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LETTER

From the Secretary of the Treasury to the chairman of the Committee of Ways and Means, accompanying a bill to repeal the act to authorise the receipt of evidences of the public debt, in payment for the lands of the United States, and for other purposes, relative to the public debt.

TREASURY DEPARTMENT,
Dec. 28th, 1805.

SIR,

I HAVE the honor to enclose the copy of the extract of a letter pointing out certain abuses which are said to arise from the operation of the law authorizing the receipt of evidences of the public debt, in payment for the lands of the U. S. passed on the 3d day of March, 1797. Although the letter having been received only a few days ago, it has not yet been ascertained, whether the facts alluded to are, in this instance, truly stated, there is no doubt that such abuses may take place, and that whilst the law continues in force, it will be difficult to prevent them. Indeed it cannot be doubted that, with very few exceptions, the law is of no utility to actual purchasers. So far as relates to the reduction of the public debt, the act is useless, since the annual appropriation of eight millions of dollars has been made; and it may, on the contrary, by creating a competition in the market, impede that object, whenever it shall be thought proper to apply a part of the appropriation to purchase s of the debt. To this may be added that the uncertainty resulting from that provision, of the payments in specie which might otherwise be relied upon, deranges the general operations of the Treasury.

I also beg leave to observe that, by the act of 8th May, 1792, (2d vol. page 117) and all the subsequent acts contain a similar provision, the commissioners of the sinking fund are authorized to purchase the debt of the U. S. at its market price, *if not exceeding the par or true value thereof*. This last limitation does not seem sufficiently explicit; but the construction heretofore adopted, and which will be, of course, adhered to, unless altered by an explanatory act, is, that by par or true value, is meant the nominal value or amount of the stock. It follows, that on the one hand the commissioners may give one hundred dollars for every nominal hundred dollars of the 3 per cent. stock, provided they shall not give more than the market price; whilst on the other hand, they are, in fact, precluded from making any purchases of the 8 per cent. stock, as its market price must necessarily exceed its nominal value. Permit me therefore, respectfully to submit the propriety of fixing absolutely, by law, the price which the commissioners may give for stock. That for the 6 and deferred stock may remain as it now stands, that is to say, not to exceed the nominal value of its unredeemed amount. The limitation in relation to the 3 per cent. stock, may be easily fixed at any rate which Congress may think proper. That for the 8 per cent. stock is more difficult to fix, because it sinks every quarter in value, and will continue so until the 1st day of January, 1809, when it becomes redeemable, and therefore equal to its nominal value. It may in the mean while be considered as consisting: 1st, of a six per cent. stock, payable at the time above mentioned, and worth par; and 2dly, of an annuity of 2 per cent. a year, (or rather at the rate of 1-2 per cent. quarterly) which will cease also on the 1st January, 1809, when the stock will be paid off.

The annexed table shews the true value of the stock, calculated on that principle, and on a supposition that a 6 per cent. stock is at par, for the first day of every quarter from the 1st Jan. 1806, to the 1st Jan. 1809. It must, however, be observed, that from the first day till within fourteen days of the end of each quarter, the stock will progress a little in value, as the time of receiving the dividend approaches. Both on that account, and because the variations in the prices of stock do not descend to such minute fractions as are exhibited in the table, it may be more simple to fix the limitation by the gross amount of the 2 per cent. annuity, which may at the time be still demandable, without making any deduction for the discount. The commissioners would, on that principle, be authorised to give no more than 106 per cent. during the first quarter of the year 1806, no more than 105 1-2 per cent. during the ensuing quarter, and so on, diminishing half per cent. each quarter, so as to give no more than 100 1-2 per cent. during the last quarter of the year 1808; and paying at par, according to contract the residue of the unpurchased principal, on the 1st Jan. 1809.

There are two other limitations in the powers of the commissioners to purchase stock, which may require some modifications. By the first, no purchase can be made except during the first thirty days of each quarter; a provision, the object of which I cannot perceive, as the situation of the treasury and the price of stocks may often render another time more eligible. The other directs the purchases to be made by a known agent and by open purchase, or by receiving sealed proposals; and although it may be more eligible for the commissioners themselves to make the purchase in that way, because it will prevent any improper imputation attaching to their conduct, it is not less true that that mode must necessarily raise the price of stocks, and prevent any purchases on favorable terms.

