‡ Ibid., p. 609. § Treasury. ‖ Condition of Nations, p. 861.

PLATE VI.

TOTAL NET INDEBTEDNESS OF THE UNITED STATES.



1 □" = 61+ MILLIONS

For "Total, $2,997 millions", read: Total, $2,990 millions.
For "State and local, $1,055 millions", read: State and local, $1,048 millions.

STATE AND LOCAL INDEBTEDNESS.

STATE INDEBTEDNESS.

Under the head of state debts we give the history of this class of indebtedness from the time of the assumption of state debts by the federal government to 1880. The histories have been written in the most part from the state records in the Congressional Library, and the aim has been to give a brief sketch of the origin of the debt and its various phases, together with a table of its fluctuations, from the admission of the several states into the Union to the present time. The manuscript in each case has been forwarded to the state authorities, and examined, corrected, and indorsed by the state auditors, treasurers, and governors of the several states and territories, which services have been duly acknowledged elsewhere in this report.

The following table presents, for the whole country and for the five geographical divisions, the total state debt of the United States in 1839, 1841, 1853, 1860, 1870, and 1880, the sinking fund, and the net debt for 1880, and the increase or decrease for each of these periods. It will be noted that from 1841 to 1853 the debt of the New England and of the southern states decreased; from 1853 to 1860 there was an increase in all the sections; from 1860 to 1870 there was a large increase in the New England states and a decrease in the middle and western states; while in the decade ending in 1880 there has been a decrease in all the sections, the state debts of the entire country having decreased 26.2 per cent.

Geographical sections.	Total debt 1839.	Total debt 1841.	Per cent. of increase or decrease.	Total debt 1853.	Per cent. of increase or decrease.	Total debt 1860.	Per cent. of increase or decrease.	Total debt 1870.	Per cent. of increase or decrease.	Total debt 1880.	Per cent. of increase or decrease.	Sinking fund 1880.	Net debt 1880.
The United States.	$163, 728, 390	$189, 910, 399	+16. 0	$192, 527, 913	+ 1. 4	$257, 406, 940	+33. 7	$352, 866, 698	+ 37. 1	$260, 269, 047	—26. 2	$33, 671, 453	$226, 597, 594
New England states	4, 844, 976	7, 158, 998	+47. 8	6, 991, 399	— 2. 3	8, 081, 850	+15. 6	50, 348, 550	+523. 0	49, 950, 926	— 0. 8	14, 743, 444	35, 207, 482
Middle states	54, 984, 389	70, 313, 041	+27. 9	79, 952, 297	+13. 7	86, 417, 043	+ 8. 1	79, 834, 481	— 7. 6	44, 604, 511	—44. 1	15, 098, 230	29, 506, 281
Southern states	66, 468, 025	68, 582, 684	+ 3. 2	59, 069, 357	—13. 0	92, 707, 929	+56. 9	174, 486, 452	+ 88. 2	125, 814, 979	—27. 9	1, 924, 920	124, 030, 897
Western states	37, 431, 000	43, 855, 676	+17. 2	46, 514, 860	+ 6. 1	70, 200, 118	+50. 9	48, 197, 215	— 31. 3	39, 710, 453	—17. 6	2, 036, 697	37, 673, 756
Territories										188, 178		9, 000	179, 178

The entire history of this phase of indebtedness will be found under the proper head in this report, and needs no further recapitulation here.

LOCAL INDEBTEDNESS.

The first statistics of local indebtedness were published in 1843, from which it appears that the aggregate amount of debts of all the cities of the United States at that date was $27,536,422.

The first systematic attempt to collect the statistics of local indebtedness in the United States was made by the census of 1870, but the result was not in any way satisfactory to the Census Office, as the Superintendent had no power to deal directly with the officers of counties, municipalities, school districts, and other local debt-creating authorities, and hence he was obliged to accept the returns as sent in by the United States marshals. There was no means of ascertaining the actual indebtedness of any particular city, town, village, or township, nor of the total indebtedness of the school districts. The items were all aggregated under the several headings, "County debt" and "City, town, and village debt". A division was made of the bonded debt, and a column presumably of floating debt appeared under the caption "All other". The sinking fund and other assets set aside for the payment of the debt were not taken into consideration at all. The results of this investigation may be briefly epitomized as follows:

Debt other than national, as reported by United States Census, 1870.

Classes of debts.	Total debts.	Per cent.
Total	$868, 676, 758	100. 00
State debt	352, 866, 698	40. 62
County debt	187, 565, 540	21. 59
City and town debt	328, 244, 520	37. 79

In the right-hand column of the preceding table the per cent. of each class of debt is shown according to the report of the Ninth Census. Of the debts found by this inquiry, over 40 per cent. were state debts, over 21 per cent. county debts, and nearly 38 per cent. the debts of cities, towns, and other local units.

The inquiry relating to state and local indebtedness for 1880 was carried on entirely in Washington, and the facts were all obtained by the aid of direct correspondence with the local officers throughout the United States. Schedules were prepared with a view to suit the size of the places to which they were to be sent. To the large cities elaborate schedules were mailed, which not only called for an exact statement of the bonded and the floating debt, but also for the date of issue of the various classes of bonds, the date of maturity, the rate of interest, and the purposes for which the bonds were issued; also for the amount of sinking fund or other assets, and of credits set aside for payment of the debt. To the smaller cities and towns and villages a still simpler form of blank was issued, and in some of the townships and school districts a postal card proved effective, and secured answers to the seven important questions. The extent of this correspondence, and the difficulties of securing lists, not only of the names of financial officers, but of the municipal corporations themselves, were great. The preliminary work was as difficult as the actual work of gathering the statistics. It was necessary to apply to the authorities of every county for the names of the municipal corporations within its area, and after replies had been received from the twenty-four hundred counties it was found that in many states the entire work must be revised and circulars addressed directly to the places named by the county clerks or auditors, asking the question, "Is ——— an incorporated village or not?" In this way hundreds of the names originally placed on the lists were excluded. The minor civil divisions of the United States number, in round figures, about 2,400 counties; 311 cities and towns with a population of 7,500 and upward; about 8,000 incorporated cities, villages, and other small places with a population below 7,500; about 12,000 townships having a financial existence; and 105,000 school districts possessing a debt-creating and tax-levying power. To some of the larger and more important of these places as many as twenty letters were written before the schedule could be absolutely declared complete. There were others, probably 50 per cent., that replied with both accuracy and promptness. In several cases the editors of newspapers and prominent individuals were addressed, and requested kindly to call the attention of the local authorities to the importance of this work. Almost unanimously did these letters meet with response. Editors called attention, in their newspapers, to the delinquency; governors and auditors touched the state pride of the delinquent officers; and in some instances prominent business men dropped their work and filled out the schedule with their own hands.

The report is, upon the whole, complete and satisfactory. Every municipal corporation of over 1,000 population has sent in a correct report, which has been examined, approved, and tabulated. There remain probably a few places scattered over the country—here and there a post-town in the south or a remote village in the northwest or the territories—from which it has been impossible to obtain returns; but these amount, if estimated on the basis of population, to less than $\frac{1}{2}$ of 1 per cent., and cannot affect the results.

In determining the amount of floating indebtedness of the counties and minor civil divisions it has been thought proper to charge them with the total amount owed, taking no account of assets possibly or even probably available for its liquidation, the only credit being for sinking fund, if one existed. These assets are commonly "Cash on hand", "Amounts due on notes from individuals", "Amounts due from the state", "Amounts due from other municipalities", and "Uncollected taxes of previous years". In the statement made to the Census Office by local authorities they are usually deducted from the liabilities, and the balance only is given as debt. Much of the floating indebtedness existing among towns and cities, especially in New England, is occasioned by borrowing money to meet running expenses in advance of the collection of taxes.

In the New England states the amounts on the schedules were not only carefully scrutinized, compared, and made to agree substantially with the printed reports, both of town and state authorities, but proofs of the tables were mailed to every town in New England for correction and revision. Of some fifteen hundred proofs thus sent out, over one thousand were returned, and the corrections were of such a minor character, principally arising from the difference in the fiscal and calendar years, that it was not considered worth while to pursue this policy with the other sections of the country, the percentage of possible error being too small to affect the result, which, for all practical purposes, may be considered accurate.

Table I shows the state, county, municipal, and total debt of the United States, according to the census of 1870 and to that of 1880, by geographical sections. In this table we have taken the net debt for 1880. For 1870, in some cases, the returns may have been net debt, and in others the gross debt, regardless of any assets set aside for payment, for reasons already explained.

TABLE I.

Geographical sections.	1870.				1880.			
	State debt.	County debt.	Municipal debt, including township and school district.	Total net debt.	State debt.	County debt.	Municipal debt, including township and school district.	Total net debt.
The United States	$352, 866, 698	$187, 565, 540	$328, 244, 520	$868, 676, 758	$226, 597, 594	$124, 027, 586	$697, 458, 861	$1, 048, 084, 041
New England states	50, 348, 550	1, 740, 491	71, 522, 742	123, 611, 783	35, 207, 482	2, 726, 877	125, 937, 193	163, 871, 552
Middle states	79, 834, 481	108, 494, 603	115, 515, 832	303, 844, 916	29, 506, 281	30, 270, 480	350, 377, 635	410, 154, 396
Southern states	174, 486, 452	19, 084, 471	74, 905, 658	268, 476, 581	124, 030, 897	24, 111, 154	71, 064, 958	219, 207, 009
Western states	48, 197, 215	57, 656, 307	66, 275, 968	172, 129, 490	37, 673, 756	64, 327, 085	149, 832, 742	251, 833, 583
Territories	....	589, 668	24, 320	613, 988	179, 178	2, 591, 990	246, 333	3, 017, 501

Table II shows the population and the total state, county, and municipal net debt of the United States, by sections, for 1870 and 1880, the per capita net debt, and the amount of increase and decrease during the decade, with the percentage of increase and decrease.

TABLE II.

Geographical sections.	1870.			1880.			1870 to 1880.			
	Population.	Total net state, county, and municipal debt.	Per capita.	Population.	Total net state, county, and municipal debt.	Per capita.	Increase.	Per cent. of increase.	Decrease.	Per cent. of decrease.
The United States	38, 558, 371	$868, 676, 758	$22 53	50, 155, 783	$1, 048, 084, 041	$20 90	$179, 407, 283	21	....	....
New England states	3, 487, 924	123, 611, 783	35 44	4, 010, 529	163, 871, 552	40 86	40, 259, 769	33	....	....
Middle states	9, 848, 415	303, 844, 916	30 85	11, 756, 053	410, 154, 396	34 89	106, 309, 480	35	....	....
Southern states	11, 250, 411	268, 476, 581	23 86	15, 257, 393	219, 207, 009	14 37	....	....	$49, 269, 572	18.00
Western states	13, 700, 455	172, 129, 490	12 56	18, 524, 989	251, 833, 583	13 59	79, 704, 093	46	....	....
Territories	271, 166	613, 988	2 26	606, 819	3, 017, 501	4 97	2, 403, 513	391	....	....

In 1870 the population of the country was 38,558,371, and the total state, county, and municipal debt was $868,676,758, or $22 53 per capita. In 1880 the population had increased about 30 per cent., and reached 50,155,783, while the total net state and local debt had increased to $1,048,084,041, and the per capita had become $20 90, a decrease of $1 63. It will be seen that although the debt had increased $179,407,283, or 21 per cent., it had not kept pace with the increase in population.

The southern states is the only section in which a decrease of debt appears (18 per cent.), and this may be largely accounted for by the readjusting and repudiation of certain state debts.

In each of the five sections, excepting the southern states, an increase in the per capita debt is noted. In the New England states, from $35 44 per capita to $40 86 per capita; in the middle states, from $30 85 per capita to $34 89 per capita; in the western states, from $12 56 to $13 59 per capita; and in the territories, from $2 26 to $4 97 per capita; while the per capita debt of the southern states has declined from $23 86 to $14 37 per capita. The debt has increased 33 per cent. in the New England states; in the middle states, 35 per cent.; in the western states, 46 per cent.; in the territories, 391 per cent.; while the southern states show a decrease of 18 per cent.

Table III shows, by states and territories, the state, county, municipal, and total debt in 1870, and the same in 1880. In this table, as in the summary Table I, we have included township and school district debt under the head of municipal debt, in order to make an approximately fair comparison for 1870.

TABLE III.

States and territories.	1870.				1880.			
	Total debt.	State debt.	County debt.	Municipal debt, including township and school district debt.	Total debt.	State debt.	County debt.	Municipal debt, including township and school district debt.
The United States	$868,676,758	$352,866,698	$187,565,540	$328,244,520	$1,048,084,041	$226,597,504	$124,027,586	$697,458,861
NEW ENGLAND STATES.								
Maine	16,624,624	8,067,900	274,153	8,282,571	22,406,850	4,682,741	451,809	17,272,300
New Hampshire	11,153,373	2,817,869	745,070	7,590,434	10,724,170	3,561,200	770,034	6,393,936
Vermont	3,594,700	1,002,500	8,042	2,584,158	4,352,168	4,000	23,421	4,324,747
Rhode Island	5,938,642	2,913,500	....	3,025,142	13,102,790	1,832,463	....	11,270,327
Connecticut	17,088,906	7,275,908	6,103	9,806,903	22,001,661	4,967,600	101,400	16,932,661
Massachusetts	69,211,538	28,270,881	707,123	40,233,534	91,283,913	20,159,478	1,371,213	69,753,222
Total	123,611,783	50,348,550	1,740,491	71,522,742	163,871,552	35,207,482	2,726,877	125,937,193
MIDDLE STATES.								
New York	159,808,234	32,409,144	50,679,784	76,719,306	218,723,314	7,536,732	12,399,308	198,787,274
New Jersey	22,854,304	2,996,200	6,035,315	12,922,789	49,379,727	646,300	6,668,463	42,064,964
Pennsylvania	89,027,131	31,111,662	49,173,850	8,741,619	106,133,305	12,814,831	9,781,384	83,537,090
Delaware	526,125	....	139,875	386,250	2,346,585	880,750	44,000	1,421,835
Maryland	29,032,577	13,317,475	1,565,779	14,149,323	10,806,006	7,627,668	1,377,325	1,801,013
District of Columbia	2,596,545	....	....	2,596,545	22,675,450	....	....	22,675,450
Total	303,844,916	79,834,481	108,494,603	115,515,832	410,154,806	29,506,281	30,270,480	350,377,835
SOUTHERN STATES.								
Virginia	55,921,255	47,390,839	1,365,766	7,164,650	42,099,802	29,345,226	1,283,574	11,471,002
West Virginia	561,767	(*)	329,833	231,934	1,513,424	....	592,780	920,644
North Carolina	32,474,036	29,900,045	1,732,773	841,218	8,194,606	5,706,616	1,524,654	963,336
South Carolina	13,075,229	7,665,909	97,112	5,312,208	13,345,938	6,639,171	1,573,759	5,133,008
Georgia	21,753,712	6,544,500	561,735	14,647,477	19,681,903	9,951,500	181,790	9,548,613
Florida	2,185,838	1,288,697	443,041	454,100	2,713,333	1,221,704	435,993	1,055,636
Alabama	13,277,154	8,478,018	1,704,173	3,094,963	14,728,545	9,071,705	1,703,266	3,953,514
Mississippi	2,594,415	1,796,230	656,585	141,600	2,013,190	379,485	1,134,763	498,942
Louisiana	53,087,441	25,021,734	1,326,635	26,739,072	42,865,952	†23,437,640	1,107,951	18,320,361
Texas	1,613,907	508,641	426,866	678,400	11,604,913	5,566,928	2,499,287	3,538,698
Arkansas	4,151,152	3,459,557	536,649	154,946	7,938,784	4,039,737	3,135,749	763,298
Kentucky	18,953,484	3,892,480	7,173,644	7,887,360	15,118,719	1,230,694	5,877,043	8,010,982
Tennessee	48,827,191	38,539,802	2,729,659	7,557,730	37,387,900	27,440,431	3,060,545	6,886,924
Total	268,476,581	174,486,452	19,084,471	74,905,658	219,207,009	124,030,897	24,111,154	71,064,958
WESTERN STATES.								
Ohio	22,241,988	9,732,078	4,237,543	8,272,367	48,756,454	5,735,000	2,962,649	40,058,805
Indiana	7,818,710	4,167,507	1,127,269	2,523,934	18,354,737	4,998,178	4,048,054	9,308,505
Illinois	42,191,869	4,890,937	12,817,922	24,483,010	44,942,422	....	14,181,134	30,761,288
Michigan	6,725,231	2,385,028	1,275,479	3,064,724	8,803,144	....	896,700	7,906,444
Wisconsin	5,903,532	2,252,057	1,077,128	2,574,347	11,875,992	2,252,057	2,292,254	7,331,681
Iowa	8,043,133	534,498	3,732,929	3,775,706	7,962,767	370,435	2,992,573	4,599,759
Minnesota	2,788,797	350,000	472,694	1,966,103	8,476,064	2,565,000	901,412	5,009,652
Missouri	46,909,865	17,866,000	11,819,012	17,224,853	57,007,384	16,259,000	12,073,312	28,675,072
Kansas	6,442,282	1,593,306	3,736,901	1,112,075	16,005,853	1,087,700	7,950,921	6,967,232
Nebraska	2,089,264	247,300	1,769,564	72,400	7,425,757	375,582	5,120,362	1,929,813
Colorado	681,158	....	678,829	2,329	3,594,296	212,814	2,492,441	889,041
Nevada	1,986,093	642,894	987,423	355,776	1,024,523	....	891,017	133,506
Oregon	218,486	106,583	105,903	6,000	848,502	511,376	211,767	125,359
California	18,089,082	3,429,027	13,817,711	842,344	16,755,688	3,306,614	7,312,489	6,136,585
Total	172,120,490	48,197,215	57,656,307	66,275,968	251,833,583	37,678,756	64,327,085	140,832,742
TERRITORIES.								
Arizona	10,500	....	10,500	....	377,501	....	353,217	24,284
Dakota	5,761	....	5,671	90	998,860	....	961,570	37,290
Idaho	222,621	....	218,522	4,099	235,319	88,381	143,742	3,196
Montana	278,719	....	276,219	2,500	759,925	64,077	659,606	35,552
New Mexico	7,560	....	7,560	....	84,872	....	84,872	....
Utah	....	....	....	....	116,251	9,120	15,132	91,999
Washington	88,827	....	71,196	17,631	239,311	....	204,384	34,927
Wyoming	....	....	....	....	205,462	17,000	169,377	19,085
Total	613,988	....	589,668	24,320	3,017,501	179,178	2,591,990	246,332

*Included in Virginia.

†Old debt (1874) now being refunded.

Table IV shows, by states and territories, the population, and the total state, county, and municipal debt, and the per capita debt as returned in 1870 and 1880; also the increase and decrease of debt and the per cent. of increase and decrease.

TABLE IV.

States and territories.	1870.			1880.			Increase of debt.	Per cent.	Decrease of debt.	Per cent.
	Population.	Total net state, county, and municipal debt.	Per capita.	Population.	Total net state, county, and municipal debt.	Per capita.				
The United States	38,558,371	$868,676,758	$22 53	50,155,783	$1,048,084,041	$20 90	$179,407,283	21		
NEW ENGLAND STATES.										
Maine	626,915	16,624,624	26 52	648,936	22,406,850	34 53	5,782,226	35		
New Hampshire	318,300	11,153,373	35 04	346,991	10,724,170	30 91			$429,203	4
Vermont	330,551	3,594,700	10 87	332,286	4,352,168	13 10	757,468	21		
Rhode Island	217,353	5,938,642	27 32	276,531	13,102,790	47 38	7,164,148	121		
Connecticut	537,454	17,088,906	31 80	622,700	22,001,661	35 33	4,912,755	29		
Massachusetts	1,457,351	69,211,538	47 49	1,783,085	91,283,913	51 19	22,072,375	32		
Total	3,487,924	123,611,783	35 44	4,010,529	163,871,552	40 86	40,259,769	33		
MIDDLE STATES.										
New York	4,382,759	159,808,234	36 46	5,082,871	218,723,314	43 03	58,915,080	37		
New Jersey	906,096	22,854,304	25 22	1,131,116	49,379,727	43 66	26,525,423	116		
Pennsylvania	3,521,951	89,027,131	25 28	4,282,891	106,133,305	24 78	17,106,174	19		
Delaware	125,015	526,125	4 21	146,608	2,346,585	16 01	1,820,460	346		
Maryland	780,894	29,032,577	37 18	934,943	10,896,006	11 65			18,136,571	62
District of Columbia	131,700	2,596,545	19 72	177,624	22,675,459	127 66	20,078,914	773		
Total	9,848,415	303,844,916	30 85	11,756,053	410,154,396	34 89	106,309,480	35		
SOUTHERN STATES.										
Virginia	1,225,163	55,921,255	45 64	1,512,565	42,099,802	27 83			13,821,453	25
West Virginia	442,014	561,767	1 27	618,457	1,513,424	2 45	951,657	169		
North Carolina	1,071,361	32,474,036	30 31	1,399,750	8,194,606	5 85			24,279,430	75
South Carolina	705,606	13,075,229	18 53	995,577	13,345,938	13 41	270,709	2		
Georgia	1,184,109	21,753,712	18 37	1,542,180	19,681,903	12 76			2,071,809	10
Florida	187,748	2,185,838	11 64	269,493	2,713,333	10 07	527,495	24		
Alabama	996,992	13,277,154	13 32	1,262,505	14,728,545	11 67	1,451,391	11		
Mississippi	827,922	2,594,415	3 13	1,131,597	2,013,190	1 78			581,225	22
Louisiana	726,915	53,087,441	73 03	939,946	42,865,952	45 60			10,221,489	19
Texas	818,579	1,613,907	1 97	1,591,749	11,604,913	7 29	9,991,006	619		
Arkansas	484,471	4,151,152	8 57	802,525	7,938,784	9 89	3,787,632	91		
Kentucky	1,321,011	18,953,484	14 35	1,648,690	15,118,719	9 17			3,834,765	20
Tennessee	1,258,520	48,827,191	38 80	1,542,359	37,387,900	24 24			11,439,291	23
Total	11,250,411	268,476,581	23 86	15,257,393	219,207,009	14 37			49,269,572	18
WESTERN STATES.										
Ohio	2,665,260	22,241,988	8 35	3,198,062	48,756,454	15 25	26,514,466	119		
Indiana	1,680,637	7,818,710	4 65	1,978,301	18,354,737	9 28	10,536,027	135		
Illinois	2,539,891	42,191,869	16 61	3,077,871	44,942,422	14 60	2,750,553	7		
Michigan	1,184,059	6,725,231	5 68	1,636,937	8,803,144	5 38	2,077,913	31		
Wisconsin	1,054,670	5,903,532	5 60	1,315,497	11,875,992	9 03	5,972,460	101		
Iowa	1,194,020	8,043,133	6 74	1,624,615	7,962,767	4 90			80,366	1
Minnesota	439,706	2,788,797	6 34	780,773	8,476,064	10 86	5,687,267	204		
Missouri	1,721,295	46,909,865	27 25	2,168,380	57,007,384	26 29	10,097,519	22		
Kansas	364,399	6,442,282	17 68	996,096	16,005,853	16 07	9,563,571	148		
Nebraska	122,993	2,089,264	16 99	452,402	7,425,757	16 41	5,336,493	255		
Colorado	39,864	681,158	17 09	194,327	3,594,296	18 50	2,913,138	428		
Nevada	42,491	1,986,093	46 74	62,266	1,024,523	16 45			961,570	48
Oregon	90,923	218,486	2 40	174,768	848,502	4 86	630,016	288		
California	560,247	18,089,082	32 29	864,694	16,755,688	19 38			1,333,394	7
Total	13,700,455	172,129,490	12 56	18,524,989	251,833,588	13 59	79,704,093	46		
TERRITORIES.										
Arizona	9,658	10,500	1 09	40,440	377,501	9 33	367,001	3,495		
Dakota	14,181	5,761	41	135,177	998,860	7 39	993,099	17,238		
Idaho	14,999	222,621	14 84	32,610	235,319	7 22	12,698	6		
Montana	20,595	278,719	13 53	39,159	759,925	19 41	481,206	173		
New Mexico	91,874	7,560	8	119,565	84,872	71	77,312	1,023		
Utah	86,786			143,963	116,251	81	116,251			
Washington	23,955	88,827	3 71	75,116	239,311	3 19	150,484	169		
Wyoming	9,118			20,789	205,462	9 88	205,462			
Total	271,166	613,988	2 26	606,810	3,017,501	4 97	2,403,513	391		

Tables V and VI show the relative total indebtedness of each state and territory in 1870 and in 1880.

In both decades New York, Pennsylvania, and Massachusetts lead the list. In 1870 Virginia, Louisiana, and Tennessee rank four, five, and six, respectively; but in 1880, for reasons before explained, Virginia and Louisiana have changed places, while Tennessee has paid portions of its obligations, and in place of these states come Missouri, New Jersey, and Ohio.

TABLE V.—1870.

No.	States.	Total indebtedness.	No.	States.	Total indebtedness.	No.	States.	Total indebtedness.
	The United States	$868,676,758	15	California	$18,089,082	31	Mississippi	$2,594,415
			16	Connecticut	17,088,906	32	Florida	2,185,838
1	New York	159,808,234	17	Maine	16,624,624	33	Nebraska	2,080,264
2	Pennsylvania	89,027,131	18	Alabama	13,277,154	34	Nevada	1,986,093
3	Massachusetts	69,211,538	19	South Carolina	13,075,220	35	Texas	1,613,907
4	Virginia	55,921,255	20	New Hampshire	11,153,373	36	Colorado	681,158
5	Louisiana	53,087,441	21	Iowa	8,043,133	37	West Virginia	561,767
6	Tennessee	48,827,191	22	Indiana	7,818,710	38	Delaware	526,125
7	Missouri	46,909,865	23	Michigan	6,725,231	39	Montana	278,719
8	Illinois	42,191,869	24	Kansas	6,442,282	40	Idaho	222,621
9	North Carolina	32,474,036	25	Rhode Island	5,938,642	41	Oregon	218,486
10	Maryland	29,032,577	26	Wisconsin	5,903,532	42	Washington Territory	88,827
11	New Jersey	22,854,304	27	Arkansas	4,151,152	43	Arizona	10,500
12	Ohio	22,241,988	28	Vermont	3,594,700	44	New Mexico	7,560
13	Georgia	21,753,712	29	Minnesota	2,788,797	45	Dakota	5,701
14	Kentucky	18,953,484	30	District of Columbia	2,596,545			

TABLE VI.—1880.

No.	States.	Total indebtedness.	No.	States.	Total indebtedness.	No.	States.	Total indebtedness.
	The United States	$1,048,084,041	16	California	$16,755,688	32	Vermont	$4,352,168
			17	Kansas	16,005,853	33	Colorado	3,504,296
1	New York	218,723,314	18	Kentucky	15,118,719	34	Florida	2,713,333
2	Pennsylvania	106,133,305	19	Alabama	14,728,545	35	Delaware	2,346,585
3	Massachusetts	91,283,913	20	South Carolina	13,345,938	36	Mississippi	2,013,100
4	Missouri	57,007,384	21	Rhode Island	13,102,790	37	West Virginia	1,513,424
5	New Jersey	49,379,727	22	Wisconsin	11,875,992	38	Nevada	1,024,523
6	Ohio	48,756,454	23	Texas	11,604,913	39	Dakota	908,860
7	Illinois	44,942,422	24	Maryland	10,896,006	40	Oregon	848,502
8	Louisiana	42,865,952	25	New Hampshire	10,724,170	41	Montana	759,925
9	Virginia	42,099,802	26	Michigan	8,803,144	42	Arizona	377,501
10	Tennessee	37,387,900	27	Minnesota	8,476,064	43	Washington Territory	289,811
11	District of Columbia	22,675,459	28	North Carolina	8,194,606	44	Idaho	235,819
12	Maine	22,406,850	29	Iowa	7,962,767	45	Wyoming	205,462
13	Connecticut	22,001,661	30	Arkansas	7,938,784	46	Utah	116,251
14	Georgia	19,681,903	31	Nebraska	7,425,757	47	New Mexico	84,872
15	Indiana	18,354,737						

Tables VII and VIII show the relative per capita debt of each state and territory in 1870 and in 1880 respectively. In 1870 there was but one state (Louisiana) that had a per capita debt of over $50. In 1880, if we except the District of Columbia, which has the highest per capita debt ($127 66), the state of Massachusetts is the only one that exceeds $50 in its per capita debt. Four states have a per capita debt of $40 to $50, three of $30 to $40, four of $20 to $30, and sixteen of $10 to $20, while eighteen have a per capita indebtedness of less than $10. In 1870 there were three states that had a per capita debt of $40 to $50, seven of $30 to $40, five of $20 to $30, and thirteen of $10 to $20, the balance (sixteen states and territories) having a per capita debt varying from 8 cents to $8 57.

TABLE VII.—1870.

No.	State.	Per capita debt.	No.	State.	Per capita debt.	No.	State.	Per capita debt.	No.	State.	Per capita debt.
1	Louisiana	$73 03	13	Missouri	$27 25	25	Kentucky	$14 35	37	Delaware	$4 21
2	Massachusetts	47 49	14	Maine	26 52	26	Montana	13 53	38	Washington	3 71
3	Nevada	46 74	15	Pennsylvania	25 28	27	Alabama	13 32	39	Mississippi	3 13
4	Virginia	45 64	16	New Jersey	25 22	28	Florida	11 64	40	Oregon	2 40
5	Tennessee	38 80	17	District of Columbia	19 72	29	Vermont	10 87	41	Texas	1 97
6	Maryland	37 18	18	South Carolina	18 53	30	Arkansas	8 57	42	West Virginia	1 27
7	New York	36 46	19	Georgia	18 37	31	Ohio	8 35	43	Arizona	1 09
8	New Hampshire	35 04	20	Kansas	17 68	32	Iowa	6 74	44	Dakota	41
9	California	32 29	21	Colorado	17 09	33	Minnesota	6 34	45	New Mexico	8
10	Connecticut	31 80	22	Nebraska	16 99	34	Michigan	5 68			
11	North Carolina	30 31	23	Illinois	16 61	35	Wisconsin	5 60			
12	Rhode Island	27 32	24	Idaho	14 84	36	Indiana	4 65			

TABLE VIII.—1880.

No.	State.	Per capita debt.	No.	State.	Per capita debt.	No.	State.	Per capita debt.	No.	State.	Per capita debt.
1	District of Columbia	$127 66	13	Tennessee	$24 24	25	Georgia	$12 76	37	Texas	$7 29
2	Massachusetts	51 19	14	Montana	19 41	26	Alabama	11 67	38	Idaho	7 22
3	Rhode Island	47 38	15	California	19 38	27	Maryland	11 65	39	North Carolina	5 85
4	Louisiana	45 60	16	Colorado	18 50	28	Minnesota	10 86	40	Michigan	5 38
5	New Jersey	43 66	17	Nevada	16 45	29	Florida	10 07	41	Iowa	4 90
6	New York	43 03	18	Nebraska	16 41	30	Arkansas	9 89	42	Oregon	4 86
7	Connecticut	35 33	19	Kansas	16 07	31	Wyoming	9 88	43	Washington	3 19
8	Maine	34 53	20	Delaware	16 01	32	Arizona	9 33	44	West Virginia	2 45
9	New Hampshire	30 91	21	Ohio	15 25	33	Indiana	9 28	45	Mississippi	1 78
10	Virginia	27 83	22	Illinois	14 60	34	Kentucky	9 17	46	Utah	81
11	Missouri	26 29	23	South Carolina	13 41	35	Wisconsin	9 03	47	New Mexico	71
12	Pennsylvania	24 78	24	Vermont	13 10	36	Dakota	7 39			

Table IX shows the relative increase of the debt in the thirty-three states and territories of the Union whose debt augmented during the decade ending 1880. The territories of Utah and Wyoming show no per cent. of increase, because they had no debts in 1870.

TABLE IX.—1870–1880.

No.	State.	Increase of debt.	No.	State.	Increase of debt.	No.	State.	Increase of debt.	No.	State.	Increase of debt.
1	New York	$58,915,080	10	Kansas	$9,563,571	18	Colorado	$2,913,138	26	Oregon	$630,616
2	New Jersey	26,595,423	11	Rhode Island	7,164,148	19	Illinois	2,750,553	27	Florida	527,495
3	Ohio	26,514,466	12	Wisconsin	5,972,460	20	Michigan	2,077,913	28	Montana	481,206
4	Massachusetts	22,072,375	13	Maine	5,782,226	21	Delaware	1,820,460	29	Arizona	367,601
5	District of Columbia	20,078,914	14	Minnesota	5,687,267	22	Alabama	1,451,391	30	South Carolina	270,709
6	Pennsylvania	17,106,174	15	Nebraska	5,336,493	23	Dakota	993,099	31	Washington	150,484
7	Indiana	10,536,027	16	Connecticut	4,912,755	24	West Virginia	951,657	32	New Mexico	77,312
8	Missouri	10,097,519	17	Arkansas	3,787,632	25	Vermont	757,468	33	Idaho	12,698
9	Texas	9,991,006									

Table X shows the relative decrease in the debt in the twelve states and territories whose debt was lessened from 1870 to 1880.

TABLE X.—1870–1880.

No.	State.	Decrease of debt.	No.	State.	Decrease of debt.	No.	State.	Decrease of debt.	No.	State.	Decrease of debt.
1	North Carolina	$24,270,430	4	Tennessee	$11,430,291	7	Georgia	$2,071,809	10	Mississippi	$581,225
2	Maryland	18,136,571	5	Louisiana	10,221,489	8	California	1,333,364	11	New Hampshire	429,203
3	Virginia	13,821,458	6	Kentucky	8,834,765	9	Nevada	961,570	12	Iowa	80,366

Table XI shows the per cent. of increase in the debt of the states and territories which have augmented their debts since 1870, varying from 17238 per cent. in Dakota to 2 per cent. in South Carolina.

TABLE XI.—1870–1880.

No.	State.	Per cent. of increase.	No.	State.	Per cent. of increase.	No.	State.	Per cent. of increase.	No.	State.	Per cent. of increase.
1	Dakota	17238	10	Minnesota	204	19	Wisconsin	101	28	Vermont	21
2	Arizona	3495	11	Montana	173	20	Arkansas	91	29	Pennsylvania	19
3	New Mexico	1023	12	West Virginia	169	21	New York	37	30	Alabama	11
4	District of Columbia	773	13	Washington	169	22	Maine	35	31	Illinois	7
5	Texas	619	14	Kansas	148	23	Massachusetts	32	32	Idaho	6
6	Colorado	428	15	Indiana	135	24	Michigan	31	33	South Carolina	2
7	Delaware	346	16	Rhode Island	121	25	Connecticut	29			
8	Oregon	288	17	Ohio	119	26	Florida	24			
9	Nebraska	255	18	New Jersey	116	27	Missouri	22			

ANALYSIS OF THE BONDED PUBLIC DEBTS OF THE UNITED STATES, EXCLUSIVE OF THE DEBT OF THE UNITED STATES GOVERNMENT. TOTAL AMOUNT **$1,117,105,546.**

The aim of this inquiry was to ascertain as far as was practicable the purposes for which the outstanding bonded debt of states, counties, cities, and towns had been created, the several rates of interest paid, and the dates of issue and of maturity. Many of the schedules were very imperfectly filled out, and as the investigation advanced it was found that this result could only be attained with accuracy in the larger cities and towns.

The principal part of the debt, which has been analyzed, or $681,616,460 of the $1,117,105,546 bonded debt, belongs to cities and towns of over 7,500 population.

It was also not difficult to analyze the debts of states, and in some states those of counties. The schedules from the smaller cities were, however, very incomplete in this regard, and the vast number precluded the possibility of a general correspondence; hence, a large portion of this debt had to be included in the miscellaneous column. The school district debt, amounting to $9,869,117, was all included in the column "Schools and libraries".

Under the caption or head "Miscellaneous" will be found a large amount of debt which was specified on the schedules, but incurred for such varied purposes that it was not deemed advisable to extend the classification.

To illustrate this, attention is called to the purposes for which bonds were issued by the cities containing a population of 7,500 and upward:

Bridges, $20,809,431; cemeteries, $272,912; fire department, $2,214,924; funding floating debt, $122,864,804; improvement of harbors, rivers, wharves, canals, and water-power, $16,726,064; parks and public places, $40,490,636; public buildings, $25,516,829; railroad and other aid, $67,909,493; refunding old debt, $71,071,140; schools and libraries, $13,809,915; sewers, $21,335,434; streets, $81,502,817; war expenses, $28,722,787; water-works, $141,797,828; miscellaneous, $26,571,446; total, $681,616,460.

It will be seen from the above that under "Miscellaneous" will be found $26,571,446. Of this large amount, $12,331,542 will be found in the tables later in the report to be a part of the bonded debt of Philadelphia, issued for the following purposes: Ice-boats, $225,000; police, $150,000; gas-works, $5,499,400; centennial loan, $500,000; loans issued prior to consolidation (1854), $5,957,142.

Nearly every state or locality has at some time issued bonds for purposes of some peculiar local character; hence, the item of $130,138,633 in the following table does not by any means represent debt that the office was unable to specify, but, more properly speaking, that debt which could not well be more definitely stated from the necessary limits of specification in this report.

The purposes for which the outstanding bonded state and local debt of the United States was contracted may be briefly stated thus:

Bridges	$24,853,388
Cemeteries	283,816
Fire department	2,514,082
Funding floating debt	153,949,095
Improvement of harbors, rivers, wharves, canals, and water-power	36,224,548
Parks and public places	40,612,536
Public buildings	48,493,952
Railroad and other aid	185,238,948
Refunding old debt	138,743,730
Schools and libraries	26,429,457
Sewers	21,370,536
Streets	86,674,860
Miscellaneous	130,138,633
War expenses	75,154,400
Water-works	146,423,565
Total	1,117,105,546

The analysis of the amounts of bonded indebtedness drawing the several rates of interest was obtained with a still greater degree of exactitude, and, as will be seen by the following summary taken from the large city tables, was in these subdivisions obtained within a fraction of one per cent., viz, at 10 per cent., $5,924,145; at 9 per cent., $11,000; at 8 per cent., $19,818,953; at 7½ per cent., $356,500; at $7\frac{3}{10}$ per cent., $16,903,550; at 7 per cent., $189,689,451; at 6½ per cent., $1,174,332; at 6 per cent., $306,543,449; at 5½ per cent., $386,000; at 5 per cent., $98,650,791; at 4½ per cent., $4,688,150; at 4 per cent., $21,462,435; at 3½ per cent., $13,504,900; at 3 per cent., $983,100; unspecified, $1,519,704; total, $681,616,460.

For the entire country the result is not quite so satisfactory, owing, as heretofore explained, to the smaller subdivisions, and we have been obliged to include $48,126,342 in "Unspecified".

Of the total $1,117,105,546 we find that $22,890,864 draws 10 per cent. interest; $5,000, 9½ per cent.; $476,124, 9 per cent.; $49,788,385, 8 per cent.; $464,844, 7½ per cent.; $17,786,070, $7\frac{3}{10}$ per cent.; $242,604,036, 7 per cent.; $1,544,832, 6½ per cent.; $516,832,826, 6 per cent.; $589,100, 5½ per cent.; $160,110,418, 5 per cent.; $6,277,615, 4½ per cent.; $27,937,819, 4 per cent.; $13,504,900, 3½ per cent.; $1,588,371, 3 per cent.; $6,578,000 as low as 2 per cent.

The following table shows the dates of issue and maturity of the outstanding bonded state and local indebtedness of the United States:

Amounts issued for all purposes in the years named.		Amount maturing in the years named.	
Total	$1,117,105,546	Total	$1,117,105,546
Previous to 1860	85,549,268	Overdue	2,794,217
1860	6,907,279	1880	30,358,951
1861	11,443,820	1881	25,805,287
1862	10,900,595	1882	21,467,390
1863	12,509,034	1883	26,794,627
1864	40,942,964	1884	28,975,514
1865	23,111,547	1885	25,854,774
1866	18,670,600	1886	34,200,391
1867	36,707,628	1887	34,106,586
1868	38,446,479	1888	29,563,571
1869	44,054,402	1889	36,719,960
1870	64,536,128	1890	41,911,792
1871	67,394,132	1891	42,220,640
1872	73,650,044	1892	63,578,056
1873	58,037,534	1893	26,411,693
1874	67,803,082	1894	42,000,032
1875	62,051,056	1895	36,070,977
1876	37,280,488	1896	28,194,304
1877	49,316,279	1897	18,965,041
1878	30,454,090	1898	24,680,606
1879	58,614,623	1899	28,934,728
1880	15,284,408	1900	34,798,931
Unspecified	202,824,448	Subsequent to 1900	234,548,078
		Unspecified	198,149,400

A large portion of the reports of the financial condition of the states, counties, cities, and towns upon which this statement of indebtedness is based is for fiscal years ending in the first months of 1880. For this reason, the amount of bonds appearing as having been issued in 1880 represents probably but a small part of the amount actually issued in that year. The amounts in the unspecified column of this table represent bonds of various localities respecting the years of issue of which we have been unable to obtain accurate information.

In the tables of maturity it will be seen, by reference to the more detailed statements, that an amount of $9,317,299 appears against Louisiana in the unspecified column. This amount comprises $9,296,260 of bonds of the city of New Orleans issued in 1875, and payable "yearly, by lot," and $21,039 the issue and maturity of which could not be ascertained. It was found difficult to secure exact dates of issue and maturity of the bonds of many cities and towns in Pennsylvania, a fact which explains the large amount in this column relating to that state.

The completeness of the returns from cities of over 7,500 inhabitants, covering over six hundred and eighty-one millions of debt, adds much to the value of the results of this part of our work; and it will be interesting to make a *résumé* of some of the more important points brought out in the tables, which will be found in detail under "Municipal indebtedness".

The following statement shows the NET CITY DEBT, proportionately to population, in the forty states and territories which have cities of over 7,500 inhabitants:

No.	States.	Net city debt per capita.	No.	States.	Net city debt per capita.
	Average per capita	$51 09	20	Kansas	$32 97
			21	Delaware	32 31
1	District of Columbia	127 66	22	Mississippi	31 59
2	Maine	98 78	23	Indiana	28 50
3	South Carolina	83 04	24	Minnesota	27 22
4	Louisiana	81 19	25	Arkansas	25 52
5	Georgia	78 39	26	North Carolina	25 48
6	New Jersey	73 34	27	Vermont	24 92
7	New York	68 65	28	Illinois	24 21
8	Virginia	66 65	29	Iowa	18 62
9	Alabama	65 59	30	Michigan	17 82
10	Tennessee	65 20	31	West Virginia	17 30
11	Rhode Island	59 28	32	California	16 31
12	Missouri	57 67	33	Florida	16 02
13	Massachusetts	54 67	34	Wisconsin	15 70
14	Pennsylvania	51 57	35	Nevada	10 26
15	Ohio	47 96	36	Nebraska	9 82
16	Connecticut	40 69	37	Maryland	5 14
17	Texas	37 11	38	Oregon	4 35
18	New Hampshire	36 86	39	Utah	3 23
19	Kentucky	35 73	40	Colorado	2 62

The net per capita city debt varies from $2 62 in Colorado to $127 66 in the District of Columbia. It will be noted that but three western states appear until after we have passed the twentieth in number. Indiana ranks twenty-third, Minnesota twenty-fourth, Illinois twenty-eighth, Iowa twenty-ninth, and Michigan thirtieth. Missouri seems to be the most heavily burdened of the states in this section of the country, and Nebraska the most fortunate, having only a debt of $9 82. The average per capita for the United States is $51 09.

The following table distributes the $681,616,460 of city bonds according to the purposes for which they were issued:

Purposes.	Amount.	Per cent.	Purposes.	Amount.	Per cent.
Total	$681, 616, 460	100. 00	Railroad and other aid	$67, 009, 493	9. 06
			Refunding old debt	71, 071, 140	10. 43
Bridges	20, 809, 431	3. 05	Schools and libraries	13, 800, 915	2. 03
Cemeteries	272, 912	0. 04	Sewers	21, 335, 484	3. 13
Fire department	2, 214, 924	0. 33	Streets	81, 502, 817	11. 96
Funding floating debt	122, 864, 804	18. 03	War expenses	28, 722, 787	4. 21
Improvement of harbors, etc	16, 726, 064	2. 45	Water-works	141, 797, 828	20. 80
Parks and public places	40, 490, 636	5. 94	Miscellaneous	26, 571, 446	3. 90
Public buildings	25, 516, 829	3. 74			

Second in importance to water-works is the item "Funding floating debt"—about 18 per cent. It is impossible to trace fully the original purposes of the issue of this class of bonds. Nearly 12 per cent. were issued for streets; nearly 10 for railroad and other aid, and the same proportion for refunding old bonded debt; about 2 per cent. for schools and libraries; for war expenses, 4 per cent.; for sewers and bridges, each about 3 per cent.; for public buildings, nearly 4 per cent.; for improvement of harbors, 2½ per cent.

Of the $681,616,460 bonded debt, nearly 45 per cent. bears 6 per cent. interest; about 28 per cent., 7 per cent.

Rate of interest.	Amount.	Per cent.	Rate of interest.	Amount.	Per cent.
Total	$681, 616, 460	100. 00	Six and one-half per cent	$1, 174, 332	0. 17
			Six per cent	306, 543, 449	44. 97
Ten per cent	5, 924, 145	0. 87	Five and one-half per cent	386, 000	0. 06
Nine per cent	11, 000	....	Five per cent	98, 650, 701	14. 47
Eight per cent	19, 818, 953	2. 91	Four and one-half per cent	4, 688, 150	0. 69
Seven and one-half per cent	356, 500	0. 05	Four per cent	21, 462, 435	3. 15
Seven and three-tenths per cent	16, 903, 550	2. 48	Three and one-half per cent	13, 504, 900	1. 98
Seven per cent	189, 689, 451	27. 83	Unspecified	2, 502, 804	0. 37

In the dates of issue the careful student can trace the history of local indebtedness in the United States for the past twenty years. The years 1872 and 1874 seem to have been the most prolific of city debts. After 1874 a slight decrease is noted, which continues until 1878. In 1879, with returning prosperity, occurred a great enlargement of municipal indebtedness. The detailed table of the dates of issue and of maturity is as follows:

Amounts issued in the years named.		Amounts maturing in the years named.	
Total	$681, 616, 460	Total	$681, 616, 460
Previous to 1860	51, 222, 558	Unspecified	12, 970, 602
1860	3, 698, 815	1880	26, 588, 405
1861	6, 176, 039	1881	16, 932, 351
1862	5, 529, 375	1882	15, 732, 070
1863	5, 832, 302	1883	15, 001, 520
1864	21, 803, 515	1884	28, 096, 670
1865	15, 335, 012	1885	16, 067, 709
1866	8, 995, 092	1886	22, 642, 915
1867	18, 622, 967	1887	25, 798, 435
1868	29, 348, 760	1888	19, 015, 741
1869	26, 614, 468	1889	18, 414, 758
1870	47, 375, 361	1890	29, 248, 621
1871	53, 978, 592	1891	25, 619, 648
1872	62, 064, 355	1892	35, 810, 640
1873	44, 333, 682	1893	19, 196, 933
1874	62, 421, 466	1894	27, 975, 471
1875	52, 453, 742	1895	26, 261, 087
1876	28, 873, 539	1896	24, 652, 108
1877	30, 947, 187	1897	18, 912, 456
1878	24, 021, 688	1898	15, 907, 734
1879	45, 435, 105	1899	24, 366, 428
1880	6, 038, 145	1900	26, 436, 132
Unspecified	30, 489, 695	Subsequent to 1900	201, 058, 990

Leaving, now, the debts of large cities and resuming consideration of the entire outstanding bonded indebtedness of the country, we find the percentage of the amount ($1,117,105,546) issued for each principal class of objects to be as follows, for the United States as a whole, and also for each of the five geographical sections indicated:

Geographical sections.	Bridges.	Cemeteries.	Fire department.	Funding floating debt.	Improvements of harbors, rivers, wharves, etc.	Parks and public places.	Public buildings.	Railroad and other aid.	Refunding old debt.	Schools and libraries.	Sewers.	Streets.	Miscellaneous.	War expenses.	Water-works.
The United States	2.22	0.03	0.22	13.78	3.24	3.64	4.34	16.58	12.42	2.37	1.91	7.76	11.65	6.73	13.11
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
New England states	6.89	18.67	7.70	7.19	4.50	2.65	21.91	20.40	3.35	11.35	33.10	24.59	3.14	43.78	28.33
Middle states	69.78	30.29	65.64	63.33	51.86	87.82	38.36	13.23	28.54	25.33	33.61	63.19	42.08	52.70	49.13
Southern states	3.15	7.40	1.20	12.74	28.74	....	6.53	26.55	45.08	13.02	3.76	3.45	36.62	0.30	2.75
Western states	20.18	34.64	25.46	16.30	14.90	9.53	33.13	39.63	22.91	50.19	29.53	8.77	17.91	3.22	19.79
Territories	....	....	....	0.44	....	....	0.07	0.19	0.12	0.11	....	....	0.30	....	....

The average rate of interest paid on the state and local indebtedness of the United States is 6.17 per cent., the average rate in the New England states being 5.55 per cent.; in the middle states, 6.03 per cent.; in the southern states, 6.08 per cent.; in the western states, 6.97 per cent.; in the territories, 9.30 per cent. The per cent. of the total bonded public debt of the United States issued in the New England states is 15.99 per cent.; in the middle states, 43.74 per cent.; in the southern states, 18.34 per cent.; in the western states, 21.78 per cent.; and in the territories, 0.15 per cent.; total, 100.

The annual charge differs, of course, as interest decreases or increases. Thus, for example, taking the annual charge of this volume of bonded debt as 100, the proportion borne by the New England states is 14.38 per cent.; by the middle states, 42.69 per cent.; by the southern states, 18.05 per cent.; by the western states, 24.66 per cent.; and by the territories, 0.22 per cent.

The following table shows the per cent. of bonded debt and annual charge, and average rate of interest:

Geographical sections.	Bonded debt.	Annual charges.	Average rate of interest.
	Per cent.	*Per cent.*	*Per cent.*
The United States	100.00	100.00	6.17
New England states	15.99	14.38	5.55
Middle states	43.74	42.69	6.03
Southern states	18.34	18.05	6.08
Western states	21.78	24.66	6.97
Territories	0.15	0.22	9.30

The following exhibit, based on the figures given in the tables on pages 36 and 37, shows the percentage of the total bonded debt bearing the several rates of interest, and also the percentage of debt created each year from 1860 to 1880, and the per cent. maturing each year to 1900:

Bonded debt.		Amount issued in years named.		Amount maturing in years named.	
Rate.	Per cent.	Date.	Per cent.	Date.	Per cent.
Ten per cent	2.0	Previous to 1860	7.7	Over due	0.2
Nine and one-half per cent	0.0	1860	0.6	1880	2.7
Nine per cent	0.1	1861	1.0	1881	2.3
Eight per cent	4.5	1862	1.0	1882	1.9
Seven and one-half per cent	0.0	1863	1.1	1883	2.4
Seven and three-tenths per cent	1.6	1864	3.7	1884	2.6
Seven per cent	21.7	1865	2.1	1885	2.3
Six and one-half per cent	0.1	1866	1.7	1886	3.1
Six per cent	46.3	1867	3.3	1887	3.1
Five and one-half per cent	0.1	1868	3.4	1888	2.6
Five per cent	14.3	1869	3.9	1889	3.3
Four and one-half per cent	0.6	1870	5.8	1890	3.8
Four per cent	2.5	1871	6.0	1891	3.8
Three and one-half per cent	1.2	1872	6.6	1892	5.7
Three per cent	0.1	1873	5.2	1893	2.4
Two per cent	0.6	1874	6.1	1894	3.8
Unspecified	4.3	1875	5.6	1895	3.2
		1876	3.3	1896	2.5
		1877	4.4	1897	1.7
		1878	2.7	1898	2.2
		1879	5.2	1899	2.6
		1880	1.4	1900	3.1
		Unspecified	18.2	Subsequent to 1900	21.0
				Unspecified	17.7
	100.0		100.0		100.0

The following table presents the population of the United States and of the five geographical sections, the assessed valuation and the per capita valuation, the bonded debt, and the per capita bonded debt, and the amount of the annual charge, with the per capita annual charge:

Geographical sections.	Population.	Assessed valuation.		Bonded debt.*		Annual charge.	
		Amount.	Per capita.	Amount.	Per capita.	Amount.	Per capita.
The United States	50, 155, 783	$16, 902, 993, 543	$337 01	$1, 117, 105, 546	$22 27	$68, 989, 106	$1 38
New England states	4, 010, 529	2, 652, 011, 532	661 26	178, 654, 977	44 55	9, 918, 148	2 47
Middle states	11, 756, 053	5, 564, 578, 488	473 34	488, 638, 655	41 57	29, 450, 866	2 51
Southern states	15, 257, 393	2, 370, 923, 269	155 40	204, 887, 680	13 43	12, 452, 792	82
Western states	18, 524, 989	6, 187, 266, 625	334 00	243, 268, 183	13 13	17, 013, 352	92
Territories	606, 819	128, 213, 629	211 29	1, 656, 051	2 73	154, 048	25

*Floating debt more than covered by sinking funds.

