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LETTER

From the Secretary of the Treasury, enclosing a report prepared in obedience to the act supplementary to the act, intituled "An act to establish the Treasury Department." December 5, 1806. Referred to committee of Ways and Means.

TREASURY DEPARTMENT, December 5th, 1806.

Sir,

I have the honor to enclose a report, prepared in obedience to the act entitled "An act to establish the Treasury Department."

I have the honor to be,
Very respectfully, Sir,
Your obedient servant,
ALBERT GALLATIN.

The honorable
The Speaker of the House of Representatives.

REPORT.

In obedience to the directions of the act supplementary to the act, intituled "An act to establish the Treasury Department," the Secretary of the Treasury respectfully submits the following

REPORT AND ESTIMATES:

REVENUE AND RECEIPTS.

The nett revenue arising from duties on merchandise and tonnage which accrued during the year 1804, amounted after deducting that portion which arose from the additional duties, constituting the Mediteranean fund, to Dolls.		12,673,458
And that which accrued during the year 1805, amounted, after making a similar deduction, (as will appear by the statement (A) to		13,083,823

It is ascertained that the nett revenue which has accrued during the three first quarters of the year 1806, exceeds that of the corresponding quarters of the year 1805; and that branch of the revenue may, exclusively of the Mediterranean fund, be safely estimated for the present at thirteen millions of dollars.

The statement (B) exhibits in detail the several species of merchandize, and other sources, from which that revenue was collected, during the year 1805.

It appears by the statement (C) that the sales of the public lands, have, during the year ending on the 30th September, 1806, exceeded, 473,000 acres. The actual payments by purchasers have, during that period, amounted to 850,000 dollars, of which sum near 700,000 dollars have been paid in specie, and the residue in stock of the public debt. The specie receipts from that source may, after deducting charges and the five per cent. reserved for roads, be estimated for the ensuing year at five hundred thousand dollars.

The receipts arising from the permanent revenue of the United States, may therefore, without including the arrears of direct tax and internal revenues, the duties on postage and other incidental branches, be computed for the year 1807, at thirteen millions and five hundred thousand dollars.	13,500,000
And the payments into the Treasury, during the same year, on account of the temporary duties, constituting the Mediterranean fund, are estimated at one million of dollars,	1,000,000
	14,500,000

Making in the whole an aggregate of fourteen millions and five hundred thousand dollars.

EXPENDITURES.

The permanent expenses are estimated at 11,400,000 dollars, and consist of the following items, viz.

1. The annual appropriation of eight millions of dollars for the payment of the principal and interest of the public debt, of which sum not more than 3,600,000 dollars will, for the year 1807, be applicable to the payment of interest,	8,000,000
2. For the civil department, and all domestic expences of a civil nature, including invalid pensions, the light house, and mint establishments, the expenses of surveying public lands, the fourth instalment of the loan due to Maryland, and a sum of 130,000 dollars to meet such miscellaneous appropriations, not included in the estimates, as may be made by Congress,	1,150,000
3. For expences incident to the intercourse with foreign nations, including the permanent appropriation for Algiers,	200,000
4. For the military and Indian departments, including trading houses, and the permanent appropriations for certain Indian tribes,	1,150,000
5. For the naval establishment,	900,000
	11,400,000

The extraordinary demands for the year 1807, already authorised by law, amount to two millions seven hundred thousand dollars, viz.

The balance of the American claims assumed by the French convention, which remained unpaid on the 30th of September last, amounting to	700,000	
And the two millions of dollars appropriated by the act of 18th February, 1806, making provision for defraying any extraordinary expences attending the intercourse between the United States and foreign nations,	2,000,000	
		2,700,000
		14,100,000

Making altogether fourteen millions one hundred thousand dollars. From which it appears, that besides a surplus of four hundred thousand dollars, the resources of the ensuing year will be sufficient to meet the current demands; and to discharge, without recurring to the loan authorised by the last mentioned act, the extraordinary appropriation of two millions for foreign intercourse.

