

*On Secretary of the Treasury's Report*

January 28, 1790

Mr. Jackson. The report of the Secretary of the Treasury, Mr. Speaker, embraces subjects of the utmost magnitude, which ought not to be lightly taken up, or hastily concluded upon. It appears to me to contain two important objects, worthy of our most serious and indefatigable disquisition. The first is, that all idea of discrimination among the public creditors, as original holders and transferees, ought to be done away; and on this head, I must own to you, sir, that I formerly coincided in something like the same opinion, but circumstances have occurred, to make me almost a convert to the other. Since this report has been read in this House, a spirit of havoc, speculation, and ruin, has arisen, and been cherished by people who had an access to the information the report contained, that would have made a *Hastings* blush to have been connected with, though long inured to preying on the vitals of his fellow men. Three vessels, sir, have sailed within a fortnight from this port, freighted for speculation; they are intended to purchase up the State and other securities in the hands of the uninformed, though honest citizens of North Carolina, South Carolina, and Georgia. My soul rises indignant at the avaricious and immoral turpitude which so vile a conduct displays.

Tuesday February 9th 1790, 1179-1182

Public Credit

[Considering Alexander Hamilton's report on how to deal with Revolutionary War debts.]

Mr. Jackson. Believe me, Mr. Chairman, I have as high a sense of the obligation we are under to the public creditors, and feel as much gratitude toward them as any man on this floor. I shall ever cheerfully acknowledge the duty we owe to our benefactors, and in a peculiar manner to those brave soldiers who, at the risk of their lives and fortunes, secured the independency of America. I have also the most sincere wishes for the reestablishment of public credit, and that upon firm and solid ground, and on principles which cannot be called in question; but there appears to me a previous question, which has not yet been brought forward; it is this, whether there exists an immediate necessity for funding the national debt in the permanent manner proposed.

The high regard I have for the nature and circumstances of the foreign debt, induced me to let the first proposition pass without any animadversion. The vote which has been taken on that point will serve to show foreigners that we are concerned to preserve our

credit with them by a rigid performance of our stipulations; trusting, at the same time, that our fellow citizens cannot object to a distinction so just and proper in itself; for, notwithstanding what the domestic creditors may say, it is the money of foreigners that has, in a great measure, established our independence.

It is doubtful with me whether a permanent funded debt is beneficial or not to any country; some of the first writers in the world, and who are most admired on account of the clearness of their perceptions have thought otherwise, and declared that wherever funding systems have been adopted in a Government, they tend more to injure posterity than they would injure the inhabitants to pay the whole debt at the time it was contracted. The principle, I apprehend, is demonstrated by experience.

The first system of the kind that we have any account of originated in the State of Florence in the year 1634; that Government then owed about £60,000 sterling, and being unable to pay it, formed the principal into a funded debt, transferable with interest at five per cent. What is the situation of Florence in consequence of this event? Her ancient importance is annihilated. Look at Genoa and Venice; they adopted a similar policy, and are the only two of the Italian Republics who can pretend to an independent existence, but their splendor is obscured; they have never been able since the period at which a funding system was introduced to raise themselves to that formidable state to which they were before. Spain seems to have learned the practice from the Italian Republics, and she, by the anticipation of her immense revenue, has sunk her consequence beneath that level which her natural situation might have maintained. France is considerably enfeebled, and languishes under a heavy load of debt. England is a melancholy instance of the ruin attending such engagements. In the reign of King William, 1706, the policy of the English Parliament laid the foundation of what is called their national debt; but the sum was inconsiderable; it little exceeded £5,000,000 sterling; the example then set has been closely followed. In 1711, it amounted to £9,177,769 sterling, during the wars in the reign of Queen Anne; since that, the capital of the debt of Great Britain amounted, in 1777, to about £136,000,000 sterling; and to such a pitch has the spirit of funding and borrowing been carried in that country, that in 1786, their national debt had increased to £230,000,000 sterling; a burthen which the most sanguine mind can never contemplate they will ever be relieved from. If future difficulties should involve that nation still further, what must be the consequence? The same effect must be produced that has taken place in other nations; it must either bring on a national bankruptcy, or annihilate her existence as an

independent empire. Hence, I contend that a funding system in this country will be highly dangerous to the welfare of the Republic; it may, for a moment, raise our credit and increase our circulation by multiplying a new species of currency; but it must hereafter settle upon our posterity a burthen which they can neither bear nor relieve themselves from. It will establish a precedent in America that may, and in all probability will be pursued by the Sovereign authority, until it brings upon us that ruin which it has never failed to bring, or is inevitably bringing, upon all the nations of the earth who have had the temerity to make the experiment.