Table XII shows by total and by geographical divisions the purposes for which the outstanding bonded debt of the United States was issued.

TABLE XII.

Geographical sections.	Total.	Bridges.	Cemeteries.	Fire Department.	Funding floating debt.	Improvement of harbors, rivers, wharves, canals, and water-power.	Parks and public places.	Public buildings.
The United States	$1, 117, 105, 546	$24, 853, 388	$283, 816	$2, 514, 082	$153, 949, 095	$36, 224, 548	$40, 612, 536	$48, 403, 952
New England states	178, 654, 977	1, 712, 437	53, 000	193, 471	11, 074, 980	1, 631, 900	1, 074, 000	10, 625, 181
Middle states	488, 638, 655	17, 341, 650	111, 500	1, 650, 339	97, 502, 589	18, 785, 969	35, 667, 136	18, 600, 828
Southern states	204, 887, 680	783, 448	21, 000	30, 200	19, 610, 622	10, 409, 500	....	3, 166, 418
Western states	243, 268, 183	5, 015, 853	98, 316	640, 072	25, 089, 242	5, 307, 170	3, 871, 400	10, 007, 175
Territories	1, 656, 051	....	....	....	671, 662	....	....	34, 350

Geographical sections.	Railroad and other aid.	Refunding old debt.	Schools and libraries.	Sewers.	Streets.	Miscellaneous.	War expenses.	Water works.
The United States	$185, 238, 948	$138, 743, 730	$26, 429, 457	$21, 370, 536	$86, 674, 860	$130, 138, 633	$75, 154, 400	$146, 423, 565
New England states	37, 782, 025	4, 651, 550	2, 998, 618	7, 074, 597	21, 309, 011	4, 080, 877	32, 904, 406	41, 470, 924
Middle states	24, 503, 090	39, 589, 893	6, 695, 710	7, 181, 572	54, 773, 551	54, 694, 406	39, 603, 464	71, 936, 868
Southern states	49, 182, 561	62, 546, 115	3, 440, 639	802, 700	2, 987, 631	47, 651, 530	226, 107	4, 029, 200
Western states	73, 411, 572	31, 790, 672	13, 265, 490	6, 311, 667	7, 604, 667	23, 306, 882	2, 420, 423	28, 077, 573
Territories	359, 700	165, 500	29, 000	....	....	305, 889	....	....

Table XIII shows by total and by sections the amounts of the outstanding bonded debt drawing the several rates of interest named.

TABLE XIII.

Geographical sections.	Total.	10.	9½.	9.	8½.	8.	7½.	7 3/10.	7.	6½.
The United States	$1, 117, 105, 546	$22, 890, 864	$5, 000	$476, 124	....	$49, 788, 385	$464, 844	$17, 786, 070	$242, 004, 036	$1, 544, 832
New England states	178, 654, 977	....	....	....	....	29, 650	4, 000	53, 800	8, 020, 026	1, 107, 834
Middle states	488, 638, 655	31, 150	....	....	....	353, 793	....	210, 000	140, 753, 738	148, 908
Southern states	204, 887, 680	2, 792, 412	....	1, 725	....	19, 394, 662	256, 500	1, 892, 450	22, 410, 900	107, 000
Western states	243, 268, 183	19, 182, 769	5, 000	440, 999	....	29, 676, 780	204, 344	15, 629, 220	64, 444, 372	1, 000
Territories	1, 656, 051	884, 533	....	33, 400	....	333, 500	....	....	75, 000	....

Geographical sections.	6.	5½.	5.	4½.	4.	3½.	3.	2.	Unspecified.
The United States	$516, 832, 826	$589, 100	$160, 110, 418	$6, 277, 615	$27, 937, 819	$13, 504, 900	$1, 588, 371	$6, 578, 000	$48, 126, 342
New England states	86, 106, 023	437, 700	71, 507, 411	4, 093, 515	5, 423, 620	....	11, 500	....	260, 808
Middle states	227, 884, 609	123, 400	68, 385, 936	425, 600	15, 685, 063	13, 504, 900	269, 000	....	14, 801, 868
Southern states	112, 369, 486	....	17, 119, 079	....	6, 570, 136	....	1, 304, 946	6, 578, 000	14, 000, 384
Western states	90, 472, 708	28, 000	3, 097, 992	1, 158, 500	259, 000	....	2, 925	....	18, 664, 574
Territories	....	....	....	....	....	....	....	....	920, 618

PLATE VII.

DEBT AND VALUATION.

Proportion of Debt to Valuation by Sections respectively

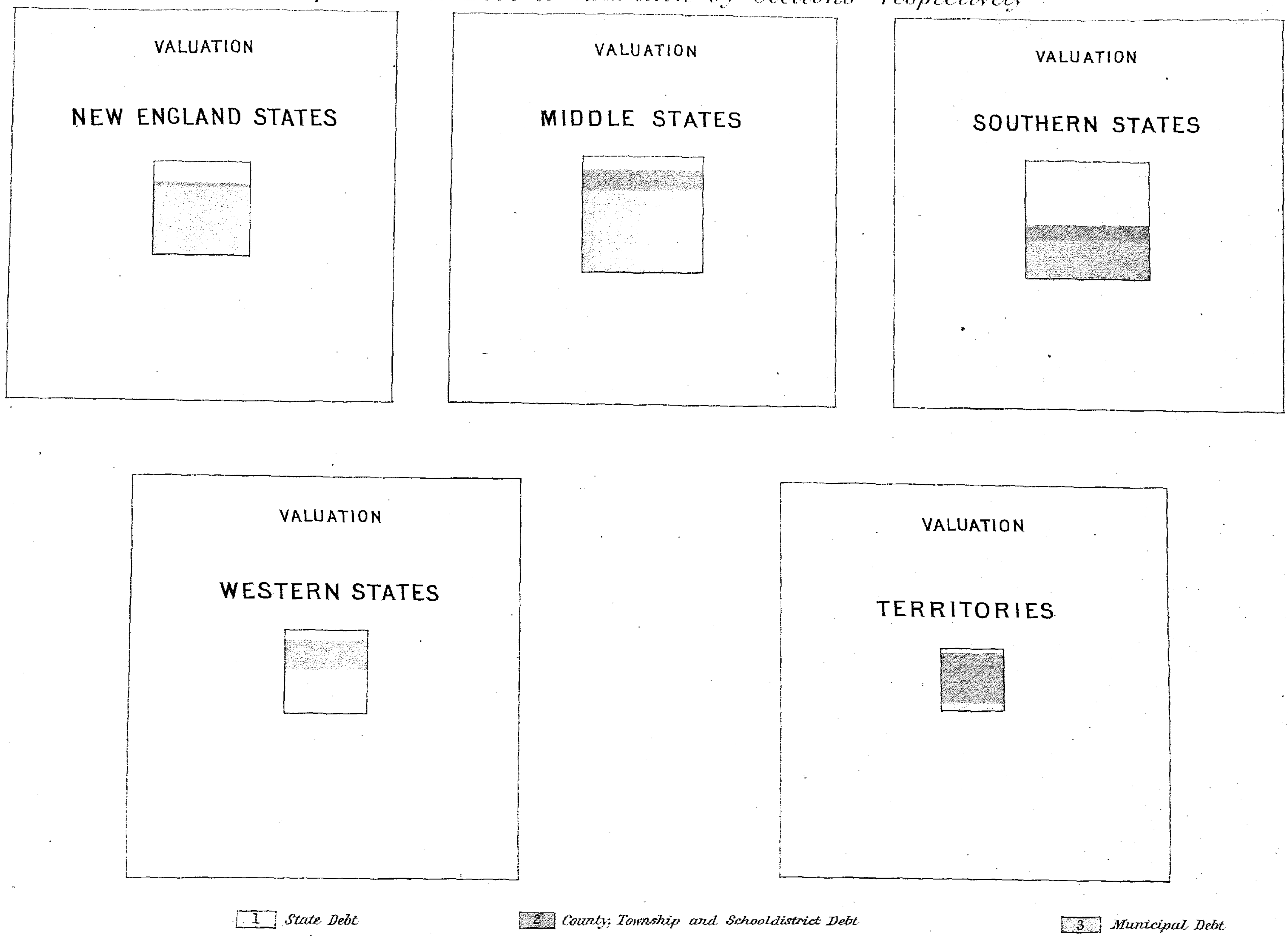


Table XIV shows for the five sections and for the whole country the amounts of the outstanding bonded debt issued for all purposes in each year from 1860 to 1880.

TABLE XIV.

Geographical sections.	Total.	Previous to 1860.	1860.	1861.	1862.	1863.	1864.	1865.
The United States	$1,117,105,546	$85,549,268	$6,907,279	$11,443,829	$10,906,595	$12,509,034	$40,942,964	$23,111,547
New England states	178,654,977	6,520,062	1,629,818	4,692,790	3,293,575	6,052,760	15,886,866	5,524,685
Middle states	488,638,655	34,492,400	3,000,246	4,530,650	3,380,875	5,046,654	23,419,813	12,942,700
Southern states	204,887,680	24,534,145	1,846,000	728,500	11,000	12,000	362,367	1,186,500
Western states	243,268,183	20,002,661	431,215	1,491,889	4,221,145	1,397,620	1,273,918	3,457,662
Territories	1,656,051	....	....	....	....	....	....	....

Geographical sections.	1866.	1867.	1868.	1869.	1870.	1871.	1872.	1873.
The United States	$18,679,609	$36,707,628	$38,446,479	$44,054,402	$64,536,128	$67,394,132	$73,650,044	$58,637,534
New England states	1,361,800	2,904,860	6,927,487	14,742,868	7,226,593	10,203,491	16,457,199	13,075,204
Middle states	5,068,100	18,529,980	15,250,667	12,269,766	30,851,992	36,902,003	29,570,554	23,445,047
Southern states	9,748,256	6,454,952	4,539,487	5,598,500	12,387,600	8,444,301	3,615,525	10,048,581
Western states	2,501,453	8,817,836	11,706,938	11,443,268	14,069,943	11,844,337	24,003,166	12,068,702
Territories	....	....	21,900	....	....	....	3,600	....

Geographical sections.	1874.	1875.	1876.	1877.	1878.	1879.	1880.	Unspecified.
The United States	$67,803,682	$62,051,056	$37,280,488	$49,316,279	$30,454,090	$58,614,623	$15,284,408	$202,824,448
New England states	12,138,817	12,944,905	9,212,553	12,174,200	4,046,372	6,576,175	2,643,815	2,418,082
Middle states	41,907,819	22,109,847	12,499,167	24,260,286	16,214,983	30,967,470	2,431,600	79,546,536
Southern states	4,497,540	13,186,940	3,005,400	3,759,393	1,471,781	10,034,029	4,682,116	74,732,767
Western states	9,259,506	13,787,330	12,551,468	9,049,285	8,668,554	10,941,449	5,456,877	44,821,961
Territories	....	22,534	11,900	73,115	52,400	95,500	70,000	1,305,102

Table XV shows by total and by geographical sections the amounts of the outstanding bonded debt maturing in the several years from 1880 to 1900.

TABLE XV.

Geographical sections.	Total.	Overdue.	1880.	1881.	1882.	1883.	1884.	1885.
The United States	$1,117,105,546	$2,794,217	$30,358,951	$25,805,287	$21,467,390	$26,794,627	$28,975,514	$25,854,774
New England states	178,654,977	198,143	3,545,648	3,549,480	4,250,050	6,761,248	5,177,357	6,375,617
Middle states	488,638,655	390,571	18,792,070	10,118,316	11,066,128	10,384,054	18,517,893	9,845,064
Southern states	204,887,680	962,744	2,492,427	1,239,547	935,320	2,901,372	1,537,307	2,914,336
Western states	243,268,183	1,219,859	5,528,806	10,871,544	5,206,292	6,747,953	3,705,957	6,697,163
Territories	1,656,051	22,900	....	26,400	3,600	....	37,000	22,534

Geographical sections.	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.
The United States	$34,200,391	$34,106,586	$29,563,571	$36,719,960	$41,911,792	$42,220,640	$63,578,056	$26,411,693
New England states	2,672,827	5,483,858	6,996,779	13,145,266	8,004,090	10,728,765	11,467,359	6,136,275
Middle states	17,981,768	15,741,476	9,569,787	10,228,572	17,668,622	20,844,280	26,003,841	9,255,388
Southern states	4,892,032	1,578,090	2,051,039	4,881,798	4,847,235	2,949,580	15,814,230	859,953
Western states	8,502,764	11,292,262	10,922,566	8,464,324	11,321,845	7,698,015	10,245,911	10,160,077
Territories	151,000	10,900	23,400	....	70,000	....	46,715	....

Geographical sections.	1894.	1895.	1896.	1897.	1898.	1899.	1900.	Subsequent to 1900.	Unspecified.
The United States	$42,000,032	$36,070,977	$28,194,304	$18,965,041	$24,680,606	$28,934,728	$34,796,931	$234,548,078	$198,149,400
New England states	17,793,299	9,593,305	2,891,759	5,036,685	5,209,072	8,235,657	11,118,424	24,222,314	55,700
Middle states	13,572,628	12,893,515	20,103,691	6,102,100	6,060,850	12,762,026	17,527,410	140,712,166	52,496,439
Southern states	1,747,560	1,518,440	1,410,815	1,309,544	5,860,287	574,550	2,578,500	38,219,624	100,811,290
Western states	8,828,045	12,065,717	3,788,039	6,516,712	7,550,397	7,362,495	3,574,597	31,364,974	43,631,869
Territories	58,500	....	....	....	....	....	....	29,000	1,154,102

REPUDIATION.

In respect to the matter of bonds repudiated by states, and of bonds issued by counties and municipalities which have been declared invalid by courts, the only course which seemed open has been followed.

The Census Office is not an agency for determining questions of right as between debtor and creditor. It can only deal with matters of fact. It may be highly immoral for a state to repudiate its indebtedness; but if a state chooses to do so, there is no power which can compel the payment of principal or interest. Where jurisdiction is expressly denied to the Supreme Court of the United States, it could hardly be assumed by a bureau of the government. It may be highly immoral for a county or town, having issued bonds and received consideration therefor, to appeal to the courts, and have such issue declared invalid, by reason of irregularities or informalities on the part of its own officers; but if this has been done, and if the bonds have actually fallen out of the category of valuable articles and become mere worthless paper, the Census Office surely cannot review the decision of a competent tribunal, and include such issues in the indebtedness of the several communities which have taken this very questionable course. If the bonds of states, counties, or towns are no longer recognized by their issuers, and if the courts refuse to enforce the payment of interest or principal, they cannot properly be included in the account of the public indebtedness of the country.

Moreover, the method adopted is clearly in pursuance of the intention of the census law in providing for a statement of public indebtedness. The object of that provision was to obtain a measure of the burden upon productive industry involved in the payment of the interest or principal of state and local obligations. It was the economics, and not the ethics, of the question of public indebtedness which was in view in this legislation. If bonds are, in fact, not paid, and are not to be paid, either as to principal or interest, it is, so far as taxes on productive industry are concerned, as if these bonds had never been issued. It may be a shame, it may even prove a curse, to the repudiating communities thus to have received valuable consideration for obligations which they reject; but this is not a consideration which the Census Office is at liberty to entertain.

HISTORY

OF THE

NATIONAL LOANS OF THE UNITED STATES

FROM

JULY 4, 1776, TO JUNE 30, 1880.

BY

RAFAEL A. BAYLEY,
TREASURY DEPARTMENT.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, D. C., August 6, 1881.

Hon. FRANCIS A. WALKER,
Superintendent of Census, Washington, D. C.

SIR: As requested in your letter of the 5th instant, I transmit herewith the information compiled under the supervision of Mr. R. A. Bayley, of this office, concerning the old loans of the government and other matters pertaining to the national debt, transmitted to me under date of the 1st instant.

Very respectfully,

W. WINDOM,
Secretary.

TREASURY DEPARTMENT,
WASHINGTON, D. C., *August* 1, 1881.

Hon. WM. WINDOM,
Secretary of the Treasury.

SIR: I have the honor to transmit herewith, for such disposition as you may deem proper, the manuscript notes prepared by me relative to the national loans of the United States from July 4, 1776, to June 30, 1880, showing the issues and redemptions of the several loans for each year, together with a brief historical *résumé* of the causes which led to their negotiation. I take great pleasure in acknowledging my indebtedness to Hon. J. K. Upton, assistant secretary of the treasury, Hon. James Gilfillan, treasurer of the United States, J. T. Power, esq., chief clerk, Mr. W. F. MacLennan, chief of the division of warrants, estimates, and appropriations, and James H. Saville, esq., formerly chief clerk of the Treasury Department, for encouragement and valuable assistance. The late David S. Green was my fellow-worker in the laborious searchings through documents, old and new, bringing to the work great intelligence, zeal, and industry. I trust that the information furnished in these sheets may be promotive of a more general knowledge of our fiscal history, and more especially of the early financial struggles of our government, and that, as a work of reference, the compilation may be useful to many persons in official life.

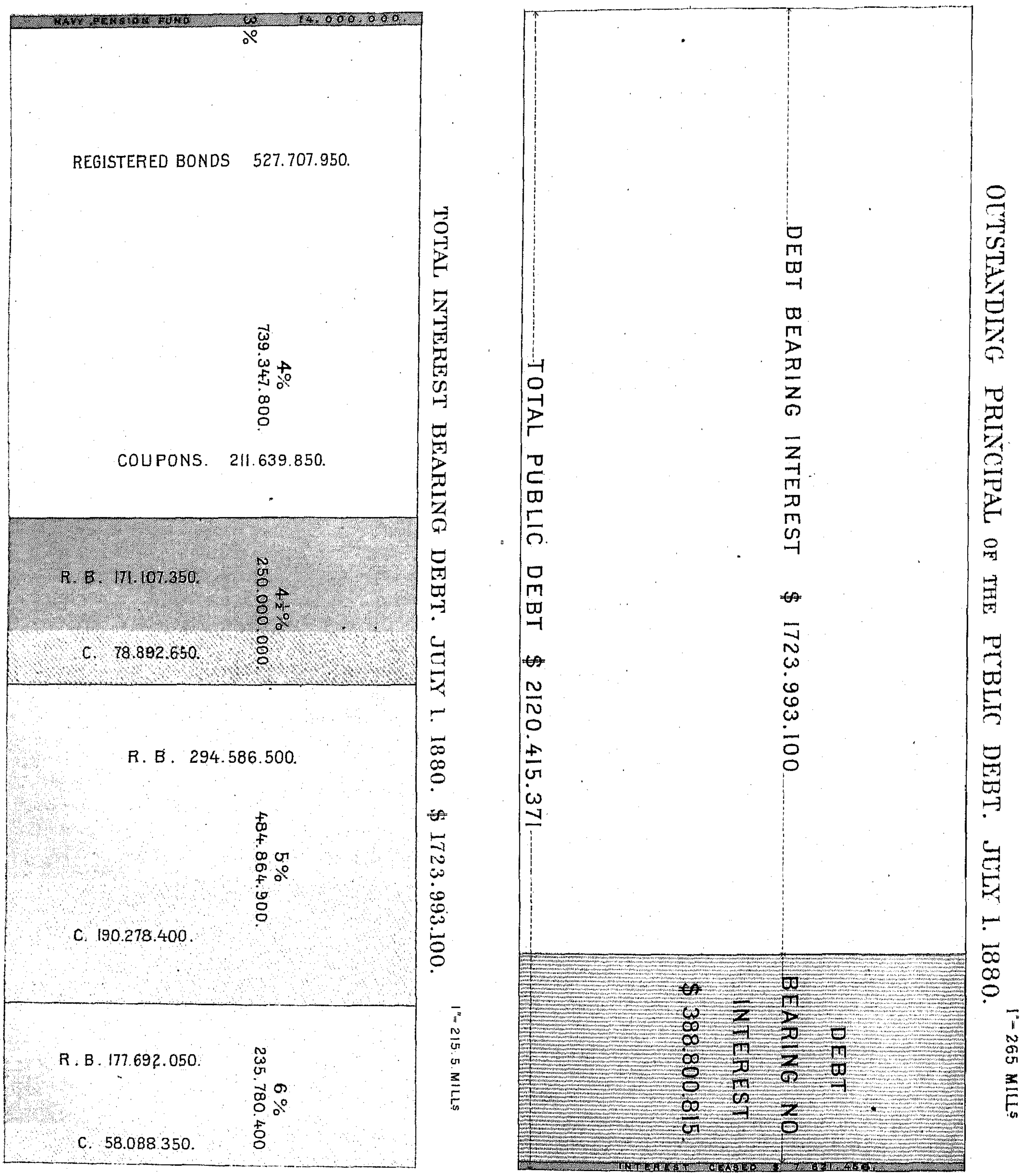
The fact that this work ends with the census year 1880, explains the absence of any reference to the financial operations of the government for the current year. These include a notable reduction of the annual interest charge on about six hundred millions of the bonded debt; a reduction effected practically without expense to the government or financial disturbance of any kind. The annual saving thus brought about is but one of the great results effected, and the transaction, taken as a whole, renders memorable the present administration of the Treasury Department.

The responsibility for any errors that may exist in this work must rest entirely upon me, but I think it proper to say that the statements have been most carefully verified, and it is believed that strict reliance may be placed upon them.

Very respectfully, your obedient servant,

RAFAEL A. BAYLEY.

PLATE VIII.



OUTSTANDING PRINCIPAL OF THE PUBLIC DEBT. JULY 1. 1880.
1" = 265 MILLS
DEBT BEARING INTEREST $ 1723.993.100
TOTAL PUBLIC DEBT $ 2120.415.371
DEBT BEARING NO INTEREST $ 388.800.815.
INTEREST CEASED
TOTAL INTEREST BEARING DEBT. JULY 1. 1880. $ 1723.993.100.
1" = 215.5 MILLS
NAVY PENSION FUND 3% 14.000.000.
4% 739.347.800.
REGISTERED BONDS 527.707.950.
COUPONS. 211.639.850.
4½% 250.000.000
R. B. 171.107.350.
C. 78.892.650.
5% 484.864.900.
R. B. 294.586.500.
C. 190.278.400.
6% 235.780.400
R. B. 177.692.050.
C. 58.088.350.

THE NATIONAL LOANS OF THE UNITED STATES FROM JULY 4, 1776, TO JUNE 30, 1880.

SECTION I.—HISTORICAL.

FOREIGN SUBSIDIES.

The opening of the Revolutionary War excited deep interest in Europe, and especially in France, which power, once the possessor of two-thirds of North America, had been humbled by the seven years' warfare that closed with the treaty of Fontainebleau, under which France had been forced to surrender to Great Britain all her American possessions except a few unimportant islands. The French watched with interest the course of events that threatened in turn to strip their hereditary enemy of both her old and new possessions in America, and to build up on this side of the Atlantic a new power. The contest claimed the particular attention of the Comte de Vergennes, the French minister of exterior relations, who, though unwilling at first to conclude an armed alliance with the colonies, determined to assist them with money and munitions of war. The treaty followed, but the military supplies and money furnished early in the contest were of the utmost importance. These supplies were not furnished openly, because France was not in a position to commence war with Great Britain. Accordingly the celebrated Caron de Beaumarchais was employed as a secret agent. He was a brilliant French writer and courtier, a man of great vivacity and energy, but apparently with limited knowledge of mercantile affairs. As much sympathy has been expended on the memory of Beaumarchais, and his fate has been referred to as an illustration of the ingratitude of republics, an attempt will be made to bring to light, from the documents on record and from the works of his biographer and contemporary authorities, the facts in the case, with a view of showing the justice or injustice of the settlements between Beaumarchais and the United States. This question once divided Congress, and was the cause of much bitter feeling. It can now, however, be discussed, by the aid of documents then inaccessible, without prejudice. The charge made against the United States was a serious one, and involved the receiving of millions of dollars worth of supplies under a regular contract during the darkest hours of the Revolution, and then allowing the person furnishing these supplies to pass his last days in prison for the non-payment of the debt thus incurred.

Beaumarchais, at the commencement of the Revolution, had taken up the cause of the Americans with all the ardor of his nature, and rendered most important services in bringing the hesitating French ministry to adopt a decisive course of action. His services in this particular were greater, probably, than those of all our agents in Europe at the time. As early as September, 1775, he addressed a memorial to the king of France, in which he plead the cause of America with all the vigor of his pen. He followed this up with many others, addressed either to the king or the Comte de Vergennes. The gist of his arguments was that it would be impossible for Great Britain to subdue the colonies if they were assisted in their struggle; that if not assisted they might succumb, join the English, and turn their arms against France. He says: "We are not yet in a fit state for making war; we must prepare ourselves, keep up the contest, and with that view send secret assistance, in a prudent manner, to the Americans." These memorials seem to have decided the Comte de Vergennes to give the assistance, and to employ, as his agent, their author. Beaumarchais was sent to London in the spring of 1776 to make the necessary arrangements, there being then no American agent in France. In London he was introduced to Arthur Lee, who was at the time studying law in the Temple, but who bore some kind of commission from the secret committee of Congress. Beaumarchais informed him that the French government wished to send 200,000 louis-d'or (equal to $816,750), in arms, ammunition, and specie, for the assistance of the Americans, but in a secret manner, and that all they wanted was to know through what source it was best to make the remittances. He requested Mr. Lee to give the earliest intelligence of this to Congress, and to request that a small quantity of tobacco or some other production of America might be returned, to give it the air of a *mercantile transaction*.*

On Beaumarchais' return to Paris he made the acquaintance of Silas Deane, who arrived there about the first of July, 1776, with full powers as political and commercial agent for the United States in France. His instructions

* Pitkin's Civil and Political History of the United States, vol. i, p. 403. Letters of Lee and others, Report of Committee, No. 111, 1st session 15th Congress.

were to obtain, if possible, 100 cannon with ammunition, also arms and uniforms for 25,000 men. These Beaumarchais contracted to furnish* *from the arsenals of France,* in addition to a large amount of other articles thought needful for the supply of the colonies. Deane, on his part, agreed that the United Colonies should pay for them by remittances of American produce, the business to be transacted by Beaumarchais, under the name of the Spanish firm of Roderigue, Hortales & Co. This contract, with its accompanying letters, appears on its face to be perfectly regular: an ordinary commercial contract, by which the United Colonies were to receive the supplies they needed, and to pay for the same within one year by shipments of produce to the imaginary firm of Roderigue, Hortales & Co. Had it been what it appears to be, the United Colonies would have been bound in common honesty not only to pay in full for the stores, but to pay dearly for the risks to which the contractor would be exposed. But there is evidence that both parties knew the contract as it stood to be but a sham, drawn up to mask the fact that it was the government of France which was to supply England's rebellious colonies. The contract was concluded about July 24, 1776. On the 15th of August, twenty-two days after it was signed, Deane wrote to the secret committee of Congress as follows:

I find Beaumarchais, as I before hinted, possesses the entire confidence of the ministry; he is a man of wit and genius, and a considerable writer on comic and political subjects. *All my supplies are to come through his hands,* which at first greatly discouraged my friends, knowing him to be a man of no interest with the merchants, but, had I been as doubtful as they, I could not have stepped aside from the path so cordially marked out for me by those I depend on. * * * *Everything he says, writes, or does is in reality the action of the ministry; for that a man should but a few months ago confine himself from his creditors, and now, on this occasion, be able to advance half a million, is so extraordinary that it ceases to be a mystery.*

The whole tenor of Deane's letter† shows that while he supposed the supplies were to be paid for as well as received through Beaumarchais, yet that, if a debt, it was a debt due to the government of France. On the part of Beaumarchais, he was not only aware that the French ministry had determined to assist the Americans, but when he signed the contract he had in his possession a million of livres drawn from the French treasury for the purpose of furnishing this assistance, and a few days afterward he received from the Spanish treasury, through the Comte de Vergennes, another million for the same purpose. As shipments went on and remittances came but slowly from America, he received a third million from the king of France. As the whole controversy between the United States and Beaumarchais turns upon the fact of these advances for the benefit of the colonies through him, it is necessary to show the evidence on this point.

On the 2d of May, 1776, the Comte de Vergennes submitted the subject to Louis XVI in the following note:‡

I have the honor of submitting to your majesty the paper which is to authorize me to *furnish a million of livres for the English colonies,* if you should deign to ratify it with your signature. I add, too, sire, the draft of the *reply* which I mean to make to M. Beaumarchais. if your majesty shall approve it; I beg it may be returned to me without delay. It shall not go forth in my handwriting nor in that of any of my clerks or secretaries. I will employ that of my son, which cannot be known, and, although he is in his fifteenth year, I can answer positively for his discretion. As it is of importance that this operation should not be *detected,* or at least not *imputed* to the *government,* I propose, if your majesty consents, to call hither the Sieur Montaudin; the ostensible motive will be to ask an account of his correspondence with the Americans, and the real one to charge him with the *transmission* of the *funds,* which your majesty is pleased to *grant them,* directing at the same time all the precautions to be taken *as if he advanced the funds on his own account.*

On this head also I take the liberty of requesting the orders of your majesty. That being done, I will write to the Marquis Grimald (secretary of foreign affairs in Spain). I will inform him of our operations and propose to him [*de la doubler*] to do the same.

The king immediately gave his minister the authority he asked for, and M. de Harvelay, keeper of the royal treasury, was directed to hold the million of livres subject to the particular order of Vergennes. The Sieur Montaudin was, however, not intrusted with the transmission of the funds, Beaumarchais being employed for that purpose, and the million was paid over to him. For it he gave the receipt of which the following is a translation of the original in the archives of France:§

I have received from Monsieur Duvergier, agreeably to the orders of the Comte de Vergennes, dated the 5th instant, which I had remitted to him, the sum of one million, of which I am to render an account to the said Comte de Vergennes.

Paris, June 10, 1776.

CARON DE BEAUMARCHAIS.

Good for one million livres Tournois.

The advance of this million was suspected by the authorities of the United States, and when Beaumarchais made his demands on them for a settlement, they attempted to obtain a statement of the fact from the French government; but it was a state secret, and a copy was refused. They were obliged to be content with a statement that a million was advanced on the 10th of June, 1776, before the Americans had any authorized agent in France. It was not until July 7, 1794, after the downfall of the French monarchy, when the republicans in power cared little for the secrets of the defunct government, that a copy was obtained by Gouverneur Morris, then minister of the United States in France. He wrote to M. Buchot, commissioner of exterior relations in France, as follows:

SIR: During the last war France furnished several sums of money to the United States of America, both under the head of loans and that of gratuities. The first of these advances was a million of livres, and it appears to have been made on the 10th of June, 1776. It is

* Beaumarchais and his Times, Loménie, vol. iii, p. 152. Loménie says 200 cannon.

† Appendix to Pitkin's History, vol. i, pp. 514-518.

‡ Pitkin's History, vol. i, p. 403.

§ Sparks' Life of Gouverneur Morris, vol. ii, p. 446, note. Loménie, vol. iii, p. 129.

entered among the gratuities, but it is not known to whom it was paid nor how it was appropriated. Doctor Franklin, in settling the accounts of the United States with the French ministry, neglected to ask for the papers which relate to this subject, and afterward, when the banker of the United States applied (in the months of August and September, 1786) to M. Durival, in order to obtain them, he assured him that he had communicated the request to the Count de Vergennes, who said that the receipt in question could be of no use to the banker, since he was not intrusted with the pecuniary affairs of the United States till January, 1777, and that this payment was made on the 10th of June, 1776.

Our ministers were also given to understand that it was useless to urge the demand for a paper in proof of a payment, which would be of no account in the reimbursements to be made by the United States. Doctor Franklin concluded from this that the advance had been lodged in the hands of M. Beaumarchais, and that it was a cabinet mystery whose *éclaircissement* ought to be a matter of indifference to us, at least till it became necessary to set this sum against the demands of Beaumarchais for the supplies which he had furnished to the United States. This occasion has now arrived, but without this you will perceive, at the first glance, that the payment having been acknowledged by the United States, the receiver, whoever he may be, ought to give them an account of the manner in which he employed it. Besides, mysteries serve too often only to cover wasteful expenditures, of which the people are victims. It is therefore given me in charge to solicit the papers acknowledging the payment of a million livres as a gratuity, made by France to the United States of America on the 10th of June, 1776. I think they will be found among the accounts of M. Durival, then head of the treasury department for foreign affairs; and I apply to you, in these circumstances, with the more confidence, as I am fully convinced of the good will of the French government toward the United States.

I have the honor to be, &c.,

GOUVERNEUR MORRIS.

To M. BUCHOT,
Commissioner of Exterior Relations.

M. Buchot to Gouverneur Morris, minister of the United States.

PARIS, *July* 7, 1794.

* SIR: In your letter of the 21st ultimo you request of me the communication of the papers which explain in what manner the million advanced to the United States on the 10th of June, 1776, was paid.

I sent your request to the *Comité de salut public*, to whom it appeared just, in this respect, to render to the United States the satisfaction, which was denied to them by the ministers of the ancient *régime*. In consequence, I caused the necessary researches to be made, and I hereby subjoin a copy of a receipt, dated the 10th of June, 1776, which appears to be the one desired by the United States to regulate their accounts.

As you have well observed, there is no occasion for mystery between two nations united by all the ties of friendship and of common interest.

I have the honor to be, &c.,

BUCHOT.

If more conclusive proof is needed that this million of livres was not only advanced to the United Colonies through Beaumarchais, but that it was intended as a gratuity to the colonies, it is to be found in the letter of M. Durival, one of the French ministry, and *Chef du bureau des fonds des affaires étrangères.* Benjamin Franklin, minister of the United States to France in 1785, discovered that a million of livres had been advanced from the royal treasury, which did not appear in the accounts of M. Grand, the banker of the United States in Paris. He determined to have the matter explained if possible, so that, as he says, "it may stand clear before I die, lest some enemy should afterward accuse me of having received a million not accounted for." After his return to America in 1786 he opened a correspondence with the secretary of Congress on the subject, and finally wrote to M. Grand requesting him to make inquiry into the matter at the French treasury. The result of his inquiries was the following letter:†

M. Durival to M. Grand.

[Translation.]

VERSAILLES, *August* 30, 1786.

SIR: I have received the letter which you did me the honor to write on the 28th of this month touching the advance of a million, which you say was made by the farmers-general to the United States of America, the 3d of June, 1777. I have no knowledge of that advance. What I have verified is, that the king, by the contract of the 25th of February, 1783, has confirmed the *gratuitous gift* which his majesty had previously made of the three millions hereafter mentioned, viz: *one million delivered by the royal treasury the 10th of June,* 1776, and two other millions advanced also by the royal treasury in 1777, on four receipts of the deputies of Congress, of the 17th of January, 3d of April, 10th of June, and 15th of October, of the same year. This explanation will, sir, I hope, resolve your doubt touching the advance of the 3d of June, 1777. I further recommend to you, sir, to confer on this subject with M. Gojard, who ought to be better informed than we, who had no knowledge of any advances but those made by the royal treasury.

I have the honor to be, &c.,

DURIVAL.

This would appear to settle the question as to the advance of the first million. Against all this evidence there can be adduced only a resolve of Congress passed in 1779, denying that any present of supplies previous to the treaty of alliance had been received from France, and the denial of M. de Talleyrand in 1816, when pressing the claim of the heirs of Beaumarchais. The resolution of Congress was passed under the pressure of a demand made by Gérard, the French embassador, after the publication of a pamphlet by Thomas Paine, secretary of the congressional committee on foreign affairs, in which, from official documents in his possession, he had, without authority, made such extracts as went far to reveal this dangerous state secret.

As for M. de Talleyrand it is probable, from his too well-known character, that he would, in a diplomatic way, have denied or asserted anything to carry his point. His denial, even if sincere, could have no weight against the express declarations of Vergennes, Durival, and others, the actors in this affair.

* See American State Papers, "Foreign Affairs," vol. i, p. 411. See receipt, *ante.* † Sparks' Diplomatic Correspondence, vol. iv, p. 223.

As to the second million the evidence is as follows: The kings of France and Spain had, as members of the royal house of Bourbon, signed what was known as the "family compact," by virtue of which they were to act together in their foreign policy. We have seen that Vergennes, when asking for a million from the French treasury "for the English colonies", proposed to write to the Spanish minister of foreign affairs and ask him to double the gift. The dispatch is not accessible, though it might probably be found in the Spanish archives, but the request was granted.

*In order that this subvention might be kept secret, the Spanish million before reaching his (Beaumarchais') hands had to make a little circuit. The Spanish embassador paid it into the public treasury of France, and took an acknowledgment for it from the cashier; he remitted this acknowledgment to M. de Vergènnes, and the latter gave it to Beaumarchais in exchange for the following receipt, which I quote literally from the original in the archives of foreign affairs.

[Translation.]

I have received from his excellency M. le Comte de Vergennes an acknowledgment for the million livres Tournois which M. Duvergier had given to the Spanish embassador, with which acknowledgment I shall touch, at the royal treasury, the said sum of a million Tournois, for the employment of which I will render an account to his said excellency M. le Comte de Vergennes.

CARON DE BEAUMARCHAIS.

AT VERSAILLES, *Aug.* 11, 1776.

No evidence as to this second million was accessible to the United States authorities when they settled Beaumarchais' accounts. The versatile author of the "Barber of Seville" was now set up as a merchant, an entirely new walk in life for him, with a capital of two millions of livres (about $363,000), advanced from the royal treasuries of France and Spain to supply the United Colonies with the means of carrying on the contest. It is probable that he had received orders from the French ministry to invest it in material supplies, instead of handing over the specie. The cannon, ammunition, and muskets were taken directly from the French arsenals. It is said that he was to restore these in kind, and this may be the fact. The only evidence on the point is a letter from the French minister of war notifying him that when he returns the powder it will have to be subjected to the usual tests. This might apply either to the powder sent to the Americans or to that required for the private navy which Beaumarchais fitted out, as he says, "to cruise across the ocean, to convoy, attack, burn, or take private vessels." One of his vessels, the Fier Roderigue, a three-decker, carrying sixty guns, while convoying ten merchant vessels, was stopped and ordered into line of battle by Admiral de Estaing, who was then lying off the island of Grenada in command of the French fleet, and preparing to fight the English fleet commanded by Admiral Byron. The Fier Roderigue came out of the action covered with glory, but the captain and a large number of the crew were killed and the vessel riddled with balls. Byron was forced to retreat.

The cloth for uniforms was purchased in market, as it is hardly possible that the French government had in store clothing for soldiers to suit the fantastic ideas of Beaumarchais, and if it had possessed it, to clothe American soldiers in French uniforms would have been equivalent to a declaration of war with Great Britain. The secret committee of Congress had ordered that the uniforms to be purchased should be blue with facings of different colors for the different arms of the service, but Beaumarchais very coolly changed all this. As a writer of operas, he had perhaps derived his ideas of martial equipments from those of the mimic soldiers of the stage. He wrote to the committee, December 1, 1776, that he should ship uniforms for six divisions of five thousand men each, one division to be blue, the others respectively brown, green, red, gray, and light blue.

History has not recorded the color of the uniform in which our Revolutionary forefathers won or lost their battles, but as Beaumarchais actually shipped a large part of the clothing, it is probable that some divisions of the army really were attired in this parti-colored fashion. In these shipments his native energy came out in all its force. Despite the scarcity of vessels and seamen, the fact that the ocean swarmed with British cruisers ready to intercept all supplies for America, the strict blockade of the American coast, and the energetic remonstrances of Lord Stormont, the British embassador, he succeeded in loading and dispatching a large amount of supplies, cannon, ammunition, and arms, most of which reached their destination.

Loménie, the author of the entertaining work "Beaumarchais and his Times", says he had forty ships at sea, and that the first cargo of supplies sent to the Americans was valued at three million livres, but in this there is much exaggeration. If he had forty ships at sea they were not engaged in supplying the United Colonies. The total number of vessels sent was eight, the Amphitrite, Mercure, Mère Bobie, Flamand, Mary Catherine, Seine, Amelia, and Thérèse. The first shipment was by the Amphitrite, and her cargo was valued (as shown by Beaumarchais' original account-current) at 979,493 livres, 8 sols, 3 deniers. Four of these vessels arrived safely at Portsmouth, New Hampshire, two reached Martinique, where their cargoes were received by Mr. Bingham, agent for the Continental Congress, and dispatched in small, swift-sailing vessels to Edenton, North Carolina, and two, the Amelia and Thérèse, arrived at cape François, where they were received by M. Carabosse, agent for Beaumarchais. The fate of these last cargoes is uncertain; a portion at least was dispatched to the continent.

Loménie in his work asserts that hardly any return was made in produce for these shipments, mentioning only three small lots as having been received, and even for these, he says, Beaumarchais had a contest with the American commissioners, Franklin, Deane, and Lee, who wished to sell the cargoes and appropriate the proceeds to other purposes. Now, the fact is, as shown by the Beaumarchais manuscript, that ten vessels were dispatched with

*Loménie, vol. iii, pp. 129, 130.

produce to Beaumarchais, the cargoes of which he sold, and credited the proceeds to the United Colonies. Some of these were return cargoes on his own ships, others were by vessels chartered for the purpose, and one shipment was made on the Bonhomme Richard, Paul Jones' flag-ship.

The shipments began October 1, 1777, when the Amphitrite was dispatched with a return cargo, and continued until July, 1781, by the following vessels: Thérèse, Fier Roderigue (two cargoes), Pérouse, Deux Hélènes, Bonhomme Richard, Polly, Amelia, and Mercure. These vessels were not all fully loaded, but their cargoes, after deducting *one-half* for freight and large sums for commissions, netted 713,996 livres. It is a noticeable fact that among the American produce sent was a large amount of indigo, then extensively cultivated at the South, but no longer produced in the United States, though the soil proved well adapted to it, and its quality was excellent.

The returns from America were, however, very slowly made—too slowly to enable Beaumarchais to meet his engagements. For this reason he applied in the year 1777 to Louis XVI, and received by installments another million of livres. The proof of this is to be found in Loménie's work referred to above. Loménie often exaggerates, but he advocates most warmly the side of Beaumarchais, and wastes a great deal of special pleading to prove that the United States defrauded him. For this very reason he is a first-class witness when stating facts that bear against his client. He held in his possession Beaumarchais' papers and had access to the French archives, and the proof was so incontestable that he could not avoid the conclusions. He says (vol. 3, page 224):

> I have been obliged, nevertheless, contrary to the very sincere opinion of the heirs of Beaumarchais and to the declarations of the different ministers since 1778, all based upon the first official declaration of M. de Vergennes—I have been obliged to re-establish the truth as to the fact of the celebrated million which was incontestably given by the government, not for a *secret political service, unconnected with the American supplies, but for the supplies themselves.* Finding, also, in the archives of foreign affairs, the material proof that Beaumarchais, independently of the first million, given June 10, 1776, received a second from the court of Spain, August 11, 1776, and a third paid by installments in the course of 1777, I have been obliged to mention all these facts because they are true, and because the first duty of a writer, who respects himself, is not to conceal the truth.

Beaumarchais' letters written while shipping the supplies are both unique and interesting. He lectures the Continental Congress with the freedom of a general officer speaking to a council of western Indians, advises the appointment of a dictator, urges the declaration of war against Portugal, as if war with Great Britain was not enough, and wishes expeditions fitted out against "the defenseless English factories in Africa", and the "galleons heavy with gold on the coast of Brazil". He says he has two thousand military officers ready to start for America, and in a subsequent letter says he has sent thirty-four of them over. To these foreign officers he made large advances in specie. Some of them did good service in the armies of the Revolution; others, who came over with great pretensions, proved worthless. Besides the shipments of produce, Congress paid in specie to M. de Francy, an agent sent over by Beaumarchais in 1777, as admitted in his account-current, 55,000 livres; in June, 1780, by bills on Dr. Franklin, 144,000 livres; in June, 1781, 144,000 more; and May 18, 1782, bills of exchange for 2,400,000 livres at three years from date, with interest added. These bills were all cashed at maturity.

Under the act of April 18, 1806 (2 Stat., 389), $78,886 26, equal to about 434,635 livres, was paid to Beaumarchais' heirs; and under the convention with the king of the French of July 4, 1831, 800,000 francs, equal to 810,000 livres, were reserved and paid.*

An account fairly stated between the United States and Beaumarchais and his heirs, allowing to Beaumarchais all his charges for shipments, freight, insurance, and advances to foreign officers, and to the United States the subsidies and the payments admitted to have been made, will stand as follows. The account is stated in livres Tournois, as nearly all the transactions were carried on in that currency. Fractions of livres are thrown out. Five and a half livres are nearly equal in value to one dollar.

ACCOUNT.

CR.

	Livres.
THE UNITED STATES—	
By shipments of produce	713,996
By payment to M. de Francy	55,000
By bills of exchange on Franklin	2,688,000
By French subsidies paid Beaumarchais	2,000,000
By Spanish subsidies paid Beaumarchais	1,000,000
By grant by Congress April, 1806	434,635
By payment in 1835	810,000
	7,701,631

DR.

To Beaumarchais' account for supplies, &c., as stated by himself †	6,274,844
Overpayment by the United States	1,426,787

Much more evidence might have been adduced from Arthur Lee's correspondence, of the correctness of these conclusions, but Lee has been accused of personal hostility to Beaumarchais, and his evidence is therefore ruled

* Loménie, vol. iii, p. 223.

† Beaumarchais' manuscripts.

out, except on matters in which it is confirmed by others. The charges of interest by Beaumarchais have not been admitted. If any interest was due it was to the United States, the three millions of subsidy having been advanced so early in the transactions.

Beaumarchais was financially ruined, it is true, but not by his dealings with the United Colonies. Loménie, who was in possession of his private papers when he wrote, says that from October 1, 1776, until September 30, 1783, his accounts show that he received 21,092,515 livres and disbursed 21,044,191, showing an excess of receipts over disbursements of 48,324 livres.* But these seven years cover precisely the time of the American Revolution, during which the shipments were made. The balance on the right side of the profit-and-loss account is small, but it does not look like financial ruin. The fact is that his embarrassments arose solely from his engaging, in the year 1779, in the republication of the works of Voltaire, one of the most extensive and most unfortunate literary undertakings on record. Voltaire's works were prohibited in France, and the influence of the clergy was sufficient to prevent even Beaumarchais, though high in favor with the king, from republishing them there. He therefore rented from the margrave of Baden, in Germany, an old castle at Kehl. Here he founded an enormous printing establishment, imported from England, notwithstanding the war, the best types that could be purchased, made the paper for the work, and carried the whole through, after years of labor, to its final completion.

Voltaire's works comprised seventy octavo volumes, and of these he printed 15,000 copies, or 1,050,000 volumes. It was a most unfavorable time for a great literary enterprise. Half the world was in arms, and in France church and state were tottering on the verge of an abyss. When the revolution broke out but 2,000 sets of Voltaire had been disposed of, leaving on hand 910,000 volumes. So vast were the quantities of books that he was obliged to store in Paris, in the Faubourg St. Antoine, that he was subjected to frequent domiciliary visits by the mob and the revolutionary authorities, who were persuaded that his storehouses contained either grain or arms.† To sell the books was impossible, and they probably saw the light only in the shape of gun cartridges.

So much space has been devoted to the affairs of Beaumarchais that not much more can be given to an account of the other subsidies received. Two million livres more were granted by France in the year 1777, and in 1781 six millions, making a total of ten millions, of which Beaumarchais received two, and the rest was paid through Benjamin Franklin. The French authorities insisted that so much of this money as was not expended in Europe should be drawn for by General Washington in bills on M. de Harvelay, *garde du trésor royal.* Franklin protested that it was not the usage in the United States to allow the General of the army to draw for moneys intended to be paid into the treasury, but the French minister would hear no explanations on this point, and assured Franklin that it was his majesty's order.‡ It is supposed, therefore, though the fact has not been recorded, that the bills went to Paris signed by General Washington.

The subsidy account stands as follows:

	Livres.
French subsidy	10,000,000
Spanish subsidy	1,000,000
Total	11,000,000

equal to $1,996,500. As this money was a free gift it has not been repaid, unless the sums paid Beaumarchais be taken as a partial reimbursement.

LOAN FROM FARMERS-GENERAL OF FRANCE.

The first loan negotiated by the Continental Congress was obtained in the year 1777 from the "farmers-general of France". Until that time the expenses of the Revolutionary government in Europe had been met by small subsidies from France and Spain, and by such remittances in specie as could be spared from home. But these funds could not go very far toward accomplishing the objects of the American commissioners in Europe. Beside the supplies obtained through Beaumarchais, it was thought necessary to purchase large amounts, especially of gunpowder, of which 200,000 pounds were purchased at once; also to build ships of war to cruise on the coast of Great Britain and make prizes of the richly laden English ships in those seas. While waiting for the means of building large ships, small, swift-sailing vessels were fitted out as privateers, with the connivance of the French ministry, under the encouragement and partly with the funds of the commissioners. One of these sailed entirely around Ireland and captured and burnt seventeen or eighteen sail of vessels, which occasioned great consternation among English merchants, raised insurance to ten per cent., prevented the great fair at Chester, in England, and so much deterred shipments in English bottoms that in a few weeks forty French ships were loading in the Thames, an instance never before known.§

The secret committee of Congress appears to have advised Deane to obtain a loan. It is probable that he applied to the French ministry for one, but the time had not yet come for them to loan money openly to England's rebellious colonies. They grew bolder in 1778; but on this application they referred Deane to the farmers-general, who, as a private corporation engaged in the collection of the national revenue of France, might loan public moneys, if encouraged to do so by the government, without causing any diplomatic complications. The farmers-general were a privileged association who "farmed" or leased the public revenues, paying to the government a certain fixed sum,

* Loménie, vol. iii, p. 227. † Ibid., chap. 24. ‡ Sparks' Dip. Cor., vol. iii, p. 193. § Ibid., vol. i, p. 107.

and making a heavy profit from the surplus. This association was allowed to bring tobacco into the kingdom free of duty, which, practically, gave them the monopoly of the tobacco trade. When Deane applied for a loan to the farmers-general they offered him two millions of livres in exchange for tobacco. The contract, dated March 24, 1777, and signed by Franklin and Deane on the part of the United States and by M. Paulze on the part of the farmers-general,* provided that the United States should deliver in the ports of France, during the year 1777, 5,000 hogsheads, or 5,000,000 pounds, of York or James river tobacco, at 8 sols per pound, or 40 livres Tournois ($7 26) per hundred-weight, which would amount to 2,000,000 livres for the whole. For this the farmers-general were to advance 1,000,000 livres within one month after the signing of the contract, and 1,000,000 more on the arrival of the first ships loaded with tobacco. Any greater quantity than the 5,000,000 pounds sent by Congress, was to be paid for at the same rates. Under this contract the advance of 1,000,000 livres was paid to the commissioners, Franklin and Deane, June 4, 1777, and by them deposited with M. Grand, banker of the United States in Paris. It appears that, on this contract, the United States made three shipments of tobacco in 1778 and 1779, by the ships Baltimore, Morris, and Bergère. The aggregate net weight of their cargoes was 390,891 pounds, which the farmers-general received at 153,229 livres, 5 sols, 7 deniers. This left a balance of 846,770 livres, 14 sols, 5 deniers, which was paid after the Revolution to the republican government of France. The corporation of farmers-general was extinguished by the Revolution and most of its members perished by the guillotine. The government probably seized the obligations of the United States which they held, and claimed their payment—the property of the victims, held to be public enemies, having escheated to the state.

When the time came for settling this loan, the transactions of the American commissioners in France were involved in so much mystery, that it was supposed by the treasury authorities that this advance of 1,000,000 livres was included in the French subsidies, and even Franklin, though engaged in the transaction, was unable to explain it. The king of France had declared that he had given 3,000,000 livres to the United Colonies in 1776 and 1777, but only 2,000,000 had reached M. Grand, banker of the United States, in Paris. What had become of the other million, was unknown; and it was at one time supposed that the advance from the farmers-general was the third million. The comptroller wrote, February 8, 1794, to M. Bournonville, secretary of the foreign legation, as follows:

> After a careful examination of all the foreign accounts of the United States, it is certain that no more than 3,000,000 livres, including the million advanced by the farmers-general, have been credited by any agents of the United States. The assumption of this debt by the French government, taken in connection with the circumstances before stated, creates, therefore, a just presumption, until an explanation is received, that the advance by the farmers-general was included with the advances made from the French treasury in the year 1777, and constituted part of the gratuitous aid referred to in the contract of February 25, 1783.