Although there are yet considerable parts of the public debt which may be reimbursed, as purchases may, however, be found, under certain circumstances, more advantageous to the United States, I have thought it my duty to lay these observations before the committee of Ways and Means. But I beg, at the same time, to be indulged in expressing my opinion that a sinking fund, which acts by purchases, is better calculated to raise the prices of stocks, and as an engine to favor loans and an increase of debt, than for the purpose of redeeming it on reasonable terms. And as the nature of the existing species of stocks will offer a powerful, perhaps insuperable obstacle to the whole redemption, within the time contemplated by the legislature, I intend, in a subsequent communication, to submit to the consideration of the committee, a plan for the conversion of the old six, deferred and three per cent. stocks, into a six per cent. stock, which may be redeemed within the expected period.

I have the honor to be,
With great respect,
Sir,
Your obedient servant,
ALBERT GALLATIN.

Hon. J. Randolph,
Chairman of the committee of Ways and Means.

A TABLE exhibiting the true value of 100 dollars, eight per cent. stock, redeemable after the year 1808, on the supposition of six per cent. stock being at par, for the first day of each quarter, from the 1st January, 1806, to the 1st January, 1809.

YEARS	1st Jan.	1st April	1st July	1st Oct.
	Doll.	*Dolls.*	*Dolls.*	*Dolls.*
1806,	105 46	105 04	104 61	104 18
1807,	105 74	103 30	102 85	102 39
1808,	101 93	101 46	100 98	100 49
1809,	100			

Extract of a letter, &c.

"The clerks in that office are engaged in what they call the stock business. They get stock transferred in payment for the lands of such people as will pay them their money without taking an office receipt. Now the grievance that I would complain of is that it is almost impossible to get business done in that office, unless the person applying will consent to let them have their money that they may pay in stock. As for my part I had rather do my own business. When a man goes into the office, one of the clerks addresses him that he cant have his business done unless he waits two or three days, and recommends to him to leave his money with another one, which I suppose to be a clerk also, who offers to do the business for him, provided he will let him transfer stock for his payment—and thus they worry many people out of their money. As to this stock business, I know nothing about it, and as it is no advantage to me, I had rather pay my money and get my receipt without further trouble."

FOREIGN INTELLIGENCE.

VIENNA, *Oct. 16.*

His majesty the emperor has caused to be published a "*True statement of the conduct of the serene elector Palatine*," (*elector of Bavaria*) of which the following is a correct abridgement:

"The serene elector Palatine published an historical statement, in which he owns himself an ally of France, and declares war against Austria and Russia, excusing by false allegations, the breach of promise he had made to the Roman emperor, of ceding his troops to him.

"Not content with the indemnifications the serene elector had received by the conclusum of the empire of 27 April, 1803, he suffered himself through ambition, to be drawn into secret engagements with France, which proved on every occasion to tend systematically to counteract Austria.

"As his ambitious hopes rested principally upon the prospects of a fresh attack with which the court of Vienna was menaced by France on every occasion, those gradual armaments which his majesty was compelled to make from the preparations made by the emperor Napoleon, became an object of the serene elector's attention. His first design was to raise a numerous army in Bavaria, and to hold it in readiness for the French emperor. The quickness of the Austrian armament prevented the execution of that intention, and the elector chose rather to hasten to go and join the French, with all his troops, leaving his Bavarian and Suabian estates to their own fate than to disappoint the expectations of the enemy of public tranquility; consequently the whole of the Bavarian artillery was sent to Wurtzburgh, the Bavarian and Suabian troops were assembled, and *a French general was present to prepare every thing agreeably to the desire of the emperor* Napoleon. His serene highness the elector had also prepared for his departure, when prince Schwarzenberg arrived at Munich, on the 5th Sept.

"The danger that the elector palatine would join the French was indubitable; consequently a serious demand for the cession of troops became a just measure of self defence.

"The elector agreed to the demand verbally and in writing. He wrote to the prince on the 7th Sept. with his own hand: "I am resolved: confer with the minister Montgolas on the conditions." The minister confirmed his sovereign's resolution, and proposed the conditions; that the elector's own regiment and that of the electoral prince, should remain at the disposal of his electoral highness; and that Munich & Nymphenburgh should be exempted from the passage of Austrian troops.—The agreement was to have been concluded at Haag, on the following day.

"On the 8th Sept. count Nogarola was sent off to the emperor, with a letter from the elector, beginning in the following words: "I have this morning ordered my minister to conclude an agreement with prince Schwarzenberg, in pursuance of which I shall unite my forces to those of your imperial and royal majesty, to give you a proof of my inviolable devotion." No sooner had count Nogarola set off with this letter, and even before prince Schwarzenberg could go from Munich to Haag, than the serene elector left Bavaria on the night of the 8th, and withdrew all his troops by forced marches, having emptied all the public chests, and taken with him even the deposited bonds and widows' and orphans' estates; whence it became necessary to put a stop to the further drawing of the annuities, &c to prevent a total stagnation to the whole administration of the country.

