

MONEY EXPENDED FOR MILITARY PURPOSES DURING THE WAR OF 1812.

APRIL 25, 1890.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. CULBERTSON, of Pennsylvania, from the Committee on War Claims, submitted the following

REPORT:

[To accompany S. 193.]

The Committee on War Claims, to whom was referred the bill (S. 193) directing the Secretary of the Treasury to re-examine and resettle the accounts of certain States and the city of Baltimore, growing out of moneys expended by said States and the city of Baltimore for military purposes during the war of 1812, report as follows:

Your committee adopt the report, hereto annexed, from the Committee on Claims of the Senate of the present Congress, and report back the bill and recommend its passage.

[Senate Report No. 456, Fifty-first Congress, first session.]

The Committee on Claims, to whom was referred the bill (S. 193) directing the Secretary of the Treasury to examine and settle the accounts of certain States and the city of Baltimore, growing out of moneys expended by said States and the city of Baltimore for military purposes during the war of 1812, have had the same under consideration and respectfully report:

The committee adopts its report submitted on the subject at the last Congress, so far as applicable to the bill now before it, as follows:

This bill authorizes and instructs the proper accounting officers of the Treasury to examine the accounts between the United States and the States of New York, Pennsylvania, Delaware, Virginia, and South Carolina, and between the United States and the city of Baltimore, growing out of moneys expended by such States and by said city for military purposes in the war of 1812 with Great Britain, applying upon such examination, in the computation of interest and settlement, the provisions and principles of the twelfth section of the act of March 3, 1857, entitled "An act making appropriations for certain civil expenses of the Government for the year ending June 30, 1858."

The main facts are susceptible of brief statement. During the war of 1812-'14 the States of Massachusetts, New York, Pennsylvania, Delaware, Maryland, Virginia, South Carolina, and the city of Baltimore expended certain moneys for military purposes. Whether wise or unwisely, after many years, the United States treated the sums thus expended as advanced to or spent for the benefit of the National Government, and therefore a debt payable with interest, and accordingly made refund, with interest. The rule by which the interest was calculated was to compute interest on the sum advanced by the State from the date of the advance to the time of the refund by the United States, deduct the sum refunded from the sum advanced, and then compute interest on the remainder and so on until the final payment of the principal. In other words, the payments were applied, first, to the discharge of the principal, and, the principal being extinguished, then to the payment of accumulated interest. Against this mode of computing interest the States formally protested (Senate Document, second session, Twenty-second Congress, 1832-'33), alleging that, in effect, it was a refusal upon the part of the United States to refund the whole amount borrowed,

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By act of March 3, 1857, Congress directed a re-examination and re-adjustment of the account of Maryland, and declared that in the calculation of interest the following rules should be observed, to wit:

"Interest shall be calculated up to the time of any payment made. To this interest the payment shall be first applied, and, if it exceeds the interest due, the balance shall be applied to diminish the principal; if the payment falls short of the interest, the balance of interest shall not be added to the principal so as to produce interest. 2. Interest shall be allowed on such sums only on which the State either paid interest or lost interest by the transfer of an interest-bearing fund.

By the re-adjustment made with Maryland under this act she received an additional sum of \$275,770.23.

On the 8th of July, 1870, Congress passed an act directing that the accounts between the United States and Massachusetts and Maine be re-opened and re-adjusted upon the same principle that controlled the re-adjustment with Maryland, and under this legislation there was paid to Massachusetts, for herself and Maine, \$678,362.42.

Congress, by act of June 12, 1858 (11 Statutes at Large, page 326), enacted as follows:

"That the Secretary of the Treasury be instructed to report to Congress at its next regular session all applications made by State authority of the States and cities for the re-opening and re-examination of the settlements heretofore made with such States and cities, and upon the principle of re-adjustment upon which said claims are based, and the amounts thereof; and the Secretary of the Treasury is further instructed to report to Congress at its next regular session the gross amount that will be required to pay such claims to the States and cities of the United States."

In obedience to the mandate of this act, the Secretary of the Treasury reported at the next session of Congress (see Ex. Docs., second session, Thirty-fifth Congress, vol. 5) that claims had been made, computing interest down to date, amounting to \$1,588,521.69, as follows: South Carolina, \$201,230.90; Virginia, \$1,076,683.35; Delaware, \$18,540.97; New York, \$48,896.21; Pennsylvania, \$218,507.71; city of Baltimore, \$53,662.55. At the same time he reported the following amounts due as principal to said States and to said city: South Carolina, \$78,996.41; Virginia, \$734,069.60; Delaware, \$6,341.99; New York, \$27,361.81; Pennsylvania, \$71,411.19; the city of Baltimore, \$8,027.55.

It is admitted that the amount stated in the report as principal due Virginia is an egregious error, as the amount claimed by the State to be approximately correct is \$339,212.

The main proposition of the bill is to re-open the accounts with these States and the city of Baltimore, and to re-imburse them these advances, with interest calculated upon the principle adopted in the settlement with Maryland, Alabama, and Massachusetts.

No other States have unsettled accounts with the Government of the United States, as the committee is advised, for advances or expenditures during the war of 1812.

Your committee are unable to discover any reason, resting in law or justice, why the States mentioned in this bill, and the city of Baltimore, should not be treated precisely as Maryland and Massachusetts were treated. The expenditures were made at the same time, for the same patriotic purpose, and the relations of the States to each other under the Constitution requires that as to re-imbursement of principal and interest they should be treated alike.

The committee understand it to have been the policy of Congress not to allow interest to a State for advances made out of its Treasury, or out of funds raised by taxation. The only principle upon which interest seems to have been allowed to the States was by way of *re-imbursing* the State where it borrowed the moneys advanced, and paid interest thereon, or where it lost interest through raising the funds advanced or expended by the sale of interest-bearing securities owned by the State. Upon this principle interest should be paid to those States only during the time that they actually paid interest or lost interest.

The committee reports back the bill, with the recommendation that the same do pass.