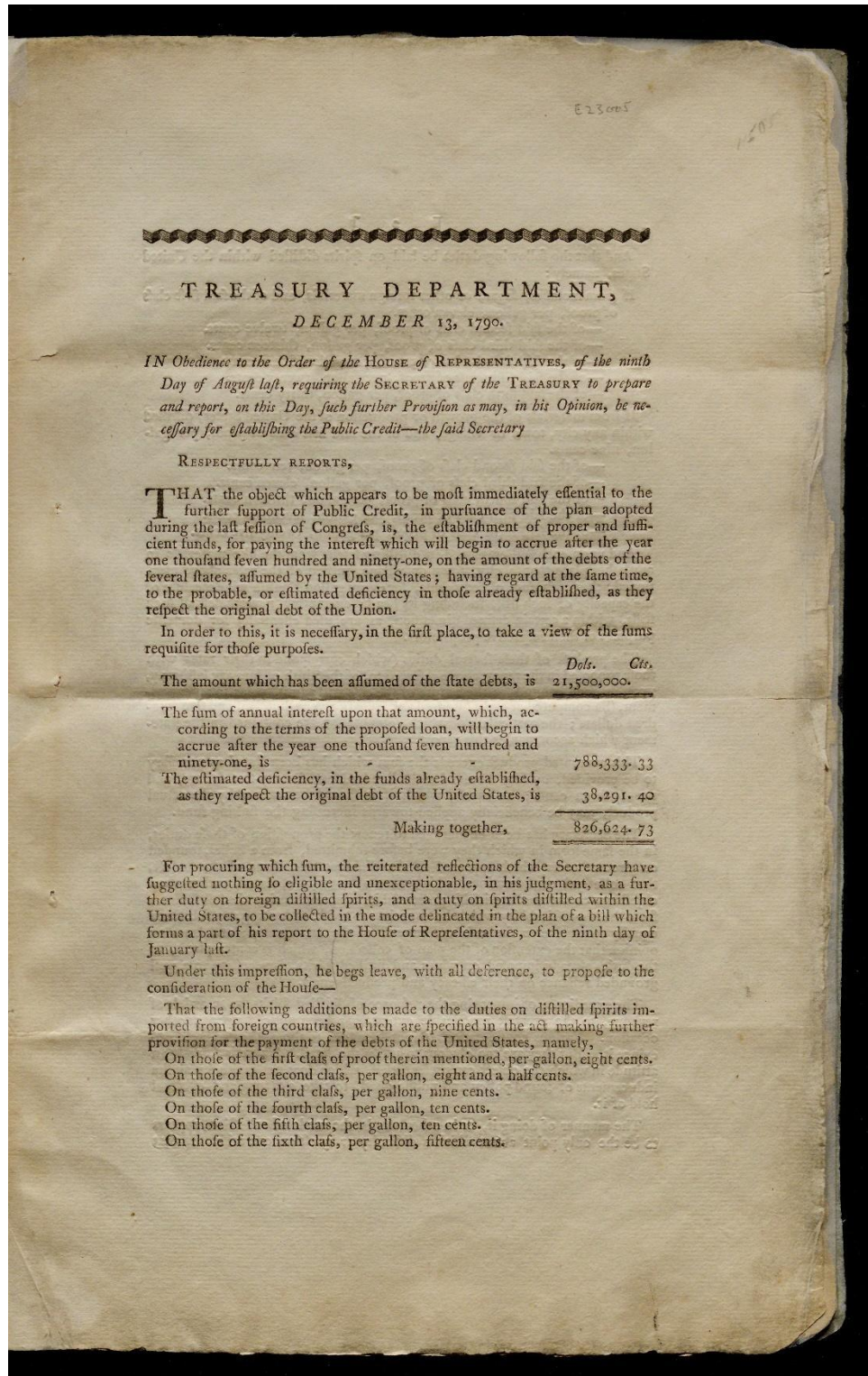


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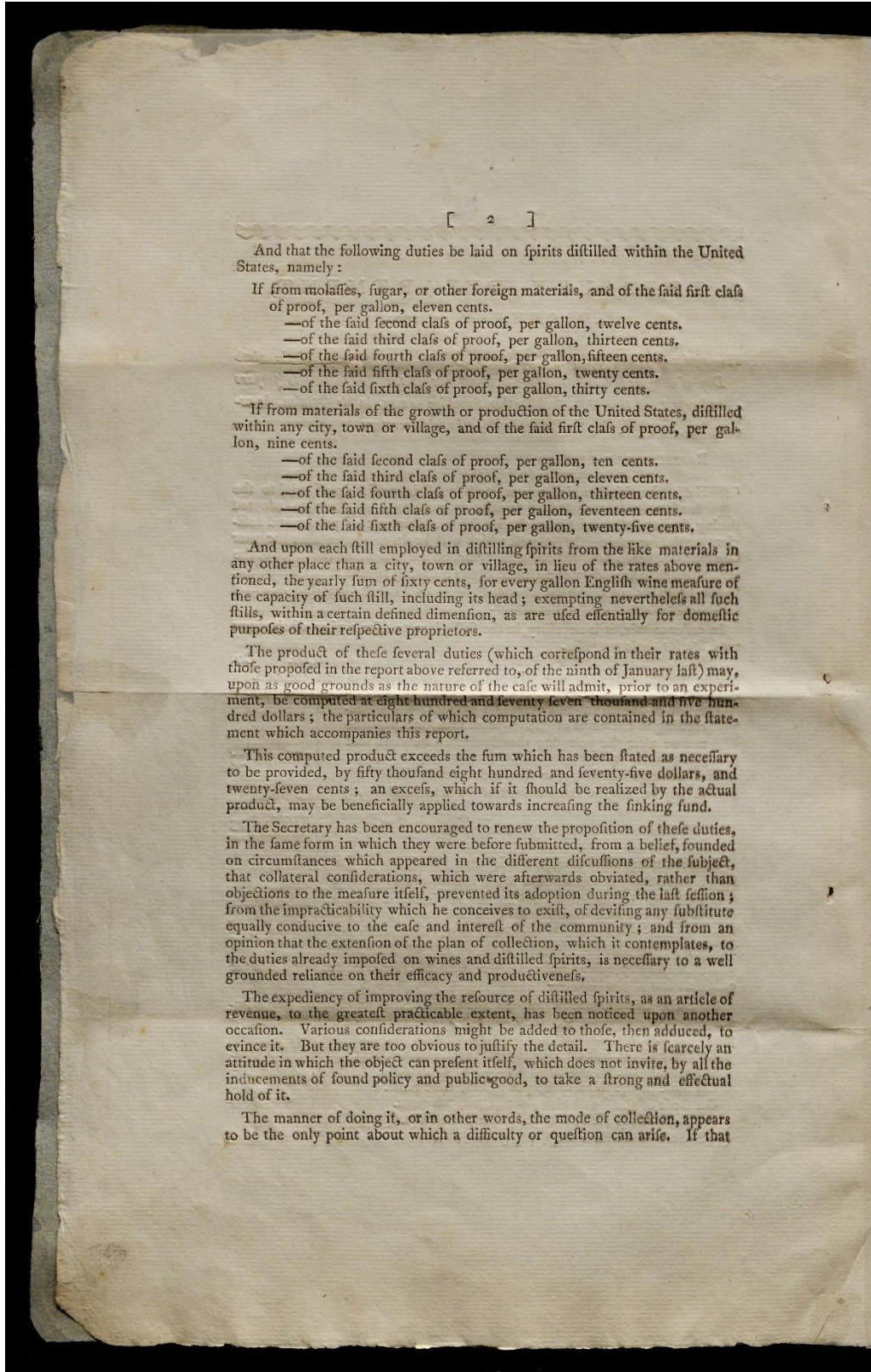
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suggested be liable to just objections, the united information and wisdom of the legislative body ensure the substitution of a more perfect plan.

The Secretary, however, begs leave to remark, that there appear to him two leading principles; one or the other of which must necessarily characterize whatever plan may be adopted. One of them makes the SECURITY of the REVENUE to depend chiefly on the *vigilance* of the PUBLIC OFFICERS; the other rests it, essentially, on the *integrity* of the INDIVIDUALS, interested to avoid the payment of it.