It is here proper to state, that under the authority given by that act, a credit of one million of dollars has been opened in Holland to the ministers of the United States appointed to treat with Spain. Should the credit be used, the million will be charged to the proper appropriation; but although the balance chargeable to the expenditure of the year 1807, will in that case be only one, instead of two millions, as stated in the above estimate, the general result will be the same; as it will then be necessary to replace in Holland the million thus employed, for a different object than the payment of the foreign debt, to which it now stands charged.

The balance in the Treasury amounted, on the 30th day of September, 1805, to dolls. 4,558,664 2 cents, and on the 30th day of September, 1806, to dollars 5,496,969 77 cents. But it will, on account of the heavy payments to be made in the course of this month, for the public debt, be probably reduced on the 1st January, 1807, to a sum not much exceeding four millions of dollars.

PUBLIC DEBT.

The annexed note of the proceedings of the commissioners of the Sinking Fund, marked (E) shews that a considerable portion of the annual appropriation of 8 millions of dollars was applicable this year to the reimbursement or purchases of the domestic debt: No more than 17,517 dollars and 61 cents, were offered at market price, and accordingly purchased. The reimbursement of the Navy 6 per cent. stock, amounting to 711,700 dollars was therefore effected on the 30th day of September last, and that of the five and half per cent. stock, amounting to 1,847,500 dollars, is advertised for the first day of January next. The payment of the last mentioned sum will be made by the Treasury in the course of this month. Although a more than usual portion of the appropriation for the calendar year 1806, falls, for that reason, on the last quarter, it appears by the statement (D) that the payments on account of the principal of the public debt, have, during the year ending on the 30th day of September 1806, amounted to near 3,250,000 dollars.

		Dollars.
It appears by the same statement, that the payments on account of the principal of the public debt, have, from the 1st April, 1801, to the 30th September, 1806, amounted to		21,203,903 55
The payments on the same account to be made by the Treasury in the course of this month, are—		
For the reimbursement of five and half per cent. stock,	1,847,500	
For the annual reimbursement of the six per cent. and deferred stocks,	993,389 19	
Amounting altogether, to		2,840,889 19
		24,044,792 74

And making the total of principal of the public debt, reimbursed from the 1st of April, 1801, to the 1st of January, 1807, more than 24,000,000 dollars.

During the same period there have also been paid to G. Britain, in satisfaction and discharge of the money which the U. S. might have been liable to pay in pursuance of the provisions of the sixth article of the treaty of 1794, two millions six hundred and sixty four thousand dollars; and to the holders of bills, drawn by the minister of the U. S. at Paris, on account of American claims assumed by the convention with France, a sum exceeding three millions and fifty thousand dollars; neither of which sums is included in the preceding statement of debt redeemed.

As the only parts of the public debt which the U. S. have a right to reimburse during the year 1807, consist of the annual reimbursement of the six per cent. and deferred stocks, estimated at 1,540,707 dollars; and of the four and half per cent. stock, amounting to 176,000 dollars, it will not be practicable, unless purchases can be effected within the limitations prescribed by law, to apply, during that year, the whole of the annual appropriation of eight millions of dollars. The unexpended balance, together with the appropriation for the year 1808, will enable the U. S. to reimburse, on the 1st of January, 1809, the whole of the eight per cent. stock, which is irredeemable before that day.

But in order that Congress may have a clear view of the situation of the public debt, after the year 1808, and be enabled to decide on the propriety of making further legislative provision for that object, it appears necessary to state distinctly: 1st. The operations which will take place in relation to the debt during the years 1807 and 1808: 2dly. The several species and aggregate of debt, which will have been extinguished between the 1st April, 1801, and the 1st January, 1809: 3dly. The several species and aggregate of debt remaining unpaid on the last mentioned day; 4thly. A comparative view of the revenue and annual payments on account of the debt after that day.

I. The payments to be made during the years 1807 and 1808, on account of the principal and interest of the public debt, consist of the following items, viz.

