

Antifederalist No. 12

How Will The New Government Raise Money?

"Cincinnatus" is an Antifederalist writer. In this essay, from an Address to a Meeting of the Citizens of Philadelphia, the writer responds to James Wilson's statements about Congress' powers to tax under the Constitution. It appeared in the November 29 and December 6, 1787, New-York Journal, as reprinted from a Philadelphia newspaper.

On the subject of taxation, in which powers are to be given so largely by the new constitution, you [James Wilson of Pennsylvania] lull our fears of abuse by venturing to predict "that the great revenue of the United States must, and always will, be raised by impost" -- and you elevate our hopes by holding out, "the reviving and supporting the national credit." If you have any other plan for this, than by raising money upon the people to pay the interest of the national debt, your ingenuity will deserve our thanks. Supposing however, that raising money is necessary to payment of the interest, and such a payment [is] requisite to support the credit of the union -- let us see how much will be necessary for that end, and how far the impost will supply what we want. The arrearages of French and Spanish interest amount now to -- 1,500,000 dollars; Interest and installments of do. for 1788 -- 850,227; Support of government; and its departments, for 1788 -- 500,000; Arrears and anticipations of 1787 -- 300,000; Interest of domestic debt - - 500,000 {total} 4,650,227 [3,650,227]

The new Congress then, supposing it to get into operation towards October, 1788, will have to provide for this sum, and for the additional sum of 3,000,000 at least for the ensuing year; which together will make the sum of 7,650,227 [6,650,227].

Now let us see how the impost will answer this. Congress have furnished us with their estimate of the produce of the whole imports of America at five per cent and that is 800,000 dollars. There will remain to provide for, by other taxes, 6,850,227 [5,850,227].

We know too, that our imports diminish yearly, and from the nature of things must continue to diminish; and consequently that the above estimate of the produce of the impost, will in all probability fall much short of the supposed sum. But even without this, it must appear that you [were] either intentionally misleading your hearers, or [were] very little acquainted with the subject when you ventured to predict that the great revenue of the United States would always flow from the impost. The estimate above is from the publications of Congress, and I presume is right. But the sum stated, necessary to be raised by the new government, in order to answer the expectations they have raised, is not all. The state debts, independent of what each owes to the United States, amount to about 30,000,000 dollars; the annual interest of this is 1,000,000.

It will be expected that the new government will provide for this also; and such expectation is founded, not only on the promise you hold forth, of its reviving and supporting public credit among us, but also on this unavoidable principle of justice -- that is, the new government takes away the impost, and other substantial taxes, from the produce of which the several states paid the interest of their debt, or funded the paper with which they paid it. The new government must find ways and means of supplying that deficiency, . . . in hard money, for . . . paper . . . cannot [be used] without a violation of the principles it boasts. The sum then which it must annually raise in specie, after the first year, cannot be less than 4,800,000. At present there is not one half of this sum in specie raised in all the states. And yet the complaints of intolerable taxes has produced one rebellion and will be mainly operative in the adoption of your constitution. How you will get this sum is inconceivable and yet get it you must, or lose all credit. With magnificent promises you have bought golden opinions of all sorts of people, and with gold you must answer them, . . .

To satisfy [our fellow citizens] more fully on the subject of the revenue, that is to be raised upon them, in order to give enormous fortunes to the jobbers in public securities, I shall lay before them a proposition to Congress, from Mr. Robert Morris, when superintendent of finance. It is dated, I think, the 29th of June, 1782, and is in these words:

[I say, I think, because by accident the month is erased in the note I have, and I have not access to public papers which would enable me to supply the defect.]

"The requisition of a five per cent impost, made on the 3d of February, 1781, has not yet been complied with by the state of Rhode Island, but as there is reason to believe, that their compliance is not far off, this revenue may be considered as already granted. It will, however, be very inadequate to the purposes intended. If goods be imported, and prizes introduced to the amount of twelve millions annually, the five per cent would be six hundred thousand, from which at least one sixth must be deducted, as well for the cost of collection as for the various defalcations which will necessarily happen, and which it is unnecessary to enumerate. It is not safe therefore, to estimate this revenue at more than half a million of dollars; for though it may produce more, yet probably it will not produce so much. It was in consequence of this, that on the 27th day of February last, I took the liberty to submit the propriety of asking the states for a land tax of one dollar for every hundred acres of land -- a poll-tax of one dollar on all freemen, and all male slaves, between sixteen and sixty, excepting such as are in the federal army, or by wounds or otherwise rendered unfit for service -- and an excise of one eighth of a dollar, on all distilled spiritous liquors. Each of these may be estimated a half a million; and should the product be equal to the estimation, the sum total of revenues for funding the public debts, would be equal to two millions."

You will readily perceive, Mr. Wilson, that there is a vast difference between your prediction and your friend's proposition. Give me leave to say, sir, that it was not discreet, in you, to speak upon finance without instructions from this great financier. Since, independent of its delusive effect upon your audience, it may excite his jealousy, lest you

should have a secret design of rivaling him in the expected office of superintendent under the new constitution. It is true, there is no real foundation for it; but then you know jealousy makes the food it feeds on. A quarrel between two such able and honest friends to the United States, would, I am persuaded, be felt as a public calamity. I beseech you then to be very tender upon this point in your next harangue. And if four months' study will not furnish you with sufficient discretion, we will indulge you with six.

It may be said, that let the government be what it may, the sums I have stated must be raised, and the same difficulties exist. This is not altogether true. For first, we are now in the way of paying the interest of the domestic debt, with paper, which under the new system is utterly reprobated. This makes a difference between the specie to be raised of 1,800,000 dollars per annum. If the new government raises this sum in specie on the people, it will certainly support public credit, but it will overwhelm the people. It will give immense fortunes to the speculators; but it will grind the poor to dust. Besides, the present government is now redeeming the principal of the domestic debt by the sale of western lands. But let the full interest be paid in specie, and who will part with the principal for those lands? A principal, which having been generally purchased for two shillings and six pence on the pound, will yield to the holders two hundred and forty per cent. This paper system therefore, though in general an evil, is in this instance attended with the great benefit of enabling the public to cancel a debt upon easy terms, which has been swelled to its enormous size, by as enormous impositions. And the new government, by promising too much, will involve itself in a disreputable breach of faith. . . .

The present government promises nothing; the intended government, everything. From the present government little is expected; from the intended one, much. Because it is conceived that to the latter much is given; to the former, little. And yet the inability of the people to pay what is required in specie, remaining the same, the funds of the one will not much exceed those of the other. The public creditors are easy with the present government from a conviction of its inability [to pay]. They will be urgent with the new one from an opinion, that as is promised, so it can and will perform every thing. Whether the change will be for our prosperity and honor, is yet to be tried. Perhaps it will be found, that the supposed want of power in Congress to levy taxes is, at present a veil happily thrown over the inability of the people; and that the large powers given to the new government will, to every one, expose the nakedness of our land. Certain it is, that if the expectations which are grafted on the gift of those plenary powers, are not answered, our credit will be irretrievably ruined.

CINCINNATUS