"When prince Schwarzenberg and gen. Mack arrived at Haag, the elector's intention of flying from his engagement was no longer secret. After they had waited a long while, there appeared a palatine lieutenant colonel, shewing by his tone and proposals, quite different from those of Munich, that a pretence was sought for breaking off a nugatory negociation. It was refused to leave the electoral troops in Bavaria; their cession was to be deferred till the war had actually commenced, and they were always to remain together as a separate body.

"After what had happened, the Austrian generals could not consent to leave independent and numerous corps in the rear and flank of the Austrian army, which was hastening forward.

"The Bavarian troops were not to be embodied by men or companies with the Austrians, as has been falsely asserted on the palatine part, but to remain together in whole regiments or brigades. The entry of the Austrian & Russian troops in Germany, had been notified to the serene elector, who had only made the exception of the districts of Munich and Nymphenberg.

"As to the requisitions made for the maintenance of the Austrian troops, they are become indispensible, from the general practice of the French army, as no other power could otherwise cope with it. However, since the entry of the French, the vast difference between their mode of raising requisitions and the Austrian, has been experienced.

"Nevertheless, to remove every pretence, his majesty declared by his envoy count Buol, that he accepted the condition of leaving the palatine troops in a separate corps. The objection stated in the serene elector's letter of Sept. 8, namely, that the electoral prince was in France, was already removed by the wise precaution of the prince. Count Buol was even empowered to be finally satisfied with the dismissal (instead of the cession) of the troops, by the way of furlough, or even of the Bavarian troops.

"All was refused. The French troops were received by the elector with open arms, and all the palatine troops joined them. They take the field against his majesty and against the emperor of Russia, and war has been declared.

"In a word, the elector became false to his word, which he had given as a prince and as a man: false to his people and to his emperor—to the proved friendship of the emperor Alexander—to the security and welfare of Germany and of Europe, which depend on the event of this war compelled by France. This is the true statement of a conduct which the loyal subjects of that prince so loudly deprecate, at which the honorable and patriotic feelings of his brave troops revolt, who are now shedding their blood, not for the deliverance of Germany, but for its enemies, and who are compelled to stain their hands with German blood."

Annexed to this statement are the following vouchers:

No. 1. A letter from his majesty the Roman and Austrian emperor, to his serene highness the elector palatine, dated Vienna, 3d Sept. 1805. This letter refers the elector to prince Schwarzenberg, concerning the motives for supporting the negociations with France by an armament:

"I have reason to apprehend," says the emperor, "that the French emperor will immediately attack my dominions, notwithstanding the purity and moderation of our intentions; and I have already been informed of his intention to secure the troops of the German princes, situate between his frontiers and mine, either immediately or by granting them a short and illusory neutrality, as long as is consistent with his interest."

To prevent the Palatino-Bavarian troops from sharing a similar state, the emperor expresses his wish that they should join his own troops, and engages in return, to guarantee the integrity of the elector's dominions.

No. 4. A letter from his imperial Roman and Austrian majesty, to his serene highness the elector palatine, dated Hetzendorff, the 12th Sept. 1805, in which the emperor expresses his surprize at the elector's departure from his capital with his troops, notwithstanding his solemn engagements; and confutes the elector's pretence that his son was in danger, by telling him, that he might have sent a courier direct to the prince, to recall him from France at the moment when he made the fairest promises to prince Schwarzenburg.

The emperor calls upon the elector to keep his word, and authorises count Buol, the bearer of the letter, to agree to any further conditions.

No. 5. A letter from his serene highness the elector palatine to his majesty the Roman and Austrian emperor, dated Wurtzburg, the 21st Sept. 1805; acknowledging the receipt of No. 4, and promising to remain neutral, without regarding the menaces of France.

FRANKFORT, Oct. 27.

According to the last letters from Vienna, people there were at a loss to conceive how the Austrian army in Suabia had suffered the French army to advance without obstinately opposing it. The news of the first disasters at Wertingen and Guntzburg, of the French having forced the passages of the Danube and Lech, and entered Bavaria had spread consternation throughout that capital, where the inhabitants were far from expecting the prodigious events that ensued. It was generally imagined there that Prince Ferdinand and general Mack had retreated to the frontiers of the Tyrol in order to keep up their communication with the hereditary states and the Austrian army in Italy. It is asserted that besides the six regiments which have already been detached from his army, prince Charles had received orders to send from 20 to 25,000 men to the assistance of the army of Germany. It was also rumoured that that prince had been entreated by the emperor his brother to take the command in chief of the army which is to act in concert with Russia.

MILAN, *Nov. 7.*

Extract of a private letter.

The war perhaps has been less perceptible at Milan than at Paris. If we were nearer the theatre of war, we are farther from London; and this distance has spared us a great many evils; among others the back-stroke of the momentary crisis which the British cabinet has endeavored to bring your bank of France to.