		Dollars.
Interest and reimbursement of the six per cent. and deferred stocks,		6,688,296 08
Of which sum, the sum required for interest, is	3,512,337 83	
And the reimbursement of principal will amount to	3,175,958 25	
	6,688,296 08	
Interest and charges on all the other species of debt,		3,529,457 50
Principal of the eight per cent. and four and half per cent. stocks,		6,538,400 00
Making altogether,		16,756,153 58
That is to say, for interest	7,041,795 33	
And in reimbursement of principal,	9,714,358 25	
	16,756,153 58	

This sum exceeds, by only 756,000 dollars, the sixteen millions appropriated by law for those two years, and that difference may be supplied according to law, from the surplusses of revenue already accrued, which are sufficient for that purpose; and which it will be eligible to apply in that manner, in order that the U. S. may not continue to pay an interest of eight per cent. any longer than they are compelled to do it by the terms of the loan.

	Dollars.
II. The amount of debt redeemed from the 1st of April, 1801, to the 1st January next, has been already stated to be	24,044,792 74
And the principal which will be reimbursed during the years 1807 and 1808, amounts by the preceding statement, to	9,714,358 25
Making together more than thirty three millions seven hundred and fifty thousand dollars, reimbursed between the 1st April, 1801, and the 1st January, 1809,	33,759,150 99
Which sum consists of the following items, viz.	
The whole of the foreign debt,	10,236,108 05
The whole of the loans formerly obtained from the bank of the U. S. and of the navy six, five and half, four and half, and eight per cent. stocks,	12,537,600
Annual reimbursement of the six per cent. and deferred stocks,	10,631,575 67
Payments in various species of stock for public lands, stock purchased, and unfunded debt reimbursed,	353,867 27
	33,759,150 99

III. The debt remaining unpaid on the 1st day of January, 1809, will consist of the following species:	
Unredeemed amount of old six per cent. and deferred stocks, reimbursable only at the rate of 8 per cent. a year (for principal and interest) on the nominal amount,	27,142,357 21
Three per cent. stock,	19,019,481 56
1796 six per cent. stock, redeemable in 1819,	80,000 00
Louisiana stock, reimbursable in four annual instalments, in the years 1818, 1819, 1820, 1821,	11,250,000 00
	57,491,838 77

Amounting altogether to near fifty seven millions and five hundred thousand dollars.

The Louisiana stock cannot be reimbursed before the period fixed by the contract; the gradual operation of the annual reimbursement will extinguish the old six per cent. in the year 1818, and the deferred stock in 1824; after which year, the only remaining incumbrance will be the interest on the three per cent. stock, which in its present shape, may be considered as irredeemable. Purchases cannot be relied upon, as the application of even an inconsiderable sum would raise the stocks above the prices limited by law. It follows that all the species of debt, on which the entire annual appropriation of 8,000,000 of dollars could operate, will have been reimbursed prior to the year 1809; that the remaining debt cannot, without some modifications, assented to by the public creditors, be more rapidly or completely discharged, than is here stated; and that the annual payments on that account, will, after the year 1808, and prior to the year 1818, be reduced to the interest and annual reimbursement, amounting to near 4,600,000, as will more fully appear by the annexed table, marked (G).

IV. The revenue derived from customs during the year 1802, which was a year of European peace, was much less in proportion than that of any of the immediately preceding or following years, and yet exceeded ten millions of dollars. As it has been ascertained that the population of the United States increases at the rate of thirty five per cent. in ten years; the revenue derived from customs for the year 1812, may be estimated at thirteen millions five hundred thousand dollars; to which, adding only five hundred thousand dollars, for the annual proceeds of the sales of public lands, will give fourteen millions of dollars, for the total revenue of that year, or for the average revenue of the years 1809—1815. And this must be considered as a very moderate computation, since it does not include the revenue derived from New Orleans; is predicated on the supposition, that the wealth of the United States increases in no greater ratio than their population; and does not exceed the sum, which exclusively of the Mediterranean fund, was received last year into the treasury.