The mystery was not cleared up until Gouverneur Morris obtained, from the French archives, a copy of the original receipt given by Caron de Beaumarchais showing that *he* had received the first million of subsidy, and hence the advance by the farmers-general was a loan from that corporation and not a gratuity from France. The interest on this loan ceased December 31, 1793, when the account was merged in the general account of the French debt.

FRENCH LOAN OF EIGHTEEN MILLION LIVRES.

It is extremely difficult to obtain information respecting this loan. It is probable that it was, in its inception, not so much a loan as a subsidy, a payment of 750,000 livres every three months to the American commissioners in France, to enable the colonies to keep up the unequal struggle with Great Britain. The money was advanced without an expectation of repayment, though with a stipulation that it should be repaid. In 1782 an account was taken of former payments not included in the 10,000,000 livres expressly given as a gratuity, and a formal contract for the repayment was drawn up. These payments amounted to 15,000,000 livres, and a further sum of 3,000,000 livres was added and paid to the United States, making a total of 18,000,000, which it was agreed should be repaid. The contract will be found in Journals of Congress, vol. iv, Appendix, p. 20, and is dated July 16, 1782. It enumerates the different sums advanced by the king of France to the United States "under the title of a loan, in the years 1778, 1779, 1780, 1781, and 1782", and provides that, although in the receipts for said payments it is promised that the money should be repaid on the 1st of January, 1788, with interest at 5 per cent. per annum, yet, as the payment of so large a sum at one period might greatly injure the finances of the United States, it should be made in twelve annual payments of 1,500,000 livres each, to commence from the third year after the conclusion of peace. Article 3 declares that "although the receipts of the minister of the Congress of the United States specify that the 18,000,000 of livres Tournois are to be paid at the royal treasury with interest at 5 per cent. per annum, his majesty, being willing to give the United States a new proof of his affection and friendship, has been pleased to make a present of, and to forgive, the whole arrears of interest to this day, and from thence to the day of the date of the treaty of peace: a favor which the minister of the Congress of the United States acknowledged to flow from the pure bounty of the king, and which he accepts in the name of the said United States with profound and lively acknowledgments". Franklin, in transmitting this contract, wrote:†

> All the accounts against us for money lent and stores, arms, ammunition, and clothing furnished by government were brought in and examined, and a balance received which made the debt amount to the even sum of 18,000,000 livres, exclusive of the Holland loan for

* Sparks' Diplomatic Correspondence, vol. i, p. 282.

† Sparks' Life of Franklin, vol. ix, p. 383.

which the king is guarantee. In reading the contract you will discover several fresh marks of the king's goodness to us, amounting to the value of near two millions. These, added to the free gifts before made us at different times, form an object of at least twelve millions, for which no returns but that of gratitude and friendship are expected. These, I hope, may be everlasting.

It does not appear whether the "stores, arms, and ammunition" were those sent to the United States by Beaumarchais from the arsenals of France, as before referred to; if they were the same, the United States have paid for them twice.

The definitive treaty of peace was made in 1783; but the United States, in the confusion existing between the close of the war and the adoption of the new Constitution, were unable to begin the repayment as provided for in the contract. It was a debt due by a Congress dependent for its revenues on States beyond its control. Not until after the formation of the general government, as now existing, was repayment begun, and then the French monarchy, to which the debt was due, had passed away. The repayment began in 1791, and was made to the revolutionary government of France. The last direct payment in money on this contract was 1,500,000 livres, made in 1795. This left a balance still due of 4,186,776 livres, 17 sols, 2 deniers. For this balance, added to other items of the debt due France, then unpaid, stock was issued known as the 5½ per cent. stock of 1795, this stock being accepted in lieu of all demands by James Swan, agent of the French government. This loan has all been repaid.

LOAN FROM SPAIN IN 1781.

The early financial transactions of the United States in Europe appear to have been, in the main, secret. To this may be attributed the fact that the information respecting them is so scanty. If it exists, most of it is probably buried in the archives of foreign governments, and the Spanish loan of 1781 is no exception to this rule, even the Secret Journals of Congress containing but little information respecting it. The instructions to John Jay, sent as minister to Spain in 1779, show that he was directed to represent the distressed state of the financial concerns of this country "to his Catholic majesty" and to solicit a loan of $5,000,000, but before asking for a loan he was to endeavor to obtain from his majesty a subsidy in consideration of a guarantee by the United States of all rights which Spain might acquire in Florida by conquest from Great Britain.* It is to be presumed, of course, that Mr. Jay obeyed his instructions, but he obtained neither the subsidy nor the five millions as a loan.

In making up a statement of the foreign debt, however, after the adoption of the Constitution, it appeared that a small sum was due Spain for advances of money in the year 1781. The register of the treasury in a letter to the Secretary, Alexander Hamilton, October 9, 1792, says:

I have the honor to inclose certified copies from the treasury books of an account depending between his most Catholic majesty and the United States, for moneys received on loan. I cannot find that this loan has been recognized on the Journals of Congress in like manner with the French and Dutch loans. It is founded on a settlement made by the late commissioner for settling the foreign accounts, entitled: "Loans from the court of Spain." This money was paid to the Hon. James Gardoquoi and has been regularly accounted for by him, having been expended in the purchase of clothing and in the payment of bills of exchange drawn by order of Congress.

It appears by this statement that the Spanish debt amounted to $174,011 00. This was all repaid in the years 1792 and 1793; in fact there was an overpayment of $6 13, caused by small variations in the rates of exchange.

FRENCH LOAN OF TEN MILLION LIVRES.

The financial situation of the Continental Congress was at its worst in the years 1779 and 1780. Over $200,000,000 in Continental currency had been issued, and this currency, at first circulating readily at its face value, had depreciated as the amount issued increased, until it only passed at forty for one. Even at this discount it soon ceased to circulate at all, and in the year 1780 "it quietly expired in the hands of its possessors". The Revolutionary army was reduced to extremity. On the 1st of February, 1778, nearly 4,000 men were returned as unfit for duty for want of clothes. In January, 1780, General Washington wrote to the governor of Connecticut, that the army had been near three months on a short allowance of bread, within a fortnight almost perishing. They had been sometimes without bread, sometimes without meat, and oftener without both. They had borne this distress, in which the officers shared the common lot with the men, with as much fortitude as human nature was capable of, but they had at last been brought to such a dreadful extremity that no authority or influence of the officers, no virtue or patience in the men, could any longer restrain them from obeying the dictates of their feelings. The soldiers had in several instances plundered the neighboring inhabitants even of their necessary subsistence. Without an immediate remedy this evil would soon become intolerable, and, unhapily, there was no prospect of relief through the ordinary channels. They were reduced to this alternative: either to let the army disband, or to call upon the counties of that state to furnish a supply of cattle and grain for the supply of their wants. If the magistrates refused their aid, they would be obliged to have recourse to a military impress. It was evident to the members of Congress that relief from new issues of paper money was hopeless, and it was determined to attempt to negotiate a

* Secret Journals of Congress, vol. ii, p. 263.

loan in Holland. On the 21st of October, 1779, Henry Laurens, of South Carolina, was chosen as agent for that purpose. His instructions were contained in two resolutions which were introduced and passed October 26, and which were as follows:*

Resolved, That he be instructed to borrow a sum not exceeding ten millions of dollars at the lowest rate possible, not exceeding six per cent. per annum.

Resolved, That he be empowered to employ on the best terms in his power some proper mercantile or banking house in the city of Amsterdam or elsewhere in the United Provinces of the Low Countries to assist in the procuring of loans, to receive and pay the money borrowed, to keep the accounts, and to pay the interest.

A commission was issued June 20, 1780, to John Adams, who had been appointed minister plenipotentiary to negotiate a treaty of peace with Great Britain, authorizing him to contract for a loan in Holland, and another was issued to Francis Dana of the same purport, setting forth that Henry Laurens, who had been appointed on that business, had been detained by unavoidable accidents from proceeding on the business of his agency.

Shortly after these commissions were issued Mr. Laurens sailed for Europe, but the vessel in which he took passage was captured by a British frigate off the coast of Newfoundland. He threw his papers overboard, but not weighting them sufficiently, they floated and were recovered by a British sailor. This incident produced a war between Great Britain and Holland, for the papers contained the plan of a treaty with the United States drawn up under the directions of Van Berckel, grand pensionary of Amsterdam. Sir Joseph York, English minister at the Hague, was instructed to demand a disavowal of this plan by the states general and "the exemplary punishment of the pensionary and his accomplices as disturbers of the public peace and violators of the rights of nations". "Satisfaction for the supposed offense not being made by the states general, the British minister was ordered to withdraw from Holland, and this was soon followed by a declaration of hostilities against that country by the court of London."†

Mr. Laurens was taken to London, examined before the privy council, and committed a close prisoner to the Tower on the charge of high treason, but the negotiations for a loan went on under the commission issued to Mr. Adams, aided by the exertions of Col. John Laurens, who had been dispatched to Europe on the same mission in December, 1780, his father, Henry Laurens, being still a prisoner in the Tower of London. When Colonel Laurens arrived in Paris, he found that very fair promises of assistance had been made by the French court, but nothing had been done.

The delay in fulfilling these promises illy accorded with the high and ardent feelings of the young American envoy. Knowing the pressing wants of his country and the necessity of immediate aid, if afforded at all, after a delay of more than two months he determined at the next levee day to present, in person, a memorial to the king, though directly contrary to the forms of court. In conversation with the Comte de Vergennes, on the morning of the day on which he intended to present his memorial to the king, Mr. Laurens expostulated with him, on delaying the promised aid, in such warm and bold language that the minister replied:

"Colonel Laurens, you are so recently from the headquarters of the American army, that you forget you are no longer delivering the orders of the commander-in-chief, but addressing the minister of a monarch who has every disposition to favor your country."

"Favor, sir," rejoined Laurens; "the respect which I owe my country will not admit the term—say the object of my mission is of mutual interest to our respective nations and I subscribe the obligations; but as the most conclusive argument I can address to your excellency, the sword which I now carry in defense of France as well as of my own country, I may be compelled to draw against France as a British subject, unless the succor I solicit is speedily accorded."

He presented his memorial to the king on the same day. It was graciously received and, no doubt, was the means of hastening the promised succor.

Applications for loans in Holland had hitherto been unsuccessful. The Hollanders either distrusted the security, or were unwilling to incur the resentment of Great Britain by lending the Americans money to enable them to carry on the war.

The king of France had, through his minister at the Hague, offered his assistance to the Americans in procuring loans in that country, but without effect. He now engaged to become, himself, responsible for the sums which might be furnished. In consequence of this and the exertions of Mr. Adams, a loan of ten millions of livres was obtained in Holland.‡

The money thus borrowed, although intended solely for the United States, having been obtained on the credit of France, became a debt due to that country, and was provided for in the financial contract drawn up July 16, 1782, and signed by the Comte de Vergennes and Benjamin Franklin.

Article V of this contract says that although the loan of 5,000,000 florins of Holland, amounting on a moderate valuation to 10,000,000 livres Tournois, agreed to by the states general of the Netherlands on the terms of the obligation passed November 5, 1781, between his majesty and the states general, has been made in his majesty's name and guaranteed by him, it is nevertheless acknowledged that the said loan was made, in reality, on account and for the service of the United States of North America. By the terms of the obligation the king had agreed to pay the capital of the said loan with the interest at 4 per cent. per annum, the capital to be repaid in ten equal payments, the first to commence the sixth year after the date of the loan, and to be completed in five years thereafter, and it was therefore promised that the United States should reimburse and pay the same with interest

*Secret Journals of Congress, vol. ii, p. 283. †Pitkin's History, vol. ii, p. 101. ‡Ibid., pp. 158, 159.

at 4 per cent. per annum, at the royal treasury of France, in ten equal annual payments of 1,000,000 livres each, to commence November 5, 1787, the king, "on account of his affection for the United States, having been pleased to charge himself with the expense of commissioners and bank for the loan, of which expense his majesty has made a present to the United States."*

The repayment of the principal, however, was found to be impossible until after the new government of the United States went into operation, and was not commenced until the year 1792. In 1795 there remained unpaid the sum of 969,696 livres, 19 sols, 5 deniers, equivalent to $176,000, which was paid in the 4½ per cent. stock of 1795, issued in settlement of this with other amounts due France. This stock has all been redeemed.

It appears that when the money was received from Holland 5,000,000 livres was paid into the French treasury for supplies furnished, amounting to 5,134,065 livres, 7 sols, 6 deniers, leaving a balance due France for supplies amounting to 134,065 livres, 7 sols, 6 deniers.

FRENCH LOAN OF SIX MILLION LIVRES.

The loan of 10,000,000 livres obtained from France in 1781 was soon exhausted. Very little of it in cash ever reached America, one-half of it being immediately paid into the French treasury for supplies previously furnished by the government, and the balance mostly expended in taking up bills of exchange drawn long before, under the authority of the Continental Congress. So utterly exhausted was the American treasury that in 1782, when, peace having become a certainty, it was determined to reduce the army, the utmost difficulty was experienced in obtaining a small sum to pay the discharged soldiers enough to take them to the places of their enlistment. New loans were necessary, and it was resolved to make new efforts both in France and Holland.

On the 14th of September, 1782, Congress resolved:

That a sum not exceeding $4,000,000, exclusive of the money which Mr. Adams may obtain by the loan now negotiating in Holland, be borrowed in Europe on the faith of the United States of America, and applied toward defraying the expenses which shall be incurred, and those which during the present year have been incurred, for carrying on the war.

The superintendent of finance and secretary for foreign affairs were directed to take means for carrying this resolution into effect, and to transmit it to the United States ministers plenipotentiary at Versailles and the Hague.

The minister at the court of Versailles was instructed to communicate to his most Christian majesty the foregoing resolution, and to assure him of the high sense which the United States, in Congress assembled, entertained of his friendship and generous exertions, and their reliance on a continuance of them; also, the necessity of applying to his majesty on this present occasion.†

No information respecting the negotiations for the loan is accessible. By the contract dated February 25, 1783, it appears that "his majesty determined, notwithstanding the pressing necessities of his own service, to grant to Congress a new pecuniary assistance, which he fixed at the sum of 6,000,000 livres Tournois ($1,089,000), under the title of a loan".‡ The money was to be paid to the United States, from the funds of the royal treasury, in sums of 500,000 livres monthly for twelve months. For its use the United States were to pay an interest of 5 per cent. per annum, to be reckoned from January 1, 1784, and to refund the principal in six equal portions of 1,000,000 livres each, the first to be paid January 1, 1785, and the payments to be made thereafter annually until the entire loan was reimbursed. These repayments were not made as provided for by the contract. The debt remained unpaid until the year 1795, when the agent of the French government accepted a new 5½ per cent. stock in lieu of the money (see: 5½ per cent. stock of 1795).

BALANCE OF SUPPLIES DUE FRANCE.

This account for balance of supplies was a credit allowed by the government of France on a purchase made by the agents of Congress. It is admitted here because it was included as a part of the account at the time of the final adjustment of the French debt, in 1795. Its settlement closed the financial transactions of the Continental Congress in France. The whole amount received from France during the war of the Revolution, in the way of loans and subsidies, was 45,000,000 livres, equivalent to $8,167,500.

This account was stated after the conclusion of the loan of 10,000,000 livres. One-half of this ten millions was immediately paid into the French treasury for supplies previously furnished by the government of France on the requisition of Col. John Laurens, who arrived in Paris early in 1781. The supplies furnished on his requisition amounted to 5,134,065 livres, 7 sols, 6 deniers. When the 5,000,000 livres were paid into the French treasury there remained a balance due France of 134,065 livres, 7 sols, 6 deniers, equivalent to $24,332 86. The supplies furnished consisted of clothing, arms, medicines, surgical instruments, gunpowder, lead, and steel, besides a considerable amount of finery, such as lace, silk, velvet, and silvered buttons. Our forefathers of the Revolution, in the midst of their distresses, seem to have had an eye to "the pomp and circumstance of war". Interest on this balance of supplies commenced in September, 1783, the date of the definitive treaty of peace with Great Britain. This was probably owing to some arrangement made in France, as the supplies were mostly furnished in 1781, and the last payment on them until the final settlement was made, in 1782.

* Journals of Congress, vol. iv, Appendix, p. 20. † Journals of Congress, vol. iv, p. 78. ‡ Journals of Congress, vol. iv, Appendix, p. 23.

HOLLAND LOAN OF 1782.

The negotiation of this loan was the commencement of a long series of financial transactions in Holland. If the gold of France aided the United States through the war in which independence was obtained, it was from Holland that the money came which assisted the government through the difficult years of peace that followed. It will appear by the remarks on the "French loan of ten million livres" that on the 21st of October, 1779, Henry Laurens was appointed a commissioner to negotiate a loan in Holland, and that, as he was not able to leave for Europe at the time, a commission was issued to John Adams, June 21, 1780, giving him authority to borrow in Holland, on the credit of the United States, a sum not exceeding $10,000,000, at not exceeding 6 per cent. interest. There was then no American minister in Holland, nor had that country yet acknowledged the United States as an independent nation. Mr. Adams, when he began his negotiations, held no commission authorizing him to treat with the government, and this fact proved an insurmountable obstacle in the way of obtaining a loan in Amsterdam. A commission as minister plenipotentiary to the court of the Hague had been issued to Mr. Laurens, and he had at last sailed for Europe, but his voyage had only resulted in landing him in the Tower of London, and his papers were in possession of the English.

Mr. Adams appeared in Amsterdam as the agent of thirteen states, unknown among nations, unrecognized and not asking for recognition by the government, but seeking a loan of millions. The repayment of the loan depended on the success of these states in a doubtful and disastrous war. It is not to be wondered at that the security seemed very uncertain to the careful Hollanders. The court of the Hague was evidently well disposed toward the colonies, and had shown this disposition in many ways, which had been the occasion of earnest remonstrances from the British minister. To one of his letters, demanding that American vessels be no longer allowed a shelter in their harbors nor American rebels an asylum in their country, the states general returned the haughty answer that "there were no gates to the Hague".

It does not appear why recognition and a treaty of amity and commerce had not been asked for earlier. No money could be borrowed in Holland until recognition was obtained. William Lee, minister to Prussia, had stopped in Amsterdam long enough to confer with Van Berckel, grand pensionary of that city, and to draw up the plan of a treaty; and this paper, captured with Mr. Laurens, finally involved the states general in war with Great Britain.

Mr. Adams began the attempt to negotiate a loan in September, 1780, and soon found that there were great difficulties in the way. He wrote to the president of the Continental Congress, September 19:*

> I was told that it was mysterious that Congress should empower any gentleman to negotiate a loan without at the same time empowering the same, or some other, to negotiate a political treaty of alliance and commerce consistent with the treaties already made with other powers; that a minister plenipotentiary here would be advised to apply directly to the prince and the states general; that he would not be affronted or ill-treated by either; whether publicly received or not, would be courted by many respectable individuals, and would greatly facilitate a loan.

He appears to have made the first application for a loan to the firm of Vollenhovens.†

> Mr. Bicker recommended the Vollenhovens as a house of unquestionable solidity, wholly Dutch, biased neither by France nor England. But they were too rich to hazard so dangerous an experiment. They declined my application to them at that time, and have repented since, as I believe, for they have endeavored to retrieve their error, and have succeeded, though not to so great advantage as they might have reaped if they had accepted my offer.

After the refusal of the Vollenhovens Mr. Adams applied to the house of Bowens & Sons, who also declined.‡

> This Mr. Bowens & Sons was a capital house in Amsterdam, near relations of Mr. Bicker, who recommended them to me after the Vollenhovens had refused. Although these gentlemen received me very kindly and politely, as the Vollenhovens had done, and gave me some hopes; yet the prince's denunciation of Mr. Van Berckel and the burgomasters of Amsterdam had excited such an alarm that the Bowens were intimidated and refused.

In the meantime Congress, sorely pressed for funds, seems to have drawn bills of exchange for money that had not yet been received, hoping that it might be obtained before the bills reached Europe. This had been done before, while Dr. Franklin was negotiating for loans in France, and had caused him very great embarrassment, leading to constant applications for small sums from the French treasury, some of which were granted, some denied, and part of the bills went to protest, though afterwards paid. Mr. Adams wrote to the president of Congress, November 17, 1780:§

> In the present critical state of things a commission of a minister plenipotentiary would be useful here. It would not be acknowledged, perhaps not produced, except in case of war (between Holland and England); but if peace should continue, it would secure its possessor the external respect of all. It would give him a right to claim and demand the prerogatives and privileges of a minister plenipotentiary in case anything should turn up which might require it. It would make him considered as the center of American affairs, and it would assist, if *anything would*, a loan. I cannot conclude without observing that I cannot think it would be safe for Congress to draw for money here until they shall receive certain information that these bills can be honored. There are bills arrived which, if Mr. Franklin cannot answer, must, for aught I know, be protested.

It was evident that American credit was very low in Holland. The defeat of General Gates at the South, the treason of Arnold, the capture of Laurens and his papers, which were soon to bring on a war between Holland and

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* Life and Works of John Adams, vol. vii, p. 259. † Ibid, p. 313. ‡ Ibid, p. 323. § Ibid, p. 331.

the English, were the reasons assigned for this. Added to this was the fact that Mr. Adams held no commission as minister in Holland. Congress finally removed this objection by appointing him minister plenipotentiary to negotiate a treaty of amity and commerce with the states general. The commission reached him in April, 1781, and he immediately presented a memorial to Peter Van Bleiswyck, grand pensionary of Holland, and to "the president of their high mightinesses for the week, the Baron Linden de Hemmen", asking to be received as minister from the United States of America. This memorial appears to have been under consideration for nearly a year. The constitution of the states general was peculiar, and to American ideas would seem to have been invented for preventing the transaction of any business whatever. The principle that the majority shall rule was not recognized, all bills requiring for their passage the unanimous vote of all the states of the Netherlands. The smallest province (and some of them were very minute) was able by its single vote to veto any bill whatever. This system caused a great delay in the settlement of the question, and rendered it necessary for Mr. Adams to call personally in January, 1782, on the delegates of each province and city. He found that the attainment of unanimity would be difficult, there being a strong English party at the court, though the republic was then at war with England. The Americans were blamed as the cause of the war, which had interrupted the trade of the country, and efforts were made to excite the mob of Amsterdam against them and their friends.

*All this had such an effect that all the best men seemed to shudder with fear. I should scarcely find credit in America if I were to relate anecdotes. It would be ungenerous to mention names, as well as unnecessary. I need only say that I was avoided like a pestilence by every man in government. Those gentlemen of the ranks of burgomasters, schepens, pensionaries, and even lawyers, who had treated me with great kindness, sociability, and even familiarity, dared not see me, dared not be at home when I visited at their houses, dared not return my visit, dared not answer in writing even a card that I wrote them. * * * Not long after arrived news of the capture of St. Eustatia, &c. This filled up the measure. You can have no idea, sir, no man who was not upon the spot can have any idea, of the gloom and terror that was spread by this event. The creatures of the court openly rejoiced in this, and threatened, some of them in the most impudent terms. I had certain information that some of them talked high of their expectations of popular insurrections against the burgomasters of Amsterdam and M. Van Berckel, and did Mr. Adams the honor to mention him as one who was to be hanged by the mob in their company.

When it became known, however, among the people of Holland that Mr. Adams held full powers as minister plenipotentiary, and was asking for a treaty of commerce and alliance, the machinations of the English party at court proved of avail only to delay, not prevent, the recognition of the republic of the west. The feelings of the masses are always safer guides than the selfish instincts of courtiers.

*The people, who are generally eager for a connection with America, began to talk, and paragraphs appeared in all the gazettes in Dutch, French, and German, containing a thousand ridiculous conjectures about the American embassador and his errand. One of my children could scarcely go to school without some pompous account of it in the Dutch papers. I had been long enough in this country to see tolerably well where the balance lay, and to know that America was so much respected by all parties that no one would dare offer any insult to her minister as soon as he should be known. I wrote my memorial and presented it in English, Dutch, and French. There was immediately the most universal and unanimous approbation of it expressed in all companies, pamphlets, and newspapers, and no criticism ever appeared against it.

While Mr. Adams was waiting the slow endeavors of the states general to arrive at unanimity, the province of Friesland, one of the states, took the resolution to recognize him as minister on her own account. The provinces and cities of Holland seem to have possessed the right of acting thus independently, even in matters affecting their foreign relations, each being, according to Mr. Adams, considered as an independent republic.* It would appear to American ideas that such a system would subject the nation to the inconvenience of being at any time involved in war, against its will, by the acts of some one member of the confederacy. This action of the province of Friesland was taken by Mr. Adams as indicating the result of his application to the states general. "Friesland is said to be a sure index of the national sense. The people of that province have ever been famous for the spirit of liberty. The feudal system never was admitted among them, they never would submit to it, and they have preserved those privileges which all others have long since surrendered." † One of the ancient statutes of Friesland, coming down from the days of paganism, declared that the people should be free "as long as the winds blow and the world stands". The Friesians are the nearest blood-relations of the Anglo-Saxon race.

Mr. Adams was not mistaken in his supposition that the action of Friesland indicated that of the states general. The vote by which he was received was taken in that province in February; in March, 1782, the states of Holland voted to recognize him, and on the 23d of April their "high mightinesses, the states general," appointed a committee to negotiate a treaty of amity and commerce with Mr. Adams,‡ as the representative of the United States of America, almost exactly one year after he had received his commission in that capacity. During this long deliberation Mr. Adams had continued his unsuccessful efforts to obtain a loan, having applied, among others, to the house of John de Neufville & Sons. This John de Neufville had at one time been negotiating with Dr. Franklin at Paris, offering to raise a large sum for the United Colonies, on condition that *the title to all the public lands in this country be made over to him*, a proposition the audacity of which must have amazed the doctor. He was very profuse in his promises to Mr. Adams, but very unsuccessful in placing the loan. All that was obtained through his house was 3,000 guilders, about $1,200.

* Adams' Works, vol. vii, p. 523. † Ibid., p. 539. ‡ Ibid., p. 573.

After the recognition of the United States, however, and the opening of the negotiations for a treaty of amity and commerce, the difficulties vanished. The surrender of Lord Cornwallis, October, 1781, had also a good effect on American credit. It became evident in the spring of 1782 that Great Britain would be compelled to acknowledge the independence of the United States. Mr. Adams applied, in May, 1782, to the firms of Wilhelm & Jan Willink, N. & J. van Staphorst, and De la Lande & Fynje, who, after some preliminary negotiation, agreed to raise the money. The Willinks and Van Staphorsts thus became, and long continued, the financial agents of the United States in Holland. For more than forty years they remained our European bankers, much to our advantage and probably to their own. During all this long period, their financial honor remained unsullied and their good faith unbroken. Years afterwards they purchased from the state of New York a large body of land, which became known as the "Holland land purchase", now a rich agricultural district in western New York.

The united firms offered a loan of 5,000,000 guilders ($2,000,000), to run for ten years, at 5 per cent. interest, then to be redeemed in five years, by paying each year a fifth part. As compensation for raising this money they asked $4\frac{1}{4}$ per cent., to include all the expenses, except a charge of 1 per cent. for paying out the annual interest and a charge of $\frac{1}{2}$ per cent. on the final redemption. To this last item Mr. Adams refused to accede. He offered them $4\frac{1}{2}$ per cent. to cover all charges except the 1 per cent. on the annual interest received and paid by them. To this they agreed, and the contract was closed, varying in no other particular from their first proposition. Five formal contracts for 1,000,000 guilders each, numbered from 1 to 5, were drawn up, "as advised by the ablest lawyers and most experienced notaries," setting forth these terms, with a great deal of verbiage, but which, as Mr. Adams observes in one of his letters, "meant only that the money having been borrowed must be paid." The contract was concluded June 11, and the five formal documents were confirmed by Congress September 14, 1782.* The placing of the loan went on meanwhile without waiting for the confirmation.

It appears that Mr. Adams had small hopes of obtaining the money very soon. In one of his letters he says: †

> Although I was obliged to engage with them to open the loan for five millions of guilders, I do not expect we shall obtain that sum for a long time. If we get a million and a half by Christmas it will be more than I expect.

The united firms, however, were more successful than he hoped. By the middle of August they were able to advise the Continental Congress that 1,300,000 florins awaited their order, besides reserving 200,000 guilders to meet bills of exchange which had already been drawn. By the end of the year they had raised 1,800,000 guilders, notwithstanding the fact that money was very scarce, owing to the demand caused by the war in which France, Spain, Holland, the United States, and England were engaged. During the year 1783 the sum of 1,460,000 guilders was paid into the hands of the bankers of the United States, although all the warring nations, and some not engaged in the fight, were striving to raise loans in the market of Holland.

Mr. Adams wrote to Secretary Livingston, July 28, 1783: ‡

> I have great pleasure in assuring you that there is not one foreign loan open in this republic which is in as good credit and goes so quick as mine. The empress of Russia opened a loan of five millions about the same time that I opened mine. She is far from having obtained three millions of it. Spain opened a loan with the house of Hope, at the same time, for two millions only, and you may depend upon it it is very far from being full. Not one-quarter part of the loan of France, upon life-rents, advantageous as it is to the lender, is full. * * * You will see persons and letters in America that will affirm that the Spanish loan is full, and that France and Spain can have what money they please here. Believe me, this is all stock-jobbing gasconade. I have made very particular inquiries, and find the foregoing account to be the truth. *Of all the sons of men, I believe the stock-jobbers are the greatest liars.*

Congress appears, during the negotiations, to have made some shipments of produce to Holland, as the united firms acknowledge, in December, 1783, the receipt and sale "of the cargo of tobacco of the ship Sally". Notwithstanding these shipments and the large amount received on the loan, however, Congress was so pressed for means, as to draw bills of exchange faster than money could be obtained to meet them, so that bills to the amount of 1,250,000 guilders went to protest. In this emergency the Messrs. Willink and their co-partners advised Mr. Adams that, owing to the great demand for money, and France having determined to open a new loan of one hundred millions on better terms than those offered by the United States, it would be necessary to either authorize a new loan, at higher rates, or to offer a higher interest on that which had already been placed on the market. It was finally determined to authorize a new loan while the negotiations for money under the old contracts still went on. During the year 1784 the sum of 1,488,000 guilders was received under the contracts for five millions; in 1785, 134,000; and in 1786, 118,000 guilders, making up a total of 5,000,000. This money was all repaid at the time provided for in the five contracts.

HOLLAND LOAN OF 1784.

On account of the demand for money in Holland in the year 1783, caused by the fact that nearly every nation in Europe was seeking loans at the same time, the subscriptions to the 5,000,000 loan, first negotiated by Mr. Adams, came in but slowly. At the same time there was extreme necessity for money to save the credit of the United States, already endangered by the fact that drafts for nearly 1,300,000 guilders in excess of the amount already raised in Holland had been drawn by Robert Morris, the superintendent of finance, part of which drafts had

* Journals of Congress, vol. iv, Appendix, p. 21. † Adams' Works, vol. vii, p. 599. ‡ Ibid., vol. viii, p. 118.

already reached Europe. The receipt of advices of these drafts in November, 1783, by the united firms of Wilhelm & Jan Willink, Nic. & Jacob van Staphorst, and De la Lande & Fynje, then financial agents and bankers of the United States in Europe, so alarmed them, that, although the intelligence was received on Sunday, a meeting of the co-partners was called on the afternoon of that day to consider the state of affairs. It was found that there were but 400,000 florins on hand to meet drafts for 1,250,000 guilders ($500,000). An express was immediately dispatched with the information to Mr. Adams, who was then in London, and a letter sent to Dr. Franklin in Paris, asking for assistance. Mr. Adams hastened to Amsterdam as soon as he could leave London, encountering a stormy passage across the German ocean in the dead of winter, but arriving too late to save the bills from protest. A part of these bills were payable in March, and the rest, the largest part, in May, 1784. Though too late to save them from protest for non-acceptance, an immediate and determined effort to raise the money before they became due was made, and was successful. It was apparent that but little could be hoped from the five million loan, which was still on the market, while wealthier nations than the United States were not only pressing for loans, but offering higher terms than Mr. Adams had offered. It was necessary to present additional inducements, and those which were determined on were rather extraordinary, causing the transaction, in fact, to assume the character partly of a loan and partly of a lottery. It is evident that Mr. Adams almost despaired of effecting anything. In a letter to Benjamin Franklin, of January 24, 1784, he says:*

I should look back with less chagrin upon the disagreeable passage from London, if we had succeeded in obtaining the object of it; but I find that I am here only to be a witness that American credit in this republic is dead, never to rise again, at least until the United States shall all agree upon some plan of revenue, and make it certain that interest and principal will be paid. There has been scarce an obligation sold since the news of the mutiny of soldiers in Philadelphia, and the diversity of sentiments among the States about the plan of impost.

It was at first determined to apply to the regency of the city of Amsterdam, in hopes that, to prevent a panic among a community whose interests were so entirely commercial, they might be induced to advance the money, but this application was refused. The next idea was to raise the interest, on the obligations still unsold, to 6 per cent., but even this was thought to be insufficient, and Mr. Adams seems to have considered himself bound by the authorizing act of Congress, which limited the interest to 6 per cent. It was finally determined to place a new loan on the market for 2,000,000 guilders at 4 per cent. per annum, and to distribute among the subscribers *by lot*, in subsequent years, obligations of the United States for 690,000 guilders, as a bonus or premium on the loan. These obligations were to bear interest at 4 per cent., unless paid by the United States in cash within six months. The loan was to run for seventeen years, then to be redeemable by annual payments, to be completed in six years, and as an additional inducement "gratifications", amounting to from 5 to 10 per cent., were to be paid at the time of redemption, to the holders of all the original certificates. It is difficult to make the transaction clear without quoting a large part of the original contract, which will be found in the Appendix to Journals of Congress, vol. iv, page 25.

* * * * That for the advantage of the persons who are participators in the above-mentioned obligations or bonds of participation, a certain number of obligations or bonds, each of 1,000 guilders, yielding likewise an interest of four in the hundred in the year, shall be distributed at the undermentioned periods, as premiums to the bearers of such numbers as shall have a right and be entitled thereto by a drawing, which is to be three months before, and in the presence of a notary public and witnesses.

FIRST OF FEBRUARY.

	Capital.		Capital.
1785, 50 obligations in all	50,000	1793, 100 obligations in all	100,000
1787, 60 obligations in all	60,000	1795, 120 obligations in all	120,000
1789, 70 obligations in all	70,000	1797, 200 obligations in all	200,000
1791, 90 obligations in all	90,000		

That the obligations or bonds arising from this drawing shall be likewise signed by Messrs. Wilhelm & Jan Willink, Nicholas & Jacob van Staphorst, and De la Lande & Fynje, or the successors of the said gentlemen for the time being, and duly attested by a notary, unless the United States of America might choose to pay off and discharge, in ready money, the premiums thus drawn six months after the drawing, to do which the honorable appearer by these presents reserves the liberty for the above-mentioned States of America. That the redeeming of the above-mentioned obligations or bonds of participation, as also of the premiums falling thereto in consequence of a drawing to be done annually, in the presence of a notary public and witnesses, shall be accomplished at the following periods:

On the 1st of February, 1801, shall be redeemed	250,000	
With the obligations distributed anno 1785	50,000	
		300,000
With a gratification at 4 per cent		12,000
On the 1st of February, 1802, shall be redeemed	250,000	
With the obligations distributed in 1787	60,000	
		310,000
With a gratification of 5 per cent		15,500

*Adams' Works, vol. viii, p. 171.

On the 1st of February, 1803, shall be redeemed	250,000	
With the obligations distributed in 1789	70,000	
		320,000
With a gratification of 6 per cent		19,200
On the 1st of February, 1804, shall be redeemed	250,000	
With the obligations distributed in 1791	90,000	
		340,000
With a gratification of 7 per cent		23,800
On the 1st of February, 1805, shall be redeemed	250,000	
With the obligations distributed in 1793	100,000	
		350,000
With a gratification of 8 per cent		28,000
On the 1st of February, 1806, shall be redeemed	250,000	
With the obligations distributed in 1795	120,000	
		370,000
With a gratification of 9 per cent		33,300
On the 1st of February, 1807, shall be redeemed	500,000	
And the obligations distributed in 1797	200,000	
		700,000
With a gratification of 10 per cent		70,000

That for the payment of the yearly interest, and the redeemings or liquidations to be done in consequence of the above-mentioned drawing, of which a due publication shall be made by advertisement in the public newspapers, the honorable appearer, in his aforesaid quality, and thus in the name of the United States of America, promises and engages to remit the necessary moneys thereto, to the above-mentioned gentlemen, Messrs. Wilhelm & Jan Willink, Nicolas & Jacob van Staphorst, and De la Lande & Fynje, and their successors, in good bills of exchange, products of America, or in ready money, without any abatement or deduction. * * *

This contract was signed in Amsterdam, March 9, 1874, and confirmed by Congress February 1, 1785, "at the city hall in New York." The United States by its terms were, for a principal of 2,000,000 guilders received, to return 2,891,800.

Mr. Adams thought the contract involved an enormous sacrifice, and expresses the fear that he "should be blamed by numbers of persons". He wrote to Benjamin Franklin before concluding the bargain that he despaired of obtaining the money "without agreeing to terms so disadvantageous as to be little better than the final protest of the bills". It is possible, in view of the distress he manifested at the time, that he had not submitted the terms and his fears to the calm logic of arithmetic. Computations show that if the United States cashed the obligations distributed by lottery within six months after the drawing, as they had the privilege of doing, and, as they actually did, the 4 per cent. interest on the loan, *with bonus and gratifications added*, amounted to less than 6¾ per cent. annual interest. He had expressed himself as willing and had been authorized by Congress to pay 6 per cent. interest; he was therefore sacrificing less than three-quarters of one per cent.

Benjamin Franklin, in commenting on the affair in one of his letters to Mr. Adams, says: "I hope these mischievous events will at length convince our people of the truth of what I long since wrote to them, that the *foundation of credit must be laid at home*," a golden maxim for all financiers, public and private.

The united firms were to receive on this loan, as on the five million loan, a commission of 4½ per cent. to cover all expenses. The money was raised in time to save the bills of exchange from being returned to the United States; in fact, more than 1,000,000 of guilders were received as an advance before the contract was signed; and the whole 2,000,000 were obtained within the year. It was all redeemed at the time and on the terms required by the contract.

HOLLAND LOAN OF 1787.

This loan appears to have been contracted in order to raise money with which to pay the interest on the previous loans in Holland, made in the years 1782 and 1784. The interest which had before fallen due had been paid, partly by remittances from America and partly by some portions of the amount received on the original loans. Although the experiment of issuing vast amounts of paper money had proved so disastrous, yet the policy of the government still ran in the same course, and a new emission of paper currency was afloat, which, on its face, was redeemable by the different States, individually, but indorsed by the United States, and was, by an act of March 18, 1780, to be issued at a not greater rate than one dollar of the new for each twenty of the old. The idea of replacing an inconvertible and valueless paper currency by another issue of a smaller amount, equally inconvertible and almost as valuelesss, was not a new one in finance. It is one of the regular stages on the downward road of paper money, as may yet be forcibly shown, when a financial Gibbon shall arise to write the history of its decline and fall.

Such imposts and duties as the Continental Congress was able to command or persuade, from the thirteen very independent states, were mostly paid in this new currency, which, being worthless abroad, rendered the payment of debts due in foreign countries by Congress a difficult matter. Yet this new Continental currency must have circulated with some freedom at home; for a letter of Thomas Pinckney to John Adams, July 10, 1787, speaks of intelligence having been received of attempts to counterfeit it by bills printed in Great Britain. A currency worth counterfeiting is evidently considered of some value. No definite information as to the amount of this currency issued appears on the records. It circulated at a considerable discount, until after the adoption of the present Constitution, under the names of the "New emission" and "Continental bills of credit", and was partially redeemed by being received in subscriptions to the stocks which were created to fund the domestic debt. Hamilton, in his report on the public credit, January 14, 1790, estimated the unliquidated amount of the domestic debt, consisting "chiefly of the continental bills of credit", at $2,000,000.* In January, 1795, he stated the amount of these bills for which the United States were liable at $90,574.†

It was the financial difficulties experienced under the old system of government that, more than anything else, brought about the calling of the convention which, in 1787, framed the present Constitution of the United States. The Continental Congress possessed sufficient authority to carry on war, to make peace, to conclude treaties, and to carry on most of the functions of government; but to do all this required a revenue, and for this they were dependent on the will of the states. It was evident that such a system could not last. At the time Mr. Adams began the negotiations for the loan, delegates to the constitutional convention had been chosen in most of the states, and the convention was in session before the loan was completed.

The firms of W. & J. Willink and N. & J. van Staphorst, the bankers of the United States in Holland, finding that the money for the June interest on the debt of the United States was not likely to be forthcoming in time, proposed to John Adams, who was then minister to England, and was at the time in London, the raising of a loan to meet it, and forwarded to him, May 18, 1787, their definite proposals, as follows:‡

AMSTERDAM, *May* 18, 1787.

Agreeably to what we had the honor to acquaint your excellency the 15th instant, we have exerted ourselves to procure money for payment of the interest due the 1st proximo by the United States—a matter very difficult to be accomplished, as we had against us the late news from America, no immediate flattering prospects, and an excessive scarcity of money here at present. We have, however, been successful enough to persuade the undertakers to subscribe to a new loan for one million of florins, upon the following conditions:

One thousand bonds for one thousand guilders each, to be issued on the same conditions as the preceding loan of five per centum, the interest commencing the first of June.

Of which thousand bonds, two hundred and forty to be immediately negotiated to the subscribers; the one-half of their amount to be paid upon the delivery of the bonds; the undertakers reserving to themselves the faculty of taking one month's credit for payment of the remaining half.

The surplus seven hundred and sixty bonds are to remain in our custody, subject to be delivered to the undertakers, each one in proportion to his subscription, at the same rate of those actually negotiated; at the expiration of which period those on hand will be at the free disposal of Congress.

Congress shall not be at liberty to make any further money negotiations in this country until the surplus seven hundred and sixty bonds shall be placed, or before the end of the eighteen months they are to lie at the choice of the undertakers to purchase them.

Such are the best conditions we have been able to obtain; and, although the money will cost the United States eight per cent., including premium, our commission, brokerage, and charges, we deem ourselves fortunate to have been thus able to face the June interest—an object your excellency justly views of the highest importance to the credit and interest of the United States.

By this arrangement we shall be obliged to advance part of the interest until the undertakers shall have completed payment for the engaged bonds, upon which advances we do not doubt the United States will most readily admit our charges of interest.

We endeavored all in our power that the money should be received by us in *récépissés*, and thus leave you the time to visit this country at your convenience to pass the bonds; but the undertakers have insisted, as an absolute condition, that they should be liable to pay only on receipt of the bonds signed and perfected by you, so that there is an indispensable necessity for your excellency's setting out for this country, with the full power you have from Congress, by the packet which will leave Harwich next Wednesday, or at latest on Saturday the 26th instant, when we will have everything ready, that your excellency may be able to return by the next or following packet.

We request your excellency to be assured nothing in our power was left untried to spare you this jaunt so suddenly, but, since the payment of the June interest entirely depends upon this exertion of your excellency, we are confident it will be undertaken with alacrity; and, upon this conviction, we have assumed to advertise the payment of the interest on the first of June, which is in all our newspapers of this day.

We are respectfully, &c.,

WILHELM AND JAN WILLINK.
NIC. AND JACOB VAN STAPHORST.

Mr. Adams held full powers to raise loans in Holland within the limit of $10,000,000, under the authorizing act of October 26, 1779, and the commission issued to him by Congress. He agreed to the terms, but asked Congress to confirm them, which was done. He wrote to the Secretary of State, Mr. Jay, June 16, 1787:§

Inclosed is a copy of the translation from the Dutch into English of the contract entered into by me in behalf of the United States, by virtue of their full power, for a million of guilders. This measure became absolutely necessary to prevent the total ruin of their credit and the greatest injustice to their former creditors, who are possessed of their obligations; for the failure in payment of the interest but for one day would, in Holland, cause these obligations to depreciate in value like paper money.

It is of great importance that this contract should receive a prompt ratification in Congress, and be retransmitted to Amsterdam as soon as possible. Whether this loan may not enable Congress or their board of treasury to raise the credit of their own paper at home in some degree, is for them to consider, and whether the board of treasury may not purchase produce to advantage and contract to have it delivered free of all risks and charges at Amsterdam, and pay for it in bills of exchange, I know not.

* American State Papers, "Finance," vol. i, p. 19.
† Annals of Congress, 1795, Appendix, p. 1349.
‡ Adams' Works, vol. viii, p. 440.
§ Ibid, p. 441.

The shipment of American produce under the authority of Congress, to meet demands in Europe, appears to have been a favorite idea among the American agents abroad, and had often been acted on, large amounts of tobacco, &c., having been sent to Beaumarchais and others. It was continued by the new government after the adoption of the Constitution of 1787, and extended to the purchase of cargoes of coffee and sugar. The contract for this loan, as confirmed by Congress, October 11, 1787, will be found in Journals of Congress, vol. iv, Appendix, p. 27. By its terms the loan was to run for ten years, at 5 per cent. per annum interest, then to be redeemable in five equal annual payments. It would appear from the letter of Willink and others that the United States received but 92 guilders for each 100 of obligations, as they state the amount of expenses at 8 per cent. It was all redeemed as provided for in the contract. The firm of De la Lande & Fynje who had been concerned in the previous loans had nothing to do with this; before the negotiations commenced, they had failed, owing the United States a considerable sum, only a part of which was recovered.

HOLLAND LOAN OF 1788.

This loan was negotiated to meet the expenses of the United States in Europe, and to afford a financial basis on which to start the new government at home. The new Constitution was to go into operation when ratified by nine states. Some of the states voted to accept it in 1787, but the vote of the ninth state, New Hampshire, was not secured until July, 1788. It was known in Europe, however, early in that year, that it would be ratified, and as the Continental Congress was utterly without funds to turn over to its successors, money must be provided in some way.

Thomas Jefferson was then minister of the United States at the court of Versailles, and with Mr. Adams, then about to return to America, conducted the negotiations. His account of the affair leaves little to be desired to make the matter clear.

*Among the debilities of the government of the Confederation, no one was more distinguished or more distressing than the utter impossibility of obtaining, from the states, the moneys necessary for the payment of debts, or even for the ordinary expenses of the government. Some contributed a little, some less, and some nothing; and the last furnished at length an excuse for the first to do nothing also. Mr. Adams, while residing at the Hague, had a general authority to borrow what sums might be requisite for ordinary and necessary expenses. Interest on the public debt and the maintenance of the diplomatic establishment in Europe had been habitually provided in this way. He was now elected Vice-president of the United States, was soon to return to America, and had referred our bankers to me for future counsel on our affairs in their hands. But I had no powers, no instructions, no means, and no familiarity with the subject. It had always been exclusively under his management, except as to occasional and partial deposits in the hands of Mr. Grand, banker in Paris, for special and local purposes. These last had been exhausted for some time, and I had frequently pressed the treasury board to replenish this particular deposit, as Mr. Grand now refused to make further advances. They answered candidly that no funds could be obtained until the new government should get into action and have time to make its arrangements. Mr. Adams had received his appointment to the court of London while engaged at Paris, with Dr. Franklin and myself, in the negotiations under our joint commissions. He had repaired thence to London without returning to the Hague to take leave of that government. He thought it necessary, however, to do so now before he should leave Europe, and accordingly went there. I learned his departure from London by a letter from Mrs. Adams, received on the very day on which he would arrive at the Hague. A consultation with him, and some provision for the future, was indispensable while we could yet avail ourselves of his powers, for when they would be gone we should be without resource. I was daily dunned by a company who had formerly made a small loan to the United States, the principal of which was now become due, and our bankers in Amsterdam had notified me that the interest on our general debt would be expected in June; that if we failed to pay it it would be deemed an act of bankruptcy, and would effectually destroy the credit of the United States and all future prospect of obtaining money there; that the loan they had been authorized to open, of which a third only was filled, had now ceased to get forward, and rendered desperate that hope of resource. I saw that there was not a moment to lose, and set out for the Hague on the second morning after receiving the information of Mr. Adams' journey. I went the direct road by Louvres, Senlis, Roye, Pont St. Maxence, Bois le Duc, Gournay, Peronne, Cambray, Bouchain, Valenciennes, Mons, Bruxelles, Malines, Antwerp, Mordick, and Rotterdam, to the Hague, where I happily found Mr. Adams. He concurred with me at once in opinion that something must be done, and that we ought to risk ourselves on doing it without instructions, to save the credit of the United States. We foresaw that before the new government could be adopted, assembled, establish its financial system, get the money into the treasury, and place it in Europe, considerable time would elapse; that therefore we had better provide at once for the years '88, '89, and '90, in order to place our government at its ease and our credit in security during that trying interval. We set out, therefore, by the way of Leyden, for Amsterdam, where we arrived on the 10th. I had prepared an estimate, showing that:

	Florins.	Florins.
There would be necessary for the year '88		531,937 10 0
'89		538,540 0 0
'90		473,540 0 0
Total		1,544,017 10 0
To meet this, the bankers had in hand	79,268 2 8	
And the unsold bonds would yield	542,800 0 0	622,068 2 8
Leaving a deficit of		921,949 7 4
We proposed then to borrow a million, yielding		920,000 0 0
Which would leave a small deficiency of		1,949 7 4

Mr. Adams accordingly executed 1,000 bonds for 1,000 florins each, and deposited them in the hands of our bankers, with instructions, however, not to issue them until Congress should ratify the measure. This done, he returned to London, and I set out for Paris; and as nothing urgent forbade it, I determined to return along the banks of the Rhine to Strasburg, and thence strike off to Paris. * * *

* Jefferson's Works, vol. i, p. 82, *et seq.*

There is one error in the above, apparently an error of memory. Mr. Jefferson speaks of Mr. Adams as *having been elected Vice-president*. The time of which he speaks is March or April, 1788. But the election for President and Vice-president had not then taken place; in fact, did not take place until January, 1789; and its result was unknown, even to Mr. Adams, until March of that year, as the following letter shows:*

NEW YORK, *March* 4, 1789.

MY DEAR FRIEND: I find, on inquiry, that you are elected Vice-president, having three or four times the number of votes of any other candidate. Maryland threw away their votes on Colonel Harrison, and South Carolina on Governor Rutledge, being, with some other States which were not unanimous for you, apprehensive that this was a necessary step to prevent your election to the chair. In this point they were mistaken, for the President, as I am informed from pretty good authority, has a unanimous vote. It is the universal wish of all that I have conferred with, and, indeed, their expectation, that both General Washington and yourself will accept, and should either refuse, it will have a very disagreeable effect. The members present met to day in the city hall; there being about eleven senators and thirteen representatives, and not constituting a quorum in either house, they adjourned till to-morrow.

Mrs. Gerry and the ladies join me in sincere regards to yourself, your lady, Colonel and Mrs. Smith; and be assured I remain, &c.

E. GERRY.

His election to the office of Vice-president in 1789 certainly was not the cause of Mr. Adams leaving Europe early in 1788. The contract for this loan, as ratified by Congress, provided that the sum of 1,000,000 guilders should be loaned to the United States for ten years, at 5 per cent. per annum, then to be redeemable in five equal annual payments of 200,000 guilders each, and the United States were to have the option of redeeming either by bills of exchange, American products, or ready money.† The amount of discount and expenses paid by the United States does not appear.

HOLLAND LOAN OF 1790.

The government of the United States, under the present Constitution, went into operation April 30, 1789. The first Wednesday in March, which in that year occurred on the fourth of the month, had been fixed, by an act of the Continental Congress, as the day for its commencement, but it was found impossible to get the members of Congress together in time. "The impotence of the late government, added to the dilatoriness inseparable from its perplexed mode of proceeding on the public business, and its continued session, had produced among the members of Congress such a habitual disregard of punctuality in their attendance on that body that, although the new government was to commence operations on the fourth of March, 1789, a House of Representatives was not formed until the first, nor a Senate until the sixth, of April."‡ Soon after the organization of the two houses the votes for President and Vice-president were counted. General Washington's election was officially announced to him at Mount Vernon on the 14th of April. He reached the city of New York, then the seat of government, on the 23d and was inaugurated on the 30th. John Adams appears to have been previously inaugurated Vice-president, as he was presiding in the Senate on the 21st of March, though there was then no quorum present.

