

upon the several states to pay in specie their respective quotas of the foreign federal debt, and internal expences. This distinction between the payment of paper in state taxes, and of coin for these continental purposes, the bill itself has expressly admitted, whenever the impost duty of five per cent. shall take place.

The state must procure a quantity of specie sufficient to discharge its annual quota of the foreign federal debt, and internal expences; now, as this quota exceeds the annual interest of our state debt, and the annual amount of state expences, so will the demand for specie be proportionably greater than for paper money; consequently coin will be much more valuable than paper, even if we confine our views to the necessary contributions for governmental purposes. The bills of credit, when received into the state treasury for taxes, must either be exchanged for specie to pay our quota to congress, or they must be laid out in produce to be sold for coin. It is not probable that the treasurer could exchange any considerable sums of this paper money for specie, unless upon terms extremely disadvantageous to the state; should that officer be directed to exchange the paper money for coin on such terms, the state would depreciate its own paper. This difficulty and loss would not be avoided by ordering the treasurer, or any other officer whom the legislature might specially appoint, to purchase produce with these bills of credit, and to sell again that produce for specie. On each of these transactions the state would be loser, and on the first, viz. buying produce with paper, it would be equally, if not more instrumental in decrying its paper, than by exchanging it for specie; for the price of commodities to be purchased by the state would seldom correspond with the passing value of the paper money; it would more frequently be regulated by the probable depreciation it might undergo, before the receiver could dispose of it in the purchase of other species of merchandise. We are led to this conclusion, from the general experience men have had of the loss sustained by receiving a depreciated paper at the common passing value, when received. If produce purchased with this paper should be sold in the country for cash, the exigency of the state, with the charges and risk of keeping, would constrain its agent to dispose of the produce under the market price; if, to avoid this loss, the agent should be authorized to export this produce, the charges of storage and commission, added to those of freight and insurance, would reduce still more the net proceeds of the articles exported and sold at a distant market.

In every view, therefore, of the uses to which this paper money might be applied in procuring coin to discharge our quota of the federal debt and expences, great loss would accrue to the state; and thus, instead of the debt of the state being lessened in proportion to the contributions of the people, probably one third of this debt would still remain to be paid after property had been parted with by the people equal to the whole, and additional taxes must be imposed to make up the deficiency.

To establish the credit of a paper money, the fund on which it is issued should not only be ample and secure, but a general and perfect confidence should obtain, that government would enforce the redemption of the bills, agreeably to the terms of the emission. At present this confidence seems to be wanting; how otherwise can we account for the depreciation of the paper emissions, commonly called black state, and state continental? Although the funds are said to be more than adequate to redeem these emissions, the term of redemption elapsed, and the uses abundant, the former passes at a discount of 20 per cent. when exchanged for specie, and the latter at a discount of 30 per cent. To give credit to paper money, it is also necessary that the term of redemption should be short, especially when the credit of government is low. A promissory note (and bills of credit are nothing more than promissory notes) of £. 100, payable fifteen years hence, without interest, would be worth little more than £. 40 ready money in this country, where the rate of interest is six per cent. If doubts should be entertained of the final payment of this note, it would not command a quarter part of that sum, and probably could not be exchanged at any rate, for ready money. Hence the great disparity between bank paper, payable in coin, on demand, and promissory notes, the payment of which depends either upon the good will or the ability of those who issue them to fulfil their engagement. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty, or uncertainty of obtaining payment was supposed to be greater, or less, or according to the greater or less distance of time, at which payment was exigible. At the end of ten years, the term fixed by the bill for the redemption of the bills of credit proposed to be emitted by it, a considerable proportion of them would be outstanding. The lands of the borrowers of these bills of credit, who had not discharged their bonds passed to the state, must be sold to procure gold and silver, to redeem the bills brought into the treasury to be exchanged for those metals; and it must be foreseen, that the same causes which are now assigned for the emission of paper money, may then be urged to procrastinate the term of payment, or to substitute a new emission to pay off the old. This opinion, which cannot be prevented, will contribute conjointly with other causes to depreciate the proposed emission. From the present general diffidence and distrust in the faith of government and its resources, from the particular disinclination to paper money, among such of our citizens as have it most in their power to support or sink its credit, we are led to conclude, that the voluntary uses for this paper money, compared with the same uses for coin, would be very few, consequently the former must sink greatly below its nominal value.

The bill has indeed created a considerable use for this paper money, by making it receivable in all taxes and duties, except the five per cent. impost, whenever that duty shall be imposed, and for several other purposes mentioned in the bill. The payment of taxes, however, is the great and principal use, and the extent of this will depend altogether upon the extent of taxation, and the punctuality with which the taxes are paid, and we conceive that those who are most in favour of the bill, must depend principally on high taxation to support the credit of the paper.

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