

Thomas Jefferson to George Washington, June 17, 1793, Report on New Foreign Loan, with Copy , from The Works of Thomas Jefferson in Twelve Volumes. Federal Edition. Collected and Edited by Paul Leicester Ford.

SECOND OPINION ON NEW LOAN¹

¹ See first opinion under June 5, 1793.

June 17, 1793.

I cannot see my way clear in the case which the President has been pleased to ask my opinion, but by recurring to these leading questions:

Of the 7,898,999 dollars so borrowed, or rather of the 7,543,912 dollars net proceeds thereof, how much has been applied to the payment of the foreign and *purchase* of the general debt?

To the balance thereof, which should be on hand, and the two millions of florins now borrowed, is any addition necessary for the *same objects*, for the years 1793, 1794?

The statement furnished by the Secretary of the Treasury does not answer these questions. It only shows what has been done with somewhat less than three millions out of near eight millions of dollars which have been borrowed, and in so doing it takes credit for two sums which are not to come out of this fund, and therefore not to be left in the account. They are the following:

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1. A sum of 284,901 dollars 89 cents expended in purchases of the public debt. In the general report of the trustees of the sinking fund, made to Congress the 23d of February last and printed, it appears, page 29, that the whole amount of money laid out by them was 1,302,407 dollars 64 cents; from which were to be deducted, as is mentioned in the note there subjoined, the purchases made of the interest fund (then about 50,000 dollars as well as I recollect) call the sum paid then 1,252,407 dollars 60 cents. By the Treasury Report, page 38 (new edition), it appears that the surplus of domestic revenue to the end of 1790, appropriated to this object, was 1,374,656 dollars 10 cents; and page 34, that the moneys drawn from Europe on account of the foreign loans, were not the instrument of these purchases; and in some part, to which I am not able to turn, I recollect pretty certainly that it is said these purchases were actually carried to account, as was proper, against the domestic surplus; consequently they are not to be allowed in the foreign account also; or

if allowed in this, the sum will then be due from the surplus account, and so must lessen the sum to be borrowed from the sinking fund, which amounts to the same.

2. The first instalment due to the bank—200,000 dollars. Though the first payment of the subscription of the United States to the bank might have been on the first instant, out of the foreign moneys, to be immediately repaid to them by the money borrowed of the bank, yet this useless formality was avoided, and it was a mere operation of the one on paper, without the displacement of a single dollar (see Report, page 12); and in any event the final reimbursement was never to be made out of the foreign fund, which was appropriated solely to the Payment of the foreign and *purchase* of the general debt. These two sums, therefore, of 284,901 dollars 89 cents and 200,000 are to be added to the balance of 565,464 dollars 28 cents; subject to future disposition, and will make 1,050,386 17 cents actually here and still to be applied to the proper appropriation.

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However, this account, as before observed, being only a part of the moneys borrowed, no judgment can be formed from it of the expediency of borrowing more; nor should I have stopped to make a criticism on it, but to show why no such sums as the two above mentioned were inserted in the general account sketched for the President, June 5. I must add, that the miscellaneous sum of 49,000 dollars in this account is probably covered by some other articles of that, as far as it is chargeable in this fund; because that account, under one form or another, takes up all the articles chargeable in this fund which had appeared in the printed reports.

I must therefore proceed to renew my statement of June 5, by inserting therein the first instalment of the Dutch loan of 484,000 dollars 40 cents, payable this month, which not having been mentioned in any of the reports heretofore published, was noticed in no statement. I will add a like sum for the year 1794, because I think we should now prepare for the of that year.

As the Secretary of the Treasury does not seem to contemplate the purchasing any fixed sum for the sinking fund, I shall leave that article of the account, add to its result any sum he may decide to have purchased to that fund.

THE TRUST FOR LOANS, *Dr.*

To net amount of loans to June 1, 1792 755,912 dollars.

the loan now going for 2,000,000 florins.

Cr.

By charges on remittance to France,

By reimbursement to Spain,

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By interest paid to foreign officers,

By amount of French debt, principal and interest, payable to end of year 1791,

By do. for 1792,

By do. for 1793,

By first instalment of Dutch debt, 1st June, 1793,

By instalments and interest to France for 1794,

By instalment to Holland for 1794,

Balance will then remain in hands of the Trust, \$

So that it appears there will be a balance in the hands of the Trust—the clear sum of 499,393 dollars 84 cents—were no moneys to be furnished in the mean time to the sinking fund. But should the President determine to furnish that, with the 90,000 dollars proposed in my statement of June 5, then a loan would be necessary for about 405,000 dollars— in near round numbers, 1,000,000 of guilders, in addition to the 2,000,000 now borrowing. I am, *individually*, of opinion that that sum ought to be furnished to the sinking fund, and consequently that an additional loan to this extent should be made, considering the subject in a *legal point of view* only.

The reasons in favor of the extensions are:

The apprehension of the extension of our war to other Indian nations, and perhaps to Europe itself. The disability this might produce to borrow at all [this is in my judgment a weighty consideration].

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The possibility the government of France may become so settled, as that we may hazard the anticipation of payment, and so avoid dead interest.

The reasons against it are:

The possibility that France may continue for some time yet so unsettled as to render an anticipation of payments hazardous.

The risk of losing the capital borrowed, by a successful invasion of the country of deposit, if it be left in Europe; or by an extension of the bankruptcies now shaking the most solid houses; and when and where they will end we know not.

Loss of interest on the dead sum, if the sum itself be safe.

The execution of a power for one object, which was given to be executed for a very different one.

The commitment of the President, on this account, to events, or to the criticisms of those who, though the measure should be perfectly wise, may misjudge it through error or passion.

The apprehension that the head of the department means to provide idle money to be lodged in the banks ready for the corruption of the next legislature, as it is believed the late ones were corrupted, by gratifying particular members with vast discounts for objects of speculation.

I confess that the last reasons have most weight with me.