Probably no new government ever started with more discouraging financial prospects. There was a debt of untold millions to be provided for, while there was not a dollar on hand even to meet current expenses. Means of raising revenue from an exhausted and impoverished country had yet to be devised, and these means, when invented, could not produce anything for months. There was no treasury department, and nothing to put in a treasury if one had existed. The board of treasury, instituted by the Continental Congress, appears to have been still in office, as they were called on by General Washington, in June, 1789, for a statement of their accounts, but they had no funds, and had issued warrants, in anticipation of future revenues, for over $140,000, which were afterward paid by the new government. The Treasury Department was created by act of Congress of September 2, 1789, Alexander Hamilton being appointed Secretary and Samuel Meredith treasurer. An act laying duties on importations was approved July 4, 1789, but no revenue was obtained under this act until September 29, when about $13,000 was received. As the only means of meeting current expenses, the Secretary negotiated temporary loans from the Bank of New York and Bank of North America, obtaining in this manner, in September and October, $140,000. This money was nearly all expended in paying the salaries of the President and Vice-president and the compensation of members of Congress.

The first payment from the new treasury was made September 26, 1789, and was the sum of $1,000 to George Washington on account of his salary as President of the United States. The accounts show that General Washington received, from September 26, 1789, to December 27, 1791, on account of his salary as President, the sum of $72,150, and up to March 4, 1797, when his term expired, a total of $196,121 on this account. He did not receive the full sum of $200,000, because his term of office fell short of eight years.

The expenditures for the year 1789 were estimated by a committee of the House of Representatives at $8,285,603\frac{87}{90}$, but the greater portion of this was for principal and interest due on the foreign and domestic debt, the current expenses of the year being estimated at but $630,101\frac{28}{90}$. The committee said that they were unable, from want of sufficient data, to make an approximate estimate of the revenue which would be realized. It was evident, however, that, while the government was supported principally by temporary loans, it would be impossible to attempt a reduction of the debt, and no payments on it were made during the year 1789, except the interest on the money borrowed in Holland.

* Adams' Works, vol. viii, p. 484. † Journals of Congress, vol. iv, Appendix, p. 61. ‡ Marshall's Life of Washington, vol. v, p. 151.

"An act making provision for the debt of the United States" was approved August 4, 1790 (1 Statutes, 138). This act provided that the surplus of customs and tonnage duties above the sum of $600,000 should be applied to the payment of the interest and the reduction of the principal of the foreign debt, and authorized the President to borrow, on the credit of the United States, a sum not exceeding $12,000,000, to be devoted to paying interest, arrears, and installments on the foreign debt, and to paying off the whole of it, if it could be effected on terms advantageous to the United States.

"An act making provision for the reduction of the public debt" was approved August 12, 1790 (1 Statutes, 186), by which the President was authorized to borrow, on behalf of the United States, a sum not exceeding $2,000,000, at an interest not exceeding 5 per cent., the money so borrowed to be applied to the purchase of the debt of the United States. These purchases were directed to be made under the direction of the president of the Senate, the Chief Justice, the Secretary of State, the Secretary of the Treasury, and the Attorney General, for the time being, any three of whom were authorized to cause such purchases to be made.

Under these acts the Secretary of the Treasury, Alexander Hamilton, authorized the houses of W. & J. Willink, N. & J. van Staphorst, and Hubbard to open negotiations for a loan of three million florins or guilders ($1,200,000), giving them authority to pledge the good faith of the United States for the payment of the interest and the repayment of the principal. The contract for the money has never been printed, but a translation of the original is to be found among the "Washington Papers" in the Department of State. It is dated November 12, 1790. It provided that the loan should be reimbursable within fourteen years, in five annual payments of 600,000 guilders each, the first payment to be made February 1, 1800, and on that day annually until paid.

Three thousand bonds or obligations of the United States, for one thousand guilders each, were to be issued, and in the December preceding each annual payment the numbers of six hundred of these were to be drawn by lot, in the presence of a notary, the numbers so drawn to be reimbursed in the following February. Coupons for the annual interest at 5 per cent. per annum were to be attached to each bond. For commission and all expenses connected with the loan the United States were to pay 4½ per cent. on the principal.

HOLLAND LOAN OF MARCH, 1791.

This loan, like the previous one, was contracted under the authority given by the acts of August 4 and 12, 1790. The Secretary of the Treasury, September 1, 1790, by direction of the President, authorized William Short, then chargé d'affaires at Paris, to proceed to Amsterdam and endeavor to effect a second loan under these acts. Mr. Short's instructions will be found in Hamilton's Works, vol. iv, p. 38. They were to the effect that he should borrow for the United States, on the best terms practicable, such sums as would be necessary to discharge the interest and such installments of the foreign debt as became due during the year 1791; to employ the houses of Willinks and the Van Staphorsts unless doubt should be entertained of their stability and influence in the money market, and to endeavor to reduce the amount of commissions below that which the United States had paid on previous loans. Mr. Short found no reason to discontinue the financial relations of the United States with the firms mentioned. He met with much difficulty in his efforts to reduce the amount of commissions to be paid, the bankers representing that but one power in the world, Austria, had obtained more favorable terms than the United States, and even in her case the difference was but one-half of one per cent. After some negotiation, however, the commission and brokerage were reduced to 4 per cent. It was determined to open a loan for two and a half million of guilders ($1,000,000), at 5 per cent. interest, the reimbursement to begin in ten years and to be completed in five, the United States to have the right to reimburse the whole at an earlier period if deemed proper.

The brokers, however, when consulted about the time for opening the loan, thought it an unfavorable moment for making loans in general, and especially for the United States, because their 5 per cent. loans were below par already, owing to many people selling these loans in order to place their funds in those made by the "liquidated debt" of the United States, which bore a higher rate of interest. They therefore advised postponing the opening of the loan until the following February, when it was thought there would be a better state of things in the money market. This was acccordingly done. The loan was brought on the market February 15, 1791, and was all taken up within two hours after being published on the exchange—a celerity, of which there had been no instance before in the loans for any country. The credit of the United States evidently stood high in Holland.

A translation of the original contract, as confirmed by the President, exists among the "Washington Papers" in the Department of State. It provided that the loan should run for eleven years, at 5 per cent. interest, then to be redeemable in the city of Amsterdam, on the 1st day of March in each year until paid, at the rate of 500,000 guilders per annum, the United States to have the privilege of reimbursing the whole sum or any part thereof at any earlier date if they should wish so to do.

Two thousand five hundred bonds of the United States, for 1,000 guilders each, were to be issued to the subscribers to the loan, and it was to be determined by lot which of these should be redeemed in any one year.

Redemption of this loan began March 1, 1802, and was completed in 1805, one year sooner than the time fixed in the contract, the United States having made a partial use of the option allowed.

HOLLAND LOAN OF SEPTEMBER, 1791.

Shortly after receiving notice of the successful negotiation of the loan for 2,500,000 guilders of March, 1791, Mr. Hamilton authorized the opening of a third loan under the enabling acts of August 4 and 12, 1790. His first idea was to open one for 3,000,000 guilders, and in a letter to William Short, who had negotiated the previous loan, and who was soon after appointed minister at the Hague, he limits him to that amount. Mr. Short, however, represented to him that there were times when large sums might be borrowed in Holland with facility, while at other times it was difficult to obtain small ones, and that, as a large amount was needed, it would be well to take advantage of these favorable moments for procuring it. His letter was submitted to the President, who thought it expedient to remove the restrictions as to the amount, and to authorize Mr. Short "to open, at his discretion, loans for the United States at such times and places as he might find advisable, within the limitations of the respective laws authorizing these loans".*

Hamilton transmitted the instructions of the President to Mr. Short, adding the qualification that: "With regard to such parts of the principal of our foreign debt as will not fall due till after the year 1792, no loan is to be opened which will cost the United States, in interest and charges, more than 4½ per cent. on the sum actually received by them. This restriction is founded on an expectation of being able, ere that period arrives, to borrow money within that limit."*

Mr. Short accordingly opened a loan for 6,000,000 guilders ($2,400,000), at 5 per cent., during the summer of 1791, and the money appears to have been obtained without difficulty. No copy of the contract is now to be found. It appears to have been a loan running for ten years, then to be redeemable in five equal annual payments of 1,200,000 guilders each. The charges for commission and brokerage were 4 per cent. The reimbursement began in 1802 and was completed in 1805.

ANTWERP LOAN OF 1791.

The idea of opening negotiations for a loan at Antwerp appears to have been first suggested by Gouverneur Morris, minister of the United States to the Revolutionary government at Paris. In his letter to the Secretary of the Treasury dated August 17, 1792, he says:

I formerly recommended to Mr. Short the opening of a loan at Antwerp, and it was attended with the best effects, for the capitalists of Amsterdam, who had shortly before induced our commissioners to believe that money could not be obtained there under 5 per cent., shortly after let us have it at 4 per cent. This I was sure would happen, for I had been in Holland, had studied the character of the money-lending people, and made myself acquainted with the manner of transacting business.

Before the subscriptions were concluded it was found that money was obtainable at lower rates, and a portion of the loan (950,000 guilders) was withdrawn from market.

The money obtained was remitted to France for the purpose of paying installments due on the debt to the government of that country. The redemption of this loan was, by contract, to have commenced December 1, 1802; but, although the money was ready, owing to some misapprehension on the part of the banker, was paid only May 1, 1803,† causing a loss to the United States of five months' interest. The redemption was completed in 1805, the United States using the option reserved so far as to anticipate the last payment. The American bankers in this transaction at Antwerp were Messrs. C. J. M. De Wolf & Co., and they remained the financial agents of the United States in that city until the death of Mr. De Wolf, in 1806. A copy of the contract for this loan was obtained by the writer in Antwerp in 1874, and its intrinsic value, together with the fact that it has never before appeared in print, is sufficient to warrant its insertion.

Copy of the Contract for the Antwerp loan of 1791.

[Translated from the Flemish.]

This thirtieth day of November, seventeen hundred and ninety-one, before me, John Gerard Deelen, public notary, duly appointed by the sovereign council of Brabant, residing at Antwerp, and in presence of the witnesses named hereinafter, personally appeared William Short, esquire, "chargé d'affaires" of the United States of America at the court of France, known by the witnesses as being appointed, by virtue of a warrant of the first of September, of the year seventeen hundred and ninety, by Alexander Hamilton, Secretary of State for the treasury of the United States of America, authorized to this effect by an "act of substitution" of the twenty-eighth of August, of the same year, seventeen hundred and ninety, by his excellency George Washington, President of the United States, duly empowered by two acts of Congress of the fourth and twelfth of August, seventeen hundred and ninety, to raise in some part of Europe a certain limited sum of money, and to conclude for that purpose any contracts or engagements as he may deem necessary, but in accordance with the documents deposited at the office of C. J. M. De Wolf, banker, of this town, and where they are to remain for the inspection of the money lenders. The appearer, by virtue of his above-mentioned commission, declares to owe to several persons, for account of the United States of America, a sum of three millions of florins of Brabant exchange money, received by him in his aforesaid capacity, in ready money, conformably to the receipts attached to the bonds mentioned hereinafter, each of one thousand florins of Brabant exchange money. The appearer, in his above-said capacity, promises to repay, free of expense, to the above-mentioned persons, or to the future holders of their bonds, the aforesaid sum of three millions of florins of Brabant exchange money, in this town of Antwerp, at the office of C. J. M. De Wolf, within fifteen years after the first of December, seventeen hundred and ninety-one, according to the conditions and terms stipulated hereinafter.

The aforesaid sum of three millions of florins cannot be reclaimed during eleven years after the first of December, seventeen hundred and ninety-one; but at the expiration of that period the sum of six hundred thousand florins, Brabant exchange money, shall be repaid,

*Hamilton's Works, vol. iv, p. 168.

†American State Papers, "Finance," vol. ii, p. 123.

and a similar sum at the same date of every successive year, in such a manner that the whole debt of three millions of florins shall be entirely discharged at the expiration of the fifteenth year.

The United States of America have, however, the right to repay sooner the whole sum or a part of it, but always in bonds of one thousand florins exchange money. In the mean time an annual interest of four and a half per cent. shall be paid for the aforesaid capital from the first of December, seventeen hundred and ninety-one, until the entire repayment of it, against "coupons" signed by Mr. Gouy, clerk in the office of C. J. M. De Wolf, or by those holders of bonds who may have preferred to have them made out in their own name.

The series of six hundred successive numbers, which after the expiration of eleven years are to be repaid yearly, shall each time be decided by drawings by lot in presence of the undersigned notary and witnesses, at the office of C. J. M. De Wolf, of this town, where the reimbursements shall be effected, together with the interest, at a date to be announced in the public newspapers.

The appearer, in his aforesaid capacity, declares that C. J. M. De Wolf, banker, of this town, is the director of the present negotiation, and promises in the name of his constituents that the amount of the annual interest, as well as the partial repayments, shall be yearly remitted to him without any expense to the money lenders. He further declares, in the name of his constituents, that neither the present loan of three millions of florins, Brabant exchange money, nor any part of it, shall ever be subject to any tax or duty already imposed or which may be imposed at any future period by the United States, or some of them, not even if a war or contest should break out between the United States, or some of them, on the one side, and the sovereign of these Belgian provinces on the other side, so that the repayment neither of the present capital nor of the interest can ever be interrupted or delayed under any pretext whatever.

The aforesaid appearer, in his above-mentioned capacity, and in the name of the United States of America, promises and binds himself that neither by them, nor in their name, nor by any of them, any covenant or treaty—private or public—shall be made which might be prejudicial to the validity or fulfillment of the present contract, or which might contain a clause at variance with its contents; so that the present contract will have its full effect without any exception, whatever may occur.

Moreover, for the sake of increasing the security, the appearer, in his above-mentioned capacity, promises and binds himself that the present contract shall be ratified as soon as possible by his excellency the President of the United States of America, and that an authentic copy of this ratification, as well as the translation of the original, shall be deposited at the office of the aforesaid director of the present negotiation, to remain there, together with the authentic copies of the translations, commissions, and warrants of the appearer, until the repayment of the capital and interest.

The appearer, in his above-mentioned capacity, consents that a number of three thousand copies of this contract shall be printed, each of which containing at foot a receipt of one thousand florins, Brabant exchange money, with a name or in blank, at the option of the money lenders, signed by the appearer, numbered from one to three thousand, and countersigned by C. J. M. De Wolf, for the sake of certifying that the number of partial contracts issued by virtue of this consent does not exceed that of three thousand. These partial contracts, with their receipts thereto attached, must be returned by the holders against repayment.

For the fulfillment of the premises the appearer, in his above-mentioned capacity, pledges the good faith of the United States of America; warrants everything contained in the acts of the Congress of the fourth and twelfth of August, seventeen hundred and ninety, and expressly renounces ever to take advantage of the law "*Duobus vel pluribus reis debendi*", as well as of the law "*Ordinis Divisionis, Excussionis*", of which the effects are known to him, and of which he promises never to avail himself.

The present contract was signed after a French translation had been made of it, to serve as a duplicate, which the appearer has likewise signed and deposited with me, the notary at Antwerp, in the presence of John A. Lanckpaep and John van Ouwenhuyzen as witnesses.

W. SHORT.
JEAN A. LANCKPAEP.
J. VAN OUWENHUYZEN.
JOANS. G. DEELEN,
Notary.

I, the undersigned, certify that the above is a true and genuine copy delivered by Alphonse Balthasar Pauwels, notary at Antwerp, and custodian of the deeds of the above-named Deelen, notary ——.

Antwerp, (7th) seventh November, eighteen hundred and seventy-four.

ALPHONSE PAUWELS.

Seen for legalization of the above signature of Mr. Pauwels, in his above stated capacity.
Antwerp, ninth November, eighteen hundred and seventy-four.
For the president of the civil court of justice:

ALFRED BERRE.

Seen for the legalization of the signature of Alfred Berre, given this tenth day of November, eighteen hundred and seventy-four.

ERNST FUCHS,
United States Vice-Consul.

I, the undersigned, certify that the above is a true and faithful translation.
Antwerp, 17th November, 1874.
[SEAL.]

C. F. JAEGER,
Sworn Translator.

Vu par nous, président du tribunal de 1re instance, séant à Anvers, pour légalisation de la signature de M. Jaeger, qualifié ci-dessus.
Anvers, 19 November, 1874.
[SEAL.]

TH. SMEKINS.

Seen for the legalization of the signature of Mr. Th. Smekins.
Given under my hand and the seal of this consulate the day and year above written.
[SEAL.]

ERNST FUCHS,
U. S. Vice-Consul.

HOLLAND LOAN OF DECEMBER, 1791.

The information respecting this loan is very scanty. It was negotiated in Holland under the authorizing acts of August 4 and 12, 1790, by Mr. Short. Finding that money could be obtained cheaper in Holland, he withdrew a portion of the Antwerp loan from market and opened a loan of 3,000,000 guilders ($1,200,000) in Amsterdam. He obtained the money at a lower rate of interest but a higher commission. It appears to have been negotiated to run for twelve years, at 4 per cent. interest, then to be redeemable in five equal annual payments of 600,000 guilders each. The charges for commission, brokerage, &c., were 5½ per cent. W. & J. Willinks, N. & J. van Staphorst, and Hubbard were the bankers employed in the transaction. The redemption commenced in 1803 and was completed in 1807.

HOLLAND LOAN OF 1792.

The instructions to borrow this money are contained in the following letter from the Secretary of the Treasury, Alexander Hamilton, to Mr. Short:*

TREASURY DEPARTMENT, *March* 21, 1792.

SIR: As the discharge of the arrears of interest and installments of the principal of the French debt, which are due, may have occasioned your power to borrow for that object to be suspended until you can obtain a loan at a rate of interest and charges sufficiently reduced, it is my wish that as soon as it shall be proper, after the receipt of this letter, you would proceed to borrow the sum of three millions of florins, on the terms of the Antwerp loan, to be applied to the purposes mentioned in the act of the 12th of August, 1790, for the reduction of the public debt.

I shall wish for the earliest advices upon this subject to enable me to direct the drafts, and I request your particular attention so to manage the operation that no loss of interest which can be avoided may take place.

The purposes mentioned in the act of the 12th of August, 1790, were the purchase of the debt of the United States (the domestic debt) at its market price, not exceeding par.

Mr. Short appears to have found no difficulty in obtaining the money on favorable terms.

A copy of the contract is not now to be found, but it was drawn for three millions of guilders ($1,200,000), at 4 per cent. interest, to run for eleven years, then to be redeemable in five equal annual payments of 600,000 guilders each. The commission and charges amounted to 5 per cent, with an additional charge of 1 per cent. on the interest received and paid. For some reason, which does not appear, the subscriptions to this loan were closed at 2,950,000 guilders. Its redemption began in 1803 and was completed in 1807.

HOLLAND LOAN OF 1793.

This money appears to have been the first installment due on the loan of five million guilders obtained by the Continental Congress in Holland in the year 1782. Mr. Hamilton proposed, in order to meet this and other payments, to obtain a new loan of five million guilders, but as it was found impossible to effect the arrangements in time, the bankers of the United States either furnished the money themselves, or obtained from the holders of the stock a reloan or continuation of the amount for ten years at the same rate of interest. The following letter from Mr. Hamilton appears to have been the authority under which the affair was transacted by the bankers, though it was written principally in reference to a subsequent transaction:†

Hamilton to Messrs. W. & J. Willink, N. & G. Van Staphorst, and Hubbard, Bankers, Amsterdam.

TREASURY DEPARTMENT, PHILADELPHIA, *March* 15, 1793.

GENTLEMEN: I received, two days since, the letter which you did me the honor to write me of the 14th of January last, inclosing the copy of one of the same date to Mr. Short.

I regret the state of things as there exhibited; and my regret will be increased, if circumstances shall have rendered it necessary to allow the high rate of 5 per cent. for the contemplated loan. I hope, nevertheless, a better issue from your zeal and intelligent exertions; and, in time to come, every effort must be made here to avoid a like necessity. If the thing were still in my power, I should decline the loan altogether.

Lest a disappointment should attend the obtaining of a loan, I have taken measures to arrest, in your hands, 495,000 guilders of the sum which I last advised you would be drawn for. The sale having been made to the Bank of the United States, has left this expedient in my power. I shall, in addition to this, cause to be remitted to you, between this time and the third of next month—when the British packet sails—the further sum of 975,000 guilders, in bills upon London and Amsterdam, unless I should, in the meantime, hear of a loan having been undertaken. I cannot doubt that it will be, at all events, in your power to make temporary arrangements to face the exigency, should any delays ensue which may prevent these means being in measure for the demand.

The means at their command were not sufficient and the reloan was made as the only practicable arrangement. It was to run for ten years, at 5 per cent. interest, then to be redeemable in one payment. The commission and charges amounted to 3½ per cent. It was reimbursed in the year 1803.

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* Hamilton's Works, vol. iv, p. 193.

† Ibid., p. 346.

HOLLAND LOAN OF 1794.

It appears to have been determined, in the year 1793, to borrow an additional sum of five million guilders under the acts of August 4 and 12, 1790, the power to borrow conferred on the President by those acts not having been fully used, and money being needed to pay installments and interest on the foreign debt and to make purchases of the domestic debt under the acts constituting a sinking fund. At the same time it was probable that the United States might need large sums for military purposes, or at least to make preparations for war. There was a prospect at home of general hostilities with the Indians, on whose territory the white population was beginning to encroach, while abroad the French Revolution had set Europe in a blaze. France had already declared war against England, Russia, and Holland. It was possible that this war would involve, as it did, every nation in Europe, while it was doubtful if the United States would be able to preserve its neutrality. Hamilton submitted the question of a loan to the President, who, before deciding, required a statement of the operations of the treasury under the authorizing acts of 1790. Hamilton transmitted the statement June 24, 1793,* from which it appeared that there had been borrowed, under these acts, $7,546,666 64, leaving, still unused, authority to borrow the sum of $6,453,333 36. One of the purposes for which the money was wanted was the payment of a million guilders, due as an installment on the first loan contracted by the Continental Congress in Holland, but advices were soon received that this installment had been reloaned to the United States for another ten years. This reduced the amount required to four millions, which was subsequently cut down by Washington to three millions, as the rates of interest and charges asked for money in Holland had increased, while the prospect of war had become less. Hamilton's instructions to the bankers of the United States in Amsterdam are found in the following letter:†

Hamilton to W. & J. Willink, N. & J. Van Staphorst, and Hubbard, Bankers, Amsterdam.

TREASURY DEPARTMENT, *August* 12, 1793.

GENTLEMEN: I have lately the pleasure of your letters of the 22d of April and 1st of May. The last was particularly acceptable, as it removed all anxiety about the June payment in a mode quite satisfactory to me.

The low prices at which our stocks have been for some time past, owing to the state of affairs in Europe (which has tended to lower them in two ways, by lessening the foreign demand and by opening new channels for the more beneficial employment of our domestic capital), indicate the expediency of extending the purchases of stock on account of the government, which at present yields a very decided advantage.

Upon this ground it is judged advisable to endeavor to obtain a loan in Holland for three millions of florins, though better terms should not be obtainable than 5 per cent. interest and 4 per cent. charges.

Not expecting that Mr. Short will be in Holland when this letter reaches you, and having full confidence in your pure zeal for the interests of the United States, I have concluded to address an instruction for the above purpose immediately to you.

In the event, therefore, of Mr. Short's not being in Holland when this letter is received, you will take measures, of yourselves, to obtain a loan for the above sum, within the limit above specified.

I count, nevertheless, upon your zealous exertions, if the state of the market should possibly admit of it, to obtain the loan at a lower rate of interest. The success of your endeavors for that purpose will be particularly gratifying to me, and will be, in more than one way, useful to our affairs. It is important, too, that I should receive the earliest advice of what you shall do.

The inclosed letter for Mr. Short advises him of the present arrangement, and desires him to co-operate in whatever may be necessary to give the business due form.

With great and real consideration and esteem, I am, &c.

Under these instructions the Messrs. Willink, Van Staphorst, and Hubbard opened the loan about December 1, 1793, and obtained the money by August 31, 1794. The general war in Europe had raised the price of money, though it had a favorable effect on the credit of the United States as a neutral power in the great contest.

The formal contract for the money cannot now be found. It seems to have borne the date of April 10, 1794, and was for a loan of 3,000,000 guilders ($1,200,000), to run for eleven years at 5 per cent. interest, then to be redeemable in five equal annual payments of 600,000 guilders each. The charges for commission and brokerage were 4 per cent. Its redemption commenced in the year 1805 and was completed in 1809. This closes the account of the Holland loans. They amounted to 32,500,000 guilders ($13,000,000), of which 9,000,000 guilders were borrowed under the authority of the Continental Congress and 23,500,000 guilders ($9,400,000) by the present government of the United States, which began and completed the redemption of the whole.

A part of the redemption of these loans was effected in rather a singular way. Instead of buying bills of exchange and remitting them, the Secretary of the Treasury purchased cargoes of coffee and sugar, deliverable in Holland, paying the owners in this country. These cargoes were consigned to the bankers of the United States in Amsterdam, sold by them, and the net proceeds applied in the redemption of the debt. These shipments began in the year 1795 and continued until 1803 or 1804.

Of the $9,400,000 borrowed by the present government over $3,000,000 was paid into the treasury of the United States and used in buying up the domestic debt, under the operations of the sinking fund; the balance was used in paying the debt due Spain, debts due to foreign officers who had served in the armies of the Revolution, and a large portion in paying off a part of the debt due France. In connection with these payments to France, an

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* Hamilton's Works, vol. iv. p. 466.

† Ibid., p. 466.

interesting question arose. The French "assignats", as they were called, had depreciated enormously, yet they were a legal tender in France, and were receivable at the French treasury at par. It was suggested that it might be possible to wipe out the entire French debt by purchasing the assignats at their market price and paying them out in France at their nominal and legal value. The idea was a tempting one. The money borrowed in Holland had been raised with difficulty, part of it by heavy sacrifices, and to pay the interest and installments on these loans as they fell due was a heavy burden on a treasury sustained by loans and by the scanty revenues drawn from an impoverished country. To pay France in her own currency would have relieved the United States at once from the pressure of a large amount of foreign indebtedness. The proposition was rejected by the President, however, probably from the self-evident fact that, though legal, it was not honorable to take advantage of the miserable state of financial affairs in France. The President directed the secretary to make the payment "in a mode which will exempt the parties receiving from the loss attendant on the depreciation of the assignats, and, at the same time, occasion no loss to the United States". This was done, "giving to each creditor his option either to receive bills on Amsterdam, dollar for dollar, according to the *intrinsic par of the metals* at Paris and Amsterdam, or to receive an equivalent in assignats, according to the current rate of exchange between Paris and Holland at the time". The only profit received by the United States in the transaction was the gain on the rates of exchange between Paris and Amsterdam on payments in gold and silver.

DEBT DUE FOREIGN OFFICERS.

There were many foreign officers who fought in the armies of the Revolution. Of these, some were sent to this country by M. de Beaumarchais in the same vessels that brought cargoes of military supplies; but this statement does not apply to La Fayette, Steuben, Kosciusko, and others of high rank or of great military experience in the wars of Europe. These, and a large number whose achievements are forgotten, and of whose record nothing remains save what is found in the journals of the Continental Congress and the archives of the Treasury Department, through which they received pay for their services, reached the American armies by their own independent means. Several of these officers, however, had overestimated the reward they expected to receive, while others followed with equally high expectations, and in many cases with such extravagant promises made them as to cause serious trouble to Congress.

Native officers who had risen to high rank in the Revolutionary army were not inclined to be quietly superseded by foreigners. Among those who were sent over by Beaumarchais was M. du Coudray, who came under a contract, by which he was to receive the rank of major general, with the command of the artillery. But General Knox was in command of the artillery, and was one of Washington's most trusted officers. To take the command from him and give it to a foreigner ignorant of the language of the troops he was to command, would have caused the immediate resignation of Knox, and would have demoralized the service; while to decline to acknowledge a contract made by an American commissioner in Paris, would have caused great embarrassment, especially when the contracting party had come three thousand miles to claim its fulfillment. The question was postponed in Congress, Du Coudray consenting to serve as a volunteer with a nominal rank until a decision was made. Before it was formally settled he was accidentally drowned while crossing the Schuylkill river. Many of those who came over from Europe to seek commissions in the American army were men of high character, and their services have added luster to our military history.

The Continental Congress was unable, when the war closed, to pay the army in full, much difficulty being found in obtaining even enough money to send the soldiers to their places of enlistment. The foreign officers, so far as pay was concerned, probably fared rather better than the American soldiers, a strong effort being made to pay them as large a portion of the amount due them as possible; but to pay them in full, could not be done. An adjustment of their accounts was made in 1782, and a part of their demands was paid in cash. For the balance, certificates of indebtedness were given, bearing an interest of 6 per cent. These certificates, like all paper of the Continental Congress, depreciated rapidly in value, and in January, 1784, under a resolution of Congress, they were called in and new certificates were issued, dated "y[e] 5th April, 1784", bearing interest at 6 per cent. from January 1, payable annually at the house of M. Grand, banker, in Paris. No time for the redemption of these certificates was named. The total amount of certificates or bonds issued was $186,988 78. Their redemption began in 1792 under instructions from the Secretary of the Treasury, who directed that a part of the Holland loan of 2,950,000 guilders should be used for that purpose, paying the holders of the bonds in gold or its equivalent, and not in the depreciated paper currency of France. In 1803 the larger portion had been reimbursed, but a small amount remained outstanding, not having been presented for payment. It was not until the year 1828 that all were redeemed.

The original bonds, which are all well preserved, were printed on parchment, and were the only bonds of the United States issued on this material.

TEMPORARY LOAN OF 1789.

On assuming the position of Secretary of the Treasury, Hamilton found himself entirely without funds to meet the ordinary expenses of the government, except by borrowing, until such time as the revenues from duties on imports and tonnage began to come into the treasury. Under these circumstances he was forced to make arrangements with the Bank of New York and the Bank of North America for temporary loans, and it was the money received from these banks that paid the first installment of salary due President Washington, senators, representatives, and officers of Congress, during the first session under the Constitution, which began at the city of New York, March 4, 1789.

The following copy of a circular to the collector of customs at Baltimore, Maryland, refers to negotiations which had been recently made with the banks named:*

TREASURY DEPARTMENT, *September* 22, 1789.

SIR: In consequence of arrangements lately taken with the Bank of North America and the Bank of New York, for the accommodation of the government, I am to inform you that it is my desire that the notes of those banks, payable either on demand or at no longer period than thirty days after their respective dates, should be received in payment of the duties as equivalent to gold and silver, and that they will be received from you as such by the treasurer of the United States. This measure, beside the immediate accommodation to which it has reference, will facilitate remittances from the several States, without drawing away their specie—an advantage in every view important. I shall cause you shortly to be furnished with such indications of the genuine notes, as will serve to guard you against counterfeits, and shall direct the manner of remitting them. In the meantime, and until further orders, you will please to receive them, transmitting to me a weekly account of your receipts and payments. The treasurer of the United States will probably have occasion to draw upon you for part of the compensation for members of Congress from your state. These drafts you will also receive, in payment of the duties, or in exchange for any specie arising from them which shall have come to your hands.

I am, sir, your obedient servant,

ALEXANDER HAMILTON,
Secretary of the Treasury.

OTHO H. WILLIAMS, Esq.,
Collector of the Customs for Baltimore, Maryland.

The following is an extract from the report of the Secretary of the Treasury to the House of Representatives, dated March 1, 1790, transmitting additional estimates of appropriations required:†

As to the interest on loans for the current service: those which have been already made, were the result of necessity; they have been in great part satisfied, and the residue will shortly be reimbursed out of the product of the duties; but the interest, being an extra expenditure, requires an appropriation; and, as a further anticipation of the receipts into the treasury, to satisfy immediate demands upon it, will be unavoidable, it is necessary that this also should be provided for. Obvious considerations dictate the propriety, in future cases, of making previous provision, by law, for such loans as the public exigencies may call for, defining their extent, and giving special authority to make them.

The estimate is as follows:‡

For the payment of interest which has already arisen on the two loans made by the Secretary of the Treasury, viz:	
On $90,000 borrowed of the Bank of North America	$2,085 06
On $80,000 borrowed of the Bank of New York	1,934 82
	4,019 88
Deduct for interest arising on moneys paid into those banks, of the collectors of the duties on imports and tonnage, for the ports of Philadelphia, and New York, in part payment of the said loans	1,605 27
	2,414 61
Interest upon further loans which will be necessary for expenditures during the present year, before the receipts into the treasury, from the established revenues can become adequate to the demands upon it	2,585 39
	5,000 00

The loans referred to were contracted for as follows:

September 13, 1789, $20,000.—A loan agreed to be made by the Bank of New York to the Secretary of War, in pursuance of an appropriation made by an act of Congress of the 20th of August, 1789 (1 Statutes, 54).

This act provides: "That a sum not exceeding $20,000 arising from the duties on imports and tonnage, shall be, and the same is hereby, appropriated to defraying the expenses of negotiating and treating with the Indian tribes."

September 14, 1789, $30,000.—A loan agreed to be made by the Bank of New York to the United States, conformably to certain articles of agreement of the same date.

September 21, 1789, $50,000.—A loan agreed to be made by the Bank of North America to the United States, conformably to certain articles of agreement of September 17.

October 1, 1789, $20,000.—A loan agreed to be made by the Bank of New York to the United States, conformably to certain articles of agreement of October 1.

October 10, 1789, $20,000.—A loan agreed to be made by the Bank of North America to the United States conformably to certain articles of agreement of October 10.

December 1, 1789, $10,000.—A loan this day agreed to be made by the Bank of New York to the United States.

December 2, 1789, $20,000.—A loan agreed to be made by the Bank of North America, conformably to articles of agreement of November 30, and $8 81 for an overcharge in their interest account.§

December 2, 1789, $1,600.—For a warrant (No. 6) drawn by the Secretary of the Treasury on Joseph Howell, jr., paymaster general, in favor of the treasurer, being for the present service of the public.

*Hamilton's Works, vol. iii, p. 537.
†American State Papers, "Finance," vol. i, p. 38.
‡Ibid., p. 42.
§Receipts and expenditures, 1789–'91, p. 45.

February 17, 1790, $20,000.—Being in part of a loan of $50,000, agreed to be made by the Bank of New York to the United States, conformably to certain articles of agreement of the same date.

These loans were all repaid according to contract, the final payment being made June 8, 1790.

TEMPORARY LOAN OF 1790.

The seventh section of the act of March 26, 1790 (1 Statutes, 105), authorized the President to empower the Secretary of the Treasury to make such loans as might be requisite to carry into effect certain specific appropriations made by the act. In this connection the following, copied from manuscript papers now deposited in the State Department, will sufficiently explain the circumstances which necessitated the making of this loan:

The Secretary of the Treasury begs leave respectfully to inform the President of the United States of America:

That, in order to be able to furnish, in the course of the ensuing month, for the compensation of the members of Congress and the officers and servants of the two houses, a sum of about $60,000; for the payment of the salaries of the civil list to the end of the present month, a sum of about $40,000; for the use of the Department of War, a sum of about $50,000; and for procuring bills to pay an arrear of interest on the Dutch loans to the first of June next, a sum of about $35,000 (amounting together to about $185,000)—it will be requisite to obtain a loan of $100,000.

There being in the treasury now a sum not exceeding $50,000, including $30,000 which the Bank of New York stands engaged to advance on demand, to complete a loan of $50,000, stipulated for on the 17th day of February last, which is considered as equivalent to a sum in the treasury; and inasmuch as the payment of former loans and other current demands will probably call for a considerable part of the moneys which may be expected in the interim from the product of the revenues: Wherefore, the said Secretary submits to the President of the United States the propriety of authorizing a loan to be made to the extent of the said sum of $100,000.

A. HAMILTON,
Secretary of the Treasury.

TREASURY DEPARTMENT, *March* 29, 1790.

The Secretary of the Treasury is hereby authorized to negotiate and agree for a loan to the United States, to an amount not exceeding $100,000, bearing an interest not exceeding 6 per cent. per annum, to be applied toward carrying into effect the appropriations made by the act entitled "An act making appropriations for the support of government for the year 1790", and according to the annexed representation.

G. WASHINGTON.

UNITED STATES, *March* 31, 1790.

SIX PER CENT., THREE PER CENT., AND DEFERRED SIX PER CENT. STOCKS OF 1790.

The mass of debt which devolved upon the United States, as an inheritance from the Continental Congress and the several colonies, engaged the attention of the national legislature soon after the adoption of the Constitution. The debt was very large and depreciated, and was still depreciating in value; but it was the price of liberty, and the payment of that portion of it contracted by national authority was made obligatory by the new Constitution. It was necessary, therefore, to provide for it in some way, although the payment of even the interest seemed impossible in the exhausted condition of the country at that time.

In reply to a confidential letter from President Washington, dated Mount Vernon, July 29, 1792, Hamilton says:*

The general inducements to a provision for the public debt were:

1. To preserve the public faith and integrity by fulfilling, as far as was practicable, the public engagements.
2. To manifest a due respect for property, by satisfying the public obligations in the hands of the public *creditors*, and which were as much their property as their houses or their lands, their hats or their coats.
3. To revive and establish public credit, the palladium of public safety.
4. To preserve the government itself by showing it worthy of the confidence which was placed in it; to procure to the community the blessings which in innumerable ways attend confidence in the government, and to avoid the evils which in as many ways attend the want of confidence in it.

On September 21, 1789, the House of Representatives adopted the following resolutions:

Resolved, That this House consider an adequate provision for the support of the public credit as a matter of high importance to the national honor and prosperity.

Resolved, That the Secretary of the Treasury be directed to prepare a plan for that purpose, and to report the same to this House at its next meeting.

There were many difficulties in the way of adopting a plan which would be satisfactory; in fact, to do even-handed justice was probably impossible. One great difficulty was in the many different kinds of debt which it was thought should be paid by the United States. These various kinds of debt had depreciated in different ways; and on many just claims, which had been purchased of the original owners for a trifle, a large amount of interest was due, in some cases amounting to more than the purchase-money for the claims themselves. This debt was due on account of foreign loans obtained in France and Holland; the obligations of the Continental Congress

* Hamilton's Works, vol. iv, pp. 254, 255.

given for loans, or in payment of supplies at home; loan-office certificates; continental bills of credit; continental currency; the paper currency of the different States; the floating debt of the government not credited, and of unknown amount; and the debts of the different States.

The following statement shows the indebtedness of the United States at the organization of the present form of government, including arrearages of interest to January 1, 1790:

French loan of eighteen million livres	$3,267,000 00
French loan of ten million livres	1,815,000 00
French loan of six million livres	1,089,000 00
Loan from farmers-general of France, balance due	153,688 89
Loan from Spain in 1781	174,017 13
Holland loan of 1782	2,000,000 00
Holland loan of 1784	800,000 00
Holland loan of 1787	400,000 00
Holland loan of 1788	400,000 00
Total principal of foreign debts	10,098,706 02
Balance due France for military supplies	24,332 86
Arrearages of interest to January 1, 1790	1,760,277 08
Debt due foreign officers who had served in the war of the Revolution	186,988 78
Arrearages of interest to January 1, 1790	11,219 32
Principal of the domestic debt, estimated	28,858,180 65
Arrearages of interest to January 1, 1790, estimated	11,398,621 80
	52,338,326 51
Add to this arrears and claims against the late government outstanding and subsequently discharged.	450,395 52
Making the total debt of the United States January 1, 1790	52,788,722 03

To this should be added the individual debts of the several states, the precise amount and character of which was then unknown, estimated by Hamilton at that time to aggregate about $25,000,000.

There were two kinds of debt in the adjustment of which there seems to have been no difficulty: One was the undisputed foreign debt, where the lenders had paid for their bonds in gold, on the faith of the Continental Congress; the other was the paper money issued by Congress and the several states.

Authorities vary much as to the amount of paper money issued during the struggle for independence. Possibly Mr. Jefferson's statement in his writings may be taken as approximate to the truth, and it affords, at the same time, a striking exhibit of the effects of the inflation of our paper currency:*

On the commencement of the late Revolution Congress had no money. The external commerce of the states being suppressed, the farmer could not sell his produce, and, of course, could not pay a tax. Congress had no resource then but in *paper money.* Not being able to lay a tax for its redemption, they could only promise that taxes should be laid for that purpose, so as to redeem the bills by a certain day. They did not foresee the long continuance of the war, the almost total suppression of their exports, and other events which rendered the performance of their engagements impossible. The paper money continued for a twelvemonth equal to gold and silver; but the quantities which they were obliged to emit, for the purpose of the war, exceeded what had been the usual quantity of the circulating medium.

It began, therefore, to become cheaper or, as we expressed it, it depreciated, as gold and silver would have done had they been thrown into circulation in equal quantities. But not having, like them, an intrinsic value, its depreciation was more rapid and greater than could ever have happened with them. In two years it had fallen to two dollars of paper money for one of silver; in three years to four for one; in nine months more it fell to ten for one; and in the six months following, that is to say, by September, 1779, it had fallen to twenty for one.

Congress, alarmed at the consequences which were to be apprehended should they lose this resource altogether, thought it necessary to make a vigorous effort to stop its further depreciation. They therefore determined, in the first place, that their emissions should not exceed two hundred millions of dollars, to which sum they were then nearly arrived, and though they knew that twenty dollars of what they were then issuing would buy no more for their army than one silver dollar would buy, yet they thought it would be worth while to submit to the sacrifice of nineteen out of twenty dollars if they could thereby stop further depreciation. They therefore published an address to their constituents, in which they renewed their original declarations that this paper money should be redeemed at dollar for dollar. They proved the ability of the states to do this, and that their liberty would be cheaply bought at this price. The declaration was ineffectual. No man received the money at a better rate. On the contrary, in six months more, that is, by March, 1780, it had fallen to forty for one. Congress then tried an experiment of a different kind. Considering their former offers to redeem this money at par as relinquished, by the general refusal to take it but in progressive depreciation, they required the whole to be brought in, declared it should be redeemed at its present value of forty for one, and that they would give to the holders new bills, reduced in their denomination to the sum of gold or silver which was actually to be paid for them. This would reduce the nominal sum of the mass in circulation to the present worth of that mass, which was five millions, a sum not too great for the circulation of the states, and which they therefore hoped would not depreciate further, as they continued firm in their purpose of emitting no more. This effort was as unavailing as the former. Very little of the money was brought in.

It continued to circulate and to depreciate till the end of 1780, when it had fallen to seventy-five for one; and the money circulated from the French army being, by that time, sensible in all the states north of the Potomac, the paper ceased its circulation altogether in those states. In Virginia and North Carolina it continued a year longer, within which time it fell to one thousand for one, and then expired, as it had done in the other states, without a single groan. Not a murmur was heard on this occasion among the people. On the contrary, universal congratulations took place on their seeing this gigantic mass, whose dissolution had threatened convulsions which should shake their infant Confederacy to its center, quietly interred in its grave.

* Jefferson's Works, vol. ix, p. 248.

Jefferson estimates the value of the two hundred millions of Continental currency *at the time of its emission* at $36,367,719 83 in specie, and says: *

If we estimate at the same value the like sum of $200,000,000 supposed to have been emitted by the states, and reckon the federal debt, foreign and domestic, at about $43,000,000, and the state debts at $25,000,000, it will form an amount of $140,000,000, the total sum which the war cost the United States. It continued eight years from the battle of Lexington to the cessation of hostilities in America. The annual expense was therefore equal to about $17,500,000 in specie.

A portion of the domestic debt had been audited by authority of the Continental Congress, and certificates given therefor. This was called the "liquidated" debt; while the floating debt, not yet audited, was called the "unliquidated."

The question of assuming the debts of the several states was one that gave rise to excited debate and much angry feeling. The states had contracted these debts, partly in defending themselves against the common enemy, partly in carrying on their governments or in undertakings with which the rest of the continent had nothing to do. Some of them were largely indebted to the general government, while others again claimed large amounts due them from the Confederation.

In relation to this subject, Hamilton, in his letter to Washington, before referred to, says: †

The particular inducements to an assumption of the state debts were:

1. To consolidate the finances of the country, and give an assurance of permanent order in them; avoiding the collision of thirteen different and independent systems of finance under concurrent and coequal authorities, and the scramblings for revenue which would have been incident to so many different systems.

2. To secure to the government of the Union, by avoiding those entanglements, an effectual command of the resources of the Union for present and future exigencies.

3. To *equalize the condition* of the citizens of the several states in the important article of taxation; rescuing a part of them from being oppressed with burdens beyond their strength, on account of extraordinary exertions in the war and through the want of certain adventitious resources which it was the good fortune of others to possess.

On the 9th of January, 1790, Hamilton made his report to the House of Representatives, in obedience to the resolution of September 21, 1789, before referred to, in which he gave many reasons for assuming the debts of the old government and of the several states, and furnished a plan for supporting the public credit. His recommendations were finally adopted, and embodied in the act making provision for the payment of the debt of the United States, approved August 4, 1790 (1 Statutes, 138).

Section 2 of this act authorized a loan of $12,000,000, to be applied to the payment of the principal and interest of the foreign debt: *Provided*, That no contract should be entered into which should preclude the United States from reimbursing the loan within fifteen years.

Section 3 authorized a loan to the full amount of the domestic debt, payable in certificates issued for the said debt, according to their specie value, and computing the interest upon such as bore interest to December 31, 1791. The character of these certificates is specified in the same section of the act.

Section 13 authorized a loan of $21,500,000, payable in the principal and interest of the certificates or notes which prior to January 1, 1790, were issued by the respective states as evidences of indebtedness incurred by them for the expenses of the late war.

Section 15 provides: "That for two-thirds of any sum subscribed to the said loan, by any person or persons, or body politic, which shall be paid in the principal and interest of the certificates or notes issued as aforesaid by the respective states, the subscriber or subscribers shall be entitled to a certificate, purporting that the United States owes to the holder or holders thereof, or his, her, or their assigns, a sum to be expressed therein, equal to two-thirds of the aforesaid two-thirds, bearing an interest of six per centum per annum, payable quarter-yearly, and subject to redemption by payments, not exceeding in one year, on account both of principal and interest, the proportion of eight dollars upon a hundred of the sum mentioned in such certificates; and to another certificate, purporting that the United States owe to the holder or holders thereof, his, her, or their assigns, a sum to be expressed therein, equal to the proportion of thirty-three dollars and one-third of a dollar upon a hundred of the said two-thirds of such sum so subscribed, which after the year 1800 shall bear an interest of six per centum per annum, payable quarter-yearly, and subject to redemption by payments, not exceeding in one year, on account both of principal and interest, the proportion of eight dollars upon a hundred of the sum mentioned in such certificate; and that for the remaining third of any sum so subscribed, the subscriber or subscribers shall be entitled to a certificate, purporting that the United States owes to the holder or holders thereof, his, her, or their assigns, a sum to be expressed therein, equal to the said remaining third, bearing an interest of three per cent. per annum, payable quarter-yearly, and subject to redemption by payment of the sum specified therein whenever provision shall be made by law for that purpose."

It will thus be seen that, "in the case of the debt of the United States, interest upon two-thirds of the principal only, at 6 per cent., was immediately paid; interest upon the remaining third was deferred for ten years, and only 3 per cent. was allowed upon the arrears of interest, making one-third of the whole debt. In the case of the separate

* Jefferson's Works, vol. ix, p. 260.

† Hamilton's Works, vol. iv, p. 255.

debts of the states, interest upon four-ninths only of the entire sum was immediately paid; interest upon two-ninths was deferred for ten years, and only 3 per cent. allowed on three-ninths."*

The following statement, showing the amount authorized to be assumed in the redemption of the debt of each state and the amount assumed, is taken from the official reports:

States.	Amount authorized.	Amount assumed.
New Hampshire	$300,000 00	$282,595 51
Massachusetts	4,000,000 00	3,981,733 05
Rhode Island	200,000 00	200,000 00
Connecticut	1,000,000 00	1,600,000 00
New York	1,200,000 00	1,183,716 60
New Jersey	800,000 00	695,202 70
Pennsylvania	2,200,000 00	777,983 48
Delaware	200,000 00	59,161 65
Maryland	800,000 00	517,491 08
Virginia and Kentucky	3,500,000 00	2,934,416 00
North Carolina	2,400,000 00	1,793,803 85
South Carolina	4,000,000 00	3,999,651 73
Georgia	300,000 00	246,030 73
Total	21,500,000 00	18,271,786 47

The act of August 12, 1790 (1 Statutes, 186), provides, that for the purpose of reducing the amount of the public debt, the surplus revenue derived from the duties collected on goods, wares, and merchandise imported, and the tonnage of ships or vessels to the last day of December, 1790, shall be applied to the purchase of the debt of the United States, at its market price, if not exceeding par, or true value thereof.

The said purchases to be made under the direction of the president of the Senate, Chief Justice, Secretary of State, Secretary of the Treasury, and Attorney General for the time being; who, or any three of whom, with the approbation of the President of the United States, shall cause said purchases to be made in such manner and under such regulations as shall appear to them best calculated to fulfill the intent of the act, said purchases to be made openly and with due regard to the equal benefit of the several states.

Their accounts were to be settled as other public accounts, and a report of their proceedings, as commissioners of the sinking fund, to be laid before Congress each session.

It also authorized a loan not exceeding $2,000,000, at an interest not exceeding 5 per cent., to be applied to the purchase of the said debt under similar regulations and restrictions with the surplus aforesaid, and provided that, out of the interest arising on the debt to be purchased, there should be appropriated and applied a sum not exceeding the rate of 8 per cent. per annum, on account both of principal and interest, toward the repayment of the amount so to be borrowed.

Prior to the year 1836, the amount of money requisite for the redemption of these securities had all been advanced to the different loan officers in the several states, or to the Bank of the United States and its branches acting as loan agents, and the nation was practically free from debt. Subsequently small sums were repaid into the treasury, not having been called for by parties holding the various outstanding obligations. Since that time a portion of these have presented their claims for payment to the treasury, and received the amount due them. The system in vogue in early years for the redemption of the public debt of the United States is thus explained by Secretary Gallatin, in a letter to the Hon. John Randolph, chairman of the committee of ways and means, November 28, 1803:

There was a commissioner of loans in each of the original thirteen states on the 4th of August, 1790, the date of the "Act making provision for the debt of the United States", and the whole of the domestic debt was credited to the stockholders for the sums to which they were respectively entitled, on books kept either by one of these commissioners or the register of the treasury.

The debt was transferable only on the books of the treasury, or of the commissioner upon which the credit for the same existed at the time of transfer by the stockholder or his attorney; and the interest was paid and the reimbursement of the principal effected, wheresoever the credit for the stock existed at the time when such interest became due, or such reimbursement was made.

The interest and reimbursement which might remain unclaimed for nine months was afterwards payable only at the treasury. The proprietors might at any time have their stock transferred from the books of one commissioner to those of another, or to the books of the treasury, and from the books of the treasury to those of a commissioner.

During the last fourteen days of every quarter all the above-mentioned books were closed, and no transfer whatever could be effected, that period being employed in calculating the amount of interest and reimbursement payable on the first day of the succeeding quarter to each stockholder, and in transcribing the same on what were called the "dividend books" for that quarter. The sum payable on the treasury books was then, together with the

* Hamilton's Works, vol. iv, p. 251.

dividend books relative to it, deposited in and paid at the office of the Bank of the United States, at Washington, to the proprietors, that part excepted which was payable to stockholders (principally foreigners) who had given permanent powers of attorney to the Bank of the United States, and which was remitted to that institution at Philadelphia.

Some of the commissioners of loans at times, though not always, completed their calculations, and communicated the result to the treasury early enough to enable the Secretary to remit them the precise amount wanted before the first day of the quarter. To every commissioner whose account was not received, a sum *estimated* sufficient to discharge the amount payable was remitted in time to meet the day of payment.

The commissioners of Massachusetts, New York, Pennsylvania, South Carolina, and Georgia deposited the money remitted to them, together with their dividend books, in the Bank of the United States and its offices, respectively, where the dividends were paid.

The other commissioners, residing at places where there was no office of the Bank of the United States, kept the specie and paid the dividends themselves. The amount of dividends on the books of the several commissioners which remained unclaimed for nine months was, from time to time, and as the same was ascertained, paid by the treasury to the office of the bank at the seat of government, and deducted from the estimate of advances to be made to the respective commissioners. It will thus be seen that the duties of the commissioners of loans consisted in entering on their books the transfers resulting either from sales or from transfers of stock from one office to another; in issuing new certificates in conformity with such transfers; in calculating and transcribing on proper books, for every quarter, the dividends payable on the stock then standing on their books; and, in those places where there was no office of the Bank of the United States, in paying the dividends.