The annual payments on account of the public debt, will, during the same period, amount, as has been already stated, to 4,600,000 dollars. All the other expences of the United States, whether domestic or foreign, of a civil nature, or for the support of the existing military and naval establishments, do not at present exceed 3,500,000 dollars. The total annual expenditure, allowing four hundred thousand dollars a year for contingencies, may therefore be estimated after the year 1808, at eight millions and a half; which deducted from a revenue of fourteen millions, will leave a net annual surplus of five millions and a half of dollars.

The question now renews, whether a portion of that surplus would not be most advantageously employed in hastening the reduction of the debt? Whether some mode may not be devised to provide, within a short period, for its final and complete re-imbursement, and thereby release the public revenue from every incumbrance? This can only be effected by a modification of the debt assented to by the public creditors; and a conversion of the old six per cent. deferred, and three per cent. stocks, on terms mutually beneficial, into a common six per cent. stock, redeemable within a limited time, has appeared the most simple and eligible, if not the only practicable plan that can be adopted. For its details a reference is respectfully made to a letter written in January last, to the chairman of the committee of ways and means, a copy of which marked (F) is annexed. It will only be necessary to state, that if such a plan should be sanctioned by Congress, and accepted by the creditors, those several species of debt amounting on the 1st of January, 1809, to something more than forty-six millions of dollars, would be converted into a six per cent. stock, amounting to less than forty millions of dollars; which the continued annual appropriation of eight millions of dollars, would (besides paying the interest on the Louisiana debt) re-imburse within a period of less than seven years, or before the end of the year 1815, as will appear by the table marked (H).

The total annual expenditure for those seven years would then, allowing still 3,500,000 dollars for current expenses, and 400,000 dollars for contingencies, amount to something less than twelve millions of dollars; which deducted from a revenue of fourteen millions of dollars, would still leave, after the year 1808, a clear surplus of more than two millions of dollars, applicable to such new objects of general improvement or national defence, as the legislature might direct, and existing circumstances require. And after the year 1815, no other incumbrance would remain on the revenue, than the interest and reimbursement of the Louisiana stock, the last payment of which in the year 1821, would complete the final extinguishment of the public debt.

All which is respectfully submitted.

ALBERT GALLATIN,
Secretary of the Treasury.

TREASURY DEPARTMENT,
December 5, 1806.

LEGISLATURE OF PENNSYLVANIA.

GOVERNOR's ADDRESS.

Gentlemen of the Senate, and
Gentlemen of the House of Representatives,

The favor of Divine Providence continues to manifest itself towards our country; producing an unprecedented state of public and of private prosperity. The rapid extension of settlements throughout Pennsylvania; the constant improvement in her city, towns and villages; the facility with which labour requires independence; and the security which every good man enjoys for his person, his religion and his property; may, also, be justly regarded as proofs of the innate virtue of the people, and of the practical excellence of a republican government. To this general view of the situation of the commonwealth, the experience of the present year adds peculiar topics for congratulation and gratitude. At no former period has the blessings of health been more generally diffused; no former season has furnished a greater abundance of the various fruits of the earth; and the reviving harmony of social life seems to give to the present session of the legislature, an influence and a hope, the most auspicious and the most precise.

The enlightened and patriotic conduct of the Federal Administration affords an ample assurance, that the peace, the honor, and the independence of the Union, will be guarded alike against foreign outrage and domestic tumult. But, gentlemen, the legislative trust of the individual states is an essential, as well as a constitutional auxiliary, to the authority of the federal government: For it is your immediate province to improve every local advantage, and to supply every local want; to elevate the morals, and to reform the manners of the community; to establish the dominion of the laws over the passions or the vices of individuals; to nurture the seeds of national opulence by the cultivation of useful arts and sciences; and to lay the foundation of national strength in a brave and disciplined militia. A trust so important will, I am confident, awaken all your vigilance and engage all your wisdom: And I renew, with deference, but with sincerity, the offer of a cordial co-operation in every measure calculated to advance the political or the social happiness of our constituents.

The records of the general assembly will bring to your view most of the objects that have hitherto been deemed