The first is the basis of the plan submitted by the Secretary; the last has pervaded most, if not all the systems which have been hitherto practised upon, in different parts of the United States. The oaths of the dealers have been almost the only security for their compliance with the laws.

It cannot be too much lamented, that these have been found an inadequate dependence. But experience has, on every trial, manifested them to be such. Taxes or duties, relying for their collection on that security, wholly, or almost wholly, are uniformly unproductive: And they cannot fail to be unequal, as long as men continue to be discriminated by unequal portions of rectitude. The most conscientious will pay most; the least conscientious, least.

The impulse of interest, always sufficiently strong, acts with peculiar force in matters of this kind; in respect to which a loose mode of thinking is too apt to prevail. The want of a habit of appreciating properly the nature of the public rights, renders that impulse, in such cases, too frequently an overmatch for the sense of obligation: And the evasions, which are perceived or suspected to be practised by some, prompt others to imitation, by the powerful motive of self-defence. They infer, that they must follow the example, or be unable to maintain an advantageous competition in the business; an alternative very perplexing to all but men of exact probity, who are thereby rendered in a great measure victims to a principle of legislation, which does not sufficiently accord with the bias of human nature. And thus the laws become sources of discouragement and loss to honest industry, and of profit and advantage to perjury and fraud.

It is a truth that cannot be kept too constantly in view, that all revenue laws, which are so constructed as to involve a lax and defective execution, are instruments of oppression to the most meritorious part of those on whom they immediately operate, and of additional burthens on the community at large.

The last effect is produced in two ways. The deficiencies in the funds (which, in the main, afford only partial exemptions) must be supplied from other taxes: And the charges of collection, which, in most cases, are nearly the same, whether a tax or duty yield much or little, occasion an accumulation of the ultimate expence of furnishing a given sum to the treasury.

Another, and a very serious evil, chargeable on the system opposite to that proposed, is, that it leads to frequent and familiar violations of oaths; which by loosening one of the strongest bands of society, and weakening one of the principal securities to life and property, offends not less against the maxims of good government and sound policy, than against those of religion and morality.

It may not be improper further to remark, that the two great objections to the class of duties denominated excises, are inapplicable to the plan suggested. These objections are—First, THE SUMMARY JURISDICTION confided to the officers of excise; in derogation from the course of the common law, and the right of trial by jury: And secondly, the general power vested in the same officers of VISITING AND SEARCHING INDISCRIMINATELY the houses, stores

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and other buildings of the dealers in excised articles. But by the plan proposed, the officers to be employed are to be clothed with no such *summary* jurisdiction, and their *discretionary* power of visiting and searching is to be restricted to those places, which the dealers themselves shall designate by public insignia or marks, as the depositories of the articles on which the duties are to be laid. Hence it is one of the recommendations of the plan, that it is not liable to those objections.

Duties of the kind proposed are not novel in the United States; as has been intimated in another place. They have existed to a considerable extent, under several of the State governments, particularly in Massachusetts, Connecticut and Pennsylvania. In Connecticut, a State exemplary for its attachment to popular principles, not only all ardent spirits, but foreign articles of consumption, generally, have been the subjects of an excise, or inland duty.

If the supposition, that duties of this kind are attended with greater expence in the collection than taxes on land, should seem an argument for preferring the latter, it may be observed, that the fact ought not too readily to be taken for granted. The state of things in England is sometimes referred to as an example on this point. But there the smallness of the expence in the collection of the land tax, is to be ascribed to the peculiar modification of it; which proceeding without new assessments, according to a fixed standard long since adjusted, totally disregards the comparative value of lands and the variations in their value. The consequence of this is an inequality, so palpable and extreme, as would be likely to be ill relished by the landholders of the United States. If in pursuit of greater equality, accurate periodical valuations or assessments are to afford a rule, it may well be doubted whether the expence of a land tax will not always exceed that of the kind of duties proposed.