The records show that on June 30, 1803, there was standing upon the books of the treasury and the several commissioners of loans, in stock of the United States, $70,154,781 48, which amount was held and owned by 14,326 parties, including $32,119,211 88 held by foreigners and $38,035,569 60 held by states, banks, and other corporations, and by citizens of the United States. The following is a statement of the old 6 per cent., 3 per cent., and deferred 6 per cent. stocks of the United States standing on the books of the treasury and those of the several commissioners of loans on the 30th of June, 1803:

	6 per cent. stock, nominal amount.	3 per cent. stock.	Deferred stock, nominal amount.
Treasury	$11, 524, 021 23	$7, 030, 332 03	$4, 503, 008 77
New Hampshire	215, 603 72	162, 726 36	115, 038 21
Massachusetts	5, 145, 829 48	2, 431, 759 51	2, 005, 401 73
Rhode Island	283, 586 44	216, 165 85	144, 422 84
Connecticut	774, 652 88	436, 783 19	425, 015 76
New York	4, 362, 920 70	3, 243, 484 30	2, 405, 318 83
New Jersey	106, 158 61	116, 542 89	110, 328 46
Pennsylvania	3, 419, 841 85	3, 430, 286 71	3, 810, 284 03
Delaware	63, 953 73	37, 552 93	23, 293 21
Maryland	346, 263 10	411, 821 72	162, 032 37
Virginia	486, 863 69	282, 384 36	106, 925 35
North Carolina	86, 244 91	41, 206 02	23, 777 88
South Carolina	1, 262, 040 92	611, 927 61	648, 536 23
Georgia	87, 105 57	10, 631 07	12, 587 16
Total	28, 155, 585 51	19, 072, 605 15	13, 647, 800 82

The following is a statement of the amount of 6 per cent., 3 per cent., and deferred 6 per cent. stocks, respectively, owned by foreigners, states, banks, and other corporations, and by individuals residing in the United States, as shown by the treasury books June 30, 1803:

	English.	Dutch.	All other foreign creditors.	Total foreigners.	States.	Incorporated bodies.	Individuals.	Total domestic.	Total foreign and domestic.
6 per cent. stock	$3, 447, 672 85	$7, 285, 592 58	$928, 951 69	$11, 662, 217 12	$2, 306, 253 43	$5, 738, 708 95	$8, 448, 316 01	$16, 493, 368 39	$28, 155, 585 51
3 per cent. stock	6, 663, 371 75	3, 902, 307 13	663, 868 08	11, 229, 546 96	1, 728, 126 40	1, 028, 929 86	5, 086, 091 93	7, 843, 148 19	19, 072, 605 15
Deferred 6 per cent. stock	4, 207, 053 35	1, 903, 718 59	546, 075 86	6, 656, 847 80	1, 558, 084 69	1, 563, 669 91	3, 869, 198 42	6, 990, 953 02	13, 647, 800 82
Total	14, 318, 097 95	13, 091, 618 30	2, 138, 895 63	29, 548, 611 88	5, 592, 464 52	8, 331, 308 72	17, 403, 606 36	31, 327, 469 60	60, 876, 081 48

A more detailed statement of funding operations under the provisions of law already referred to, and the changes subsequently made, will be found in the second part of this work.

The small amount of these stocks remaining unredeemed June 30, 1880, is included in the monthly public debt statement under the title of "old debt".

SUBSCRIPTION LOAN OF 1791.

The first bank of the United States appears to have been proposed by Alexander Hamilton.

On the 14th of December, 1790, as shown by the journal of the House of Representatives of that date, the Secretary of the Treasury transmitted to the House a letter, accompanying his report No. 2, with a plan for the institution of a national bank, which was read and referred to a committee of the whole.

On the 23d of December it was ordered: "That the clerk of the House do communicate to the Senate that this House has received a report from the Secretary of the Treasury containing a plan for a national bank, and that he carry an attested copy of the said report to the Senate."*

The bill to incorporate the subscribers to the Bank of the United States passed the Senate January 20, 1791, and was reported in the House of Representatives the following day, read twice and referred.

On the 31st the House resolved itself into a committee of the whole, and the bill was read by paragraphs; no amendment being offered, the bill was reported and ordered to be read the third time on the succeeding day. The debate on the passage of the bill began February 1. It took, immediately, a sectional form, the bill being favored by the members from the North and East, while it was opposed by most of the southern members.

The debate continued until February 8, when the bill passed the House by yeas 39, nays 20. An analysis of the vote shows that but six members from the south of Mason and Dixon's line voted for the bill, while but one member from the North voted against it.

The debates in the Senate have not been preserved. James Madison, in the House, and James Monroe, in the Senate, each of whom afterward became President of the United States, voted against it.

On the 14th of February it was presented to the President for his approval, received his signature, and became a law February 25, 1791 (1 Statutes, 191). In the interval he was occupied in anxious and diligent inquiry into the constitutionality of the bill, and asked the members of his cabinet for their advice on the subject. Edmund Randolph, Attorney General, and Thomas Jefferson, Secretary of State, gave their opinions, in writing, against it, while Hamilton gave his written opinion on the other side. The opinions of the others do not appear.

The act provided in substance that a bank should be established, with a capital stock of not exceeding $10,000,000, divided into 25,000 shares at $400 each. Subscriptions were to be payable one-fourth in gold or silver and three-fourths in that part of the public debt which bore 6 per cent. interest. The total amount of debts which the corporation might at any time owe in any way, except for moneys actually deposited in the bank for safe keeping, was never to exceed $10,000,000, and if this limit was exceeded the directors under whose administration it might happen were to be personally liable for the excess.

The corporation was allowed to sell the evidences of the public debt subscribed to its stock, but was not to purchase any public debt whatever. Notes were allowed to be issued, payable to any person or persons, assignable and negotiable, or to bearer assignable by delivery. The directors were to establish offices, for discount and deposit only, wherever they should think fit in the United States. A report of the condition of the bank was to be furnished whenever the Secretary of the Treasury required it, but not oftener than once a week. The President of the United States was authorized to subscribe to the stock of the corporation $2,000,000, borrowing an equal sum of the bank, the money to be paid out of that which should be obtained under previous acts of Congress relating to the public debt. The charter was to expire March 4, 1811.

A supplementary act, approved March 2, 1791 (1 Statutes, 196), extended the time for receiving subscriptions in the stock of the United States, and limited the number of shares that might be subscribed by any person in any one day to thirty.

The subscription of $2,000,000 to the stock of the bank by the President of the United States, under the authority of the act, was made, giving to the bank, June 25 and July 16, 1792, bills of exchange on Holland, equivalent to gold, and borrowing from the bank $2,000,000 for ten years at 6 per cent. interest.

The bank must have gone into operation very soon after the charter was obtained, and before the subscription of $2,000,000 was made by the United States, as a dividend of 4 per cent. was declared in July, 1792. So far as the evidence goes, it appears that the bank was well managed, and was of great benefit to the government and the people at large, assisting the government by loans in cases of emergency, and forcing the "wild-cat" banks of the country to keep their issues somewhere within reasonable bounds. More than $100,000,000 of government money was received and disbursed by it without the loss of a single dollar. It made semi-annual dividends, averaging about 8½ per cent., and its stock rose to a high price. The $2,000,000 of stock belonging to the United States was sold out at different times at a profit, 2,220 shares sold in 1802 bringing an advance of 45 per cent. The government subscription, with ten years' interest, amounted to $3,200,000, while there was received in dividends and for stock sold $3,773,580, a profit of $573,580, or nearly 28.7 per cent. As this transaction was subsequently made the subject of investigation by a committee of the House of Representatives, a full explanation of the method devised to carry out the provisions of the act authorizing a subscription loan, taken from official reports, is made a part of this paper.

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*Documentary History of the Bank of the United States, p. 15.

By the published receipts and expenditures for 1792 (pp. 12, 54) there appears, in connection with the disposition of this loan, "two several credits, each for $2,000,000, as for moneys received into the treasury, with corresponding debits of equal sums, as for moneys paid out of the treasury." But neither the one nor the other did in reality take place. The whole is a mere operation to accomplish the purposes of the eleventh section of the "act to incorporate the subscribers to the Bank of the United States" without an inconvenient and unnecessary displacement of funds.

That section authorizes a subscription to the stock of the bank, on account of the government, not exceeding in amount $2,000,000, and provides for the payment of it out of the moneys which should be borrowed by virtue of either of the acts of the 4th and 12th of August, 1790; the first making provision for the public debt, the last for reducing it; enjoining at the same time that a loan should be made of the bank to an equal amount to replace the moneys which were to be applied to the payment of the subscription.

The following plan for these purposes was devised and executed by previous concert: The treasurer drew bills upon our commissioners in Amsterdam for the sums requisite to complete the payment on account of the subscription. These bills were purchased by the bank, and warrants in favor of the treasurer upon the bank served to place the proceeds in the treasury. Warrants afterward issued upon the treasurer in favor of the bank for the amount of the subscription money, which was receipted for on the part of the bank as paid. Other warrants then issued in favor of the treasurer upon the bank for equal sums, as upon account of a loan to the government, which warrants were satisfied by a redelivery to the treasurer of the bills that had been drawn upon the commissioners. In the last place, warrants were drawn upon the treasurer to replace the moneys supposed by the arrangement to be drawn from the foreign fund, which perfected the operation. But, from the detail which has been given, it will be seen that, *in fact*, no moneys were either withdrawn from, or returned to, that fund. The bills were canceled, annexed to the warrants, and are lodged in the treasury as vouchers of the transaction.*

TEMPORARY LOAN FROM BANK OF NORTH AMERICA.

The committee appointed to examine the Treasury Department, &c., in their report to the House of Representatives, dated May 22, 1794, thus refer to this loan:†

An act of the 3d of March, 1791, entitled "An act for raising and adding another regiment to the military establishment of the United States, and for making further provision for the protection of the frontiers," appropriated a sum not exceeding $312,686 20, to be paid out of the moneys which, prior to the 1st of January following, should arise from the duties upon spirits distilled within the United States, and upon stills; and annexes the following power to borrow: "That it shall be lawful for the President to take, on loan, the whole sum by this act appropriated, or so much thereof as he may judge requisite, at an interest not exceeding 6 per cent. per annum; and the fund established for the above appropriation is hereby pledged for the repayment of the principal and interest of any loan to be obtained, in manner aforesaid; and, in case of any deficiency in the said fund, the faith of the United States is hereby also pledged to make good such deficiency."

There being on hand and coming in moneys arising from the proceeds of foreign bills, which, as the Secretary suggests, could not be advantageously applied to their destination, it was deemed advisable by him not to incur the expense of a loan upon interest, but to obtain advances from the Bank of North America, leaving in deposit, as an offset, the sum of $177,998 08, being the proceeds of the bills. These advances, which were made to Joseph Howell, acting as paymaster to the Department of War, were made upon sundry letters of the Secretary of the Treasury, between the 19th of September, 1791, and the 3d of January, 1792, amounting to $156,595 56, and were carried, by direction, to an account distinct from that of the treasurer which was kept under the head of "The United States". The advances since have been reimbursed, and the proceeds of the bills carried to the debit of the treasurer of the United States.

TEMPORARY LOAN OF 1792.

The Secretary of the Treasury, in his report dated March 16, 1792, in reply to a resolution of the House of Representatives asking for "his opinion of the best mode of raising the additional supplies requisite for the ensuing year", estimated, as the amount necessary for carrying into effect the act for making further and more effectual provision for the protection of the frontiers, beyond the appropriations for the support of the government for 1792, at $675,950 08, with a probable surplus revenue from duties applicable to the part payment of this sum at $150,000, leaving a deficiency to be provided for amounting to $525,950 08. Three expedients for providing this amount suggested themselves to the Secretary: One, "to dispose of the government stock in the Bank of the United States, which, at the market price at that time, would yield a clear gain to the government much more than adequate to the sum required;" another, "to borrow the money, upon an establishment of funds, either merely commensurate with the interest to be paid, or affording a surplus which will discharge the principal by installments within a short time;" the third, "to raise the amount by taxes." Believing the first of these expedients "altogether unadvisable", and the second ineligible unless "accompanied with a provision sufficient not only to pay the interest, but to discharge the principal within a short period", the Secretary recommended the last proposition as far preferable to either, and says: "Nothing can more interest the national credit and prosperity than a constant and systematic attention to husband all the means previously possessed for extinguishing the present debt, and to avoid, as much as possible, the incurring of any new debt."‡

* American State Papers, "Finance," vol. i, pp. 193, 194. † Ibid., p. 284. ‡ Ibid, p. 158, 159.

The repeal of then existing duties on certain articles was advised, and a new schedule submitted, from which an estimate of increased revenue was anticipated, on the faith of which a temporary loan might be negotiated, if authority for making the same was provided by law.

The recommendations of the Secretary were adopted, the duties were increased, and provisions for a temporary loan were made by the act of May 2, 1792 (1 Statutes, 262), which authorized the President of the United States to borrow the sum of $523,500, at a rate of interest not exceeding 5 per cent. per annum, redeemable at the pleasure of the government, the same to be applied toward carrying into effect the provisions of the act. Under this authority the sum of $400,000 was borrowed of the Bank of the United States.

TEMPORARY LOAN OF 1793.

The condition of the treasury at the close of the year 1792 was unsatisfactory. The increased expenditures, on account of Indian troubles, and the large amount requisite for the payment of the interest on the public debt, added to the growing demands for current service, seemed likely to exhaust the revenues, and it was evident that some additional resources must be provided to meet the emergency. The House of Representatives, by resolutions of November 21 and 22, 1792, referred to the Secretary of the Treasury the subject of providing a plan for the redemption of the public debt according to the rights of the government then existing, and also for the reimbursement of the subscription loan made of the Bank of the United States, according to the provisions of the law authorizing it.

In reply thereto the Secretary, in his report of the 30th of November, submitted such recommendations as, in his judgment, would result in the accomplishment of the object desired.

For the first, temporary loans from time to time, equal to the sums annually redeemable, secured by a pledge of the same revenues then appropriated for the payment of interest and the establishment of additional revenues by taxation, were the only resources remaining. For the second, that power be given by law to borrow the sum due, to be applied to the reimbursement of the loan, as required by the eleventh section of the act of incorporation, and that so much of the dividend, on the stock of the government in the bank, as was necessary be appropriated for the payment of the interest on the sum to be borrowed, as by this operation a saving to the government would result equal to the difference between the interest on the new loan and that payable on the sum due the bank at that time.* In conformity with these recommendations, section 3 of the act approved February 28, 1793 (1 Statutes, 328), "making appropriation for the support of the government for 1793," granted the President authority to borrow the sum of $800,000, at an interest not exceeding 5 per cent., reimbursable at the pleasure of the United States, to be applied for the purposes specified in the act; and also provided for the redemption of the loan made of the Bank of the United States, as authorized by section 11 of the act by which it was incorporated, in sums of $50,000, from time to time, as, in the opinion of the Secretary, the state of the treasury would admit.

The contract for this loan was made May 31, 1793, the money to be advanced in four equal monthly installments from June 1, and to bear interest at 5 per cent. from the date of such advance.

TEMPORARY LOAN FROM BANK OF NEW YORK.

On the 16th of December, 1793, the President, in a special message, transmitted to Congress a report of the Secretary of State on the measures which had been taken on behalf of the government for the purpose of obtaining a recognition of our treaty with Morocco, and for the ransom of our citizens and establishment of peace with Algiers. This report was considered in committee of the whole, and a series of resolutions adopted, as follows:†

Resolved, That a sum not exceeding —— dollars be appropriated, in addition to the provision heretofore made, to defray any expense which may be incurred in relation to the intercourse between the United States and foreign nations.

Resolved, That a naval force adequate to the protection of the commerce of the United States against the Algerine corsairs ought to be provided.

Resolved, That a committee be appointed to report to this House the naval force necessary for the purposes aforesaid, together with an estimate of the expense, and the ways and means for defraying the same.

In their report to the House on the 20th of January, 1794, the committee say that, from the best information they could obtain, the naval force of the Algerines consisted of light vessels, of different size and force (exclusive of galleys), carrying in the whole 282 guns; that it had not varied considerably for many years past; the vessels (except two or three) were slenderly built, smaller in size than vessels of war, carrying the same number of guns, belonging to the Christian powers, and were principally manned with people little accustomed to the management of large ships. The committee recommended that a naval force, to consist of four ships of forty-four and two ships of twenty guns each be provided for the protection of the commerce of the United States against the Algerine corsairs; and for defraying the cost of such armament and the annual expense thereof, there be levied an

* American State Papers, "Finance," vol. i, pp. 176-178.

† Annals of Congress, January 2, 1794.

increased rate of duties on certain articles specified in their report.* A long debate followed this report, the main features of which were subsequently adopted. Meanwhile, upon the report of a subcommittee, to whom the House had referred the resolutions of the 2d of January, a bill was introduced March 12, "making further provision for the expenses attending the intercourse of the United States with foreign nations;" and it passed the House without debate. There appears to have been no discussion on the bill in the Senate, and it became a law March 20, 1794 (1 Statutes, 345). The act appropriated $1,000,000, and authorized the President to borrow the whole, or any part of said sum, an account of the expenditure whereof, as soon as might be, to be laid before Congress. Under the authority of this act, a loan of $200,000 was procured from the Bank of New York, at 5 per cent. interest, payable June 8, 1796.

TEMPORARY LOAN OF MARCH, 1794.

On the 5th of February, 1794, the Secretary of the Treasury submitted a report to the House of Representatives, from which it appeared that the probable demands upon the treasury to the 1st of April would amount to $1,360,812 07, while the available resources for the same time would probably fall short of this amount $621,294 18.† The report was referred to a committee, with instructions to submit to the House whether any, and what, sum would be necessary to be loaned for the purpose of carrying on the public service for the year 1794. In the debate which ensued upon the report of the committee, which was, that, in their opinion, it was expedient that the President be authorized to borrow, on the credit of the United States, a sum not exceeding $1,000,000, if, in his opinion, the public service should require it, it was stated: "That, however inadequate the actual receipts of the revenue might be to discharge all the demands made on the government, there was, in fact, no deficiency in the funds appropriated to the discharge of those demands; the deficit was owing merely to the credit, which, for the convenience and benefit of trade, was allowed to the merchants; and that, in fact, the bonded duties were more than equal to meet all the demands on the treasury. This credit it would be remembered extended from four months to two years"; * * * "while it was true that all the demands on the treasury might not be made at the precise moment they became due," * * * "and that the estimated deficiency might not be justified by events, yet it was the duty of the legislature to put the preservation of the public credit almost beyond the reach of the possibility of being injured."‡ The report of the select committee was agreed to, and a bill in conformity thereto having been reported to the House March 3, and, passing both houses, it was approved by the President March 20, 1794 (1 Statutes, 345). The act authorized the President to borrow, if in his opinion the public service should require it, a sum not exceeding $1,000,000, at an interest not exceeding 5 per cent., reimbursable at the pleasure of the United States, to be applied to such public purposes as were authorized by law, to be repaid out of the duties on imports and tonnage to the end of the year 1794. This loan was obtained from the Bank of the United States.

TEMPORARY LOAN OF JUNE, 1794.

The report of the committee recommending a naval armament for the protection of American commerce against the Algerines, was, after some modification, finally adopted, and, having passed both houses, was approved, and became a law March 27, 1794 (1 Statutes, 350). Although it authorized the President "to provide, by purchase or otherwise, equip, and employ four ships to carry forty-four guns each, and two ships to carry thirty-six guns each", yet there was no appropriation to pay for the same contained in the act; and in order to remedy this defect, and guard against any deficiency in the revenues, the President was authorized by section 2 of the act of June 9, 1794 (1 Statutes, 395), to borrow the sum of $1,000,000. Under this authority, a loan of this amount was obtained from the Bank of the United States, at 5 per cent. interest. The money was received August 27, 1794, and was repaid April 1, 1795.

TEMPORARY LOAN OF DECEMBER, 1794.

Such were the exigencies of the public service at the commencement of the last session of the Third Congress that means had to be provided in anticipation of the revenues of the ensuing year, and on the 8th of December, 1794, a committee was appointed by the House of Representatives to prepare and bring in a bill to authorize the President to procure a loan not exceeding $2,000,000. The bill was reported the next day, and passed the House on the 10th, apparently without debate. It became a law December 18, 1794 (1 Statutes, 404), and under its provisions the President was authorized to borrow any sum not exceeding $2,000,000, at 5 per cent. interest, reimbursable at the pleasure of the United States, to be applied to such public purposes as were authorized by law, and repaid out of the duties on imports and tonnage for the year 1795. A loan of $2,000,000 was obtained from the Bank of the United States under this act, $1,000,000 of which became payable January 1, and the remainder April 1, 1796.

* American State Papers, "Naval Affairs," vol. i, p. 5.
† Ibid., "Finance," vol. i, p. 272.
‡ Annals of Congress, February 28, 1794.

TEMPORARY LOAN OF FEBRUARY, 1795.

On the 4th of February, 1795, the President transmitted to Congress a special message, with a letter from the Secretary of State, relative to an additional loan for the maintenance of the intercourse of the United States with foreign nations, the object of this communication being for the purpose of securing additional authority for the negotiation of a loan, requisite at the earliest possible date, in order to procure the release of American citizens held as prisoners in Algiers. The authority asked for was granted, and by an act approved February 21, 1795 (1 Statutes, 418), the Bank of the United States was authorized to lend to the government the whole, or any part, of the sum of $800,000 (remaining unapplied), in pursuance of the authority granted by the act of March 20, 1794 (1 Statutes, 345). Under this authority, a loan of $800,000 was procured from the Bank of the United States, at 6 per cent. interest, payable quarterly, the principal to be refunded in four annual installments of $200,000 each, payable December 31, 1796, 1797, 1798, and 1799. This loan was received from the bank in 6 per cent. stock of the United States, which was transmitted to Messrs. Baring & Co., of London, to be sold on account of the government, and the proceeds held by them subject to the order of the minister of the United States at Lisbon. With regard to this operation, Secretary Wolcott says: *

A conviction of the urgency of the case, and a disposition to accommodate the government, alone induce the bank to consent to the loan, as the stock was salable in large quantities at par, including interest. Bills of exchange were not readily obtainable, and the sudden exportation of so considerable a sum of specie would have been attended with inconvenient effects. Indeed, no alternative offered but to renounce the negotiation, or to remit stock as a fund. Various causes operated to produce a depression of the prices of all kinds of public stock, soon after the remittances had been made.

TEMPORARY LOAN OF MARCH, 1795, *A*.

On the 26th of December, 1795, the Secretary of the Treasury reported to the commissioners of the sinking fund that, to provide for the payment of the interest on the public debt which would fall due at the close of the current year, it would be necessary to anticipate the appropriated revenues to the amount of $500,000, and recommended that a loan for this sum be procured from the Bank of the United States for one year, at 6 per cent. interest. These recommendations were adopted and approved by the President. In accordance therewith, a contract was made with the Bank of the United States, December 31, for a loan of $500,000, redeemable in one year, with interest at 6 per cent., payable semi-annually, reserving to the government the right of reimbursement at pleasure, after giving one month's notice to the bank of its intention to do so.† This loan was made under the authority granted by the act of March 3, 1795 (1 Statutes, 433).

TEMPORARY LOAN OF MARCH, 1795, *B*.

Under the provisions of section 6 of the act of March 3, 1795 (1 Statutes, 439), the Secretary of the Treasury was authorized by the President to negotiate a temporary loan of $500,000, in anticipation of the revenues for that year, and this amount was procured from the Bank of the United States, at an interest of 6 per cent., from January 1, 1796, the loan to be reimbursed on or before December 31, 1797.

TEMPORARY LOAN OF MARCH, 1795, *C*.

The necessity for negotiating another loan of $500,000 is clearly set forth in a letter to the President from Secretary Wolcott, dated July 29, 1795, by which it is shown that, in addition to the current and ordinary expenses of the government, and the payments for interest on the domestic debt, there will shortly be required, in payment for 6 per cent. stock purchased by the late Secretary for the purpose of a remittance on account of the principal and interest of the Dutch debt,‡ the sum of $500,000; by the holders of foreign bills which had been drawn on and accepted by the Treasury, $453,750; for the payment of the loan obtained from the Bank of New York in October, 1794, $200,000; and three installments, of $100,000 each, due the Bank of the United States on account of the loan obtained under the contract of May 25, 1792. After making this statement the Secretary says: "As it is certain that the product of the ordinary revenues will be inadequate to the demands for the current service and the reimbursement of all those capitals, the Secretary requests the permission of the President to borrow the sum of

* American State Papers, "Foreign Relations," vol. i, p. 555. † A. S. P., "Finance," vol. ii, pp. 371, 372.

‡ In a report on the "condition of the Treasury Department", made to the House of Representatives January 28, 1801, the committee refer to this transaction as follows: "It appears from the correspondence of the treasury with the bankers in Holland, which the committee have carefully examined, that an expectation was entertained that the stock would be sold at par, including interest; *or*, that the installment of principal due in Holland, for the payment of which the stock was intended to provide, would be continued on loan by a new contract. Although both of these expectations were disappointed, in consequence of the unfortunate situation of Holland at that time, yet it clearly appears to the committee that every measure within the power of the Secretary was adopted to render the remittance as productive as possible."—A. S. P., "Finance," vol. i, p. 693.

$500,000, which he will endeavor so to apply as to prevent an accumulation of debt-bearing interest." This authority was granted by the President, and, under the provisions of the act of March 3, 1795, section 6 (1 Statutes, 439), a loan was obtained of the Bank of the United States, to bear interest at 6 per cent., from October 1, 1795, and reimbursable in one year.

TEMPORARY LOAN OF 1798.

The seventh installment of $200,000, due on the subscription loan of the Bank of the United States, became payable December 31, 1798, and such was the condition of the treasury towards the close of that year—owing to the general receipts having fallen short of the expenditures—that the Secretary was obliged to ask authority from the President, through the commissioners of the sinking fund, to borrow this amount. This request was approved by President Adams, and accordingly a contract was made, bearing date December 31, 1798, for a loan of $200,000 from the Bank of the United States, at 6 per cent. interest, payable January 1, 1803, or sooner, at the pleasure of the government, after one month's notice.* This loan was made under the authority granted by the act of March 3, 1795 (1 Statutes, 435).

TEMPORARY LOAN FROM BANK OF NEW YORK.

In 1796 the Secretary obtained a temporary loan of $320,000 from the Bank of New York, the larger portion of which was more of a reloan than otherwise, it being merely a continuance of the loan made by the same bank in 1794. The remainder ($120,000) was used in part payment of the loan obtained from the Bank of the United States in 1792, the rate of interest being the same as on the former loan, viz, 6 per cent. The authority for its negotiation was conferred upon the commissioners of the sinking fund, subject to the approval of the President of the United States, as set forth in section 1 of the act of May 31, 1796 (1 Statutes, 488).

FOUR AND A HALF AND FIVE AND A HALF PER CENT. STOCKS OF 1795.

The Secretary of the Treasury, in his report embodying a plan "on the basis of the actual revenues for the further support of public credit", communicated to the Senate January 20, 1795, estimated the total debt of the United States at $76,096,468 67, of which $13,745,379 35 was foreign debt, due in France and Holland. The expenditure for the year, for interest on this debt and for the current expenses of the government, was estimated at $5,681,843 84 and the revenue at $6,552,300 74, leaving an estimated surplus of $870,456 90 to be carried to the sinking fund. His remarks in relation to the foreign debt were as follows:†

The payment of interest and installments of principal of our foreign debt in the countries where it was contracted is found by experience to be attended with difficulty, embarrassment, some loss, and a degree of casualty which occasionally puts in jeopardy the national credit. Loans for reimbursement must be made beforehand, as the market suits, and necessarily involve double interest for a greater or less time. The procuring of bills to be remitted for payment of interest cannot be depended upon in coincidence with the periods of payment, which, co-operating with distance, renders inconvenient anticipations necessary.

The remitting in commodities would be liable to other casualties and to some peculiar objections; and whatever mode be adopted, it may be frequently not practicable to deposit in season the necessary funds on the spot without great sacrifices. If, therefore, the place of these payments could, with consent of the creditors, upon an equitable indemnification to them for the transfer, be changed to the United States, the operation would be, in various lights, beneficial. It has occurred that the present posture of the affairs of Europe might favor a plan of this kind, and perhaps produce some collateral advantages. Under this idea an experiment is proposed. The proposed augmentation of interest is intended as an indemnification for the expense and hazard of agencies in this country, delays in remittance, inconvenience of distant negotiation, renunciation of the facilities which attend the receipt of interest at home, risks of loss by exchange, &c., and is calculated on a liberal scale, in order to induce an acceptance of the proposition.

If, instead of an *increase* of interest, the option of an *equivalent* be given by way of premium, in stock bearing an interest of 5 per cent., it would have attractions for certain creditors, and would facilitate the success of the measure. On strict calculation, the equivalent would be six dollars and fifty-eight cents per one hundred dollars of the principal subscribed. It is not perceived that the interests of the United States could suffer by allowing the alternative. The fixing of the rate of interest by postponing the reimbursement to the year 1818 would also be a powerful inducement. And till the period of reimbursement arrives, any surplus of the sinking fund which may exist can be invested in purchases, so as to prevent the progress of the fund being arrested.

It could not be necessary to observe, except for the sake of dispelling jealousy or apprehension on the part of the creditors, *that while the plan is in experiment, and afterward, with regard to all who do not embrace it,* everything is to proceed as heretofore, and as the contracts respecting the debt require.

The auxiliary proposition of giving power to the commissioners of the sinking fund to remit certificates for sale, is founded upon a belief that this operation will sometimes be practicable, where direct loans cannot be effected, and will be occasionally a more beneficial mode of remittance than by bills of exchange.

He therefore proposed:‡

That provision be made for converting, by a new loan, the whole of our present foreign into domestic debt, upon these terms, to wit: That for any sum subscribed to the new loan, and paid in the principal of the present foreign debt of the United States, there be allowed, in addition to the interest now payable upon such principal, the further yearly interest of ½ per centum, or, in lieu thereof, at the option of each subscriber, an equivalent sum in capital stock, bearing an interest of 5 per centum per annum; that the whole interest upon the new loan, including that upon the capital stock, to be given as an equivalent for the additional ½ per cent. shall remain fixed until the

*American State Papers, "Finance," vol. ii, p. 373. †Ibid., vol. i, p. 331. ‡Ibid., p. 327.

first day of January, 1818, at which time, and not sooner, the principal of the said new loan, including the said capital stock given as an equivalent, may and shall be reimbursed, except as to such subscribers as may prefer a shorter term of reimbursement, who may elect any term not less than fifteen years; that the permanent revenues shall be and remain firmly pledged for the payment of the said interest, until the reimbursement of the said principal, to be paid quarter-yearly, as that of the present funded domestic debt; and, lastly, that the commissioners of the sinking fund be empowered, with the approbation of the President, to provide by new loans for the reimbursement of any installment, or part of principal, of the present foreign debt, or of the loan to be made thereupon as aforesaid, either by direct borrowing or by sale, in the market, of certificates of stock, so as the said loan, or the said certificates of stock, shall bear an interest not exceeding 6 per centum per annum, and shall be liable to reimbursement within a term not exceeding twenty-four years. The interest upon the capital reimbursed, and, in aid thereof, the permanent revenues to be pledged for the interest upon the loans or stock to be made or created by virtue of the said power.

In accordance with these suggestions, a bill "making further provision for the support of public credit" was introduced in the House of Representatives, February 14, 1795. The bill was under discussion for several days, but the debate was generally confined to the sections respecting the domestic debt. A motion was made to strike out the section proposing an additional half per cent. to the holders of the foreign debt, if they subscribed the same to the domestic debt, on the ground that nothing would be saved, as the half per cent. would amount to more than the amount lost in exchange on remittances to Europe. It was said that a single concern in Holland were the directors of the chief of our loans in Europe, receiving, as interest alone, between five and six hundred thousand dollars annually, and that the command by one firm of such enormous sums of money to be drawn, as the bill proposed, quarterly from the treasury, would be dangerous to the trade of the country, forcing the banks to narrow their discounts, and causing stringency in the money market. After debate, the motion was withdrawn, and the bill passed both houses, and was approved March 3, 1795 (1 Statutes, 433).

The section relating to the foreign debt provided that a loan be opened at the treasury to the full amount of the foreign debt, and that subscriptions to said loan should be payable in equal sums of the principal of the foreign debt, stock to be issued to bear an interest of one-half per cent. greater than was then payable on the stock subscribed. The principal of the stock issued was to be reimbursable at the pleasure of the United States.

It was found impossible to effect the conversion of the Holland loans. Oliver Wolcott, jr., Secretary of the Treasury, in his report, December 14, 1795, says in reference to this subject:*

Measures have been taken for ascertaining whether the residue of the foreign debt, due in Amsterdam and Antwerp, could be reloaned with the consent of the creditors. The experiment cannot yet be considered as fully made, but the prospect of success is not encouraging. The objections against a mutation of the contracts in the manner proposed, which have been stated, are, generally:

1. That the proposed new stock will be redeemable at the pleasure of the United States, by which condition the government will possess the power of reducing the rate of interest or refunding the capital at periods when the reimbursement may be difficult or disadvantageous to the creditors.

2. That the proposed addition of one-half per centum per annum to the rates of interest, does not afford an equivalent for the expenses of the agency, loss upon the exchange, and the risk of remittances from America.

3. That the facilities which attend the negotiation of bonds payable to bearer, over funds which can only be transferred at the treasury or loan offices in the United States, render the obligations of the foreign debt, in their present form, particularly eligible for foreign creditors. * * *

Considering the actual state of Holland and the restrictions upon our intercourse with that country, it was deemed for the interest of the United States to propose a postponement of the installment which fell due in the present year. It has, however, been conclusively ascertained that no additional loans can be obtained in Holland; and of course the United States must be provided to make the reimbursements stipulated in their contracts.

The measures adopted by this department to effect a reimbursement were seasonable, and such as promised to be effectual, but, owing solely to the war, and the stagnation of credit occasioned by the Revolution, the installment which fell due on the 1st of June had not been paid, at the date of the last advices in August. The causes of the delay were, however, well understood by the creditors, and as they neither originated with, nor could be controlled by, the United States, and as the interest has been paid, the public credit has yet suffered no blemish.

The "actual state of Holland", referred to by the Secretary, was the fact that, after a disastrous war with the republic of France, the country had been conquered by the enemy. The numerous rivers and canals of Holland render the country easily defensible, and have always made its invasion a difficult task, but in the winter of 1794–'95, during intensely cold weather, the watery defenses were frozen, and the French army, under command of General Pichegru, crossing on the ice in overpowering strength, were soon in possession of the kingdom.

The foreign debt not payable in Holland was due to the government of France, and the revolutionary authorities of that country proved easier to deal with in the conversion than the private holders of the Holland loans. The terms of conversion provided for in the act of March 3, 1795, were accepted by James Swan, the authorized agent of France, and the full amount of the debt due that country, consisting of balances due on various loan accounts, was subscribed and paid for in the new stock. The amount so subscribed was $2,024,900, which, by the original contracts, bore interest, part at 4 and part at 5 per cent. Certificates of stock were therefore issued as provided for in the act, bearing interest at one-half per cent. more than had been previously paid on the amount subscribed. Of these certificates, $176,000 bore interest at 4½, and $1,848,900 at 5½ per cent. The issue of these certificates closed the accounts of the French debt, and it became merged in the domestic debt of the United States. A small amount of this stock was received for lands in 1797. Redemption of the remainder began in the year 1807, and was completed in 1815.

* American State Papers, "Finance," vol. i, p. 360.

SIX PER CENT. STOCK OF 1796.

Under the act of May 31, 1796, an abortive attempt was made by the government to borrow $5,000,000 for the purpose of paying a debt due the Bank of the United States. The bank, since its charter in 1791, had made many temporary loans to the government in cases of emergency, and in anticipation of the revenues. In 1796 the United States owed the bank for loans $6,000,000, and complaints were made by the president and directors that so large a debt crippled the operations of the bank, caused them to refuse discounts to their private customers, and created a perpetual stringency in the money market. It was a further subject of complaint that the government paid but 5 and 6 per cent. for these loans, while the current rate of interest was 8 or 9. A part of this money had been borrowed to pay the expenses of suppressing the whisky insurrection in Pennsylvania, and another large sum had been used to buy a treaty with the pirates of Algiers. The government had yet to learn that iron and steel, backed by gunpowder, were more efficient metals than gold and silver in negotiating treaties with the barbarians of northern Africa.

The subject of making provision for the debts due the Bank of the United States was considered in committee of the whole April 12, 1796, and was under discussion for many days, the debate covering the whole subject of the national debt, the operations of the bank, and the propriety or the possibility of raising money by a new loan at 6 per cent. when the current rate of money was so much higher. A committee was appointed to confer with the officers of the bank on the subject of continuing to a remote period the loans made by the bank to the United States, and this committee reported, May 3, the answer of the bank as follows:*

> The board took into consideration the most essential points that had relation to the present subject, viz: the great increase in the price of all alienable property, which requires a corresponding addition of circulating medium to represent it; the necessity of placing this institution in a more respectable situation, in point of available funds, which will enable it to promote more generally the interests of commerce and manufactures, and afford the means of facilitating the financial operations of the government by temporary loans, whenever the fiscal administration may require such a resource; as well as the more immediate advantages of the stockholders and customers of the bank, intimately connected with the active employment of a large specie capital: Whereupon,
>
> *Resolved*, That the United States be requested to extinguish the loans that are already due to the bank, as well as to make provision for those which may become payable in the course of the present year.

This report occasioned another long debate, in which the proposition was made to sell the stock held in the bank, and a provision was finally inserted to allow its sale, or a portion of it, if deemed advantageous by the commissioners of the sinking fund.

The bill passed both houses, and was approved May 31, 1796 (1 Statutes, 488). It provided that it should be lawful for the commissioners of the sinking fund, with the approbation of the President of the United States, to borrow any sum not exceeding $5,000,000, to be applied to the payment of the principal of any part of the debt of the United States due or to become due during the year 1796 to the Bank of the United States or the Bank of New York, and to pay any installment of the foreign debt. Certificates were to be issued for the money borrowed, to bear an interest of 6 per cent., the principal to remain fixed and irredeemable until the year 1819, then to be redeemable at the pleasure of the United States. No certificate was to be issued for any less sum than $100. The commissioners were to be allowed to sell these certificates to raise the money, but no more than one moiety of the stock was to be sold under par. They might, if deemed advantageous, raise part of the money by selling the bank stock belonging to the government.

Such portion of the public revenues as were heretofore pledged for the payment of the principal and interest of certain debts, and which would be set free by their payment under this act, were pledged for the payment of the interest and the reimbursement of the principal of the new stock.

The attempt to borrow money under this act was almost a total failure. Only $80,000 were obtained, at a discount of 12½ per cent., yielding in cash $70,000. It was evident that the market was already overloaded with United States stocks, there being of the domestic debt afloat $63,216,238 12, which was selling at a heavy discount. There being no other immediate resource, United States Bank stock to the amount of $1,304,260 was sold at a premium of 25 per cent., and with this a portion of the debt due the bank was paid.

NAVY SIX PER CENT. STOCK.

In 1797 the United States possessed neither navy nor navy department. During the troubles with the Barbary Powers, in 1794, an attempt was made to create a small navy, by building six frigates, four of forty-four guns and two of thirty-six guns each, for the protection of our commerce in the Mediterranean. These frigates were begun under many disadvantages—one each at the ports of Portsmouth, in New Hampshire, Portsmouth, in Virginia, Boston, New York, Philadelphia, and Baltimore. The timber from which they were to be constructed was still standing in the forest, the iron was still in its native ore, the seed for the flax and hemp was yet to be sown.† Copper could not be procured in the United States. The government possessed neither navy-yards nor cannon foundries. It

* Annals of 4th Cong., 1st sess., p. 1295.

† American State Papers, "Naval Affairs," vol. i, p. 6.

was resolved to build the ships of live-oak, and agents, with a force of lumbermen, were dispatched to Georgia to obtain it. These men met with so many discouragements, from the unhealthiness of the climate, the constant rain, and other causes, that but slow progress was made. In January, 1796, a committee of the House of Representatives reported that the frigates were still unfinished, and that, as peace had been made with the Barbary Powers, it was not advisable to finish them all at that time, but recommended that two should be completed. In 1797 the six vessels were still on the stocks, but, owing to the troubles with France, it became very evident that the United States must have a navy, and it was resolved to complete the frigates, to build galleys for the defense of the coast, and to purchase such merchant vessels as were adapted for naval service, not exceeding twelve. The act of April 27, 1798, "to provide an additional armament for the protection of the trade of the United States," appropriated $900,000 for the purchase of these vessels. On the 22d of June, 1798, an act supplementary to the act of April 27 was reported in the House of Representatives, and passed on the 23d, almost without debate, though some opposition appears to have manifested itself at different times to taking any steps whatever for the creation of a navy.

The act supplementary to the act to provide an additional armament for the protection of the trade of the United States was approved June 30, 1798 (1 Statutes, 575). It authorized the President to accept such vessels, not exceeding twelve, as were suitable to be armed for the public service, and to issue, in payment therefor, certificates or other evidences of the public debt of the United States, bearing interest at not more than 6 per cent. per annum, and redeemable at the pleasure of Congress. Under this act the ships George Washington, Merrimack, Maryland, and Patapsco, brig Richmond, and frigates Boston, Philadelphia, John Adams, Essex, and New York were purchased, and 6 per cent. stock to the amount of $711,700 was issued in payment. Besides the stock, money was in some cases given in part payment, under the appropriation of April 27, 1798. The idea of purchasing vessels and issuing stock in payment therefor seems to have originated with Alexander Hamilton.*

EIGHT PER CENT. LOAN OF 1798.

In the years 1797 and 1798 the United States, though nominally at peace with all the world, was actually at war with France, a war not formally declared, but carried on, upon the ocean, with very great virulence.

Constant captures were being made of American vessels on the ground of having the property of the enemy on board. When captured, these vessels were carried into French ports and condemned on the slightest pretext. The directory ordered that Americans found serving on board hostile armed vessels should be treated as pirates, even although they might plead compulsion in excuse. In other words, American citizens impressed by the British were made liable to be hanged by the French.

John Marshall, Elbridge Gerry, and Charles C. Pinckney were appointed envoys extraordinary to the French republic. Their letters of credence and full powers declared them to have been appointed for terminating all differences and restoring harmony, good understanding, and commercial and friendly intercourse between the two republics. Their efforts, however, were vain.

Preparations were now made in the United States to resist a French invasion. The President was authorized to call out eighty thousand militia in case of need, the regiments of regulars in service were ordered to be raised to their full complement of seven hundred men each, and authority was given to raise twelve additional regiments of infantry, with six troops of dragoons, to serve during the existing difficulties with France. Bills were passed for the purchase or lease of cannon foundries and the procuring of additional armed vessels, with appropriations to the amount of $1,750,000 for the purchase of ships, cannon, small-arms, and military stores. For the management of naval affairs a separate naval department was now, for the first time, created. Merchant vessels were authorized to arm for their own defense, and commanders of ships of war were ordered to capture and bring into port any French ship of war or privateer found depredating on American commerce.

It was evident that the ordinary revenues of the country would be inadequate for the increased expenditure, and that a loan would be required. On the 19th of June, 1798, a bill was introduced to enable the President to raise a loan, which was read twice and referred to a committee. It came up for discussion in the House on the 25th of June. There appears to have been no dispute as to the necessity of a loan, but much objection was made to the fact that the bill fixed neither the amount to be raised, the interest to be paid, nor the time at which the loan should be redeemable. It was said that it would be impossible to spend a very large sum during the recess of Congress, and that if a definite sum was fixed and more were needed, in consequence of a sudden invasion, Congress could be immediately called together. On the question of the amount of interest, Mr. Gallatin said that it would be in the power of money-lenders and the Bank of the United States to combine and compel the Secretary of the Treasury to pay a much higher interest than would be possible if the interest was fixed by law. Mr. Livingston, of New York, said there was a probability, if the rate was not fixed, that we should have to pay a much higher rate. He believed moneyed men might so combine as to extort 10 or even 20 per cent. for money.

On the other hand it was said that it was impossible to tell what sums might be wanted for the public service; that the President and Secretary could safely be trusted to borrow no more money than was needed, and at a rate

*Administrations of Washington and Adams, by George Gibbs, vol. ii, pp. 50, 51.

no higher than the market price; that the country might be suddenly invaded, and it might be impossible to obtain money if the rate was fixed; and that it was necessary to consult, in some degree, the interests of moneyed men. The bill was amended so as to make the loan redeemable in fifteen years, but the amount to be borrowed and the rate were not limited.* In this shape it passed the House, without a division, but the Senate subsequently amended it by limiting the amount to be borrowed to $5,000,000. It was finally passed by both houses, and was approved July 16, 1798 (1 Statutes, 607). The bill authorized the President of the United States to borrow, on such terms as he deemed most advantageous, $5,000,000, to be applied to make up any deficiency in the appropriations and to defray the expenses which might be incurred by calling out the militia of the United States or in raising, equipping, and calling out regular troops or volunteers. The loan was to be reimbursable at the pleasure of the United States after fifteen years, and the surplus of the duties on imports and tonnage was pledged for its repayment. Under this act $5,000,000 was raised by subscription, and an equal amount of stock issued for the same, bearing interest at 8 per cent. per annum until December 31, 1808, and thereafter at like interest, during the pleasure of Congress, until redeemed. The market rate at the time was 8 per cent. per annum, and it was thought by a committee of Congress that the loan was negotiated "upon the best terms that could be procured, and with a laudable eye to the public interest".†

A curious circumstance took place in connection with this loan, being, it is believed, the only case in all the financial history of the government of a successful attempt at a fraudulent issue of United States stock. The subscriptions to this loan were received in cash at the different loan offices, the Bank of the United States, and the treasury, and scrip certificates issued for the money, which certificates were afterward surrendered at the treasury, and 8 per cent. stock issued therefor. After all the scrip certificates had been funded in this way, it was discovered, in the year 1805, that although only $5,000,000 in cash had been received, yet stock to the amount of $5,001,000 had been issued, being an overissue of $1,000. After a long investigation it seemed to be conclusively proved that a certain Charles Tompkins, who had been a clerk in the register's office from 1790 to 1802, and who had charge of the issue of the 8 per cent. stock, had fraudulently taken ten scrip certificates for $100 each from their place in the files of the register's office; had altered the abstract of certificates filed so as to conceal the theft; and then, presenting the certificates at the office in his own name, as agent for Clement Biddle, a banker of very high standing in Philadelphia, had obtained an order for the issue of the stock; had himself issued it under the order; and had obtained from Mr. Biddle $1,000, and $55 as premium. It was suggested by Joseph Nourse, the register, that Tompkins be arrested, but this was not done at the time, perhaps because the evidence, though conclusive to an accountant, hardly amounted to legal proof. The United States redeemed the $1,000 of fraudulently issued stock as it did its genuine issues, and for a time the matter was at rest.

In September, 1811, however, a new and more alarming feature of the case was developed. A certificate for $15,000 United States deferred 6 per cents, bearing the genuine signature of Joseph Nourse, register of the treasury, but of which the filling up and marks of issue had evidently been forged, was forwarded to the treasury by Archibald Gracie & Sons, of New York. This was speedily followed by the information that another for $30,000, also forged, was in the possession of David Parish, of Philadelphia, who had purchased it in London. These certificates had both been sold in London by James Tompkins, a son of Charles Tompkins. On examination of the books at the treasury, it was found that out of a book of blank deferred 6 per cents, which had been kept at the treasury and had been in Charles Tompkins' care, ten signed certificates were missing. It appears to have been the custom of the register to sign the certificates of stock in blank, in quantities, and leave them in the charge of the confidential clerk till wanted for issue. Information was soon received that James Tompkins had a coadjutor in the fraud by the name of Thomas Joy, *alias* Harrison. It was also ascertained that both James Tompkins and Joy had sailed from Liverpool for the United States, and might be expected early in November. There was an immediate and determined effort made to capture them on their arrival, before they could set foot on shore. It turned out afterward that Joy and Tompkins were on the way over in the ship Justina, which James Tompkins had purchased with part of the proceeds of the forged certificates, and had placed Joy in command. On the 9th of November the Justina came into New York harbor, under the guns of the Wasp, and Tompkins and Joy were immediately arrested. Joy, on being examined, denied everything, but Tompkins made a full confession. He said that he had received the ten blanks, signed by the register of the treasury, from his father, Charles Tompkins; had himself filled up two of them, one with $15,000 and the other with $30,000; and had destroyed the rest, except one which he still retained. He admitted having sold the forged certificates in London, receiving therefor £7,598 7*s.* 6*d.* sterling; had expended about £4,000 on the Justina; had loaned £3,000 in Liverpool on real estate security; had sent £300 to his mother, and expended a small amount in different ways. The father, Charles Tompkins, was now arrested, and the three were fully committed. The trial of the Tompkins', father and son, for forgery, came off in May, 1812. James Tompkins was convicted, but his father was acquitted, in fact could not be convicted, of forgery, as he had not committed it. He seems to have been careful through the whole transaction to do but little that might bring him within the grasp of the law. The case of young Tompkins seems to have excited some commiseration. He was pardoned in the course of a few months, and Joy was set at liberty, Mr. Dallas, who managed the cases for the government,

* Annals of 5th Congress, vol. ii, p. 2037, *et seq.*

† American State Papers, "Finance," vol. i, p. 692.

advising the Secretary of the Treasury that it was hardly worth while to prosecute the accessory after one principal had been acquitted and the other pardoned. The documents in connection with the case do not show what arrangement was made between those who had suffered by the fraud. The United States seem to have recovered nothing. Archibald Gracie & Sons, for whom the $15,000 certificate had been purchased at about £2,500, got possession of the Justina, which had cost £4,000, while David Parish, who had paid for the $30,000 certificate over £5,000, got only the £3,000 mortgage. Whether an equitable settlement was afterward made does not appear.

EIGHT PER CENT. LOAN OF 1800.

The committee of ways and means of the House of Representatives reported, February 28, 1800, that the expenditure for the coming year was estimated at the sum of $13,793,034 11, while the estimated revenue would be but $9,301,258 51, and there would therefore be an apparent deficit of $4,491,775 60 to be provided for; but as it was probable that when the payments for the year 1799 were all made and the accounts settled, there would be a balance in the treasury of at least $1,000,000, the real deficit to be provided for was, in round numbers, $3,500,000, and it was therefore recommended that the President be authorized to borrow, for the service of the year, a sum not exceeding $3,500,000. This deficit in the revenues was caused by the extensive preparations for war with France, during the years 1798 and 1799, in which the United States, possessing at the time neither army nor navy, had been obliged to provide both, to meet a threatened invasion.

The bill to authorize the President to borrow $3,500,000 for the public service passed the House March 18 and the Senate April 30, and was approved May 7, 1800 (2 Statutes, 60). An unsuccessful attempt was made in the Senate to limit the interest to 6 per cent. and to make the loan reimbursable at the pleasure of the United States after eight years. The act provided that the money should be borrowed to make up any deficiency in the appropriations, and to defray the expenses of calling into service any part of the militia of the United States or of raising and equipping regulars or volunteers. The loan was to be reimbursable after fifteen years, the rate of interest not being fixed.

Under this act, stock, bearing interest at 8 per cent. per annum, was issued to the amount of $1,481,700, for which cash was received to the amount of $1,565,229 24, being a premium of $83,529 24, or nearly 5¾ per cent.

LOUISIANA SIX PER CENT. STOCK.

This loan was contracted to pay France for the province of Louisiana, ceded to the United States by that power April 30, 1803. According to the construction of the United States, the cession of France included all the territory now covered by those portions of the states of Alabama and Mississippi which lie south of the thirty-first parallel; by the states of Louisiana, Arkansas, Missouri, Iowa, Minnesota, Oregon, Nebraska, and Kansas; by the territories of Dakota, Montana, Idaho, Washington, and the Indian territory; and by portions of Colorado and Wyoming. The United States had heavy demands on France for spoliations committed on American commerce during the previous ten years. The amount of these claims was estimated at $5,000,000. The first proposition of the French minister was that the United States should pay, for the province of Louisiana, 100,000,000 francs and take upon themselves the payment of the claims for spoliations, but the amount was finally fixed at $15,000,000, of which France was to receive $11,250,000 in United States bonds, payable in fifteen years, and bearing interest at the rate of 6 per cent. The remainder, amounting to $3,750,000, was to be devoted to reimbursing American citizens for French depredations on their commerce. The treaty was confirmed by the Senate of the United States, but was the occasion of an extended debate in the House of Representatives.