Our public credit has lately signalized itself by one of those traits which characterise an order of things upon which opinion is not even in an uncertainty. Government, to complete an unforeseen and urgent operation, had occasion for between 11 and 1200,000 livres in ready money; the bankers and traders hastened to present it this sum and would accept no interest for the 2 or 3 months which are to elapse before its reimbursement.

We then had within less than 45 leagues from us, 70 to 72,000 Austrians; they were only separated from our territory by the Adige. They had in presence an army said to be inferior in number, and no fear, no indication of intelligence with the enemy manifested itself throughout the kingdom of Italy; not a single internal movement was attempted; not a single arrest seemed necessary; not a single extraordinary measure was taken. A government an 100 years old would not have preserved a firmer, at the same time, calmer attitude; it would not have been surrounded by more confidence, nor would it have shewn a more honorable one for its people.

Here, as at Paris, we were beforehand convinced, that nothing would resist the genius of Napoleon. However, we had not guessed that new art, which consists in taking whole armies by dint of skilful combinations; we had not suspected that, in a campaign of eight days, the prodigies of a life already full of miracles, would be repeated & almost surpassed.

It is just that I should also point out to you another cause of the undisturbed security which we have enjoyed in circumstances that would have sufficed to agitate so many other states; it was well known that the young prince who so well represents among us his august father in law, and who here applies with so much success the great lessons which he has received from him, rested neither day nor night; the viceroy saw every thing with his own eyes; and his example maintained every thing in perfect harmony with the will of his majesty the emperor and king. To console himself as much as possible for not being in such a moment at the head of the brave troops, he has occupied himself with indefatigable zeal in providing for the wants of the French and Italian army.

NAPLES, *October 15.*

Intelligence from Palermo states, that, the royal family had safely arrived in that city.

Two divisions of the Russian troops at Corfu, have taken their departure for Venice, where they will join the Austrian troops.

PARIS, Nov. 11.

An extract of the reports of their excellencies the minister of the general police and of the public treasury, upon the present state of the bank of France, has just been stuck up in the streets of Paris. The former minister announces that he has charged the mayors of the 12 municipalities of Paris to distribute numbers, the bearers of which will receive cash in exchange for their notes. This measure must put an end to all embarrassment. But the report of the minister of the treasury is still better calculated to enlighten the public, and to quiet timid minds, upon the false rumours which malevolence and stock-jobbing have so much interest in spreading. This important report is drawn up in these terms:

MINISTRY OF THE TREASURY.

Wishing to know whether the stock-jobbing exercised in the notes of the bank of France had a just cause, or whether the situation of that establishment be such as to leave no uneasiness concerning its solidity, I have collected the necessary information on this head, and am assured of the exactness of the following results:

The outstanding Bank Notes amount to the sum of		LIV. 7,263,600
The specie in hand and *values falling due in the space* of 2 months amount to the sum of	LIV. 150,397,791	
To be deducted for this month the amount of the sums due to the accounts current	23,159,787	
		127,238,004
The active overplus in favor of the bank, on the amount of these notes, and of the sums due to the accounts current is		54,621,504
This difference arises:		
1st. From the capital of the holders	41,841,161	
2ndly. From the reserve and gains subsequent to the 1st Vendemaire, year 14	9,780,343	
	54,621,504	

This surplus is composed of effects of the nature of those which the law and statutes of the bank have authorised it to receive. Their solidity is that of the best effects. For each note of 1,000 fr. in circulation, there really exists in the bank a value in specie and in bills of exchange incontestibly amounting to 1,750 francs.

The bank must lose 54,621,504 frs. before the value of the notes in circulation could undergo the least diminution. And thus even supposing that, as in all establishments of this kind, there were to be a very small part of the effects less solid than others, no uneasiness ought to result from it, I say not the least uneasiness, on the situation of the bank, which continually presents an *actif* infinitely superior to its *passif*.

The sum in gold and silver specie is superior to that which has been sufficient in ordinary times for changing notes for specie. The banks generally changed daily, notes to the amount of 3, 4 or 500,000 frs. and for a month past it has paid every day near 600,000 francs; and sometimes beyond this sum.

I have made no mention of the real estates belonging to the bank, they add still more to its solidity. I know no establishment of the kind, either in Europe or in the United States of America, which presents to the holders and to the public more real motives for security.

It is in consequence of an examination of the documents which have been laid before me by the bank directors, on my first calling them, that I have formed this opinion; and I have had frequent occasions of knowing that out of the bank, it is the opinion even of the merchants, tradesmen, most enlightened bankers, and of all persons who have any knowledge of transactions of this