

From Albert Gallatin

SIR

Washington 14th March 1801

The weather having detained me here to day, I have employed it in making some rough sketches relative to our financial situation, which I have the honor to enclose.

Independent of the uncertainty arising from the fluctuation in the amount of duties on imports, which vary so much, as to have been two millions of dollars more in 1800 than the preceding year, I had neither time nor documents sufficient to give them even the degree of correctness of which estimates of that kind are susceptible.

No. 1 is an estimate of the probable receipts & expenditures for the year 1801, by which it would appear that we may have a surplus of above two millions of dollars applicable to the redemption of the debt. I am afraid that the revenue on imports is rated too high, although I have reduced it half a million less than last year, and it is not improbable that I may have supposed the savings for this year greater than will be found practicable. I find also a mistake of near 100,000 dollars in the marines; which arises from a part of the expense of that corps being blended with the general navy appropriation. But it is doubtful with me, whether you have not a power, in laying up the frigates; to discharge a number of those marines, grounded on the 2d. Sect. of the "Act for the establishing and organizing a marine corps" See 4th Vol. page 200, lines 3d & 4th. The simplest way of applying the surplus, whatever it may be, is, after making the necessary remittances to Holland for the purpose of discharging this & part of next year's instalments, to pay a part of the debt due to the Bank, which, by reducing the amount due to them, will enable them to assist us hereafter by temporary loans in equalizing the heavy instalments of the Dutch debt.

No. 2 is intended to show how far it will be necessary to reduce the naval & military establishments, in order to render a repeal of all the internal duties practicable, at the same time that we should apply one million yearly to the payment of the Dutch debt. That sum at least¹ is necessary in order to discharge the whole within the period for which it was originally borrowed. The payment of the British debts is perhaps the most untoward circumstance, as the result on that subject is not under our own controul. And if we shall be obliged actually to pay them, we must necessarily either redeem less debt or continue the internal duties. It is proposed in that sketch to continue those duties for the year 1802 because it seems necessary that Congress should have authorized a reduction of expense & that expense should [276] have actually been diminished, before taxes can be lessened; and because the risk seems too great, to part altogether with that resource, before we have had the trial of another year.

No. 3 shows the present rate of expense for the army, and the intended plan of Mr Stoddard for the future expense of the navy. Although I have taken the liberty of suggesting in what manner the reduction might take place, it was merely in order to illustrate my meaning. The most eligible mode of making the reduction, and of applying & distributing amongst the several objects appertaining to those establishments the sums which shall ultimately be applicable to that purpose² must be the result of a strict investigation by the Gentlemen who understand the subject. All I wish to impress is the necess. of a great reduction there, if it be intended to repeal the internal duties. Savings in every department may be practicable, & must be attempted whenever practicable; but we can save but thousands in the other, & we may save hundreds of thousand in those two establishments. And that they are practicable to the extent proposed appears from this fact. In the year 1797 the military & indian departments including fortifications &c. cost only 1,062,000 dollars & the naval establishment 382,000—in all 1,444,000 dollars. The average of both for the years 1796 & 1797 was about one million and half. The lowest expence for the civil list, miscellaneous & contingent, foreign intercourse &c. was 1796 during which it amounted to 968,000 dollars. I have rated all those objects in No. 2 at only 900,000; which sum, unless the sessions of the Legislature shall be shorter, the judiciary Act repealed, & the diplomatic and Barbary expences curtailed, will not be sufficient.

I find that I have neglected another item of expense, vizt. the repayment of the 200,000 dollars loan guaranteed to Maryland for this city, & which will become due in four equal instalments, if I recollect right, within two years. And it is also to be feared that the city will draw from Congress additional sums.

Excuse, I pray, the very great hurry with which these observations have been written & believe me to be with great & sincere personal respect

Your most obt. & he. Servt.

ALBERT GALLATIN

The subject of the purchase of the navy yards seems to require attention. Is that at N. York completed? and if the appropriation does not cover the purchases, is there no remedy against the agents? The appropriation of 50,000 dollars for docks had not on the 30th Septer. last been touched & expired on the 31 Decer. The appropriation of 200,000 dollars was for timber, or lands on which timber was growing, & the President was, by the same law, authorized to cause [277] proper measures to be taken to have the same preserved. But the appropriation extended to the purchase of timber & not to the expense attending those measures. Under colour of that appropriation, it appears that at least 186,800 dollars have been applied to navy yards & the balance to frames for two additional 74s. Mr. Stoddard in his report misquotes the word of the law & calls it an appropn. for preparing proper places for securing the timber. I enclose the report—

RC (DLC); addressed: "The President of the United States"; endorsed by TJ: "Finance." Enclosure: *Report of the Secretary of the Navy, Accompanying*

Sundry Documents Marked No. 1, to 5 inclusive, Relative to the Naval Establishment of the United States [Washington, D.C., 1801]. Other enclosures printed below.

Gallatin based TJ's power to DISCHARGE A NUMBER OF THOSE MARINES on a sentence in Section 2 of the 1798 Marine Corps act which reads: "And the enlistments, which shall be made by virtue hereof, may be for the term of three years, subject to be discharged by the President of the United States, or by the ceasing or repeal of the laws providing for the naval armament" (U.S. Statutes at Large, 1:594–5).

PAYMENT OF THE BRITISH DEBTS: the commission established under Article 6 of the Jay Treaty to settle British prewar debt claims could not reach agreement and dissolved in 1799. In January 1802 a settlement was reached by which the U.S. agreed to pay £600,000 sterling, that is, \$2,664,000, the sum to be paid in three annual installments (Madison, *Papers, Sec. of State Ser.*, 1:7–8; Miller, *Treaties*, 2:488–9; Perkins, *First Rapprochement*, 117–19, 140–1).

APPROPRIATION ... WAS FOR TIMBER: for the act "authorizing the purchase of Timber for naval purposes" passed by Congress on 25 Feb. 1799, see U.S. Statutes at Large, 1:622. In his report Stoddert noted that the appropriation for \$200,000 had been expended on frames for two ships and "in preparing docks for receiving the timber, and wharves for building the ships." Stoddert explained that the Navy Department was in the practice of "drawing on one appropriation for all Navy purposes, until that appropriation is exhausted, leaving until the settlement of the agent's accounts, the charges against each appropriation for which the money has been expended" (*Report of the Secretary of the Navy*, 5, 6). Gallatin included the passage on the Navy Department's spending practices in his reference to pages in Stoddert's report in Enclosure No. 3.

¹ Preceding two words interlined.

² Preceding ten words interlined.

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