The act to issue the stock in payment for the territory, which became known as the Louisiana stock, was approved November 10, 1803 (2 Statutes, 245). It provided that, for the purpose of carrying into effect the convention of April 30, 1803, the Secretary of the Treasury should issue, in favor of the French republic or its assignees, certificates of stock for the sum of $11,250,000, bearing an interest of six per cent. per annum from the time at which possession of Louisiana might be obtained in conformity with the treaty, the certificates to be delivered by the President to the government of France, or to such persons as should be authorized to receive them, within three months after Louisiana should be taken possession of in the name of the government of the United States.

The faith of the United States was pledged for the payment of the interest and the reimbursement of the principal, in conformity with the provisions of the convention with France. The convention provided that the interest should be payable half-yearly, in London, Amsterdam, or Paris, and that the stock should be reimbursed in annual payments of not less than three millions each, the first payment to commence fifteen years after the date of the exchange of ratifications. The act, however, provided that the Secretary of the Treasury might consent to discharge the stock in four equal annual installments, and also to shorten the time fixed by the convention for commencing reimbursement. The annual interest, payable in Europe, was to be paid at the rate of four shillings and sixpence sterling for each dollar payable in London, and of two and a half guilders for each dollar payable in Amsterdam. Sufficient money to pay the interest for the first year was appropriated by the act. An annual sum of $700,000 (in addition to the annual sinking fund of $7,300,000), payable out of the duties on merchandise and tonnage, was appropriated, to continue so appropriated until the whole debt of the United States, including the stock created by the act, was paid.

Under this act stock for the portion of the purchase-money due France, amounting to $11,250,000, was issued. Its redemption began in 1812, and was completed in 1823, every dollar being paid. For the portion reserved to pay American citizens for spoliation ($3,750,000), no stock was issued, but the claims were paid in money, except the sum of $11,731 02 carried to the surplus fund June 30, 1868.

EXCHANGED AND CONVERTED SIX PER CENT. STOCKS OF 1807.

It appeared by the report of Albert Gallatin, Secretary of the Treasury, January 20, 1806, that there remained outstanding: of the old 6 per cent. and deferred stocks about $31,800,000, and of the 3 per cents (nominal value) about $19,050,000—total, $50,850,000. Of these stocks the 6 per cent. and deferred were redeemable at the rate of 2 per cent. per annum, each holder receiving, on every $100 worth of stock, $6 for interest and $2 as reimbursement. This mode of payment had in effect, though not in terms, converted the stocks into annuities, terminable in from twelve to eighteen years later. Under this arrangement these stocks sold in England, where a very large proportion of them was held, at about 95 per cent. on the unredeemed amount of each certificate, while the 3 per cents, which were not redeemable at any specific time, were worth in market about 60 per cent. of their nominal value.

Mr. Gallatin proposed that, in exchange for these three stocks, a common 6 per cent. stock should be offered to the public creditors; the old 6 per cent. and deferred stocks to be received at the par value of the unredeemed amount, and the 3 per cents at about 60 per cent.

Mr. Gallatin thought the exchange would be advantageous to the creditors, because, 1st, instead of receiving, as they did, quarter-yearly, a small reimbursement of their capital, which was in effect a long annuity, they would, if they exchanged their stocks, receive the whole amount within a much shorter time; and, 2d, because an annuity for a term of years is always worth less in market than its intrinsic or arithmetical value, as exemplified by the market rate of every lease and every estate less than the absolute fee. For this reason the navy 6 per cents, which were redeemable at the pleasure of the United States, had always sold higher in market than the 6 per cent. and deferred stocks. He thought the exchange would also be advantageous to the United States, 1st, because the government would thereby be enabled to reimburse the whole in less than nine years, instead of eighteen; and, 2d, because if circumstances should render a resort to new loans necessary, the terms on which these could be obtained would, in a considerable degree, depend on the price of existing stocks. It was therefore desirable that that species, the price of which had a tendency to regulate that of all others, should be as valuable as circumstances would admit, and, as has been stated, the 6 per cent. and deferred stocks, being annuities for a term of years, sold at less than their intrinsic value, the effect of which had already been felt in the operations connected with the purchase of Louisiana. A conversion of the 3 per cent. stocks, however, could not be so easily effected, they being worth more in market than a 6 per cent. stock producing the same annual amount, and it would therefore be necessary for the United States in converting this stock to make some sacrifices.*

On the 29th of December, 1806, John Randolph, from the committee of ways and means of the House of Representatives, presented a bill for the exchange and conversion of the stocks, entitled "An act supplementary to the act entitled an act making provision for the redemption of the whole of the public debt of the United States". On the 15th of January, 1807, the House resolved itself into a committee of the whole on the bill. The only part of it on which a division was called was on filling the blank in the third section so as to entitle the holders of the 3 per cent. stock to an amount of the 6 per cent. stock equal to "65" per cent. of the nominal amount they held. On this the vote was yeas 52, nays 27. The bill was read the third time January 16, and was opposed by Mr. Alston, who said he knew of no advantages that would accrue to the United States from the passage of the bill. Were the United States to be benefited by this modification of the present debt, or were they in the least interested in it? It was clear they were not interested in it, for if they were the keen speculator would not come forward to subscribe. This was a measure giving to people who had already preyed on the interests of the country another advantage. It held out a strong inducement to all citizens of the United States or of foreign countries who held 3 per cent. stock to subscribe to the new loan, by giving them 9 per cent. more than the value of their stocks twelve or fifteen months ago. He had evidence that at that period not more than 56 per cent. could have been obtained for it, and yet the bill proposed to give them 65.

Mr. Randolph, who favored the bill, said that nothing seemed plainer than that where two individuals stood in the relation of debtor and creditor, new arrangements of existing debts might be made to the advantage of both. At present the commissioners of the sinking fund were authorized to purchase the old 6 per cent. and deferred stock at $100 in specie for every $100 of stock, and those stocks were every year partially retired at this rate. The only good, therefore, that the provisions of the bill would do the holders of these stocks would be that the government would pay them at the same rate they were now paying them and at which purchases were now made. As for the 3 per cents, Mr. Randolph said he would use a comparison that would come home to the simplest understanding. A farmer owes his neighbor a thousand dollars, for which he has given his bond, bearing an interest at 3 per cent. He has the option of paying it off for $650. Would any provident man hesitate to discharge the

*American State Papers, "Finance," vol. ii, p. 213.

thousand dollars by paying $650, instead of suffering it to remain as a burden on his children or a lien on his estate? Would it not be most to the advantage of the people of the United States to pay off this stock at the rate of 65 per cent. rather than to let it remain as a perpetual incumbrance on the nation?* The bill passed the House at the close of the debate by yeas 112, nays 13. It passed the Senate February 7, without amendment and apparently without debate, and was approved February 11, 1807 (2 Statutes, 415). It provided that a subscription should be opened in the United States and at London and Amsterdam to the full amount of the old 6 per cent., deferred, and 3 per cent. stocks. For any amount subscribed, in the old sixes or deferred stocks, a new 6 per cent. stock was to be issued for the par value of the unredeemed amount of each certificate. The interest on the new stock was to be payable quarterly, and it was to be subject to redemption at the pleasure of the United States. No partial reimbursement was to be made on any certificate, and six months' public notice was to be given of any intended reimbursement. On all subscriptions in 3 per cent. stock, certificates equal to 65 per cent. of the principal of the stock subscribed were to be issued, bearing an interest of 6 per cent., payable quarterly, but not reimbursable without the assent of the holder until after the whole of the 8 per cent. and 4½ per cent. stocks, as well as the stock to be issued by virtue of the act in exchange for the old 6 per cent. and deferred stocks, had been redeemed.

It will be observed that the act created two kinds of stocks, one reimbursable at the pleasure of the United States, the other not without the assent of the holder until after an indefinite period. To distinguish these stocks the first was called the "exchanged", the other the "converted" 6 per cents. For these names, however, no authority appears in the act. "Exchanged" 6's were issued amounting to $6,294,051 12, and of the "converted" $1,859,850 70. It would appear that the great majority of the holders of the old stocks preferred them to the new.

LOAN OF 1810.

The Secretary of the Treasury, in his report on the finances, dated December 7, 1809, estimated that about twelve and a half millions of dollars would be available for the expenses of the government during the year 1810. He estimated those expenses as follows:†

For the civil list and foreign intercourse	$1,500,000
For annual appropriations for the public debt, of which about $3,750,000 would be required for the final reimbursement of the exchanged 6 per cent. stock	8,000 000
For the expenses of the military and naval establishments	3,000,000
Making a total of	12,500,000

If the expenditures for military and naval purposes could not be reduced, a loan would be necessary to make up the deficiency. The Secretary stated that he had anticipated this state of things, and in his previous annual report, December 10, 1808, had advised an increase of duties. This measure Congress had not thought proper to adopt, and it was now too late, as the increased revenue arising from an increase in the duties on imports (if made) would hardly become available during the coming year. He stated that if the actual expenditures for military and naval purposes during the year 1810 equaled those of the year 1809, there would be a deficiency of $3,000,000. He therefore asked Congress to authorize a loan of $4,000,000, which he estimated would cover all expenditures and leave $1,000,000 in the treasury.

It seems to have been thought in Congress that it was impossible to effect any important reductions in the expenditures for the army and navy. Our foreign relations were in a very unsatisfactory state, and the war in which we soon after became engaged with Great Britain was already looming in the distance. In the discussions which took place on authorizing the loan asked for by the Secretary, every gentleman who spoke assented to the propriety of placing at the disposal of the government a sum of money fully adequate to meet the estimated expenditures for the year. All those who spoke against the bill professed to be willing, in a proper manner, to authorize a loan of any sum of money necessary to sustain the honor of the country, but they contended that the bill was objectionable because the sum to be raised was not stated on the face of the bill; because the bill bore a deceptive appearance of borrowing money to pay the public debt, when, in fact, it was to meet the ordinary expenses of the government; because the bill authorized a loan of $5,160,000, being $1,160,000 more than the Secretary of the Treasury had declared to be necessary; and because no loan ought to be authorized until bills then before the House, which might effect a reduction in the annual expenditures, were decided on. In reply to these objections it was urged that the amount authorized to be borrowed was as definitely expressed as though in figures; that there could be no deception on the face of the bill, for if no debt heretofore contracted was to be paid off, there would not only be no occasion to borrow, but there would be a large surplus in the treasury; and that since the estimates had been reported to the House various additional appropriations had been made, and it was impossible to say how much money might be wanted, but no more would be borrowed than was actually required.

The bill to authorize the loan passed the House April 25, yeas 77, nays 35, and it was ordered that the title be: "An act authorizing a loan of money for a sum not exceeding the amount of the principal of the public debt reimbursable during the year 1810."‡ It became a law May 1, 1810 (2 Statutes, 610).

*Annals of 9th Cong., 2d sess., p. 331. †American State Papers, "Finance," vol ii, p. 374. ‡Annals of 11th Cong., 2d sess., pp. 1947–1957.

The act provided that the President of the United States be authorized to borrow, on the credit of the United States, a sum not exceeding the amount of the public debt which would be reimbursed by law during the year 1810. The interest was not to exceed 6 per cent., and the loan was to be reimbursable at the pleasure of the United States, or at such period as might be stipulated by contract, not exceeding six years from January 1, 1811. The Bank of the United States was to be allowed to lend the whole or any part of the sum required, and the Secretary of the Treasury was to be permitted to raise the money by selling certificates of stock, not under par. The Secretary was authorized, with the approbation of the President, to give the preference, in the subscriptions to be made to the loan under this act, to the holders of the exchanged 6 per cent. stock created by virtue of the second section of the act passed February 11, 1807, for an amount not exceeding for each stockholder the amount of the exchanged stock held by him at the time of subscribing. The sum thus borrowed from the holders of the exchanged stock was to be reimbursable at the pleasure of the United States. So much of the sinking fund of $8,000,000 as might be needed for the purpose was pledged for the payment of the interest and the reimbursement of the principal, and the faith of the United States was pledged to establish sufficient revenues to make up any deficiency in the fund. Under this bill $2,750,000 was borrowed, reimbursable at the pleasure of the United States, and it was all reimbursed during the year 1811.

SIX PER CENT. LOAN OF 1812.

The committee of ways and means of the House of Representatives reported, February 17, 1812, that the ordinary expenditures for the coming year were estimated at $9,400,000, while the receipts for the year were estimated at $8,200,000, leaving a deficit of $1,200,000, which, however, might be paid out of the balance remaining in the treasury January 1, 1812, amounting to $3,502,305 80. This would leave a balance of about $2,302,305 80 on hand, which the committee thought it would not be prudent, under existing circumstances, further to exhaust. But it was probable that more than the ordinary expenses for the year would have to be met. It was evident that war with Great Britain must soon ensue; it was, in fact, declared within four months. Bills had been introduced into Congress, and several of them had passed, to increase the regular army 25,000 men; to arm and drill the militia; to purchase ordnance, ordnance stores, and camp equipage; to raise a force of mounted rangers; to repair the navy and purchase timber to build new ships; to erect additional fortifications; and to call for volunteers. The bills which had passed or were likely to pass Congress to put the country in readiness for war called for an extraordinary expenditure of about $11,000,000, and this sum the committee proposed to raise by loan, and reported a bill for that purpose. The bill was considered in the committee of the whole February 24, and seems to have caused but little debate, passing to its third reading by yeas 92, nays 29. It was slightly amended in the Senate, but seems to have passed that body without much debate. The House concurred in the amendments, and the bill passed finally March 11, and was approved March 14, 1812 (2 Statutes, 694). It authorized the President to borrow, on the credit of the United States, $11,000,000, at a rate of interest not exceeding 6 per cent., payable quarter-yearly, the money to be reimbursable, at the pleasure of the United States, at any time after the expiration of twelve years from January 1, 1813.

Certificates of stock for the sums borrowed were to be issued, reimbursable as aforesaid, but no such certificates were to be sold below par.

By a supplemental act, approved July 6, 1812 (2 Statutes, 784), the Secretary of the Treasury was authorized to employ an agent or agents, for the purpose of selling any part of this stock, and to allow such agent or agents a commission on the amount sold not exceeding one-eighth of 1 per cent.

Under these acts the sum of $8,134,700 was obtained, reimbursable as provided for in the act, and also a temporary loan for $2,150,000, reimbursable as provided for in special contracts with different banks. These loans have been entirely repaid.

TREASURY NOTES OF 1812.

It will be seen, by the remarks on the preceding loan, that the committee of ways and means of the House of Representatives had estimated the ordinary and extraordinary expenses of the year at $20,400,000, which would leave a deficit of about $11,000,000; that an act was passed to raise this amount by a loan; and that the sum of $10,284,700 was actually obtained. The Secretary of the Treasury, however, reported to the committee, May 14, 1812, that up to that date but $6,118,900 had been subscribed, and that while he was confident the whole amount would be filled as early as the money would be wanted for the public use, yet he thought it advisable, to prevent the possibility of disappointment, that authority should be given to issue treasury notes for such amount as might not be actually subscribed to the loan.* A bill to authorize the issue of treasury notes was accordingly introduced in the House June 12, read twice, and referred to the committee of the whole on the 13th. It was opposed at some length by Messrs. Randolph, Tallmadge, and Key, and supported by Messrs. Cheves, Nelson, McKim, and others. Mr. Randolph moved to strike out the enacting clause, but his motion was negatived by a large majority, and the bill ordered to a third reading.

*American State Papers, "Finance," vol. ii, p. 564.

It was the first time since the formation of the present government that the issue of treasury notes had been proposed, and they were opposed for this reason, as engrafting on our system of finances a new and untried measure.

The bill passed the House June 17, by yeas 85, nays 41; passed the Senate June 26; and was approved June 30, 1812 (2 Statutes, 766). It authorized the President to issue treasury notes for such sums as he should deem expedient, but not exceeding in all $5,000,000. These notes were to be reimbursed by the United States at such places, respectively, as might be expressed on the face of the notes, one year, respectively, after the day on which the notes were issued. They were to bear interest from the day of issue, at the rate of $5\frac{2}{5}$ per cent. a year, payable at the places and times respectively designated on the face of said notes for the payment of the principal. They were to be issued in such portions as the President should deem expedient, in payment for supplies and for debts due by the United States, to such public creditors as chose to receive them at par; and the Secretary of the Treasury was authorized to borrow from time to time, not under par, such sums as the President should deem expedient, on the credit of the notes. They were to be receivable in payment of all duties and taxes laid by authority of the United States and for all public lands. In such payments interest was to be computed at the rate of $1\frac{1}{2}$ cent a day on each $100 in treasury notes, and each month was to be counted at thirty days.

The commissioners of the sinking fund were authorized and directed to cause to be reimbursed and paid the principal and interest of the notes, at the several times when they should become reimbursable by the provisions of the act, and were further authorized to purchase said notes, not above par, in the same manner as they purchased other evidences of the public debt.

There was issued in these notes the full amount of $5,000,000 which the act authorized.

EXCHANGED SIX PER CENT. STOCK OF 1812.

The Secretary of the Treasury reported to the House of Representatives, June 24, 1812, through the committee of ways and means, that of the loan of $11,000,000, authorized by the act of March 14, 1812, but $6,460,000 had thus far been subscribed, including $200,000 offered on special contract but not yet accepted. He said: "The result of the loan was more than doubtful. The old 6 per cent. and deferred stocks are 2 or 3 per cent. under par, and any depression in the public funds would seriously affect the sales of the residue of the new loan. Nor does it appear eligible, without an absolute necessity, to give a premium or additional interest in order to obtain subscriptions for that residue. For as it would be just in that case to place the first subscribers on the same footing, the charge to the public would be more than double the premium actually wanted to obtain the four and a half millions which are not yet subscribed." He therefore suggested a conversion of the old 6 per cent. and deferred stocks into a new 6 per cent. stock not materially different from that created by virtue of the act authorizing the loan of $11,000,000. This he thought would have a favorable effect on the price of those stocks, and thereby facilitate the loan of this year and prevent the necessity of applying, in this and subsequent years, the large sums which must otherwise be expended in the reimbursement and purchase of the public debt.*

A bill for the purpose of effecting a conversion of the old 6 per cent. and deferred stocks, as recommended by Mr. Gallatin, was considered in committee of the whole July 3, 1812, and was reported without amendment. Hon. John Randolph moved to amend it by striking out the enacting clause, which motion was rejected by a large majority. Mr. Randolph then moved to amend it by inserting a proviso that nothing contained in it should be construed to impair the obligation by which the commissioners of the sinking fund were bound, under previous acts of Congress, to apply $8,000,000 annually to the reduction of the public debt. This motion was also rejected. The bill was then ordered to be engrossed, and read the third time the same day. It passed, apparently without further debate, by yeas 58, nays 26. It passed the Senate without amendment, and was approved July 6, 1812 (2 Statutes, 783).

The act provided that a subscription to the full amount of the old 6 per cent. and deferred stocks be proposed to the proprietors thereof, for which purpose books should be opened, at the treasury and the offices of the commissioners of loans, on the 1st day of October next ensuing, to continue open until March 17, 1813, the fourteen last days of each quarter excepted. For such part of the amount of the old 6 per cent. and deferred stocks subscribed and surrendered as should remain unredeemed on the day of subscription, the subscribers were to be entitled to receive certificates of United States stocks, bearing interest at 6 per cent. per annum, payable quarter-yearly, from the first day of the quarter in which the subscription was made. The said certificates were to be reimbursable, at the pleasure of the United States, at any time after December 31, 1824; but no reimbursement was to be made except for the whole amount of stock standing at the time to the credit of any proprietor, nor until after at least six months' public notice of the intended reimbursement. Nothing in the act was to be construed to alter, abridge, or impair the rights of those creditors of the United States who did not subscribe for the exchanged stock. Under this act $2,984,746 72 were subscribed in old 6 per cent. and deferred stocks and exchanged for certificates of the new stock. This stock has all been redeemed.

*American State Papers, vol. ii, "Finance," p. 569.

SIXTEEN MILLION LOAN OF 1813.

The committee of ways and means, January 18, 1813, reported a bill authorizing the issuing of treasury notes for the service of the year 1813; also a bill authorizing a loan of —— millions of dollars; which bills were read twice and referred to a committee of the whole. It appeared from the report of the committee of ways and means that the expenditures for the year 1813 might be estimated at the sum of $36,000,000. Of this sum about $26,000,000 would be required for military and naval operations, which were necessarily heavy, the United States being engaged in war with Great Britain. The balance remaining in the treasury December 31, 1812, had not been ascertained with accuracy, but was believed to amount to about $3,000,000, after deducting expenses incurred in 1812, but not yet paid.* Add to this balance the revenue for the year 1813, which was estimated at $14,000,000, including the amounts receivable during the year from the loan and treasury notes of 1812, and there remained a deficit of $19,000,000. To meet this the committee proposed the issue of treasury notes to the amount of $5,000,000 and a new loan of $16,000,000. This, it was estimated, would leave a surplus of $2,000,000 in the treasury at the end of the year. The bill for raising the loan was energetically opposed, on the ground that it contained no special provisions, and set apart no special fund for its reimbursement; that the war, for which great expenses were to be incurred, should never have been declared, and now, that the principal reason for its commencement had been removed by events in Europe, its further prosecution was unnecessary. The blank in the bill was filled so as to make the amount to be raised "sixteen" millions. Some debate occurred on the proposition to limit the rate of interest to 6 per cent. and to prevent any stock being sold below par.

The House refused to fix the rate of interest or to limit the sales of the stock to par, and passed the bill by a decisive majority January 27. The Senate passed it without amendment, and it was approved February 8, 1813 (2 Statutes, 798). It authorized the President to borrow, on the credit of the United States, a sum not exceeding $16,000,000, no contract for the same to be entered into which should preclude the United States from reimbursing it at any time after January 1, 1826.

The President was authorized to sell the certificates of stock issued, at a price not limited to par, and to employ agents for the purpose of effecting the sales, said agents to receive a compensation not exceeding one-fourth of 1 per cent. on the amount they sold or for which they obtained subscriptions. The surplus of the sinking fund was pledged for the payment of the principal and interest, and the commissioners of that fund were authorized to purchase the principal of the stock to be issued, at any time, on the same terms as they were authorized to purchase other evidences of the public debt. The faith of the United States was pledged to establish sufficient revenues to make up any deficiency. Under this bill $15,468,800 was obtained on subscriptions and sales of $100 in stock for $88 in money, and $531,200 at par, by giving an annuity of 1½ per cent. for thirteen years in addition. As the bill contains no provision for offering annuities in addition to the interest, it must have been done under the unlimited authority given by the bill to raise money without restricting the means. For the money so obtained, certificates of stock for $18,109,377 43 were issued, bearing interest at 6 per cent.

TREASURY NOTES OF 1813.

The circumstances that rendered necessary the issue of the treasury notes of 1813 (required to make up the expected deficit of $19,000,000), in addition to the 6 per cent. $16,000,000 loan of that year, have been already referred to.

A bill proposing a new issue of treasury notes was reported to the House of Representatives January 27, 1813. The opposition offered various reasons against its passage, among which were that issuing treasury notes was creating a new system of patronage and favoritism, already too great, and therefore it would be better to add the sum contemplated to the $16,000,000 loan, or to create another 6 per cent. stock for the occasion; also that, as the notes were to bear but 6 per cent. interest, they would have to be negotiated in such a way as to give the banks taking them some other advantages, as it was not pretended that money could be got for 6 per cent.; if so, why not have limited the sales under the loan bill to par? The banks which had been made government depositories would take up these notes in sums equal to the average balance of government funds in their vaults. They would hold the notes and the average balance, and at the end of the year pay the government in treasury notes, thus forcing the government to pay interest on its own funds. To this it was answered that whether the money was raised by a loan or by issue of treasury notes the effect would be the same. The money would in either case be deposited in those banks which were by law government depositories, and the banks would draw incidental benefits from it. Even the receipts from lands, customs, and internal taxes would all be deposited in the banks, and they would discount on those deposits. The notes which it was proposed to issue were not so objectionable in this respect as a loan, for they would not be issued until the exigencies of the government required it. The House passed the bill by yeas 79, nays 41. An attempt was made in the Senate to amend it, by striking out the provisions permitting the notes to be used in payment for supplies and to be received in payment of duties on imports; but the Senate rejected the proposition and passed the bill with some unimportant verbal amendments,

* Annals of 12th Cong., 2d sess., p. 870.

in which the House concurred.* It was approved February 25, 1813 (2 Statutes, 801). It authorized the President to cause to be issued treasury notes, for such sums as he should deem expedient, not exceeding in amount $5,000,000. It also authorized the issue of the further sum of not exceeding $5,000,000, the proceeds of which were to be deemed and held to be part of the sum of $16,000,000 authorized to be borrowed by the act of February 8, 1813. (This provision was rendered of no effect by the fact that nearly the whole of the sixteen millions was obtained as a loan.) The notes were to be reimbursed, at such places, respectively, as might be expressed on the face of the notes, one year after the date of their issue, and were to bear an interest of 5⅖ per cent. per annum, payable at the same times and places as the principal should be reimbursable. They were to be issued in payment for supplies to such public creditors as chose to receive them, and were receivable everywhere in the payment of all duties and taxes laid by the United States; also for all public lands sold.

The Secretary of the Treasury was authorized to borrow, on the credit of the notes, not under par, such sums as the President might deem advisable, and it was to be deemed a good execution of this provision to pay the notes to such banks as would receive them at par and give credit to the treasurer of the United States for the amount thereof. The notes were to be transferable by delivery and assignment indorsed thereon by the person to whose order the same should, on the face, have been made payable. The commissioners of the sinking fund were directed to reimburse and pay the principal and interest of the notes at the time they should become payable, and were furthermore authorized to purchase said notes, in the same manner as other evidences of the public debt were purchased, at a price not above the par of principal and interest due. Notes were issued under this act to the amount of $5,000,000.

SEVEN AND ONE-HALF MILLION LOAN.

The acts authorizing a loan of $16,000,000 and an issue of treasury notes for $5,000,000, in the early part of the year 1813, were intended to provide ample means to meet the deficit of $19,000,000, which was expected to result from the heavy military and naval operations of the year. The acting Secretary of the Treasury, W. Jones, in his report to the Senate, June 3, 1813, estimated the expenditures for the remainder of the year at about $29,230,000, and the revenue from all sources, including the loans and treasury notes authorized, at the same amount. But he seems to have feared that so large an issue of treasury notes might result in their depreciation, and he advised a loan instead, reserving the power to issue treasury notes if the exigencies of the government required it. He says that, in the estimate of resources, "the whole sum of $5,000,000 authorized to be issued in treasury notes is taken as a part of the resources of the present year. But as it is not deemed eligible to increase the amount of treasury notes in circulation, and as three millions only of those authorized by the act of 1812 were issued in that year, and are reimbursable in the course of the present year, it is respectfully suggested that, in lieu of issuing two millions of the five millions authorized by the act of February, 1813, Congress should authorize an additional loan for the same amount."

In connection with this he recommended the imposition of new internal taxes.† A bill to authorize a loan of ——— dollars, was reported in the House of Representatives from the committee of ways and means July 22, and considered in committee of the whole July 24. The blank in the bill before the word "dollars" was filled with the words "seven million five hundred thousand". An attempt was made to amend the bill by inserting a provision pledging the proceeds of the direct tax and the internal duties for the payment of the interest of the loan, but the House voted it down by a large majority. The debates, if any took place on the subject, have not been recorded. The bill was slightly amended in the Senate, passed both houses July 30, and was approved August 2, 1813 (3 Statutes, 75). It authorized the President to borrow, on the credit of the United States, a sum not exceeding $7,500,000, reimbursable at the pleasure of the United States at any time after the expiration of twelve years from January 1, 1814. It allowed the sale of certificates of stock, for the purpose of raising the money, at not less than $88 in money for $100 of stock. The interest was not limited. A commission of not exceeding one-quarter of 1 per cent. on the amount sold, or for which subscriptions were obtained, was to be allowed to agents. It contained the usual provision directing the commissioners of the sinking fund to pay the interest and reimburse the principal when due; also to purchase the stock, not above par, as they purchased other evidences of the public debt. The faith of the United States was pledged to establish sufficient revenues to make up any deficiency in the funds provided for its reimbursement. Banks in the District of Columbia were to be allowed to lend any part of it, notwithstanding any provision to the contrary in their charters. Under this act $7,500,000 was obtained in cash, and stock to the amount of $8,498,581 95 was issued therefor, being a discount of 11.75 per cent.

TREASURY NOTES OF MARCH, 1814.

The acting Secretary of the Treasury, in his report on the state of the finances, communicated to the Senate January 10, 1814, estimated the expenditure for all purposes during the year 1814 at $45,350,000, and the revenues,

*Annals of 12th Cong., 2d sess., p. 881.

†American State Papers, "Finance," vol. ii, p. 623.

with the balance in the treasury, at $16,000,000, leaving to be provided by loans the sum of $29,350,000.* He said that "although the interest paid on treasury notes is considerably less than that paid for the moneys obtained by the United States on funded stock, yet the certainty of their reimbursement at the end of one year, and the facilities they afford for remittances and other commercial operations, have obtained for them a currency which leaves little reason to doubt that they may be extended considerably beyond the sum of $5,000,000, hitherto authorized to be *annually*† issued. It will, perhaps, be eligible to leave to the executive, as was done last year, a discretion as to the amount to be borrowed upon stock or upon treasury notes, that one or the other may be resorted to, within prescribed limits, as shall be found most advantageous to the United States".

A bill to authorize the issue of treasury notes was reported from the committee of ways and means February 1, and considered in committee of the whole February 21, 1814. An attempt was made to so amend it as to provide that no note should be issued for a larger amount than $100 nor less than $5, but the House refused to accept the amendment. The bill passed to a third reading without debate or opposition. It was read a third time February 22, when an attempt was made to amend it by providing that no note of less than $10 should be issued, which was also rejected, and the bill passed by yeas 83, nays 48. It passed the Senate without debate or amendment March 1, and was approved March 4, 1814 (3 Statutes, 100). It authorized the issue of treasury notes for a sum not exceeding $5,000,000, and also for an additional sum not exceeding $5,000,000, to be deemed and held part of the sum which might be authorized to be borrowed by virtue of any act passed at that session of Congress. The notes were to be reimbursed, at such places, respectively, as might be expressed on the faces of the notes, one year after their respective dates, and to bear an interest of $5\frac{2}{5}$ per cent. a year, payable at the same times and places as the principal should be payable. They were to be issued in payment for supplies to such public creditors as chose to receive them, and the Secretary of the Treasury was authorized to borrow, on the credit of the notes, not under par, such sums as the President might think expedient, or to sell the notes, not under par; also to employ agents to effect such sales, at a commission not exceeding one-quarter of 1 per cent. The notes were to be receivable everywhere in payment of all duties and taxes laid by authority of the United States; also for public lands sold. It contained the usual provision authorizing and directing the commissioners of the sinking fund to reimburse the principal and interest and to purchase the notes, not above par; also a provision to punish counterfeiting. Notes to the amount of $10,000,000 were issued under this act.

SIX PER CENT. LOANS OF 1814.

A bill to authorize a loan of $25,000,000, to provide, together with the treasury notes of March 4, for the estimated deficiency of $29,350,000 in the revenues and receipts of the year, was reported from the committee of ways and means February 1, 1814. This was the largest loan that, up to that time, had ever been proposed in Congress, and the idea of increasing the debt of the nation by so large an amount created much opposition and led to an exciting debate, which took a wide range and brought in incidentally the conduct of the war with Great Britain, its justice, and its probable results. The bonds of 1813 had only been negotiated at a heavy discount, the treasury receiving for $26,607,959 38 in bonds but $23,500,000 in cash. This money had been mostly exhausted in disastrous attempts on Canada, which had effected nothing, and had only resulted in inflicting on both countries the miseries of border warfare. The only brilliant successes of which the administration could boast were the naval victories.

The bill, after having been before the House for more than a month, finally passed by yeas 97, nays 55. It passed the Senate without amendment by yeas 22, nays 6, March 19, and was approved March 24, 1814 (3 Statutes, 111). It authorized the President to borrow, on the credit of the United States, a sum not exceeding $25,000,000, reimbursable at the pleasure of the government at any time after the expiration of twelve years from December 31, 1814. Certificates of stock for this amount, or any part thereof, were authorized to be constituted, and the same to be sold. The Secretary of the Treasury was directed to lay before Congress, during the first week of February, 1815, an account of all moneys obtained by the sale of these certificates of stock, with a statement of the rate at which the same had been sold. Agents were to be employed to negotiate these certificates and obtain subscriptions at a commission of not exceeding one-quarter of 1 per cent. The commissioners of the sinking fund were directed to reimburse the annual interest and to purchase the certificates, at a price not above par, whenever the condition of the treasury would permit. The rate of interest and the amount of discount to be paid were not limited. Under this act a subscription for a loan was opened May 2 for $10,000,000.‡

A loan for ten millions was considered as more likely to prove successful, than if an attempt was made to obtain the whole amount of $25,000,000 at once. The sums offered for this loan amounted to $11,900,806, of which $2,675,750 were at rates less than 88 per cent. Of the sum of $9,229,056 which was offered at 88 per cent., or at rates more favorable to the United States, $5,000,000 were offered with the condition annexed: that if terms more favorable to the lenders should be allowed for any part of the twenty-five millions authorized to be borrowed the present year, the same terms should be extended to those holding the stock of the ten million loan.

* American State Papers, "Finance," vol. ii, p. 651, *et seq.*

† The meaning of the acting Secretary is not very apparent. There was no law at that time authorizing the *annual* issue of $5,000,000, or of any other sum.

‡ Report of the Secretary of the Treasury, Sept. 26, 1814.

Taking into consideration the expectation then entertained of an early return of peace, and the importance of maintaining unimpaired the public credit by sustaining the price of the stock in the meantime, and also considering the measure as sanctioned by precedent, it was agreed to accept the loan with that condition. Had the sum to which the condition was annexed been rejected, the consequence would have been to reduce the amount obtained to less than five millions, a sum altogether inadequate to the public demands, or, by depressing the stock to 85 per cent., have obtained only a little more than six millions, which would have still been insufficient to answer the purpose of government.

Under these proposals for a loan of ten millions, stock amounting to $9,919,476 25, bearing an interest of 6 per cent., was issued, and cash to the amount of $7,935,581 was obtained therefor, being a discount of 20 per cent. This stock, though issued under the act for a loan of $25,000,000, appears as the "ten million loan of 1814". A portion of it was issued at the rate of $100 in stock for $88 in cash. But as most of the proposals contained the stipulation: that if more favorable terms were granted for any part of the money obtained under the act for a loan of $25,000,000, the same terms should be granted them; and as the second installment of this loan was only negotiated at a discount of 20 per cent., it became necessary to equalize the subscribers by issuing to those who had received stock at 88 per cent. supplemental stock at the rate of $10 on each hundred of stock held by them. The commissioners of loans were therefore directed to issue to the holders of certificates of the ten million loan supplemental stock equal to 10 per cent. of the nominal value of their certificates. This supplemental stock is included in the $9,919,476 25 issued under this loan.

Proposals were again invited, on the 22d of August, for a loan under the same act. The amount asked for was $6,000,000. From the subscriptions obtained under these proposals $4,307,307 90 was realized in cash, for which stock to the amount of $5,384,134 87 was issued, a discount of 20 per cent. This appears as the "six million loan of 1814". There was also an additional amount of $746,403 31 issued under this act in the settlement of contracts for loans, for which $652,534 36 was received in cash. This appears as the "Undesignated six per cent. stock of 1814". The issues under the act for a loan of $25,000,000 amounted to $21,050,014 43, including treasury notes for $5,000,000 issued under the act of March 4, 1814, but, by the terms of that act, to be deemed a part of this loan. The receipts were $17,895,423 26.

MISSISSIPPI STOCK.

At the close of the American Revolution Great Britain, by the treaty of September 3, 1783, surrendered all claims to sovereignty over the thirteen original colonies. The treaty declared that the Mississippi should be their western boundary, and article 1 relinquished to each of the states, naming them, and Georgia among them, "all claims to the government, proprietary, and territorial rights of the same." Under this treaty the state of Georgia, as the successor of the colony of that name, claimed to hold a perfect and indefeasible title to all the lands (not before granted to private parties) within her limits as far west as the Mississippi river, including nearly all the present states of Alabama and Mississippi. The only adverse claimants were the Indian tribes, and over all the soil occupied by them she held the right of pre-emption. In February, 1785, the legislature of Georgia established the county of Bourbon, beginning at the mouth of the Yazoo river and running southward along the Mississippi river to the thirty-first degree of north latitude. In February, 1788, the legislature authorized the delegates of the state to cede to the United States all her rights of soil, territory, and jurisdiction west of the river Apalachicola; but Congress, by resolution July 15, 1788, refused to accept the cession.*

The fact of the possession by the state of Georgia of such an immense body of fertile land appears to have early attracted the attention of speculators, and formed the basis of one of the greatest land speculations on record, commenced (as the evidence seems to show) by bribery and carried on by fraud and perjury.

On the 21st of December, 1789, the legislature of Georgia passed an act authorizing a grant of the whole country from the Tombigbee to the Mississippi, comprising nearly the whole of the present state of Mississippi and a portion of Alabama, amounting to about 30,000,000 acres, to three companies, called the South Carolina Yazoo, the Virginia Yazoo, and the Tennessee companies, for the sum of $207,580, or rather less than one cent per acre. An inconsiderable sum was paid, in the paper money of the state, by the first two mentioned companies, and the whole amount of the purchase-money was tendered to the treasurer in the depreciated certificates or evidences of the public debt of Georgia, the acceptance of which was refused. It seems to have been considered that the grant had lapsed by non-payment of the purchase-money, for, on the 7th of January, 1795, the legislature passed an act authorizing the sale of nearly the entire country from the Alabama river to the Mississippi, estimated at from thirty-five to fifty million acres, to four companies, called the Georgia, the Georgia Mississippi, the Upper Mississippi, and the Tennessee, for the sum of $500,000, which amount was paid into the treasury of the State.†

* Journals of Congress, vol. iv, pp. 834, 835.

† American State Papers, "Public Lands," vol. i, pp. 133, 149.

Sweeping charges of bribery were made, affecting with greater or less particularity almost every member of the legislature. Nor is the history of the case confined to such charges involving members of the state senate and of the house of representatives, with more or less of detail as to the acts and the expressions of lobby agents and of members. State officials of peculiar and special responsibility in the care of the financial honor of the state were the objects of like charges of corruption and bribery.

It was not only the current report and the testimony of witnesses that negroes and land were freely transferred to influence votes, but darker crimes were suspected. A senator, who had borne witness to the corruption and who was expected to confess complicity in the same, being murdered in his own house, the murder was attributed to the motive, "that he, together with his testimony, might be consigned to oblivion." The history of the transaction involves the name of nearly every man at the time connected with the administration of the state government.

While the popular verdict was that the corruption was almost universal, there were individuals who even in the rumors of the hour kept a clean name before the public, and saved the state from the disgrace of unanimous dereliction of its legislators and its officials to their trusts.

The alienation of so vast a body of fertile land, under such suspicious circumstances and for so insignificant a price, appears to have produced a great excitement among the people of Georgia. A new legislature was chosen, whose members proceeded, as far as in them lay, to undo the work of their predecessors, by passing, February 13, 1796, an act "declaring null and void a certain usurped act passed by the last legislature of this state, at Augusta, on the 7th day of January, 1795, under the pretended title of: An act supplementary to an act entitled an act for appropriating a part of the unlocated territory thereof for the protection of the frontier, and for other purposes". This act, after declaring the act by which the territory was sold to be unconstitutional, passed by usurped authority, fraud, and collusion, declared the whole void, and all grants obtained under it "annulled, rendered void, and of no effect; and as the same was made without constitutional authority, and fraudulently obtained, it is hereby declared of no binding force and effect on this state or the people thereof, but is and are to be considered, both law and grants, as they ought to be, *ipso facto*, of themselves void, and the territory therein-mentioned is also hereby declared to be the sole property of the state, subject only to the right of treaty of the United States to enable the state to purchase, under its pre-emption right, the Indian title".

All documents and deeds connected with the purchase were ordered to be expunged from the books of record of the state, and the act itself to be publicly burnt. The governor was directed to return, to those who had *bona fide* paid it, the money received into the treasury for the land.*

"Then," says Mr. Troup, of Georgia, in his speech of March 8, 1814, "such a scene of fraud, iniquity, and depravity was exhibited, that the governor, familiar as he had been with such scenes but a short time before, blushed, and shut the doors of the treasury against them. Men concerned in this transaction, but who had not deposited one dollar, by perjury, forgery, or some other crime, drew thousands from the treasury".†

On the 24th day of April, 1802, Georgia ceded to the United States all her territory south of the state of Tennessee and west of the Chattahoochie river. By the terms of the cession the United States was to pay Georgia, out of the first net proceeds of the sales of the land thus ceded, $1,250,000, and to have the right to reserve 5,000,000 acres, or the proceeds of their sale, for the purpose of satisfying any claims which might be made to any part of the ceded territory.‡

The question now came up: what were those claims? Besides the claimants under Spanish, French, and British grants, and those held from Georgia under actual survey and settlement, whose title was not, as a general thing, disputed, the grantees under the repealed act of January 7, 1795, and purchasers under them, claimed nearly the whole territory. It appeared, on investigation, that the following companies were the claimants, and had paid into the treasury of Georgia, as stated:

Georgia Company	$250,000
Georgia Mississippi Company	155,000
Tennessee Company	60,000
Upper Mississippi Company	35,000
Total	500,000

Beside these companies the New England Mississippi Land Company claimed a large portion of the original purchase, or pretended purchase, of the Georgia Mississippi Company, by transfer from said company, and there were a large number of citizens' rights, so-called, being claims of individuals who had purchased tracts from the different companies.

*American State Papers, "Public Lands," vol. i, pp. 156–158.
†Annals of 13th Cong., p. 1839.
‡American State Papers, "Public Lands," vol. i, pp. 125, 126.

Although the four original companies had paid into the treasury of Georgia the half million dollars required by the terms of the act of January 7, 1795, yet of this they had withdrawn, under the act of February 13, 1796, \$310,695 14⅜, leaving the sum of \$189,304 85⅛ actual expenditure.* For this insignificant sum, then, they claimed to hold the fee-simple title to nearly 50,000,000 acres of as fertile land as is to be found on the continent, on the ground that the state of Georgia, by her constituted authorities, had sold and transferred the territory to them, and that no power existed in any legislature to undo the work of its predecessor where a right had become vested.

The New England Mississippi Land company claimed that even if the original title had been secured by fraud and corruption, yet they were themselves innocent purchasers, buying before the repeal of the act, under the faith of deeds confirmed by the broad seal of the state, and without notice of fraud. But as the state of Georgia, notwithstanding she had formally sold and transferred the lands to them, had subsequently sold and transferred the same territory to the United States for the sum of \$1,250,000, the five companies proposed, January 19, 1803, to also sell their rights in the same to the United States, for the sum of \$10,000,000, of which \$452,000 was to go to the holders of citizens' rights, and \$9,548,000 to be paid to the representatives of the companies.†

The debates on this subject took a very wide range in Congress, and the question was not settled until eleven years afterward. On the one hand it was alleged that the claimants were entitled to the land, it having been sold to them by Georgia, and that the attempt of the succeeding legislature to destroy the title was of no effect, as being directly contrary to the provision of the Constitution which forbids the passage of any law to impair the obligations of contracts.

On the other hand it was said that there had never been a real sale to these companies; that no contract existed to be impaired, as fraud vitiates all contracts, and no contract existed in a legal and equitable sense; that the constitution of the state of Georgia gave her representatives no right to rob and plunder the people; that even the claimants no longer asserted the validity of the law, but threw themselves on the mercy of Congress; and that it was evident that, while we might vote a small sum as a gratuity or to quiet the shadow of title, we could not pretend to purchase, as a reality, a title obtained, as was said, "where the corruption in which the transaction was engendered, was a corruption without example in history."

It seems to have been thought by the majority of Congress that the titles of the companies and those claiming under them, though obtained by fraud, were of sufficient weight to interfere materially with the settlement of the Mississippi territory, and it was therefore best to extinguish them by a compromise.

On the 26th of March the bill to compromise with the claimants passed the House of Representatives by yeas 84, nays 76, and became a law March 31, 1814 (3 Statutes, 116). It directed certificates of stock, not bearing interest, payable out of the first money in the treasury of the United States arising from the sale of public lands in the Mississippi territory, after the money due to the state of Georgia and the expenses of surveying the lands had been satisfied, to be issued to an amount not exceeding \$5,000,000, of which not exceeding \$4,750,000 was to go to the representatives of the companies and \$250,000 to the holders of citizens' rights.

Under this act the Mississippi stock, as it was called, was issued to the amount of \$4,282,036 92. This stock was receivable in part payment for lands in the territory.

TEMPORARY LOAN AND TREASURY NOTES OF DECEMBER, 1814.

It will be seen by reference to what has been said on the "Six per cent. loans of 1814", authorized by the act of March 24, that the treasury still held an unexecuted authority to borrow the sum of \$7,104,576 74. But the loans effected had only been obtained at an enormous discount; the probability of obtaining more, except at a still greater discount, was doubtful; and there was pressing need for money to carry on the war.

Congress had adjourned, in April, to meet the last Monday in October, more than a month earlier than usual; but the financial outlook was so alarming that the President summoned them to meet on the 19th of September. It would seem as though more authority to borrow was not needed, but Congress nevertheless proceeded to pass an act to authorize another loan for three millions, which was approved November 15, 1814 (3 Statutes, 144).

Under the provisions of this act "authority was given to raise, by loan, a sum not exceeding \$3,000,000 (particularly destined to provide for the expenditures of the last quarter of the year 1814), and to create stock for the amount, reimbursable at any time after twelve years from the 31st of December, 1814. No limitation was prescribed as to the rate of interest or the price of the stock; but it was declared that, in payment of subscriptions to this loan, or to loans authorized by any other act of Congress, it should be lawful to receive treasury notes becoming due on or before the 1st of January, 1815, at their par value, together with the interest accrued. The payment of the interest, and the redemption or the purchase of the stock to be thus created, were charged upon the sinking fund; but the act contained these further assurances: (1st) That in addition to the annual sum of \$8,000,000 heretofore appropriated to the sinking fund, adequate and permanent funds should be provided and appropriated, during that session of Congress, for the payment of the interest and the reimbursement of the principal of the stock; and (2d) that an adequate and permanent sinking fund, gradually to reduce, and eventually to extinguish, the public debt contracted during the war, should also be established during the same session of

*American State Papers, "Public Lands," vol. i, pp. 149, 150.

†Ibid., pp. 151, 152.

Congress".* No stock was issued under this act, however, but the sum of $1,450,000 was borrowed from the banks under special contracts. A new issue of treasury notes was considered more desirable than the issue of more stock, which could be realized in cash only by the payment of a ruinous discount. Many of the banks of the country had suddenly suspended specie payments, and their notes, which had been payable on demand, now formed a depreciated and doubtful circulating medium. Treasury notes, receivable everywhere for dues and customs, and guaranteed by the United States, were better than these, and it was determined to make a new issue of them. A bill for that purpose was introduced in the House of Representatives December 5, passed the House on the 8th, the Senate on the 22d, apparently without debate, and was approved December 26, 1814 (3 Statutes, 161). It was entitled "An act supplemental to the acts authorizing a loan for the several sums of twenty-five millions of dollars and three millions of dollars", and provided that, in lieu of the money authorized to be borrowed by those acts and not yet obtained, there should be issued treasury notes, but not to exceed the sum of $7,500,000. It also provided for a further issue of $3,000,000 to defray the expenses of the War Department for the year 1814, in addition to the sums before appropriated by law for that purpose. The notes were to bear interest, to be reimbursable, and receivable in like manner with those issued under the act of March 4, 1814, and the same authority was given to employ agents to make sale of them. Under this act notes to the amount of $8,318,400 were issued.

DIRECT-TAX LOAN.

An attempt was made, after the passage of the act of January 9, 1815, to anticipate a part of the revenues of the year, by borrowing money and pledging, for its repayment, the sum which should be raised under the act for laying a "direct tax".†

There was apparently pressing need of money, though the necessity was not so great as it seemed. The heavy expenses estimated for the year were principally for carrying on the war with Great Britain, and this war had been formally closed by the treaty of peace, signed at Ghent, December 24, 1814, but the fact was not yet known in this country, and preparations for continuing the struggle still went on. While Congress was debating the bill for laying a direct tax, a powerful army, commanded by the British General Pakenham, was threatening the city of New Orleans, and on the 8th of January, the day before the bill passed, the invaders received a severe defeat from the militia of the southwest, under the command of Major General Andrew Jackson.

Secretary Dallas, in his report on the state of the treasury at the close of the year 1814 and the means to be provided for the coming year, estimated the expenditures necessary during the year 1815 at $56,032,034 69, and the revenue from existing sources at $15,125,909 83, leaving a deficiency of $40,906,124 86 to be provided for.‡ A part of this deficiency it was proposed to raise by direct taxes, and an act passed Congress, and was approved January 9, 1815, for laying a direct tax of $6,000,000, proportioned among the several states according to population. Section 42 (3 Statutes, 179) provided that the President might authorize the Secretary of the Treasury to anticipate the collection of the tax by obtaining a loan on the pledge of the direct taxes to an amount not exceeding $6,000,000, at a rate of interest not exceeding 6 per cent. per annum. This clause does not seem to have formed the subject of debate in Congress. Very little was done under this provision of the act. It was impossible to raise money when it was passed, at 6 per cent. interest, without submitting to a heavy discount. Had the war continued the discount would probably have been paid, but the news of peace, received soon after the passage of the act, rendered anticipations of the revenue unnecessary. The sum of $200,000 was borrowed during the year 1815, at par, under the authority thus granted, and it was redeemed the same year.

TEMPORARY LOAN OF 1815.

The damage done to the public buildings in the city of Washington, by an incursion of the enemy on the night of August 24, 1814, gave rise to this loan. The President's house was burned, and the Capitol was seriously damaged. They did not attempt to blow up the building, being probably short of powder, but tried to fire it. Its solidity, however, prevented its receiving extensive damage in that way, and the few hours the enemy were able to hold the city did not allow of extended efforts at its destruction. The next session of Congress was held in a

* American State Papers, "Finance," vol. iii, p. 5.

† The term "direct tax", in the history of United States finance, has a significance widely different from that which it possesses in general economical literature or which would be attributed to it in other countries. By the third clause of the second section of the first article of the Constitution it is provided that "representatives and *direct taxes* shall be apportioned among the several states which may be included within this union, according to their respective numbers," &c., &c. From this it follows, for example, that if the population of the United States be fifty millions, and that of Massachusetts two millions, Massachusetts must be assessed to the extent of four per cent., no more and no less, of every "direct tax". Under this provision of the Constitution the term "direct tax" has acquired, through legislative action and by the decisions of the Supreme Court, a highly technical and closely restricted meaning. A tax on incomes, for instance, is not a direct tax: New York, though containing only one-tenth of the population of the United States, may constitutionally pay one-fifth of an income tax. A tax on carriages is not a direct tax. The principal direct taxes levied under the provisions of the Constitution above cited have been taxes on lands and houses and on slaves.

‡ American State Papers, "Finance," vol. ii, pp. 886, 887.

building on First street east, fitted up temporarily for this purpose and known for many years afterward as the "Old Capitol". At this session a bill was introduced to repair or rebuild the Capitol, President's house, and public buildings, and authorizing a loan of $500,000, at an interest not exceeding 6 per cent., from any bank or banks within the District of Columbia, or individuals, to be applied exclusively to that object. It was approved February 13, 1815 (3 Statutes, 205), and under this authority $225,000 was borrowed from the banks in the District. During the debate, a suggestion was made that the Capitol ought either to be removed to some other part of the Union, or other localities for the executive departments be chosen if Washington was still to remain the seat of government.