The ingenious, but fallacious hypothesis, that all taxes on consumption fall finally, with accumulated weight, on land, is now too generally and too satisfactorily exploded, to require to be combated here. It has become an acknowledged truth, that in the operation of those taxes, every species of capital and industry contribute their proportion to the revenue; and consequently, that as far as they can be made substitutes for taxes on lands, they serve to exempt them from an undue share of the public burthen.

Among other substantial reasons, which recommend, as a provision for the public debt, duties upon articles of consumption, in preference to taxes on houses and lands, is this.—It is very desirable, if practicable, to reserve the latter fund for objects and occasions, which will more immediately interest the sensibility of the whole community, and more directly affect the public safety. It will be a consolatory reflection, that so capital a resource remains untouched by that provision, which, while it will have a very material influence in favor of public credit, will be also conducive to the tranquility of the public mind in respect to external danger, and will really operate as a powerful guarantee of peace. In proportion as the estimation of our resources is exalted in the eyes of foreign nations, the respect for us must increase; and this must beget a proportionable caution neither to insult nor injure us with levity. While on the contrary, the appearance of exhausted resources (which would perhaps be a consequence of mortgaging the revenue to be derived from land, for the interest of the public debt) might tend to invite both insult and injury, by inspiring an opinion, that our efforts to resent or repel them were little to be dreaded.

It may not be unworthy of reflection, that while the idea of residuary resources, in so striking a particular, cannot fail to have many beneficial consequences; the suspension of taxes on real estate can as little fail to be pleasing

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to the mass of the community; and it may reasonably be presumed, that to provide a forbearance on the part of the government will ensure a more cheerful acquiescence on that of the class of the community immediately to be affected, whenever experience and the exigency of conjunctures shall dictate a resort to that species of revenue.

But in order to be at liberty to pursue this salutary course, it is indispensable that an efficacious use should be made of those articles of consumption, which are the most proper and the most productive; to which class distilled spirits very evidently belong: And a prudent energy will be requisite, as well in relation to the mode of collection, as to the quantum of the duty.

It need scarcely be observed, that the duties on the great mass of imported articles, have reached a point, which it would not be expedient to exceed. There is, at least, satisfactory evidence, that they cannot be extended further, without contravening the sense of the body of the merchants; and though it is not to be admitted as a general rule, that this circumstance ought to conclude against the expediency of a public measure; yet when due regard is had to the disposition which that enlightened class of citizens has manifested towards the national government—to the alacrity with which they have hitherto seconded its operations—to the accommodating temper with which they look forward to those additional impositions on the objects of trade, which are to commence with the ensuing year, and to the greatness of the innovation, which, in this particular, has already taken place in the former state of things, there will be perceived to exist the most solid reasons against lightly passing the bounds which coincide with their impressions of what is reasonable and proper. It would be, in every view, inauspicious to give occasion for a supposition, that trade alone is destined to feel the immediate weight of the hand of government, in every new emergency of the treasury.

However true, as a general position, that the consumer pays the duty; yet it will not follow, that trade may not be essentially distressed and injured, by carrying duties on importation to a height which is disproportioned to the mercantile capital of a country. It may not only be the cause of diverting too large a share of it from the exigencies of business; but as the requisite advances to satisfy the duties will, in many, if not in most cases, precede the receipts, from the sale of the articles on which they are laid, the consequence will often be sacrifices which the merchant cannot afford to make.

The inconveniences of exceeding the proper limit, in this respect, which will be felt every where, will fall with particular severity on those places which have not the advantage of public banks, and which abound least in pecuniary resources. Appearances do not justify such an estimate of the extent of the mercantile capital of the United States, as to encourage to material accumulations on the, already considerable, rates of the duties on the mass of foreign importation.

Another motive for caution on this point, arises from the reflection, that the effect of an important augmentation made by a law of the last session, is hitherto a mere matter of speculative calculation, and has not yet even begun to be tried.

It is presumable too, that a still further augmentation would have an influence, the reverse of favorable to the public credit. The operation would be apt to be regarded as artificial—as destitute of solidity—as presenting a numerical increase, but involving an actual diminution of revenue. The distrust of the efficacy of the present provision might also be accompanied with a doubt of a better substitute hereafter. The inference would not be unnatural; that a

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defect of other means, or an inability to command them, could alone have given birth to so unpromising an effort to draw all from one source.