Let us take warning by the errors of Europe, and guard against the introduction of a system followed by calamities so universal. Though our present debt be but a few millions, in the course of a single century it may be multiplied to an extent we dare not think of; for my part, I would rather have direct taxes imposed at once, which, in the course of a few years, would annihilate the principal of our debt. A few years exertion in this way will save our posterity from a load of annual interest, amounting to the fifth, or perhaps the half of the sum we are now under engagements to pay.

But why, Mr. Chairman, should we hasten on this business of funding? Are our debts ascertained? The Report of the Secretary of the Treasury proposes that we should not only fund the debts that are ascertained, but the unliquidated and unsettled debts due from the Continent; nor does the plan stop here, it proposes that we should assume the payment of the State debts -debts to us totally unknown. Many of the States, sir, have not yet ascertained what they owe; and if we do not know the amount of what we owe, or are to be indebted, shall we establish funds? Shall we put our hands into the pockets of our constituents, and appropriate moneys for uses we are undetermined of? But more especially shall we do this, when, in doing it, it is indisputably certain, that the incumbrance will more than exceed all the benefits and conveniences?

Gentlemen may come forward, perhaps, and tell me, that funding the public debt will increase the circulating medium of the country, by means of its transferable quality; but this is denied by the best informed men. The funding of the debt will occasion enormous taxes for the payment of the interest. These taxes will bear heavily both on agriculture and commerce. It will be charging the active and industrious citizen, who pays his share of the taxes, to pay the indolent and idle creditor who receives them, to be spent and wasted in the course of the year, without any hope of a future reproduction; for the new capital which they acquire must have existed in the country before and must have been employed. as all capitals are in maintaining productive labor. Thus the honest, hard-working part of

the community will promote the ease of luxury of men of wealth; such a system may benefit large cities, like Philadelphia and New York, but the remote parts of the continent will not feel the invigorating warmth of the American treasury; in the proportion that it benefits one, it will depress another.

But let me return to the question; does it not require, Mr. Chairman, I say again, that we should ascertain the debt we owe, before we proceed any further in the business? If gentlemen deny this, let me bring forward the old argument: North Carolina has acceded to the Union; she is a State of no inconsiderable importance; she has an equal right to a voice on this important business with any State in the Union; but she is not represented here while we are funding the debts, not of ten or eleven States only, but a debt in which she must participate according to her proportion of representation; she may urge that we have no right to assume or transfer her particular debt, from her own on to other shoulders; at least, after the declaration she has made, there is a delicacy in doing it without her presence. Things like these, pressed, without allowing time for deliberation, may justly give umbrage to all who are concerned for the independent privileges and sovereignty of the societies confederated under this Government; it may rouse the spirit of discord, and sound the alarm, at a time when unanimity or mutual forbearance is so requisite. Will all the States be satisfied that Congress should assume their debts under pretext of easing them, when it must be well known that the General Government will thus have it in its power to call upon them to discharge the obligation, in an evil day when they are unprepared? We know nothing of the future circumstances which may take place, or how far this Government may attempt to depress or injure individual States; we ought to guard, with the greatest degree of caution, against every danger of this nature.

Under these impressions, sir, I am led to conclude that it is becoming the wisdom of Congress to postpone the consideration of the remaining propositions. Let us endeavor to discover whether there is an absolute necessity for adopting a funding system or not. If there is no such necessity, a short time will make it apparent: and let it be remembered what funds the United States possesses in the Western Territory. The disposal of those lands may perhaps supersede the necessity of establishing a permanent system of taxation. The Secretary of the Treasury is directed to report on this head to the House, and perhaps that report may show us that this property is likely to be more productive than we at present apprehend; these considerations induce me to wish that the further consideration be postponed for the present.