The debate throws some light on the condition of things in the city at that time, twenty-four years after the District was laid out. Mr. Fromentin, a senator from Louisiana, said:

When I cast my eyes on this wilderness, dignified with the name of a city—a city, to be sure, very unlike that old-fashioned one in Europe alluded to by the Irishman, who, when placed in the middle of it, complained that he couldn't see the city for the houses—sir, we run no risk of hearing any such complaints about this city. Every Irishman who arrives here may have a full view of the whole ground at once. None of those incumbrances called houses limit the boundless prospect; or, if there be a few, he may among those few open a complaisant gap, through which his inquisitive eye may pierce to a distance limited only by the foot of the surrounding hills. But, sir, the subject is too serious to admit of its being treated with levity. Let me then return to it, and seriously inquire about the present state and future prospects of this city. What do we see here? Twelve or fifteen clusters of houses at a considerable distance from each other, bringing to our recollection the appearance of a camp of nomad Arabs, which, however, if connected together, would make a respectable town, not much inferior, perhaps, to the capital of Virginia, and here and there an isolated house; the whole of it, when seen from the ruins of our public edifices, looking more like the place where proud Washington once stood than where humble Washington now lies. If such is the situation of the city after fifteen years since the government removed here, during the first six years of which period there prevailed not only in this country, but all over Europe, a degree of enthusiasm bordering on madness respecting the future destinies of this metropolis, and during which period of six years, too, this country still enjoyed the benefits of the administration of Washington, whose good deeds for several years after his death were still in force—Washington in his tomb still securing the prosperity of his beloved country!—if, sir, such be now the situation of this city, what, in the present state of things, are our prospects for the future? Awful, indeed! How many ages must elapse before this chaos is likely to assume anything like a describable shape? How many before these disjointed, distracted, warring elements may be brought together so as to form a whole, which may entitle it to be called what it now purports to be, but is not? Is it not time, then, that we give up the unsuccessful experiment? Is it not time that we should adopt less lofty ideas; that we should assume sentiments, that we should express opinions more conformable to our present situation? *Troja fuit, Ilium fuit.* * * * I am sensible that by so doing we would seem to punish the people of this District for having placed too much confidence in our words. In our words, did I say? In our acts, sir! Look at the new ruins of the monuments on yonder hill. Were these massy walls, which have set at defiance the whole power of an enemy bent on their destruction, intended to last only the short space of a dozen years? In these surviving walls I read, in characters not to be effaced, the contract of the nation with the people of this District. I find in these walls an agreement signed, sealed, and delivered. Certainly, sir, you must be convinced from what I have said that I do not dissemble to myself, and that I am not willing to conceal from others, the equity of the claims of the people of this District. * * * But, sir, if we are to remain here as we now are, with no more cheering prospects than those presented in the bill now on the table, I do not hesitate to declare that any place in the United States appears to me preferable to Washington; and the sooner we go, no matter how heavy the compensation justly due to the inhabitants of this District, the better. (Benton's Abridgement, vol. v, p. 306, *et seq.*)

Despite the senator's eloquence, however, Congress concluded to remain in Washington, and passed the bill to repair the damages; perhaps convinced by the arguments of Mr. Lewis, of Virginia, who said that no changes ought to be made, nor should the plan of the city be altered, because "it was a plan sanctioned by that great and good man whose name it bears. What that man has done, let no mortal attempt to undo, for his ways are not to be mended by man. This house is not competent to do it". He considered "the two public edifices, the foundation stones of which our ever-to-be-revered hero, statesman, and patriot laid, as permanently fixed by public faith". It is probable that few members of Congress, seeing that the result of twenty-four years' effort was but some half-ruined buildings and "twelve or fifteen clusters of houses", or straggling villages, without trade or commerce, could have anticipated the time when the fair city of to-day should stand a worthy monument of its founder, showing an increase in population and wealth equaled by few places in the Union.

SEVEN PER CENT. STOCK—TREASURY NOTES—SMALL TREASURY NOTES—TREASURY-NOTE STOCK OF 1815.

It will appear from the remarks on the direct tax loan that the estimated deficiency in the revenue of the nation for the year 1815 was $40,906,124 86. It was proposed to raise this amount partly by direct taxes on land, inheritances, legal instruments, flour, dividends of banks, sales of stocks of incorporated companies, and incomes, partly by loans, and partly by new issues of treasury notes.

A bill to authorize the issue of treasury notes for the service of the year was reported in the House of Representatives January 30, 1815, and referred to a committee of the whole. The bill appears to have passed through its several stages in both houses without discussion. As first reported, it proposed an issue of $15,000,000 in notes, redeemable in five annual installments of $3,000,000 each, for which the land tax was pledged. Connected with this plan was the intention to propose a loan of $25,000,000. The bill was amended in committee of the whole, so as to provide for an issue of $25,000,000 in treasury notes. This amendment, as reported, was connected with a proposed loan of $15,000,000, thus reversing the proportion of loan and treasury notes. The bill passed finally, with some further slight amendments, and was approved February 24, 1815 (3 Statutes, 213.) News of the signing of the treaty of peace was received a few days before the bill passed, rendering it no longer necessary as a war measure, but it was nevertheless carried through, to afford means of paying off the arrearages of the war, and to give a circulating medium to the country superior to the paper of the suspended and doubtful state banks.

The act authorized the issue of $25,000,000 in treasury notes, of such denominations as the Secretary of the Treasury, with the approbation of the President, should direct. Notes of less than $100 were to be payable to bearer, transferable by delivery alone, and were to bear no interest. Notes of $100 and upward were to be made payable to order, transferable by delivery and assignment indorsed on the notes, and were to bear an interest of $5\frac{2}{5}$ per cent. per annum from the day they were issued. The holders of these notes might present them at the treasury at any time, in sums of not less than $100, and be entitled to receive therefor certificates of funded stock, bearing interest, the stock issued for notes of less than $100 to bear an interest of 7 per cent., and that issued for notes of $100 and upward to bear an interest of 6 per cent. per annum, this interest to be payable quarter-yearly. The United States were to have the right to redeem these certificates at any time after December 31, 1824.

The Secretary of the Treasury was authorized to cause the notes which should be surrendered in exchange for funded stock, and also those received by the United States for taxes, dues, or demands, to be reissued and applied anew as when originally issued. The notes were to be received, principal and interest due, in all payments to the United States; and in such payments the interest on the interest-bearing notes was to be computed at $1\frac{1}{2}$ cent per day on every $100 of principal, and each month was to be computed as consisting of thirty days. The notes were to be issued at par, in payment for services, supplies, or debts, to such persons as were willing to receive them, and the Secretary of the Treasury was authorized to borrow money on the credit of the notes, or to sell them, not under par, or to deposit them in such banks as would receive them and give credit therefor to the treasurer of the United States.

The act also allowed the funding of any treasury notes issued under laws previously passed upon the same terms and in the same manner as prescribed in this act for the notes to be issued under it, bearing an interest of $5\frac{2}{5}$ per cent.

The notes issued under this act were denominated at the treasury, for convenience, the "small" and "large" treasury notes, the small notes being all less than $100 each, fundable at 7 per cent. interest, and the large notes, those of $100 and upward, fundable at 6 per cent. When received for dues and imposts, or funded stock, they were again put in circulation, each reissue being of course equivalent to a new issue, but of these reissues no separate account appears to have been kept. Of the small notes the original issue appears to have been $3,392,994. These, as received and funded in 7 per cent. stock, were reissued and again received and funded, until the 7 per cent. stock amounted to $9,070,386. Of the large notes the original issue was $4,969,400, of which there were funded from the original issues and reissues $1,505,352 18.

Secretary Dallas reported, February 24, 1815, that the public debt had been increased, in consequence of the war with Great Britain, $68,783,122 13.* But as the treasury notes issued and redeemed or funded under the act of February 24 were used mainly to pay off arrearages of the war, the amount so used should be added to the sum stated by the Secretary. We may, therefore, safely state the increase of the public debt caused by the war at nearly eighty-eight millions of dollars.

SIX PER CENT. LOANS OF 1815.

A large portion of the war debt at the close of the year 1814 was due and unpaid, while another considerable portion was fast becoming due. These unpaid or accruing demands were in part for temporary loans obtained under the act of March 14, 1812, and the balance for treasury notes issued under various acts, and by the terms of their issue either due or maturing daily. When the news of peace was received, it was evident that the expenses would be reduced, while the revenues of the United States would be much increased by the revival of commerce and the renewal of the importations which had been stopped by the war; yet, under the system of credit for duties allowed by the government, it would be many months before this increase could reach the treasury, where it could be used to pay off the millions of dollars of government paper afloat and unpaid.

The Secretary of the Treasury, in his report of February 24, 1815, estimated the amount due or soon to become due for temporary loans and treasury notes at $18,452,800.*

A bill to authorize a loan for —— dollars was introduced in the House of Representatives February 25, 1815, and appears to have passed both houses almost without debate. It was considered in committee of the whole March 2, when Mr. Eppes, chairman of the committee of ways and means, expressed his regret that the bill had been delayed to so late a period of the session—a delay, however, which had not arisen from any neglect on the part of the committee of ways and means, but from the pressure of other business. The loan necessary for the present year was for the purpose of redeeming treasury notes charged on the sinking fund. Of these notes there would fall due in the year 1815 eight millions and upward, and in the month of March, 1815, $10,000,000, being the whole amount in circulation, viz, $18,452,800. The loan might be confined to the amount of notes payable during the year, but as the notes due in 1816 might return to the treasury as a part of the receipts of 1815, being receivable in

*American State Papers, "Finance," vol. ii, p. 917.

payment of all debts due the United States, it had been thought better to authorize a loan for the whole amount. He therefore moved to fill the blank with the sum of $18,452,800. This motion was agreed to. The act was approved March 3, 1815 (3 Statutes, 227). It authorized the President to borrow, on the credit of the United States, a sum not exceeding $18,452,800, to be applied to defray any expenses which had been or might be authorized by law during the year. No engagement was to be entered into, which should preclude the United States from reimbursing any sum borrowed under the act at any time after the expiration of twelve years from December 31, 1827.

The Secretary of the Treasury was to lay before Congress, during the first week in February, 1816, an account of all proceedings under the act.

Authority was given to employ agents for the purpose of obtaining subscriptions or selling the stock of the new loan, at a commission of not exceeding one-quarter of 1 per cent., and $30,000 was appropriated to pay their commissions. The surplus of the sinking fund was pledged for the payment of the interest and the reimbursement of the principal. Banks in the District of Columbia were allowed to lend any part of the sum authorized to be borrowed, anything in their charters to the contrary notwithstanding.

Treasury notes actually issued before the passage of the act, and charged by law upon the sinking fund, were to be receivable, both principal and interest due, in payment of subscriptions.

The last clause of the act related to interest on treasury notes, and authorized the payment of interest on such notes, due and unpaid, until the time when funds should be assigned for their payment and notice thereof given. The rate of interest and discount was not limited.

It was found impossible to place much of the loan at par, even though payment of the subscriptions was only required in treasury notes or in the depreciated paper of the state banks, owing to causes set forth in the report of the Secretary of the Treasury, December 8, 1815:*

At the close of the last session of Congress the demands on the treasury were interesting in their nature as well as great in their amount. Exclusive of the ordinary expenses of the government, they consisted of demands for the payment of the army, preparatory to its reduction to the peace establishment, with other very heavy arrearages and disbursements in the War and Navy Departments; for the payment of the dividends on the funded debt, and of the arrearages as well as the accruing claims on account of the treasury-note debt; and for the payment of the Louisiana dividends, with other considerable debts contracted in Europe in consequence of the late war.

The efficiency of the means which were possessed for the liquidation of these demands depended upon circumstances beyond the control of the government. The balance of money in the treasury consisted of bank credits, lying chiefly in the southern and western sections of the Union. The revenue proceeding from the provision made prior to the last session of Congress was, comparatively, of small amount. The revenue proceeding from the provision made during that session could not be available for a great portion of the present year, and, in both instances, the revenue was payable in treasury notes, or it assumed the form of bank credits, at the respective places of collection. The only remaining resources for immediate use were an additional issue of treasury notes and a loan; but the successful employment of these resources was rendered for some time doubtful by the peculiar situation of the credit and currency of the nation.

The suspension of specie payments throughout the greater portion of the United States and the consequent cessation of the interchange of bank notes and bank credits between the institutions of the different States, had deprived the treasury of all the facilities of transferring its funds from place to place; and a proposition which was made, at an early period, to the principal banks of the commercial cities, on the line of the Atlantic, with a view in some degree to restore those facilities, could not be effected for the want of a concurrence in the requisite number of banks. Hence it has happened (and the duration of the evil is without any positive limitation) that, however adequate the public revenue may be, in its general product, to discharge the public engagements, it becomes totally inadequate in the process of its application, since the possession of public funds in one part no longer affords the evidence of a fiscal capacity to discharge a public debt in any other part of the Union.

From the suspension of specie payments and from various other causes, real or imaginary, differences in the rate of exchange arose between the several states and even between the several districts in the same state; and the embarrassments of the treasury were more and more increased, since Congress had not sanctioned any allowance on account of the rate of exchange, and the amount of the legislative appropriations was the same wherever the legislative objects were to be effected. But the treasury notes partook of the inequalities of the exchange in the transactions of individuals, although the treasury could only issue them at their par value. The public stock, created in consideration of a loan, also partook of the inequalities of the exchange, although to the government the value of the stock created and the obligation of the debt to be discharged were the same wherever the subscription to the loan might be made.

Thus, notwithstanding the ample revenue provided and permanently pledged for the payment of the public creditor, and notwithstanding the auspicious influence of peace upon the resources of the nation, the market price of the treasury notes and of the public stock was everywhere far below its par or true value for a considerable period after the adjournment of Congress, vibrating, however, with a change of place, from the rate of 75 to the rate of 90 per cent. Payments in bank paper were universally preferred during that period to payments in the paper of the government; and it was a natural consequence that wherever the treasury failed in procuring a local currency it failed also in making a stipulated payment.

Under these extraordinary and perplexing circumstances the great effort of the treasury was, 1st, to provide promptly and effectually for all urgent demands, at the proper place of payment, and for the requisite amount of funds; 2d, to overcome the difficulties of the circulating medium, as far as it was practicable, so that no creditor should receive more and no debtor pay less, in effective value, on the same account, than every other creditor or every other debtor; and, 3d, to avoid any unreasonable sacrifice of the public property, particularly when it must also be attended with a sacrifice of the public credit. It was not expected that this effort would everywhere produce the same satisfaction and the same results; but the belief is entertained that it has been successful in the attainment of its objects to the extent of a just anticipation.

Under the act certificates of stock to the amount of $12,288,147 56 were issued and cash to the amount of $11,699,326 63 received therefor, an average discount of about $4\frac{4}{5}$ per cent. Redemption of this stock began in the year 1817 and was completed in 1835.

*American State Papers, "Finance," vol. iii, p. 10.

A temporary loan of $1,150,000 was also obtained under this act, at par, making the total amount of debt contracted under it $13,438,147 56, yielding in cash $12,849,326 63.

FIVE PER CENT. LOAN OF 1816.

The annual message of James Madison, President of the United States, sent to Congress December 5, 1815, contained the following paragraph in relation to a national currency:

It is essential to every modification of the finances that the benefits of a uniform national currency should be restored to the community. The absence of the precious metals will, it is believed, be a temporary evil, but, until they can again be rendered the general medium of exchange, it devolves on the wisdom of Congress to provide a substitute which shall equally engage the confidence and accommodate the wants of the citizens throughout the Union. If the operation of the State banks cannot produce this result, the probable operation of a national bank will merit consideration, and if neither of these expedients be deemed effectual, it may become necessary to ascertain the terms upon which the notes of the government (no longer required as an instrument of credit) shall be issued, upon motives of general policy, as a common medium of circulation.

The Secretary of the Treasury, in his annual report on the state of the finances, laid before the House December 7, 1815, advised the creation of a United States bank as a remedy for the evils of a depreciated currency. In this report he said:*

The establishment of a national bank, authorized to issue notes which will be received in all payments to the United States, is regarded as the best and perhaps the only adequate resource to relieve the country and the government from the present embarrassments. The circulation of its issues will be coextensive with the Union, and there will exist a constant demand, bearing a just proportion to the annual amount of the duties and taxes to be collected, independent of the general circulation. A national bank will, therefore, possess the means and the opportunity of supplying a circulating medium of equal use and value in every state and in every district of every state.

The committee on a national currency having directed their chairman, Hon. John C. Calhoun, to request from Mr. Dallas his views on certain points relating to the currency, the Secretary, in reply, December 24, 1815, sent a plan for the establishment of a United States bank, with arguments in its favor.

Mr. Calhoun, as chairman of the special committee, reported to the House, January 8, 1816, a bill to incorporate the subscribers to the Bank of the United States. It was first considered in committee of the whole February 26, and was under discussion for about two weeks. The constitutional questions, which had occupied so much time in discussing the bill for chartering the first Bank of the United States, received little attention. The debate turned principally on the advantages and disadvantages of a national bank, on the details of the bill, and on the question whether it was possible, through its aid, to correct the evils of the miserably depreciated paper that then formed almost the sole currency.

The bill passed the House March 14, 1816, by a vote of 80 yeas to 71 nays.

An analysis of the vote shows that it was not as sectional as the vote to charter the first Bank of the United States, and that the locality of the opposition had changed. A considerable majority of southern members voted for the bill, while there was a small majority from the North and East against it.

The debate in the Senate was principally confined to some of the details of the bill, and but little was said on the general question, or on its constitutional aspects. It passed the Senate, with some slight amendments, April 3. The amendments were concurred in by the House, and the bill became a law April 10, 1816 (3 Statutes, 269).

It provided that a Bank of the United States should be established, with a capital of $35,000,000, divided into 350,000 shares of $100 each. Seventy thousand of these shares, equivalent to $7,000,000, were to be subscribed by the United States, payable in coin, or in stock of the United States bearing interest at 5 per cent. per annum, redeemable at the pleasure of the government. This stock the bank was to have the right to sell for gold and silver coin or bullion, but not to sell more than $2,000,000 thereof in any one year. Subscriptions were to be opened on the first Monday of July, 1816, at one place in each state, and at Washington. Subscriptions by individuals, corporations, or states were to be payable one-fourth in gold or silver coin, and three-fourths in the funded debt of the United States, or in coin, to be paid in three installments, 30 per cent. at the time of subscribing and the balance in six and twelve months.

For the management of the affairs of the corporation there were to be twenty-five directors, five of whom (stockholders) were to be appointed by the President of the United States with the advice and consent of the Senate, not more than three of the five to be residents of any one state. No person, a director in the bank or its branches, should be a director of any other bank. Not more than three-fourths of the directors in office at the time of an annual election were to be eligible for re-election, nor was any director to hold his office for more than three years out of four, except the director who should be president at the time of an annual election, who might always be reappointed or re-elected. No one but a stockholder, a resident citizen of the United States, could be a director, nor could a director receive a salary or emoluments as such. The total amount of the debts which said corporation should at any time owe, except for money deposited in bank, was at no time to exceed $35,000,000, and in case of excess the directors under whose administration it should happen were to be liable.

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* American State Papers, "Finance," vol. iii, p. 19.

The corporation was not directly or indirectly to deal in anything except bills of exchange, gold or silver bullion, goods pledged for money lent, or goods which should be the produce of its lands. It was not at liberty to purchase any public debt whatever, nor to take more than 6 per cent. per annum for its loans or discounts. An office of discount and deposit was to be established in the District of Columbia whenever a law of the United States should require; also one in each state in which 2,000 shares of stock should be subscribed or might be held, whenever, at the request of the legislature of the state, Congress might by law require it, and the directors were to have the right to establish such offices of discount and deposit wheresoever they should think fit, in the United States or the territories thereof. The Secretary of the Treasury was to be furnished whenever he required it, but not oftener than once a week, with statements of the condition of the bank.

The notes of the bank, payable on demand, were to be received in all payments to the United States. No note was to be issued of less than $5. The bank was not at any time to suspend or refuse payment, in gold or silver, of any of its notes, bills, or obligations, nor of moneys received on deposit. The penalty for refusing to pay said obligations or deposits in coin was to be 12 per cent. per annum until fully paid and satisfied. No other bank was to be established by the authority of the United States during the continuance of the corporation except banks in the District of Columbia, with an aggregate capital in said District of not exceeding $6,000,000. In consideration of the exclusive privileges conferred on the corporation by the act, it was to pay to the United States a bonus of $1,500,000, in three equal payments, at the expiration of two, three, and four years.

The government subscription of $7,000,000 authorized by the act was made in stock, bearing an interest of 5 per cent., redeemable at pleasure, while the remainder of the stock of the bank was eagerly taken by private parties, and the bank went into operation January 1, 1817.

In 1837 and 1838 the stock in the bank belonging to the nation was nearly all sold at a heavy premium, and the proceeds paid into the United States treasury.

As a financial operation on the part of the government it proved a success, resulting as follows:

Received as bonus		$1,500,000 00
Received from dividends		7,118,416 29
Received from sale of bank stock		9,424,750 78
		18,043,167 07
Less for subscription	$7,000,000	
Less 13 years' interest	4,550,000	
		11,550,000 00
Showing an excess of receipts over disbursements		6,493,167 07

FIVE AND SIX PER CENT. LOANS OF 1820.

The report of the committee of ways and means of the House of Representatives, April 14, 1820, showed that there remained in the treasury, in available funds, on the 1st of January preceding, only the sum of $245,665 35. The total amount of expenditures for the year 1820 already authorized by law was $26,299,164 30, while the estimated revenue was $22,280,000, leaving a deficit of $4,019,164 30; or, deducting balance in the treasury of $245,665 35, the deficit for the year would be $3,773,498 95; which might be partially met by using, if thought proper, the surplus of the sinking fund, amounting to $2,288,497 29, when the actual deficit would be $1,485,001 66. They therefore reported a bill to authorize a loan of $2,000,000.*

The committee said that, while they hesitated to recommend a loan, they believed that powerful reasons existed against a resort to internal duties and direct taxes in a period of profound tranquillity, the nation having been accustomed to a system of taxation (through the duties on imports) which, in its operation, had been paid without being perceptibly felt. They thought that economy and retrenchment in the expenditures of the government had become imperatively necessary, especially under the state of things that then existed, when the extraordinary depression of commerce, the stagnation of our navigation, the depreciation in the value of our exports and of property of every description, and the serious embarrassments under which all branches of industry labored, had compelled economy and retrenchment in the expenditures of every citizen, and had seriously affected the national finances. The excess of expenditures over revenue had, however, arisen principally from the heavy payments made in redemption of the public debt, continued through a series of years. The original sinking fund of $7,300,000 per annum, established in 1802, had been increased to $8,000,000 in 1803 and to $10,000,000 per annum in 1817, with an additional appropriation for that year of $9,000,000. From this fund $32,085,750 of the public debt had been redeemed since the 1st of January, 1817, and large outstanding claims, amounting to over $30,000,000, resulting from the late war with Great Britain, had been paid.

The House, on the 4th of May, resolved itself into a committee of the whole on the bill, when a debate arose on a motion to so amend it as to authorize a loan of five millions instead of two.

*Annals of 16th Cong., 1st sess., p. 1837, *et seq.*

Mr. Trimble, of Kentucky, and others, took the ground that at least $5,000,000 would be required, as the deficit would be much more than the amount stated by the committee, and to use the surplus of the sinking fund, as suggested in the report, would be a violation of the public faith, that fund being pledged for the redemption of the national debt.

It was said, on the other hand, that two millions would be sufficient, and that there could be no violation of the public faith in using the surplus of the sinking fund to reduce the expected deficit, as it was lying idle in the treasury, and would certainly be as well employed in preventing an increase of the public debt as in redeeming it after it had been created.

A motion was finally made to make the amount to be raised by loan three millions, which prevailed by yeas 65, nays 50.*

The bill passed the House in this form; but the Senate attempted to amend it by inserting "five millions" in lieu of three. To this the House, after debate and the appointment of a committee of conference, refused to agree. It finally passed both houses and was approved May 15, 1820 (3 Statutes, 582). The bill provided that the President of the United States be authorized to borrow $3,000,000, at a rate of interest not exceeding 5 per cent. per annum, payable quarter-yearly, the principal to be reimbursable, at the will of the government, at any time after January 1, 1832, or to borrow that sum, at a rate not exceeding 6 per cent., payable quarter-yearly, the principal to be reimbursable at the pleasure of the United States. The second section gave the Bank of the United States authority to lend the money, or any part thereof, and provided that certificates of stock, signed by the register of the treasury or a commissioner of loans, bearing an interest of 5 per cent. per annum, might be issued and sold, but not below par. One-eighth of 1 per cent. was to be allowed as commission to agents for procuring subscriptions or making sales of the stock. The surplus of the sinking fund was pledged for the payment of the interest and the reimbursement of the principal.

Under this bill $999,999 13 were borrowed, at 5 per cent. interest, reimbursable after January 1, 1832, and $2,000,000 at 6 per cent., reimbursable at the pleasure of the United States. On the $2,000,000 a premium of 2 per cent. was obtained. This stock has all been redeemed.

FIVE PER CENT. LOAN OF 1821.

The expenditures for the year 1821 were estimated by the Secretary of the Treasury, in his report of December 21, 1820, at $21,208,483 03, and the revenue from all sources at $16,550,000, leaving a deficit of $4,658,483 03 to be provided for by taxation or new loans.† This expected deficit arose from the fact that a portion of the public debt would become due in the year 1821, the principal and interest of which amounted to $5,477,776 76.

The Secretary said that, in addition to this deficit, the sum of $1,000,000 should be provided for, so that there might remain a clear balance of that amount in the treasury at the close of the year, in order to insure the prompt discharge of all demands and place the public credit beyond the reach of accident. He therefore proposed that provision should be made for raising the sum of $7,000,000 to meet all contingencies.

To raise money by additional taxation was almost impossible. The country could pay no more, for it was still suffering from the effects of the great crisis of 1819. The report of a committee of the House of Representatives, January 15, 1821, gives a vivid picture of the general distress:‡

> It is not a matter of very great consolation to know that, at the end of 30 years of its operation, this government finds its debt increased $20,000,000, and its revenue inadequate to its expenditure; the national domain impaired, and $20,000,000 of its proceeds expended; $35,000,000 drawn from the people by internal taxation, $341,000,000 by impost, yet the public treasury dependent on loans; in profound peace, and without national calamity, the country embarrassed with debts, and real estate under rapid depreciation; the markets of agriculture, the pursuits of manufactures diminished and declining; commerce struggling, not to retain the carrying of the produce of other nations, but our own. There is no national interest which is in a healthful, thriving condition; the nation at large is not so; the operations of the government and individuals alike labor under difficulties which are felt by all. * * * The sea, the forest, the earth yield their abundance; the labor of man is rewarded; pestilence, famine, or war commit no ravages; no calamity has visited the people; peace smiles on us; plenty blesses the land: Whence, then, this burst of universal distress?

It was evident that the only means of providing for the expected deficit was by borrowing the required amount, and a bill for this purpose was reported in the House of Representatives February 26, and became a law March 3, 1821 (3 Statutes, 635). The bill as reported authorized a loan of $4,500,000, but this amount was changed by the Senate to $5,000,000, in which the House concurred. If any debate respecting the bill took place, it has not been recorded. The act authorized the President to borrow, on the credit of the United States, a sum not exceeding $5,000,000, at a rate of interest not exceeding 5 per cent., payable quarter-yearly, and reimbursable, at the will of the government, at any time after January 1, 1835, the money to be applied to defray any of the expenses which had been or might be authorized by law.

The Bank of the United States was to be allowed to lend the whole or any part of the money, and the Secretary of the Treasury was authorized to raise the money by issuing certificates of stock, and selling the same, not under par.

*Annals of 16th Cong., 1st sess., p. 2204. †American State Papers, "Finance," vol. iii, p. 580, 581. ‡Ibid, pp. 594, 595.

Agents were to be employed, if necessary, to obtain subscriptions or sell the stock at a commission of not exceeding one-eighth of 1 per cent., and $4,000 was appropriated for paying the commissions of these agents and other expenses incident to the due execution of the act.

So much of the surplus of the sinking fund as might be required was pledged for the purpose of paying the interest and for the reimbursement of the principal, and the faith of the United States was also pledged to establish sufficient revenues to make up any deficiency in the fund. The money required was very easily obtained under this act.

As is usually the case in times of great commercial distress, money was abundant in the hands of those who could not safely invest it. The general paralysis of the industries of the country had stopped the demand for money for private enterprises, and there remained little chance for safe investments except in national stocks.

Five million dollars was received in cash, most of it very soon after the passage of the bill, and for this money stock to the amount of $4,735,296 30 was issued, yielding a premium of $264,703 70, or over 5½ per cent. The redemption of this loan began in the year 1833, and was entirely completed in 1839.

EXCHANGED FIVE PER CENT. STOCK OF 1822.

This stock originated in an abortive attempt to exchange a stock bearing an interest of 5 per cent. for a part of the 6 and 7 per cents due in the years 1825 and 1826. The stocks due and redeemable in those years amounted altogether to the sum of $39,819,700, a sum far beyond the capacity of the sinking fund to meet, and the Secretary of the Treasury therefore proposed, in his report of December 10, 1821, to offer, in exchange for $24,000,000 of these stocks, a stock bearing a lower rate of interest and having a longer time to run. He said:†

> As the current value of the 5 per cent. stock created during the last and present years exceeds that of the 7 per cent. stock and of the 6 per cent. stocks of 1812 and 1813, it is presumed that the holders of those stocks will be disposed to exchange them for an equal amount of 5 per cent. stock, redeemable at such periods as to give full operation to the sinking fund as at present constituted. According to this view of the subject, $24,000,000 of the stocks, which will be redeemable in the years 1825 and 1826, may be exchanged for 5 per cent. stock, redeemable: one-third on the 1st of January, 1831, and one-third on the same days of 1832 and 1833. This exchange of 6 per cent. stock, if effected on the 1st of January, 1823, will produce an annual reduction of the interest of the public debt, from that time to the first-mentioned period, of $240,000, and an aggregate saving through the whole period of $2,160,000. If the whole of the 7 per cent. stock should be exchanged, the saving will be considerably increased.

A bill to authorize an exchange of 5 per cent. stocks for those bearing an interest of 6 and 7 per cent. was reported in the House of Representatives December 31, 1821, and considered in committee of the whole March 15, 1822. It was opposed on the ground that, if passed, it deprived the government of the option of redeeming the 6 and 7 per cent. stocks when they became reimbursable, even if able. It was said that it was not probable that money would be any higher in 1825 than in 1822; that the proper way would be to borrow the money when it became necessary to redeem the stocks; and that much of the stock to become due could be redeemed, at the proper time, by retrenching the expenses of the government and practicing strict economy.

Those who favored the bill said that there was no probability of the government being able to redeem the 6 and 7 per cent. stocks without resorting to new loans; that the price of money was rising, owing to the revival of trade and commerce; that by passing the bill a saving of $2,000,000 in interest might be effected; and that it was necessary to do it at once, as the opportunity would soon pass away.

The bill passed the House early in April by a large majority, passed the Senate with very little debate, and was approved April 20, 1822 (3 Statutes, 663). It authorized the opening of a subscription to the amount of $12,000,000 of the 7 per cent. stock and of the 6 per cent. stock of 1812, and for $14,000,000 of 6 per cent. stocks of the years 1813, 1814, and 1815. For the 6 per cent. stocks of the years 1812, 1813, 1814, and 1815 subscribed and transferred to the United States, the subscribers were to receive certificates of United States stock, bearing an interest of 5 per cent., payable quarterly, reimbursable as follows: one-third at any time after December 31, 1830, one-third at any time after December 31, 1831, and the remainder at any time after December 31, 1832.

For the sums subscribed in the 7 per cent. stock, certificates were to be issued, bearing an interest of 5 per cent., payable quarterly, redeemable at the pleasure of the United States at any time after December 31, 1833. The funds pledged by law for the payment of the interest and principal of the stocks which might be subscribed or exchanged were to remain pledged to pay the interest and redeem the principal of the stock to be created under this act. The commissioners of the sinking fund were to pay, out of the said fund, the interest which might become due on the stock and to purchase the certificates, from time to time, as they purchased other evidences of the public debt; and so much of the fund as might be necessary was appropriated for the redemption of the principal, to continue appropriated until the whole of the stock created was reimbursed. Nothing in the act was to be construed to abridge or impair the rights of such public creditors as did not choose to subscribe.

The attempt to effect an exchange of stocks almost entirely failed, only a very small sum having been subscribed and exchanged for 5 per cent. stock.

* American State Papers, "Finance," vol. iii, p. 684.

The Secretary of the Treasury, W. H. Crawford, in his report on the state of the finances for December 23, 1822, says:

Under the act of the 20th of April last, authorizing the exchange of certain portions of the public debt for 5 per cent. stock, $56,704 77 only have been exchanged. The increased demand for capital for the prosecution of commercial enterprises during the present year, and the rise in the rate of interest consequent on that demand, which was not anticipated at the time the measure was proposed, have prevented its execution.

This stock was all redeemed in 1833.

FOUR AND A HALF PER CENT. LOAN OF 1824.

Under the act of May 24, 1824 (4 Statutes, 33), the sum of $5,000,000 was borrowed to provide for the awards of the commissioners under the treaty with Spain of February 22, 1819. This treaty was negotiated to settle the title to a portion of Louisiana which was disputed by Spain, and to extend the sovereignty of the United States over the province of East Florida. This province, with West Florida, acquired by Spain by conquest from Great Britain during the war of the Revolution, had been confirmed in her possession under the treaty of 1783. Commanding the Gulf of Mexico, fringing our southern border, and inhabited by warlike tribes of Indians, its possession by Spain had long been a source of trouble to the United States.

A long series of border troubles and local insurrections, extending through many years, appear to have convinced the Spanish government that it would be difficult or impossible to hold Florida, while it is probable that the territory was hardly thought worth the expense of holding. The Spanish minister at Washington, in 1719, under instructions from home, agreed to and signed a treaty for the cession of East and West Florida, and fixing the Sabine as the boundary between Louisiana and Mexico. In consideration of the cession of the provinces, the United States renounced certain claims for spoliations on American commerce and some other claims of American citizens on Spain, and agreed to pay the same to an amount not exceeding $5,000,000; also to make satisfaction for injuries suffered by Spaniards in Florida by the operations of United States troops. This treaty was signed at Washington February 22, 1819, but not ratified by the king of Spain until October 24, 1820.*

By article 11 the five millions indemnity was to be paid either in cash or in 6 per cent. stock, payable out of the proceeds of sales of public lands in Florida, and a board of commissioners was to be appointed to receive, examine, and decide on the amount and validity of these claims.

A bill to authorize the creation of new stock to an amount not exceeding $5,000,000, to provide for the awards of the commissioners under the treaty with Spain, was reported in the House of Representatives January 8, and considered in committee of the whole May 7, 1824.† It was opposed, on the ground that the money was not yet due, the commissioners not having yet adjudicated the claims, and that, as it was doubtful if Florida, described as being "a land of sand-heaps, mosquitoes, frogs, serpents, and alligators", was worth the money, the United States should take the option allowed in the treaty, and, instead of borrowing the money, issue the 6 per cent. stock, payable out of the proceeds of Florida lands, in which case, if Florida lands proved worthless, nothing need be paid.

Those who favored the bill argued that the money was justly due or would soon become due; that, in whatever form the stock was issued, it would have to be paid; and that, if a bill was passed to borrow the money, it could be had at 4½ per cent., while if stock was issued directly to the claimants, it must, by the terms of the treaty, be 6 per cent. stock.

The bill passed the House by a large majority the same day. An attempt was made to amend it in the Senate by providing that the stock should be payable, principal and interest, out of the proceeds of the public lands in Florida, but the Senate rejected the amendment, and the bill passed finally, and was approved May 24, 1824 (4 Statutes, 33). It enacted that, for the purpose of providing funds for paying the awards of the commissioners under the treaty, the Secretary of the Treasury should cause to be issued and sold to the Bank of the United States or others, at a sum not less than the par value thereof, certificates of United States stock to an amount not exceeding $5,000,000, bearing an interest of not exceeding 4½ per cent., the stock to be redeemable, at the pleasure of the United States, at any time after January 1, 1832. The money received from the issue and sale of these certificates was to be applied solely to the payment of the awards. The act contained an appropriation of sufficient money to pay the interest to the end of the year 1824. Under this act stock to the amount of $5,000,000 was issued and sold at par. Its redemption began in 1831, and was entirely completed in 1833.

EXCHANGED FOUR AND A HALF PER CENT. STOCK AND FOUR AND A HALF PER CENT. LOAN OF MAY 26, 1824.

These stocks were created to fund a portion of the 6 per cents at lower rates of interest. The Secretary of the Treasury, in his report of December 31, 1823, gave a very favorable view of the public finances, estimating the revenue for 1824 at $18,550,000, and, adding the balance in the treasury at the close of 1823 (amounting to

* 8 Statutes, p. 252.

† Annals of 18th Cong., p. 2559, *et seq.*

$6,466,969 30), the available means for the service of the year 1824 were estimated at $25,016,969 30, while the total expenditures were estimated at $15,224,252 89, which would leave a balance in the treasury January 1, 1825, of $9,792,716 41. He said:*

Under existing laws there is no probability that any portion of the balance remaining in the treasury on the 1st of January, 1824, or of the surplus which may accrue during that year, can be applied to the discharge of the public debt until the 1st of January, 1825, yet it is not deemed conducive to the general prosperity of the nation that so large an amount should be drawn from the hands of individuals and suffered to lie inactive in the vaults of the banks. On the other hand, the high rate of interest of the great amount of debt which becomes redeemable on the 1st of January, 1825, renders it inexpedient for the government to apply to other objects any portion of the means which it may possess of making so advantageous a reimbursement. It is believed, however, that every inconvenience may be obviated, if authority be given for the purchase of the 7 per cent. stock, amounting to $8,610,000, during the year 1824, at such rates as may be consistent with the public interest. As it is now certain that the government will possess ample means to redeem that stock on the 1st of January, 1825, it is presumed that the holders will be willing to dispose of it during the interval, at a fair price; and as a gradual conversion of it into money, at such times and in such portions as would be most favorable to its reinvestment, would be most advantageous to the moneyed transactions of the community, it is presumed that it would be most acceptable to the holders.

It is, therefore, respectfully proposed that the commissioners of the sinking fund be authorized to purchase the 7 per cent. stock, during the ensuing year, at the following rates above the principal sum purchased:

1. For all stock purchased before the 1st of April next, at a rate not exceeding $1 25 on every $100, in addition to the interest due on such stock on that day.

2. For all stock purchased between the 1st of April and the 1st of July next, at a rate not exceeding 75 cents on every $100, in addition to the interest due on the last-mentioned day. * * *

Of the $10,331,000 of 6 per cent. stock, redeemable in 1825, about $5,000,000 will probably be redeemed in that year; and there will remain unredeemed, after the application of all the means at the disposal of the commissioners of the sinking fund, about $5,331,000. This sum, it is believed, may be readily exchanged for 5 per cent. stock, redeemable in 1833; and it is respectfully suggested that provision be made by law for such an exchange of so much of the 6 per cent. stock as shall not be redeemed during the year 1825.

A bill to authorize the Secretary of the Treasury to exchange certain stocks was first considered in the House of Representatives, in committee of the whole, March 19, 1824. It was opposed as an unnecessary extension of the loans of the government, throwing upon the people the burden of interest for years after the time when it might be possible to pay the debt. It was said that commerce was increasing and the revenues must increase with it, and thus the means would be given for paying off the loans as they fell due, and that it was a vain delusion to talk of saving money by borrowing money and plunging the nation deeper and deeper in debt, unless it was intended to make the debt perpetual, on the principle that "a public debt is a public blessing".

By the supporters of the bill it was said, that $63,000,000 of the public debt would become redeemable between the years 1825 and 1828, and that not the slightest prospect existed of the government being able to redeem that sum as it became due without a resort to new loans, and therefore, as the price of money was low in market, it was necessary to take advantage of the opportunity of obtaining at least a portion of the amount which would be required, at a low rate of interest; that even if the exchange was effected, there would still remain to be paid $37,000,000 in the four years—upwards of $9,000,000 a year—a sum greatly exceeding that portion of the sinking fund applicable to the payment of the public debt during those years; and that therefore it was sound financial policy to obtain at least a part of the money, or exchange stock bearing a low rate of interest for the stocks soon to become due, instead of asking at once for a large sum when the time for payment had come and the money must be had.

The bill passed the House by a large majority; passed the Senate apparently without debate; and was approved May 26, 1824 (4 Statutes, 73). It authorized the President to borrow, on the credit of the United States, on or before April 1, 1825, a sum not exceeding $5,000,000, at a rate of interest not exceeding 4½ per cent., and reimbursable, at the pleasure of the government, at any time after December 31, 1831, the money borrowed to be applied, together with the money in the treasury, to pay off and discharge such part of the 6 per cent. stock of the year 1812 as might be redeemable after January 1, 1825.

The Bank of the United States was to be allowed to lend the amount, or any part thereof, and the Secretary of the Treasury was authorized to raise the money by selling certificates of stock not under par. Nothing contained in the act was to be construed to impair the rights of such creditors of the United States as did not choose to subscribe to the loans.

Under this authority $5,000,000 was borrowed at par. The redemption of this stock began in 1831, and was entirely completed in 1834.

Section 3 of the same act proposed a subscription to the amount of $15,000,000 in the 6 per cent. stock of the year 1813, for which purpose books were to be opened at the treasury and the several loan offices respectively, the subscription to be effected by a transfer to the United States of the credits standing to the subscribers on the books, and by a surrender of the certificates of stock subscribed. For the whole or any part of the sum so subscribed and transferred, certificates of stock were to be exchanged, bearing an interest of 4½ per cent., and reimbursable at the pleasure of the United States, one-half at any time after December 31, 1832, and the remaining one-half at any time after December 31, 1833. The same funds, already pledged by law for the payment of the interest and the

* American State Papers, "Finance," vol. iv, p. 377.

reimbursement of the principal of the 6 per cent. stocks of 1812 and 1813, were to remain pledged for the payment of the principal and interest of the stocks to be created under this act, and it was made the duty of the commissioners of the sinking fund to cause to be applied, annually, such sums as might be necessary to discharge the interest.

Under this section the sum of $4,454,727 95 was subscribed in 6 per cent. stock, and exchanged for stock bearing an interest of 4½ per cent. Redemption of this exchanged stock began in 1833, and was nearly completed in 1834, but a small amount remained outstanding, not having been presented for payment when called, until 1843, when it was entirely redeemed.

EXCHANGED FOUR AND A HALF PER CENT. STOCK OF 1825.

The committee of ways and means of the House of Representatives, to whom was referred the report of the Secretary of the Treasury on the state of the finances, dated December 31, 1824, reported, January 12, 1825, as follows:*

In considering so much of the Secretary's report as relates to the public debt of the United States, it appears that on the 1st day of January, 1826, there will be redeemable, of the 6 per cent. stock of 1813, $19,000,000, and that the ordinary revenues of the year will not be adequate to the reimbursement of more than $7,000,000, leaving an excess of $12,000,000 to be provided for.

The whole amount of the public debt, including the loan of $5,000,000, at 4½ per cent., authorized by the act of the 26th of May last, is found to be $88,545,003 38. Of this sum $2,500,000 of the last-mentioned loan, not having been actually paid to the United States, could not be regularly included in the estimate of the Secretary of the Treasury at the close of the last year, but must, nevertheless, be considered as part of the debt, with a view to future years.

This sum of $88,545,003 38 is redeemable as follows:

In 1825	$7,654,570 93	of 6 per cents.
In 1826	19,002,356 62	of 6 per cents of 1813.
In 1827	13,001,437 63	of 6 per cents of 1814.
In 1828	9,490,099 10	of 6 per cents.
In 1831	18,901 59	of 5 per cents.
In 1832	5,000,000 00	of 4½ per cents.
In 1832	1,018,900 72	of 5 per cents.
In 1833	6,654,153 72	of 4½ per cents.
In 1833	18,901 59	of 5 per cents.
In 1834	1,654,153 73	of 4½ per cents.
In 1835	4,735,296 30	of 5 per cents.
At pleasure	7,000,000 00	of 5 per cents.
At pleasure	13,296,231 45	of 3 per cents.

By this statement it appears that in the years 1829 and 1830 no part of the public debt will be reimbursable, excepting $7,000,000 subscription to the Bank of the United States and the 3 per cents.; but, as these bear a less interest than that portion of the 6 per cents of 1813, redeemable on the 1st of January, 1826, and which cannot, for the want of means, be reimbursed before the years 1829 and 1830, it is believed to be advisable to provide for that portion by a new stock at a reduced rate of interest, and payable at those periods.

The committee, therefore, recommend a new loan or an exchange to the amount of $12,000,000, at a rate of interest not exceeding 4½ per cent., reimbursable, in equal portions, in the years 1829 and 1830, and for that purpose report a bill.

The debates on this bill have not been recorded. The bill was approved March 3, 1825 (4 Statutes, 129). It authorized the President to borrow, on the credit of the United States, a sum not exceeding $12,000,000, at not exceeding 4½ per cent. interest, $6,000,000 of the principal to be reimbursable, at the pleasure of the government, at any time after December 31, 1827, and $6,000,000 at any time after December 31, 1828, the money borrowed to be applied to redeeming such part of the 6 per cent. stock of 1813 as was reimbursable after January 1, 1826. The Bank of the United States was to be permitted to lend the sum, or any part thereof, and the Secretary of the Treasury was authorized to raise the money by selling certificates of stock, not under par.

Section 3 of the same act authorized a subscription to the amount of $12,000,000 of the 6 per cent. stock of 1813, all such subscriptions to be counted as a part of the $12,000,000 authorized, by the act, to be borrowed.

For the whole or any part of the sum subscribed in money or 6 per cents, certificates of stock were to be issued, at not exceeding 4½ per cent. interest, payable quarterly, and reimbursable as provided for in the first section.

The same funds, already pledged by law for the payment of the interest and the reimbursement of the principal of the stock which might be redeemed or exchanged, were to remain pledged for payment of the interest and the reimbursement of the principal of the stock created under this act. Nothing in the act was to be construed to alter or impair the rights of public creditors who might not choose to subscribe to the loan.

The low rate of interest offered made this loan a failure, so far as borrowing money was concerned, and the amount of stock exchanged under the act was comparatively small, amounting to $1,539,336 16.

The Secretary of the Treasury, in his report of December 22, 1825, says:

Proper measures were taken to execute this act, but they have prevailed only to a limited extent. The operation of exchange, which was first resorted to, took effect to the amount of $1,539,336 16, and this sum, divided into equal parts, forms the two sums that now stand in the general table of the debt as redeemable in the years 1829 and 1830, whilst they have also served to diminish by so much the 6 per cent. stock of 1813. Proposals for a loan for the residue of the sum wanted were next issued, but no offers were received. The causes of the failure, it may be presumed, were: the low rate of interest and short periods of redemption held out by the act, in conjunction with an activity in the commercial and manufacturing operations of the country affording higher inducements to the investment of capital.

The redemption of this stock began in the year 1831, and was entirely completed in 1834.

*American State Papers, "Finance," vol. v, p. 174.

TREASURY NOTES OF 1837.

In the year 1836 the United States was, for the first time in the history of the country, practically out of debt. The Secretary of the Treasury, in his report to Congress, dated December 8, 1835,* estimated the amount of the public debt still outstanding at about \$328,582 10, and this remained unpaid solely because payment had not been demanded, ample funds to meet it having been deposited with the United States Bank and with the commissioners of loans. The outstanding debt consisted mainly of unclaimed interest and dividends, of claims for services and supplies during the Revolution, and of old treasury notes, and it is supposed that payment of these had not been asked for solely because the evidences of the debt had been lost or destroyed. At the same time the estimates of the receipts and expenditures showed the probability of a surplus of at least \$14,000,000 in the treasury at the close of the year 1836, and this estimate was, as events showed, far below the truth. In this favorable state of the public finances, Congress adopted the extraordinary resolution of depositing the surplus over \$5,000,000 with the several States, and under the act of June 23, 1836,† surplus revenue, amounting to \$28,101,644 91 were so deposited.

In 1837, however, the state of the country had changed. The "flush" times of 1835 and 1836 had been succeeded by extraordinary depression and panic. In May most of the banks suspended specie payments. The sales of public lands and the duties on the large importations of foreign goods, which had helped to swell the balance in the treasury to over \$42,000,000, had fallen off enormously. Even on the goods that were imported it was difficult to collect the duties, for the law required them to be paid in specie, and specie was hard to obtain. It had become impossible not only to pay the fourth installment of the surplus at the end of 1836 to the several States, but even to meet the current expenses of the government from the ordinary revenues.

The Secretary of the Treasury therefore suggested that contingent authority be given the President to cause the issue of treasury notes bearing an interest of 6 per cent. The bill to authorize the issue of not exceeding \$12,000,000 was introduced in the House of Representatives September 13, and debated at length in both the House and Senate. It was supported on the ground that the issue of treasury notes was absolutely necessary, there being already a deficit of \$2,000,000, likely, in the condition of the country at that time, to increase, and that so large an amount added to the circulating medium would tend to alleviate the distress prevailing; while it was opposed by those who thought greater economy in expenditures would relieve the treasury, and by others who denounced it as an attempt "to start a treasury bank". The bill passed the House by a small majority, while in the Senate there were but six votes against it. It was approved October 12, 1837 (5 Statutes, 201). It authorized the President to cause the issue of treasury notes in such sums as the exigencies of the government might require, not exceeding in the whole \$10,000,000, of denominations not less than \$50, redeemable one year after date, bearing interest from their respective dates for the term of one year at rates to be fixed by the Secretary of the Treasury, but not to exceed 6 per cent. They were to be issued, in payment of debts due by the United States, to such public creditors or other persons as chose to receive them in payment at their par value; were to be transferable by delivery and assignment indorsed on them by the person to whom they had been made payable, and were to be received in payment of all duties and taxes laid by the United States, of all public lands sold by the said authority, and of all debts due to the United States, credit to be given for the interest due on the notes at the time of payment. The Secretary of the Treasury was authorized to borrow, not below par, such sums as the President might deem expedient, on the credit of the notes. Under this act the full amount authorized, \$10,000,000, was issued.

TREASURY NOTES OF 1838.

The condition of the country and of the public finances was no more favorable at the close of the year 1837 than at its beginning. There was in the treasury January 1, 1838, an apparent balance of over \$34,000,000, but of this amount the largest portion was unavailable. It consisted of the amount deposited with the several States, \$28,101,644 91; of money belonging to the government deposited with suspended or insolvent banks; of amounts due from merchants on bonds given for duties on imports, difficult or impossible to collect; and of various other items; aggregating, altogether, so large an amount that the Secretary of the Treasury estimated the available balance at the close of the year at but \$1,118,393.‡

It is probable this estimate was too large, as the President informed Congress, in May, 1838, that the available means in the treasury were only \$216,000. Demands to a large amount were suspended in the departments, waiting payment from means yet to be provided by Congress, and the resources on hand could carry the government but a few days longer.§ The dues to the government being largely paid in the treasury notes of 1837, which the department was forbidden to reissue, the revenue was practically almost nothing, and it became absolutely necessary to provide additional means. A bill to allow the issue of treasury notes was introduced in the House March 23, passed both House and Senate after a long debate, in which the same objections were urged as those to the bill of October 12, 1837, and was approved May 21, 1838 (5 Statutes, 228). It was, when introduced, entitled "A bill supplementary to the act entitled an act to authorize the issue of treasury notes", and it was stated that no

* Congressional Globe, 1st sess. 24th Cong., p. 12.

† 5 Statutes, p. 55, section 13.

‡ Cong. Globe, 2d sess. 25th Cong., p. 10.

§ Cong. Globe, 2d sess. 25th Cong., Appendix, p. 331.

additional issue was intended, but only that the old notes paid in should be replaced by new ones. The title, however, was changed before its passage to "An act authorizing the issuing of treasury notes to meet the current expenses of the government."

The act authorized the Secretary of the Treasury, with the approbation of the President, to cause treasury notes to be issued, according to the provisions of, and subject to, all the conditions, limitations, and restrictions contained in the act of October 12, 1837, in place of such notes as had been or might be issued under said act and afterward paid into the treasury and canceled. Under this act the sum of $5,709,810 01 was issued. The odd sums represent the interest accrued.

TREASURY NOTES OF 1839.

The power to issue and reissue treasury notes under the acts of October 12, 1837, and May 21, 1838, expired on December 31, 1838. The act of March 2, 1839 (5 Statutes, 323), extended this time to the 30th day of June next ensuing, and was passed at the instance of the Secretary of the Treasury, who informed the House that it would be impossible to meet the demands upon the treasury without it. Under this act the sum of $3,857,276 21 was issued.

TREASURY NOTES OF 1840.

The President of the United States informed Congress, by a special message dated February 17, 1840, that, although the resources of the treasury for the whole year would probably be equal to the expenditures, yet the department might, notwithstanding, be unable to meet the claims upon it when they fell due, because the larger part of the charges upon the treasury, including the payment of pensions and the redemption of treasury notes, fell due in the early part of the year, while the resources on which it might otherwise rely would mostly be unavailable until the last half of the year, and a portion, being debts due from banks, might not be punctually paid.