A diversification of the nature of the funds is desirable on other accounts. It is clear that less dependence can be placed on one species of funds, and that too liable to the vicissitudes of the continuance, or interruption of foreign intercourse, than upon a variety of different funds formed by the union of internal with external objects.

The inference, from these various and important considerations, seems to be, that to attempt to extract wholly from duties on imported articles, the sum necessary to a complete provision for the public debt, would probably be both deceptive and pernicious; incompatible with the interests, not less of revenue than of commerce; that resources of a different kind must of necessity be explored; and that the selection of the most fit objects is the only thing which ought to occupy enquiry.

Besides the establishment of supplementary funds, it is requisite to the support of the public credit, that those established should stand upon a footing which will give all reasonable assurance of their effectual collection.

Among the articles enumerated in the act making *further provision for the payment of the debt of the United States*, there are two, wines and teas, in regard to which some other regulations than have yet been adopted, seem necessary for the security of the revenue, and desirable for the accommodation of the merchant.

With these views, it is submitted, that the term for the payment of the duties on wines be enlarged, as it respects Madeira wines, to eighteen months; and as it respects other wines, to nine months; and that they be collected on a plan similar to that proposed in relation to imported distilled spirits.—

And that a third option (two being allowed by the present law) be given to the importers of teas; which shall be, to give bond without surety for the amount of the duty in each case, payable in two years, upon the following terms.—

The teas to be deposited at the expence and risk of the importer in storehouses to be agreed upon between him and the proper officer of the revenue; each storehouse having two locks, the key of one of which to be in the custody of the importer or his agent, and the key of the other of which to be in the custody of an officer, whose duty it shall be made to attend, at all reasonable times, for the purpose of deliveries.

These deliveries, whether for home sale, or for exportation to a foreign country, to be warranted by permits from the chief officer of inspection of the place.—

If for home sale, the permits to be granted after the duties shall have been paid, or secured to be paid.

When the amount of the duties shall not exceed one hundred dollars, four months to be allowed for payment. When it shall exceed one hundred dollars, and not exceed five hundred dollars, the term of payment to be eight months; and twelve months whenever the amount shall exceed five hundred dollars: *Provided*, That the credit shall in no case extend beyond the period of two years originally allowed for the entire sum. If the duties on the whole quantity deposited shall not have been paid, or secured to be paid, before the expiration of that time, it shall be lawful for the proper officer to cause a sale to be made of so much as shall be sufficient to discharge what shall remain unsatisfied. In every case, it shall be at the option of the party applying for the permit,

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either to pay the amount of the duties on the quantity to be delivered, or to give bond for it, with one or more sureties, to the satisfaction of the officer whose province it shall be to grant the permits.

If the deliveries are to be made for exportation, the permits to be granted upon bond being entered into to secure and ascertain the exportation. This may require some alterations of form, in the manner of proceeding, relatively to the exportation of this article.

All teas to be landed under the care of the inspectors of the revenue; the chests and other packages containing them to be marked, and certificates which shall accompany them to be granted as in the case of distilled spirits.

To these more direct expedients for the support of public credit, the institution of a National Bank, presents itself as a necessary auxiliary. This the Secretary regards as an indispensable engine in the administration of the finances. To present this important object in a more distinct and more comprehensive light, he has concluded to make it the subject of a separate Report, which he begs leave herewith to submit No. II.

All which is humbly submitted.

Alexander Hamilton, Secretary of the Treasury.

ESTIMATE of the PROBABLE PRODUCT of the FUNDS proposed in the annexed REPORT.

	Dollars.
4,000,000 gallons of distilled spirits imported from foreign countries, at 8 cents per gallon,	320,000
3,500,000 gallons of spirits distilled in the United States from foreign materials, at 11 cents per gallon,	385,000
3,000,000 ditto, distilled from materials of the United States, at 9 cents per gallon,	270,000
Total dollars,	975,000
Deduct for drawbacks and expence of collection, 10 per cent.	97,500
Net product, Dollars,	877,500

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