To remedy this inconvenience, the act of March 31, 1840 (5 Statutes, 370), was passed, although strenuously opposed as unconstitutional and unnecessary, the House of Representatives being in session at one time for twenty-five hours on the bill.*

It renewed the provisions of the act of October 12, 1837, except as to the amount of notes and the time in which they might be issued, and authorized the issue of treasury notes in lieu of those which had been or might be redeemed, but not to exceed, in the amount of notes outstanding at any one time, the sum of $5,000,000, to be redeemed sooner than one year if the means of the treasury would permit, by giving sixty days' notice of those notes which the department was ready to redeem, no interest to be allowed thereon after the expiration of the sixty days; the act to continue in force one year and no longer. Under this act the sum of $7,114,251 31 was issued.

TREASURY NOTES OF 1841.

The Secretary of the Treasury, in his report on the finances dated December 7, 1840, estimated that, at the close of the year 1841, there would remain in the treasury an available balance of but $824,273, and that even this small balance might entirely disappear, and an actual deficit of several millions be found, under the operations of the compromise tariff act of 1833, which was rapidly lowering the amount of customs-duties levied, aided by fluctuations in the amount of goods imported, which had fallen off during the year 1840 nearly sixty millions of dollars.

To ward off the danger of this possible deficit the act of February 15, 1841 (5 Statutes, 411), was passed. It authorized the President to cause treasury notes to be issued for such sums as the exigencies of the government might require, but not exceeding the sum of $5,000,000 of this emission, outstanding at any one time, to be reimbursed in the last quarters of the year, if the condition of the treasury would permit, the notes to be issued under the limitations and provisions of the act of October 12, 1837, as modified by the act of March 31, 1840; and if, on the 4th day of March next ensuing, the treasury notes outstanding, issued under former laws, added to the amount of notes issued under this act, should exceed the sum of $5,000,000, then the President was authorized to issue such further sums as would make the whole amount of notes issued under this act and applicable to payments after March 3, 1841, the full sum of $5,000,000. Under this act notes to the amount of $7,529,062 75 were issued.

LOAN OF 1841.

The President of the United States, in his message to Congress at its extra session in June, 1841, estimated the probable deficit in the treasury at the close of the year at $11,406,132 98,† while the Secretary of the Treasury estimated the deficiency on the 1st of September at $5,251,388 30, and informed Congress that during the previous four years the expenditure had exceeded the revenue by $31,310,014 20.‡ The issue of treasury notes, begun under

* Cong. Globe, 1st sess. 26th Cong., p. 285, *et seq.*

† Cong. Globe, 1st sess. 27th Cong., p. 6.

‡ Ibid., p. 19.

President Van Buren's administration and continued for four years, had been but a mere temporary expedient to postpone, for a few months, the payment of a constantly accumulating debt. The only remedy for these continually recurring deficits was by a loan redeemable at a time sufficiently distant to allow the public finances, aided by returning prosperity among the people, a chance for recovery.

A bill to borrow $12,000,000, redeemable after eight years, was introduced in the House June 14, and debated during many successive days. It was opposed by those who declared themselves averse to creating a national debt, by those who professed to see in it a scheme for starting a national bank, and by those who preferred the issue of treasury notes to obtaining a loan. It was advocated by members who said that it was not creating a debt, but funding one which already existed, entailed on the country by an administration which had just gone out of power, and that it was the more manly course to openly ask a loan, payable at some distant day, rather than to continue the issue of notes which must return to the treasury in a few weeks or months to cause another deficit.

The act was approved July 21, 1841 (5 Statutes, 438). It authorized the President to borrow, on the credit of the United States, at any time within one year, a sum not exceeding $12,000,000, at a rate of interest not exceeding 6 per cent., payable quarterly or semi-annually, the loan to be reimbursable either at the will of the Secretary of the Treasury after six months' notice, or at any time after three years from January 1, 1842. The money borrowed was to be applied to the redemption of outstanding treasury notes and to defray the public expenses. The Secretary was authorized to purchase, at any time before the time named for the redemption of the stock, such portions thereof as the funds of the government might admit of, and any surplus in the treasury was appropriated therefor. The faith of the United States was pledged for the punctual payment of the principal and interest. Under this act stock to the amount of $5,672,976 88 was issued.

TREASURY NOTES OF JANUARY, 1842.

The loan proposed by the act of July 21, 1841 (5 Statutes, 438), owing to the short period which was to elapse before it became redeemable, does not appear to have met with much favor from those who had money to lend.

Up to December 20, 1841, the amount received, of the $12,000,000 asked for, was only $5,532,726 88, while the estimated deficiency on January 1, 1842, was $627,557 90, and the estimated excess of expenditures over revenue for the year 1842 was $14,218,570 68. In this emergency the Secretary recommended an extension of the time within which the residue of the loan, not yet taken, should be redeemable, the reissue of the treasury notes heretofore authorized by law, and an increase of the duties on certain classes of imports.* A bill to allow the issue and reissue of treasury notes was introduced in the House January 5, 1842, and met with much opposition, on the old grounds of the unconstitutionality of bills of credit, of the inexpediency of adding to the paper money of the country, and on the plea that economy would enable the government to meet its expenses without causing a deficit in the treasury. Its supporters denied that the measure was unconstitutional, and admitted that the best way to provide for the deficiency would be by obtaining a loan, but asserted that if a loan bill was passed, the money could not be obtained in this country and that it would be necessary to send the bonds to Europe for sale, which would consume much time, while the needs of the treasury were urgent. It finally passed both houses, and was approved January 31, 1842 (5 Statutes, 469).

The act authorized the President to cause the issue of treasury notes for such sums as the exigencies of the government might require, the notes when redeemed to be reissued, but not exceeding the sum of $5,000,000 of this emission to be outstanding at any one time, the notes to be issued under the provisions and limitations contained in the act of October 12, 1837, except that the authority given to issue treasury notes was to expire at the end of one year from the passage of the act. Under this act the sum of $7,959,994 83 was issued.

LOAN OF 1842.

This loan was obtained under the act of July 21, 1841, the provisions of which were extended by the act of April 15, 1842 (5 Statutes, 473). The bill was passed, like that for the issue of the treasury notes of January, 1842, to prevent the threatened deficiency in the treasury mentioned in the notes on that act. It was manifest that the power to keep outstanding $5,000,000 in treasury notes could not make up a deficiency of over $14,000,000, hence the necessity for this bill. It was introduced in the House December 23, 1841, and passed after long debate, in which the responsibility for the condition of the finances was charged by each party on the other. The act extended the time limited by the first section of the act of July 21, 1841, to the time of one year from the passage of this act, and provided that so much of the loan as was obtained after its passage should be reimbursable as should be agreed upon at the time of issuing the stock, not to exceed twenty years from the 1st day of January, 1843. The Secretary of the Treasury was authorized to dispose of the stock below par, if its par value could not be obtained, but not until after the loan had been duly advertised and proposals for subscription invited. The President was also authorized to borrow an additional sum of $5,000,000, if the exigencies of the government should require the same, under the same provisions and limitations. Under this act stock was issued amounting to $8,343,886 03 for which $8,301,468 23 was received in cash.

* Report on the Finances, December 20, 1841.

TREASURY NOTES OF AUGUST, 1842.

The act of July 21, 1841, authorizing a loan of not exceeding $12,000,000, provided, that no stock be sold below par, and such was the unsettled state of the money market, at that period, that the secretary found it possible to realize but a small portion of the amount needed to meet the existing emergency, while this restriction remained in force. It was attempted to amend this, by the act of April 15, 1842, allowing the Secretary of the Treasury, if the stock could not be sold at par, to dispose of it at lower prices, and also extending the time for redemption to not more than twenty years from January 1, 1843, but it was still found impossible to obtain par for the stock. To prevent its sacrifice a bill was introduced in the House to allow the issue of treasury notes when the remainder of the stock could not be sold below par. It was stated in debate, by the chairman of the committee of ways and means, who introduced the bill, that the immediate liabilities of the government were $3,875,000, and to meet these demands not one dollar was available, and that the stock must either "be sacrificed to the Shylocks of the country", or some other means must be given the Secretary of the Treasury to meet these liabilities.* The bill does not appear to have met with much opposition. It was approved August 31, 1842 (5 Statutes, 581.)

It provided that no stock authorized by the act of July 21, 1841, and by the act amendatory of the same, approved April 15, 1842, should thereafter be sold at less than par; and in case the stock could not be sold at or above par, and the exigencies of the public service should require, the Secretary of the Treasury was authorized to issue, in lieu thereof, treasury notes to the amount of not more than $6,000,000, under the provisions and limitations contained in the acts of October 12, 1837, and March 31, 1840. The notes when redeemed might be reissued, or new notes issued in their stead, but none were to be issued after April 15, 1843, and the amount outstanding at any one time was not to exceed $6,000,000. Under this act notes to the amount of $3,025,554 89 were issued.

TREASURY NOTES OF 1843.

These notes were simply issues of new notes in place of such as had been issued under previous acts of Congress, and which had been or might be redeemed at the treasury, or received in payment of dues. The necessity for their issue was in the fact that the estimated revenues for the year were but little in excess of the current expenses. The national debt in March, 1843, was said to be $27,409,338, of which $11,068,977 fell due during the year and might be presented for payment.† Under these circumstances it became necessary either to obtain a new loan, to increase the taxes, always an unpopular expedient, or to issue new treasury notes, as had been done at each session for the past six years. The course was adopted of giving authority both to obtain a new loan and to issue treasury notes; though this latter was characterized in debate as a mere temporary expedient to enable the government to get along from day to day and to maintain its credit without repudiation.‡ The act was approved March 3, 1843 (5 Statutes, 614). It provided that when any outstanding treasury notes issued under previous acts of Congress should, after the passage of this act, be redeemed at any time before July 1, 1844, the Secretary of the Treasury, should the public service require it, might cause other notes, to the same amount, to be issued in their stead, under the limitations and provisions of the acts under which the notes were originally issued. It authorized the payment of interest on notes issued under this act after maturity, and also on those issued under the act of August 31, 1842. Under this act notes to the amount of $1,806,950 were issued.

LOAN OF 1843.

This loan was obtained under the act authorizing the issue of treasury notes, approved March 3, 1843 (5 Statutes, 614), and for the same purpose. The third section of the act authorized the President, if, in his opinion, it should be for the interest of the United States so to do, to cause to be redeemed and canceled such of the notes then outstanding as they became due, by the issue of stock of the United States, under the limitations and provisions of the act of April 15, 1842, except that no commissions were to be allowed to agents, and the stock should be redeemable at a period not later than ten years from the issue thereof. Under this act stock to the amount of $7,004,231 35 was issued, most of which was sold at a small premium.

TREASURY NOTES OF 1846.

War with Mexico was declared May 13, 1846. On the 15th of June the Secretary of the Treasury informed Congress that if the war should continue until July 1, 1847, there would be a deficiency in the treasury of $12,587,000. To prevent this threatened deficiency, by the issue of treasury notes, a bill was introduced in the House of Representatives July 6, 1846, passed both houses without much debate, and was approved July 22, 1846 (9 Statutes, 39). It authorized the President to cause treasury notes to be issued for such sums as the exigencies of the government might require, and, in place of such notes as might be redeemed, to cause others to be issued; but the amount of this emission outstanding at any one time was not to exceed $10,000,000. The notes were to be issued under the limitations and provisions of the act of October 12, 1837, except that the authority given was to expire at the end of one year from the passage of the act. Under this act the sum of $7,687,800 was issued.

* Cong. Globe, 2d sess. 27th Cong., p. 964. † Cong. Globe, 3d sess. 27th Cong., Appendix, p. 186. ‡ Cong. Globe, 3d sess. 27th Cong., p. 318.

LOAN OF 1846.

The second section of the act of July 22, 1846 (9 Statutes, 40), authorized the President, if, in his opinion, it should be for the interest of the United States so to do, instead of issuing the whole amount of treasury notes authorized by the first section, to borrow, on the credit of the United States, such a sum as he might deem proper, but not exceeding, together with the treasury notes issued, the sum of $10,000,000. The stock was to be issued under the limitations and provisions of the act of April 15, 1842, and to be redeemable at a period not exceeding ten years from the date of issue. No commissions were to be paid to agents. Under this act the sum of $4,999,149 45 was issued.

MEXICAN INDEMNITY STOCK.

The peculiar circumstances which gave rise to the issue of this stock are worthy of note, as resulting from an ineffectual attempt to collect the money due American citizens on account of claims against the government of Mexico. By the terms of the convention of January 30, 1843, between the United States and the Mexican republic, it was provided that on the 30th day of April, 1843, the Mexican government should pay all the interest which might then be due on the awards in favor of claimants under the convention of the 11th of April, 1839. The principal of the said awards, and the interest accruing thereon, to be paid in five years, in equal installments every three months, to commence April 30, 1843. These payments were to be made in the city of Mexico, to such person as the United States might authorize to receive them, in gold or silver money.* In accordance with these stipulations, an agent was duly appointed for the collection of the several installments as they respectively came due, and the Secretary of State was informed, by an official communication from the United States minister at the city of Mexico, dated September 24, 1844, that the installments which fell due on the preceding 30th of April and 30th of July were paid, to the authorized agent appointed to receive and transmit the same, on the 27th of August of that year, and it was so reported to Congress. Upon examination into the facts, however, it was found that no money had been received, and an investigation was ordered, resulting in the development of a singular transaction on the part of the agent designated to receive the money from the Mexican authorities. It appears from the correspondence relative to this affair that, for the avowed purpose of liquidating these claims, Santa Aña, the head of the Mexican government, in May, 1843, decreed the collection of a forced loan, to be distributed in certain proportions through the various departments of the Mexican republic, and paid at periods corresponding to those stipulated by the convention. This measure, essentially unpopular, was imperfectly enforced, while the temptation to a misapplication of the funds collected, amidst the difficulties by which Santa Aña was surrounded, was very great. Under these circumstances the Mexican government was unable to pay the installment which became due in April, 1844; and in July of the same year, when another installment became due, the incapacity of the government had become still clearer. The arrears then due and payable amounted to $274,664 67. The applications of the agent of the United States at the Mexican treasury for payment of these installments were evaded or disregarded, and he was informed that there was no money in the treasury applicable thereto. Despairing of obtaining any direct payment, he made an arrangement with an English firm there, of high standing, then believed to be successfully prosecuting a claim of considerable amount, by which they assumed the collection of the said installments, in addition to their own claim, and agreed to pay him the proportionate share of such collections, gradually, as received by them from the Mexican government. In pursuance of this arrangement, orders, to the amount of $274,664 67, on the various departments, were given in favor of the agent of the United States, by the Mexican government, and a receipt for the amount given by him as if it had been paid in money. These orders were handed over by him to the English firm, with whom he had made the arrangement for the collection of the installments.† Nothing was realized from these orders, but the matter of the indemnity was afterward disposed of by article 13 of the treaty of Guadalupe Hidalgo, February 2, 1848, which reads as follows:‡

> The United States engage, moreover, to assume and pay to the claimants all the amounts now due them, and those hereafter to become due by reason of the claims already liquidated and decided against the Mexican republic, under the conventions between the two republics severally concluded on the 11th day of April, 1839, and on the 30th day of January, 1843; so that the Mexican republic shall be absolutely exempt, for the future, from all expense whatever on account of the said claims.

In 1846, the United States being at war with Mexico, a clause was inserted in the first section of the civil and diplomatic appropriation act of August 10 (9 Statutes, 94), providing: "For paying the principal and interest of the fourth and fifth installments of the Mexican indemnities due in April and July, in the year 1844, the sum of $320,000; *Provided*, The claimants, each for himself, shall relinquish to the United States his right to said installments; *Provided further*, That each of the claimants shall agree to take in payment the scrip of a stock bearing interest at five per cent., payable in five years." Under the authority thus granted, five per cent. stock, amounting to $303,573 92, was issued.

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*8 Statutes, p. 578. †Ex. Doc. H. R., 1st sess. 29th Cong., No. 133. ‡9 Statutes, p. 933.

TREASURY NOTES OF 1847.

The estimate of the Secretary of the Treasury, referred to in the remarks on "Treasury notes of 1846", that there would be, on the 1st of July, 1847, if the war with Mexico should continue and no new sources of revenue were supplied, a deficit of but $12,587,000, proved fallacious.

Under the act of July 22, 1846, a sum larger than his estimate of the amount needed to prevent a deficit was obtained; yet, in his annual report, dated December 9, 1846, the Secretary was obliged to inform Congress that there would still be a probable deficit of $4,779,042 01. In January, 1847, he appears to have informed the chairman of the committee of ways and means that the treasury was nearly empty, and that there was immediate necessity for authority to issue more treasury notes or to obtain a new loan. A bill authorizing the issue of new treasury notes, or a loan to the amount of $23,000,000, was introduced in the House of Representatives January 11, 1847, and passed both houses after an extended debate, in which the origin and conduct of the war with Mexico were discussed, and various propositions were brought forward to so amend the tariff on foreign goods imported as to increase the revenue, and especially to lay a heavy duty on tea and coffee. The act was approved January 28, 1847 (9 Statutes, 118). It authorized the President to cause treasury notes to be issued for such sums as the exigencies of the government might require, but not exceeding, in the whole amount issued, the sum of $23,000,000, and no note to be of a less denomination than fifty dollars. The notes were to bear such interest, from date of issue until redeemed, as should be fixed by the Secretary of the Treasury, and were reimbursable at one and two years after date. The Secretary of the Treasury was authorized to borrow money on the credit of the notes, but no notes were to be pledged, hypothecated, or sold, at less than their par value, with accumulated interest. They were to be paid to such public creditors as chose to receive them at par, and were made receivable for all duties, taxes, and debts due the United States. The Secretary was authorized to purchase these notes at any time, but only at par for the principal and accrued interest. When any of the notes authorized by the act were redeemed, other notes might be issued in their stead, but the amount of said notes outstanding at any time, together with the stock authorized by the same act, was not to exceed $23,000,000. The principal of the notes could be funded at any time in stock bearing 6 per cent. interest, redeemable at any time after December 31, 1867, and this privilege was extended to the holders of any treasury notes issued under previous acts. The authority given by the act of July 22, 1846, to issue treasury notes was extended, by the fifteenth section, to the period fixed by this act, on the same terms and conditions, but the issue under this section was not to exceed $5,000,000. Under this act notes to the amount of $26,122,100 were issued.

LOAN OF 1847.

The act of January 28, 1847 (9 Statutes, 118), which authorized the issue of $23,000,000 in treasury notes, also authorized the President (see sec. 16), if, in his opinion, it should be for the interest of the United States so to do, instead of issuing the whole amount of treasury notes, to borrow, on the credit of the United States, such amount as he might deem proper, and to issue therefor stock, bearing interest at not exceeding 6 per cent., redeemable after December 1, 1867; but the amount so borrowed, together with the treasury notes issued under the same act, was not to exceed the sum of $23,000,000. Under this act stock to the amount of $28,230,350 was issued, most of which sold at a small premium. The apparent overissue is accounted for by the authority given under the act to fund treasury notes in the same stock.

BOUNTY-LAND SCRIP.

The act of February 11, 1847 (9 Statutes, 125, section 9), gave to each non-commissioned officer, musician, or private, enlisted or regularly mustered in the service for not less than twelve months, and who had actually served in the war with Mexico and received an honorable discharge, a warrant for 160 acres of land, or a treasury scrip for $100. If the soldier was killed in battle, or died of wounds or sickness incurred in the course of his service, the warrant or scrip was to be issued to his heirs. Each soldier enlisted for less than twelve months, and who had actually served in the war to the end of his term or until he was honorably discharged, was to receive a warrant for 40 acres of land, or a treasury scrip for $25, to be issued to his heirs if he died in the service. The warrants might be located at any land office in the United States.

When it was first proposed to give lands to those who served in the Mexican war, the measure met with much opposition in Congress. It was alleged that, of the great body of lands which had been given to soldiers of former wars, but very little had inured to the benefit of the grantees, and that cases were very rare indeed where a soldier had actually become the occupant of the lands intended for his benefit, most of the lands having passed into the hands of speculators at a mere nominal price. It was said that, as soon as the bill was signed, hundreds of men would start for the army, and every sutler's tent, every petty grocery, would become a broker's office, where the rights to warrants, covering millions of acres of the public domain, would be obtained from the soldiers for very trifling sums. To prevent this it was proposed to make the warrants, or the land which might be located under them, not transferable for the period of seven years, but to this it was objected that, in the case of those who might wish to sell and not to occupy their lands, it was putting the reward of their labors off to a time so distant as to make it of but little advantage to them.* It was finally decided to give to each the option of receiving a land-warrant, not transferable until after issue, or a treasury scrip for $100, or for $25, according to term for which enlisted. The scrip was to bear 6 per cent. interest and to be redeemable at the pleasure of the government. It was supposed that those whose want of money was immediate would prefer the scrip, which was equivalent to an interest-bearing treasury note; but it was found that most of the soldiers preferred the land-warrants, only the sum of $233,075 in the bounty-land scrip having been issued. That this result might have been foreseen is evident, when it is considered that a land-warrant for one hundred and sixty acres was equivalent, at the then price of government land, to $200.

LOAN OF 1848.

The President of the United States, in his message of December 7, 1847, informed Congress that if the war with Mexico continued until July 1, 1848, the expenditure would probably exceed the revenue provided by law about $16,000,000,† while the Secretary of the Treasury, in his report of December 8, estimated that, adding the sum necessary to be kept in the treasury to meet the wants of the government and maintain the enlarged operations at the mints, there would be required $18,729,114 27, in addition to the probable revenue. A bill to authorize a loan not to exceed $18,500,000 was introduced in the House of Representatives January 19, 1848. The chairman of the committee of ways and means informed the House, during the debate, that an error had been discovered in the financial statement of the Secretary of the Treasury, which disclosed the gratifying fact that there was in the treasury nearly $7,000,000 more than had been stated to the House, in consequence of which it was supposed the loan might be reduced to $12,000,000, but that the Secretary of War had since asked an appropriation of nearly $4,000,000 to supply certain deficiencies in that branch of the public service, and it would therefore be necessary to make the amount $16,000,000, and he moved an amendment making the alteration, avowing at the same time his utter want of confidence in the estimates of the Secretary of the Treasury, and stating that he believed at least $25,000,000 would be required.‡

The bill passed both houses after an extended debate and was approved March 31, 1848 (9 Statutes, 217). It authorized the President to borrow, on the credit of the United States, at any time within one year from the passage of the act, a sum not exceeding $16,000,000, at an interest of not more than 6 per cent. per annum, payable quarterly or semi-annually, reimbursable at any time after July 1, 1868. No certificate of stock was to be issued for a less amount than $50. The expenses attending the execution of the act were not to exceed $16,000. The Secretary of the Treasury was authorized to purchase the stock of the loan, at any time before the date at which it became reimbursable, at the market price, not below par. Under this act stock to the amount of $16,000,000 was issued and sold at a small premium.

TEXAS INDEMNITY STOCK.

The state of Texas, when first annexed to the United States, had doubtful claims to an extensive territory. It was said, in debate on the subject, that her southeast corner was at the mouth of the Rio Grande, the region of perpetual flowers, her northeast corner near the South pass in the Rocky mountains, a region of everlasting snows; that she had a front on the Gulf of Mexico of a thousand miles, a front on the Rio Grande, partly disputed, of 2,000 miles, an undisputed frontier on the Arkansas of 1,000 miles, and within these boundaries she claimed an area of 350,000 square miles, or more than equal to seven states as large as Pennsylvania.§

To somewhat reduce this enormous territory, to pay her somewhat shadowy claims to all the public lands within these boundaries, and to obtain from her a release of her claims on the United States for liability for her debts, and to indemnify her for the surrender of her ships, forts, arsenals, custom-houses, munitions of war, and public buildings, a bill was introduced in the Senate August 5, 1850.

The bill, notwithstanding strenuous opposition, was passed and approved September 9, 1850 (9 Statutes, 447). It provided that if the state of Texas should consent that her boundary on the north should commence at a point at which the meridian of one hundred degrees west from Greenwich is intersected by the parallel of 36° 30′ north latitude and run thence due west to the meridian of one hundred and three degrees west from Greenwich, then south to the thirty-second degree of north latitude, then on said parallel to the Rio Bravo del Norte, and thence, with the channel of said river, to the Gulf of Mexico, and should cede to the United States all her claim to the territory exterior to these boundaries, and relinquish all claim on the United States for liability for her debts, and for compensation for the surrender of her ships, forts, custom-houses, public buildings, &c., then the United States, in consideration for the same, should pay her the sum of $10,000,000 in stock, bearing 5 per cent. interest, payable semi-annually, redeemable at the end of fourteen years. No more than $5,000,000 of said stock was to be issued until the creditors of the state holding bonds and other certificates of the stock of Texas, for which duties on imports were specifically pledged, should first file at the treasury releases of all claim against the United States on account of said bonds or certificates.

* Cong. Globe, 2d Sess. 29th Cong., p. 203, *et seq.*
† Cong. Globe, 1st Sess. 30th Cong., p. 9.
‡ Cong. Globe, 1st sess. 30th Cong., p. 312, *et seq.*
§ Cong. Globe, 1st sess. 31st Cong., p. 165.

Under this act but $5,000,000 in stock was issued, as a subsequent act, approved February 28, 1855 (10 Statutes, 617), provided that the creditors of Texas should be paid in cash, and increased the amount to be paid them to $7,750,000, to be divided pro rata among such creditors of the State as were comprehended in the act of September 9, 1850.

TREASURY NOTES OF 1857.

The Secretary of the Treasury, in his annual report of December 8, 1857, informed Congress that although there was a balance on hand at the close of the last fiscal year amounting to $17,710,114 27, yet so great was the falling off in the revenues from customs, owing to the monetary crisis of that period, that it would be absolutely necessary to provide the treasury with some additional means of meeting the demands upon it. On this point he says:

Such provision should be made at the earliest practicable period, as a failure of sufficient means in the treasury may occur at an early day. The exigency being regarded as temporary, the mode of providing for it should be of a temporary character. It is therefore recommended that authority be given to this department, by law, to issue treasury notes for an amount not to exceed $20,000,000, payable within a limited time, and carrying a specified rate of interest, whenever the immediate demands of the public service may call for a greater amount of money than shall happen to be in the treasury, subject to the treasurer's drafts in payment of warrants. The fact that such temporary exigency may arise from circumstances beyond the foresight or control of this department makes some adequate provision to meet it indispensable to the public security.

A bill for this purpose was introduced in the Senate, on the 17th of December, by the committee on finance, and on the following day in the House of Representatives by the committee of ways and means, and was at once the cause of an exciting debate.

Serious charges of mismanagement and extravagance in the administration of the several departments were made on the one side, while on the other the cause of the recent monetary crisis was charged to the action taken by the banks in their suspension of specie payments.

Notwithstanding the strong opposition manifested in both houses, the necessity for the passage of some measure for the immediate relief of the treasury was conceded, and the bill finally passed the Senate on the 19th of December, by a vote of 31 yeas to 18 nays. On the 22d it passed the House of Representatives by a vote of 118 yeas to 86 nays, and, being approved by the President on the following day, became a law December 23, 1857 (11 Statutes, 257). This act authorized the issue of treasury notes for such sum as the exigencies of the public service might require, not to exceed at any time the amount of $20,000,000, and of denominations not less than $100 for any such note, payable and redeemable at the treasury of the United States after the expiration of one year from the dates of said notes, with interest thereon, not to exceed six per cent.; the first issue not to exceed $6,000,000. The residue to be issued in whole or in part, after public advertisement of not less than thirty days, by exchanging said notes, at their par value for specie, to the bidder or bidders agreeing to make such exchange at the lowest rate of interest, not exceeding six per cent.; interest to cease at the expiration of sixty days' notice by the Secretary of the Treasury of readiness to pay and redeem said notes at their maturity. The faith of the United States was solemnly pledged for their redemption, and they were made receivable for all dues to the United States. Under this act the amount of $52,778,900 was issued, including reissues.

LOAN OF 1858.

The prediction made in the debate on the bill to issue the treasury notes of 1857, that the amount asked for was not enough, and that at least $20,000,000 more would be required, was speedily realized. In May, 1858, the Secretary of the Treasury informed Congress that, owing to the appropriations having been increased by legislation nearly $10,000,000 over the estimates, while the revenue from customs had fallen about $10,000,000 below the estimates, it would be necessary to provide some means of meeting the deficit.* A bill to authorize a loan not exceeding $15,000,000 was reported in the House of Representatives May 26, 1858, and this amount was subsequently increased to $20,000,000.

The chairman of the committee of ways and means, who reported the bill, said that the public debt was then $25,157,058 27, all of which would fall due within ten years, and the date of redemption of the proposed loan had therefore been made fifteen years, or five years beyond the period within which the then existing debt would fall due. He estimated that, even if authority was given to borrow $15,000,000, there would still be a deficit at the close of the fiscal year of nearly $1,000,000. On account of this probable deficit, and of an increase in the amount of appropriations, the Senate raised the amount of the proposed loan to $20,000,000. The bill was approved June 14, 1858 (11 Statutes, 365). It authorized the President to borrow, on the credit of the United States, at any time within twelve months after the date of the act, a sum not exceeding $20,000,000, reimbursable at any time after January 1, 1874. The interest was not to exceed 5 per cent. per annum, payable semi-annually, with coupons for the semi-annual interest attached to each certificate of stock. No certificate was to be issued for less than $1,000, and none was to be sold at less than its par value. Under this act the sum of $20,000,000 was obtained, the certificates selling at from 2 to 7 per cent. premium.

* Cong. Globe, 1st sess. 35th Cong., p. 3019.

LOAN OF 1860.

The annual report of the Secretary of the Treasury dated December 22, 1859, contained the following clause:

In the estimated means of the treasury for the present and next fiscal years, it will be seen that no provision is made for the permanent redemption of any portion of the $20,000,000 of treasury notes. The authority for reissuing these notes will expire on the 30th of June next, and it will, therefore, be necessary for Congress to extend the law for that purpose for another period.

Congress appears to have differed with the Secretary as to the propriety of reissuing the notes, as, instead of giving authority so to do, a bill providing for their redemption by means of a loan was introduced in the House of Representatives June 21, passed both houses almost without debate, and was approved June 22, 1860 (12 Statutes, 79). It authorized the President to borrow, at any time within twelve months after the passage of the act, a sum not exceeding $21,000,000, on the credit of the United States, the money to be used only in the redemption of treasury notes, and to replace in the treasury any amount of said notes which should have been paid in for public dues.

The stock was to bear interest not exceeding 6 per cent. per annum, and was to be reimbursed within a period not beyond twenty years nor less than ten years. No certificate was to be issued for less than $1,000. The Secretary of the Treasury was authorized to cause coupons of semi-annual interest to be attached to the certificates, and any certificate bearing such coupons attached was to be assignable by delivery. No stock was to be disposed of at less than its par value.

Under this act the sum of $7,022,000 was borrowed, at 5 per cent. interest, the certificates selling at from par to 1.45 per cent. premium.

It would appear that the failure to realize the whole amount of the loan was caused by the political troubles that culminated in the war of the Rebellion. Bids were invited for $10,000,000 on September 8, 1860, and the whole amount offered was speedily taken. It soon became evident, however, that war was inevitable, and a commercial crisis ensued, during which a portion of the bidders forfeited their deposits, and the loan was withdrawn from the market after the amount stated above had been realized.

TREASURY NOTES OF 1860.

Authority for the issue of these notes became necessary when it was found that but a portion of the $21,000,000 loan authorized by the act of June 22, 1860, could be obtained, and was recommended by the Secretary of the Treasury in his annual report of December 4, 1860, as follows:

To meet the remaining outstanding treasury notes and interest thereon, there is yet to be negotiated eleven millions of the stock authorized by the act of June 22, 1860. The statement just made of the difficulties attending the payment for the stock already sold, in connection with the fact that capitalists, in the present condition of the country, seem unwilling to invest in United States stock at par, renders it almost certain that this remaining eleven millions cannot now be negotiated upon terms acceptable to the government. The condition of the treasury is such that no serious delay can be indulged. I recommend, therefore, a repeal of so much of the act of June 22, 1860, as authorizes the issuing of this additional eleven millions of stock, and that authority be given for the issuing of treasury notes to the same amount, to be negotiated at such rates as will command the confidence of the country. To create that confidence, I recommend that the public lands be unconditionally pledged for the ultimate redemption of all the treasury notes which it may become necessary to issue. I make this recommendation of substituting treasury notes for stock the more readily from the conviction that there should always exist in the department power to issue treasury notes for a limited amount, under the direction of the President, to meet unforeseen contingencies. It is a power which can never be abused, as the amount realized from such source can only be used to meet lawful demands upon the treasury.

A bill to allow the issue of treasury notes to an amount not exceeding $10,000,000 was introduced in the House of Representatives December 10. There appears to have been but little opposition to the bill as a whole, but an effort was made to change some of its features. An attempt was made to pledge the receipts from the public lands specifically for the redemption of the notes. In the Senate an unsuccessful effort was made to authorize the issue of notes as low as $20, it being urged that notes of the smaller denominations would be more readily taken at par, as they could be paid to laborers and others having small demands against the government. The Senate rejected this amendment, but altered the bill so as to allow of the issue of notes of as low a denomination as $50. The same attempt was made as in the House to pledge the proceeds of the public lands for the specific redemption of the notes, and objected to on the ground that it would interfere with the homestead bill then under discussion in Congress.

The bill passed, and was approved December 17, 1860 (12 Statutes, 121). It authorized the President to cause the issue of treasury notes for such sums as the exigencies of the public service might require, not exceeding at any time the amount of $10,000,000, of denominations not less than $50 for each note, redeemable at the treasury after the expiration of one year from the date of issue, bearing interest until redeemed or called at the rate of 6 per cent. per annum; but the Secretary was authorized to issue them, after advertisement, at such rates of interest as might be offered by the lowest responsible bidders. Under this act treasury notes were issued, redeemable at the expiration of one year from date, bearing interest as follows: $70,200, at 6 per cent.; $5,000, at 7 per cent.; $24,500, at 8 per cent.; $33,000, at 8½ per cent.; $10,000, at 8¾ per cent.; $65,000, at 9 per cent.; $10,000, at 9¼ per cent.;

\$160,000, at 9½ per cent.; \$77,000, at 9¾ per cent.; \$1,027,500, at 10 per cent.; \$266,000, at 10¼ per cent.; \$623,000, at 10½ per cent.; \$1,367,000, at 10¾ per cent.; \$1,432,700, at 11 per cent.; \$4,840,000, at 12 per cent.—making a total of \$10,010,900.

Additional offers were received, ranging from 15 to 36 per cent., which were declined.

LOAN OF FEBRUARY, 1861.

So low had the credit of the government fallen at this time that Secretary John A. Dix, in a letter to the chairman of the committee of ways and means of the House of Representatives, dated January 18, 1861, suggested to the committee, as an additional financial resource, that the several states be asked, as security for the repayment of any money the government might find it necessary to borrow, to pledge the deposits received by them from the government under the act for the distribution of the surplus revenues in 1836, believing that a loan contracted on such a basis of security, superadding to the plighted faith of the United States that of the individual states, could hardly fail to be acceptable to capitalists.

The committee reported, on the 1st of February, a bill to authorize a loan of \$25,000,000, with a statement that the Secretary of the Treasury had reported that there would be an actual deficit in the revenue of \$21,677,524. In addition to this, the chairman of the committee stated that the deficiency bill appropriated between two and three millions of dollars, making an estimated deficiency of \$24,000,000, while the amount in the treasury on the 1st of January was but \$2,233,220. At least \$5,000,000 were required to carry on the daily operations; there should, therefore, be provided, in addition to the revenues, at least \$25,000,000.* It was said, in debate on the bill, that the amount was needed to pay off the debts of the retiring administration. The falling off in the revenue was caused by the political troubles which ended in the war of the Rebellion, and which had already diminished the imports to a very large extent.

The bill was objected to on the ground that the Secretary still possessed the power, under the act of June, 1860, to borrow \$14,000,000, and that this amount, at least, should be deducted from the proposed loan. To this it was answered that the balance of the loan of June 22, 1860, could not be sold upon the terms prescribed in the law, and that if it could, the money was specifically pledged to the redemption of the treasury notes of 1860.

The bill was approved February 8, 1861 (12 Statutes, 129). It authorized the President to borrow, at any time before the 1st day of July, 1861, a sum not exceeding \$25,000,000, to be used in the payment of current demands on the treasury, for the redemption of outstanding treasury notes, and to replace in the treasury such notes as had been paid in for public dues. The stock was to bear interest not exceeding 6 per cent. per annum, and to be reimbursable within not less than ten nor more than twenty years. The Secretary of the Treasury was authorized to cause coupons of semi-annual interest to be attached to the bonds, whenever required. No certificate of stock was to be issued for less than \$1,000. Under this act bonds were issued amounting to \$18,415,000, at an aggregate discount of \$2,019,776 10, or an average rate of \$89 03 per one hundred dollars.

TREASURY NOTES OF 1861.

The Secretary of the Treasury in his report on the finances, dated December 22, 1859, had estimated that there would be a balance in the treasury, June 30, 1861, of only \$3,530,196 61, which left no margin for additional appropriations. If, therefore, the appropriations should exceed the estimates, or Congress should determine within this period to provide for the payment of any portion of the public debt, which then amounted to nearly \$60,000,000, it would be necessary to make adequate provision for such contingencies. The Secretary expressed himself as of the opinion that the idea of increasing the public debt to meet the ordinary expenses of government should not be entertained for a moment. If additional demands on the treasury were created by legislation, provision must be made to meet them by such an increase of tariff duties as might be necessary.

A bill for the repayment of outstanding treasury notes, to authorize a loan, and to regulate and fix the duties on imports was introduced in the House March 12, 1860. It was said, in debate on the bill, that the idea of not increasing the public debt to meet current expenses was a very patriotic one, and that it would hardly be suspected that the administration had practically illustrated the sentiment, by steadily increasing the debt to meet those expenses during every year that it had been in power, with the following result:

Balance in treasury, July 1, 1857	\$17,710,114 27
Public debt, July 1, 1857	29,060,386 90
Public debt, July 1, 1858	44,910,777 66
Public debt, July 1, 1859	58,754,699 33

Adding the balance in the treasury on the 1st of July, 1857, to the debt at the close of the year 1859, and deducting the debt of 1857, it appeared that the sum total of an idea "not to be entertained for a moment" was an increase in the public debt of \$47,404,426 70. It was furthermore charged that this had taken place under a tariff that practically discriminated against our own people, compelling us, for every fourteen or fifteen millions of revenue collected at home, to foot a bill of a hundred millions abroad.†

* Cong. Globe, 2d sess. 36th Cong., p. 713.

† Cong. Globe, 1st sess. 36th Cong., p. 1831.

The debate on the bill took a very wide range, including the subjects of the tariff, and of protection to American industry, and often branching off to the state of the Union and to the political troubles which brought on the war of the Rebellion; but the bill failed to pass both houses at that session. It was taken up at the next meeting of Congress, but did not become a law until March 2, 1861 (12 Statutes, 178), after many of the southern members had left Congress. The opposition was not to the proposal to issue the notes, admitted to be necessary to supply the current demands on the treasury, exhausted on the eve of a great war, but to the provisions for an increase of the tariff contained in the same bill.

The act authorized the President to borrow, at any time within twelve months from the passage of the act, a sum not exceeding $10,000,000, to be applied to the payment of appropriations made by law and the balance of treasury notes then outstanding, and to no other purposes. No stipulation or contract was to be entered into which should prevent the United States from reimbursing the amount borrowed, at any time after the expiration of ten years from the first day of July next ensuing, after due notice given.

If the proposals made for the loan were not satisfactory, then the President was authorized, instead of borrowing the money, to issue treasury notes, in lieu thereof, for the full amount of the loan authorized, and also to substitute treasury notes for the whole or any part of the money which he was authorized to borrow by previous acts. The notes were to be for sums of not less than $50 each, bearing interest at the rate of 6 per cent. per annum, payable semi-annually; were to be redeemable, at the pleasure of the United States, within two years from the passage of the act; and were to cease to bear interest after being called in by the Secretary of the Treasury.

Under this act treasury notes to the amount of $35,364,450 were issued, of which amount $22,468,100 was redeemable in two years and $12,896,350 sixty days after date. It was the war of the Rebellion, which began a few weeks after the passage of the bill, that necessitated an increase so far in excess of the amount originally contemplated, an increase, however, which was warranted by the letter if not by the intent of the act.

OREGON WAR DEBT.

The settlement of Oregon appears to have commenced in 1839, but was confined to a few adventurous pioneers, who made their way across the plains from Missouri through friendly or hostile Indian tribes, until the year 1850, when emigration was stimulated by the passage of an act giving 320 acres of land to each settler, and, if married, the same amount to his wife. In 1851 the gold-washings of the Rogue river valley were discovered, which caused a sudden increase of population from the mining districts of California. Shortly after these miners arrived, the troubles with the Indians commenced.

In 1855 hostilities broke out and a general war ensued, which continued for more than a year, after which there was a short but hollow peace. In 1858 another war began, but was of short duration, the increased white population and the military forces of the general government soon overpowering the Indians.

At the breaking out of the war in 1855 the militia were called out by the governors of Oregon and Washington, and heavy expenses incurred. After the war closed a demand was made on the general government for the payment of these troops, and for the expenses of their maintenance in the field.

A commission, appointed under an act of Congress, was sent out to investigate the subject and audit the claims. The report of this commission stated the amount due to Oregon at $4,449,949 33, and to Washington $1,481,475 45.* A supplemental report added about $80,000, making the total amount to $6,011,424 78. The committee on military affairs referred this report and the papers to the third auditor of the treasury, under a resolution of the House, with directions to audit the claims, and in so doing to allow the militia the same pay as was given to regular soldiers of the same grade in the United States army, and for the supplies a reasonable approximation to what was already authorized by existing laws.

On the 7th of February, 1860, the third auditor transmitted his report to the House, showing that the claims, if settled on this footing, would aggregate $2,714,808 55. Against this reduction the delegates from Oregon and Washington protested. A bill passed the Senate in 1861, appropriating between three and four millions of dollars for the payment of these claims, but it never reached a vote in the House.

A bill for the payment of the Oregon and Washington war debt was introduced in February, 1861, passed both houses, with some slight amendments, and was approved March 2, 1861 (12 Statutes, 198). It appropriated, for the pay of volunteers in the war, the sum of $400,000, the claims to be examined and audited by the third auditor, and the volunteers to be allowed the same pay as United States officers and soldiers serving in Oregon and Washington. For the payment of claims for services, supplies, transportation, &c., incurred in the maintenance of the volunteers, $2,400,000 was appropriated, the claims to be also settled by the third auditor, and the prices allowed to be, as nearly as possible, the same as had been paid for supplies to the regular forces of the United States; horses and other property lost or destroyed in the military service to be settled for on the principles laid down in previous acts.

* Ex. Doc. H. R., 1st sess. 35th Cong., No. 45.

The Secretary of the Treasury was authorized, if he deemed it expedient, to issue to the claimants, or their representatives, in payment of their audited claims, bonds of the United States of a denomination not less than $50, redeemable in twenty years, and bearing interest at the rate of 6 per cent., with coupons attached, payable annually or semi-annually, at the discretion of the Secretary.

Under this act bonds to the amount of $1,090,850 were issued.

LOAN OF JULY AND AUGUST, 1861—OLD DEMAND NOTES—SEVEN-THIRTIES OF 1861.

The extra session of Congress which began July 4, 1861, was held under very different circumstances from those which had accompanied any preceding session. Eleven states had attempted to secede from the Union, and were in actual rebellion. Seventy-five thousand volunteers had been called into the field to suppress the unlawful combination, and Congress met in a military camp.

The Secretary of the Treasury, Salmon P. Chase, in his report on the finances, dated July 4, 1861, estimated the expenditures for the fiscal year 1862 at $318,519,581 87, and this sum, vast as it seemed, was, as events proved, more than $240,000,000 less than the actual expenditures.

The President, in his message to Congress at the beginning of the extra session, had asked authority to borrow $400,000,000, and this amount, added to the whole revenues of the government, was more than one hundred millions short of the actual expenditures.

A bill to meet the expenses of the war, by obtaining a loan of $250,000,000, was introduced in the House July 9, 1861, and considered in committee of the whole the next day. Debate on the bill was limited to one hour, and this hour was entirely occupied by one member. At the conclusion of his remarks the bill was passed by yeas 150, nays 5.

The bill passed the Senate without much debate, but with many amendments, which were concurred in by the House, and was approved July 17, 1861 (12 Statutes, 259.) It authorized the Secretary of the Treasury to borrow, on the credit of the United States, within twelve months from the passage of the act, a sum not exceeding $250,000,000, for which he was authorized to issue coupon or registered bonds, or treasury notes, in such proportions of each as he might deem advisable, the bonds to bear interest not exceeding 7 per cent. per annum, payable semi-annually, and redeemable, at the pleasure of the United States, after twenty years. The treasury notes to be of any denomination fixed by the Secretary, not less than $50, payable three years after date, with interest at the rate of $7\frac{3}{10}$ per cent. per annum, payable semi-annually.

The Secretary was also authorized to issue treasury notes of a less denomination than $50 and not less than $10, bearing interest at the rate of 3.65 per cent. per annum, payable in one year from date, and exchangeable at any time for treasury notes of $50 and upward, bearing interest as specified above; also, to issue treasury notes of less than fifty and not less than ten dollars, not bearing interest, but payable on demand; but the whole amount of such notes issued was not to exceed $50,000,000.

The Secretary was further authorized to issue, whenever he should deem it expedient, treasury notes of any of the denominations before specified, bearing interest not exceeding 6 per cent., payable at any time not exceeding twelve months after date, but the whole amount of notes so issued was not to exceed $20,000,000.

Notes of less than $50, when redeemed, might be reissued or canceled and new notes issued in their stead, but the aggregate amount of bonds and notes issued under previous sections of the act was never to exceed $250,000,000, and the power to issue or reissue the treasury notes was to cease December 31, 1862.

A bill supplemental to the above act was introduced in the Senate July 22, and passed both houses with but little debate, though some opposition was made to the section which allowed the Secretary of the Treasury to fix the denomination of the treasury notes at any sum below $50. The limit was finally fixed at $5, and the bill passed and was approved August 5, 1861 (12 Statutes, 313).

It authorized the Secretary to issue a part of the bonds provided for by the act of July 17, 1861, at 6 per cent. per annum, these bonds to be exchangeable for treasury notes bearing interest at $7\frac{3}{10}$ per cent., but no such bond was to be issued for less than $500, nor was the whole amount of such bonds to exceed the whole amount of treasury notes bearing $7\frac{3}{10}$ per cent. interest issued under the said act.

The Secretary was also authorized to issue treasury notes, not bearing interest, of denominations as low as five dollars. The act of February 12, 1862 (12 Statutes, 338), authorized the issue of $10,000,000 in demand notes in addition to the $50,000,000 authorized by the acts of July 17 and August 5, 1861.

Under these acts bonds and treasury notes were issued as follows:

Loan of July and August, 1861, 6 per cent. bonds	$189, 321, 350
Old demand notes, no interest	60, 030, 000
Seven-thirties of 1861, interest at $7\frac{3}{10}$ per cent	139, 999, 750
Total	389, 351, 100

When it is considered that only a year before a loan of $21,000,000 had been asked for, and only about one-third that sum obtained, it is evident that the danger which menaced the Union had aroused the people and induced them to pour out their means freely in aid of the government.

The disasters of the early part of the war were really a gain instead of a loss, as they convinced the North of the necessity of freely contributing money and men to save the imperiled nation.

FIVE-TWENTIES OF 1862—TEMPORARY LOAN.

The so-called "five-twenties of 1862" were issued under the authority granted by the act of February 25, 1862 (12 Statutes, 345), already referred to in the remarks on the legal-tender notes. The following is a copy of the second section of this act:

And be it further enacted, That to enable the Secretary of the Treasury to fund the treasury notes and floating debt of the United States, he is hereby authorized to issue, on the credit of the United States, coupon bonds, or registered bonds, to an amount not exceeding $500,000,000, redeemable at the pleasure of the United States after five years, and payable twenty years from date, and bearing interest at the rate of six per cent. per annum, payable semi-annually. And the bonds herein authorized shall be of such denominations, not less than $50, as may be determined upon by the Secretary of the Treasury. And the Secretary of the Treasury may dispose of such bonds at any time, at the market value thereof, for the coin of the United States, or for any of the treasury notes that have been, or may hereafter be, issued under any former act of Congress, or for United States notes that may be issued under the provisions of this act; and all stocks, bonds, and other securities of the United States held by individuals, corporations, or associations, within the United States, shall be exempt from taxation by or under state authority.

The success of this loan was remarkable, Secretary Chase having used every exertion to provide for its general distribution among the people. In his annual report to Congress, dated December 10, 1863, he said:

After ascertaining, by inquiry, that they could not be disposed of to capitalists, in amounts sufficient for prompt payment of the army and navy, and for the satisfaction of the just claims of public creditors generally, without serious loss, the Secretary determined to employ a general agent, under adequate bonds, and confide the whole work of distribution, except so far as it could be effected by the treasurer, assistant treasurers, and designated depositaries, to him, and to sub-agents designated by him, and responsible immediately to him. Under this plan, and chiefly through indefatigable efforts of the general agent and his sub-agents, five-twenty bonds to the amount of nearly $400,000,000, in denominations of $50, $100, $500, and $1,000, were distributed throughout the whole country not controlled by the rebellion, and among all classes of our countrymen. The history of the world may be searched in vain for a parallel case of popular financial support to a national government.*

On closing the subscription books at the time appointed, it was found that $11,000,000 over and above the amount asked for had already been subscribed, and the subscribers having complied with the regulations prescribed by the department, in its public notice inviting subscriptions, the secretary was obliged to ask for additional legislation to enable him to issue the required amount.

The act of March 3, 1864 (13 Statutes, 13), authorized an additional issue of $11,000,000 to persons who subscribed for this loan on or before the 21st day of January, 1864, the bonds so issued to have the same force and effect as if issued under the former act.

In March, 1863, it became necessary to transmit a considerable amount of funds to London, for a special purpose, for which an appropriation had been made by Congress, and it was thought advisable to deposit a certain amount of our securities with an eminent London banker, against which bills might be drawn. Five-twenty bonds, to the amount of $10,000,000, were accordingly placed in the hands of two distinguished citizens, to whose care the negotiation was committed. The negotiation failed, and $6,000,000 of the $10,000,000 were returned to the treasury and disposed of. It was thought advisable that the amount of $4,000,000 should remain, and that exchange should be drawn against it, and the bonds disposed of abroad, if a favorable market should be found. It appears, however, that very nearly this amount of issue is in excess of the $511,000,000 authorized by existing laws, $510,756,900 having been disposed of. The act of June 30, 1864, authorizes the secretary to dispose of "any bonds known as five-twenties remaining unsold". It is at least questionable whether, by this clause, power is conferred to dispose of an amount beyond that fixed by existing laws. Additional legislation may remove that doubt, should Congress think it advisable, otherwise they may be canceled. Exchange having been drawn, it became necessary to provide funds to meet the bills at maturity, which was accomplished by shipments of gold from California.†

The action taken by the Secretary met with the approval of Congress, and the act of January 28, 1865 (13 Statutes, 425), was passed, authorizing the further issue of bonds of this loan to an amount not exceeding $4,000,000, and their sale in the United States or Europe at any time, on such terms as the Secretary of the Treasury deemed most advisable.

Under these acts, bonds were issued to the amount of $514,771,600, bearing 6 per cent. interest, redeemable at the pleasure of the United States after five years, and payable twenty years from date.

Section 4 of the act of February 25, 1862 (12 Statutes, 345), provides:

That the Secretary of the Treasury may receive from any person or persons, or any corporation, United States notes on deposit for not less than thirty days, in sums of not less than $100, with any of the assistant treasurers or designated depositaries of the United States authorized by the Secretary of the Treasury to receive them, who shall issue therefor certificates of deposit, made in such form as the Secretary of the Treasury shall prescribe, and said certificates of deposit shall bear interest at the rate of 5 per cent. per annum; and any amount of United States notes so deposited may be withdrawn from deposit at any time after ten days' notice on the return of said certificates: *Provided*, That the interest on all such deposits shall cease and determine at the pleasure of the Secretary of the Treasury: *And provided further*, That the aggregate of such deposit shall at no time exceed the amount of $25,000,000.

* Finance Report, 1863, p. 14.

† Finance Report, 1864, p. 8.