Article II and the Sinking Fund

Excerpts from Article II of the United States Constitution pertaining to domestic executive powers:

The executive Power shall be vested in a President of the United States of America.

…he [the President] may require the Opinion, in writing, of the principal Officer in each of the executive Departments, upon any Subject relating to the Duties of their respective Offices…

…and he [the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint…Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

…he [the President] shall take Care that the Laws be faithfully executed…

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"Report Relative to a Provision for the Support of Public Credit," from the Secretary of the Treasury Alexander Hamilton to the Speaker of the House of Representatives, dated January 9, 1790:

…It will hardly have been unnoticed, that the Secretary had been thus far silent on the subject of the post-office. The reason is, that he has had in view the application of the revenue arising from that source, to the purposes of a sinking fund. The post-master-general gives it as his opinion, that the immediate product of it, upon a proper arrangement, would probably be, not less than one hundred thousand dollars. And from its nature, with good management, it must be a growing, and will be likely to become a considerable fund. The post-master-general is now engaged in preparing a plan, which will be the foundation of a proposition for a new arrangement of the establishment. This, and some other points relative to the subject referred to the Secretary, he begs leave to reserve for a future report.

Persuaded as the Secretary is, that the proper funding of the present debt, will render it a national blessing: Yet he is so far from acceding to the position, in the latitude in which it is sometimes laid down, that "public debts are public benefits," a position inviting to prodigality, and liable to dangerous abuse,—that he ardently wishes to see it incorporated, as a fundamental maxim, in the system of public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment. This he regards as the true secret for rendering public credit immortal. And he presumes, that it is difficult to conceive a situation, in which there may not be an adherence to the maxim. At least he feels an unfeigned solicitude, that this may be attempted by the United States, and that they may commence their measures for the establishment of credit, with the observance of it.

Under this impression, the Secretary proposes, that the net product of the post-office, to a sum not exceeding one million of dollars, be vested in commissioners, to consist of the Vice-President of the United States or President of the Senate, the Speaker of the House of Representatives, the Chief Justice, Secretary of the Treasury and Attorney-General of the United States, for the time being, in trust, to be applied, by them, or any three of them, to the discharge of the existing public debt, either by purchases of stock in the market, or by payments on account of the principal, as shall appear to them most advisable, in conformity to the public engagements; to continue so vested, until the whole of the debt shall be discharged.

As an additional expedient for effecting a reduction of the debt, and for other purposes which will be mentioned, the Secretary would further propose that the same commissioners be authorised, with the approbation of the President of the United States, to borrow, on their credit, a sum, not exceeding twelve millions of dollars…

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The Public Statutes at Large of the United States of America, edited by Richard Peters, Volume I, 1789-1845, Boston: Charles C. Little and James Brown, 1845, page 186.

Chap. XLVII.—An Act making Provision for the Reduction of the Public Debt [approved August 12, 1790].

It being desirable by all just and proper means, to effect a reduction of the amount of the public debt, and as the application of such surplus of the revenue as may remain after satisfying the purposes for which appropriations shall have been made by law, will not only contribute to that desirable end, but will be beneficial to the creditors of the United States, by raising the price of their stock, and be productive of considerable saving to the United States:

Section1. Be it enacted by the Senate and House of Representatives of the United States of American in Congress assembled, That all such surplus of the product of the duties on goods, wares and merchandise imported, and on the tonnage of ships or vessels to the last day of December next, inclusively, as shall remain after satisfying the several purposes for which appropriations shall have been made by law to the end of the present session, shall be applied to the purpose of the debt of the United States, at its market price, if not exceeding the par or true value thereof.

Section 2. And be it further enacted, That the purchases to be made of the said debt, shall be made under the direction of the President of the Senate, the Chief Justice, the Secretary of State, the Secretary of the Treasury, and the Attorney General for the time being; and who, or any three of whom, with the approbation of the President of the United States, shall cause the said purchases to be made in such manner, and under such regulations as shall appear to them best calculated to fulfill the intent of this act…

Section 3. And be it further enacted, That accounts of the application of the said monies shall be rendered for settlement as other public accounts, accompanied with returns of the amount of the said debt purchased therewith, at the end of every quarter of a year, to be computed from the time of commencing the purchases aforesaid: and that a full and exact report of the proceedings of the said five persons, or any three of them, including a statement of the disbursements and purchases made under their direction, specifying the times thereof, the prices at which, and the parties from whom the same may be made, shall be laid before Congress, within the first fourteen days of each session which may ensue the present, during the execution of their said trust.

Section 4. And be it further enacted, That the President of the United States be, and he is hereby authorized to cause to be borrowed, on behalf of the United States, a sum or sums not exceeding in the whole two millions of dollars, at an interest not exceeding five per centum, and that the sum or sums so borrowed, be also applied to the purchase of the said debt of the United States, under the like direction, in the like manner, and subject to the like regulations and restrictions with the surplus aforesaid: *Provided,* That out of the interest arising on the debt to be purchased in manner aforesaid, there shall be appropriated and applied a sum not exceeding the rate of eight per centum per annum on account both of principal and interest towards the repayment of the two millions of dollars so to be borrowed.

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President Andrew Jackson’s Fourth Annual Message to Congress, December 4, 1832:

It is expected, however, that in consequence of the reduced rates of duty which will take effect after [March 3], there will be a considerable falling off in the revenue from customs in the year 1833. It will nevertheless be amply sufficient to provide for all the wants of the public service, estimated even upon a liberal scale, and for the redemption and purchase of the remainder of the public debt. On [January 1, 1833] the entire public debt of the United States, funded and unfunded, will be reduced to within a fraction of $7,000,000, of which $2,227,363 are not of right redeemable until [January 1, 1834] and $4,735,296 not until [January 2, 1835]. The commissioners of the sinking funds, however, being invested with full authority to purchase the debt at the market price, and the means of the Treasury being ample, it may be hoped that the whole will be extinguished within the year 1833.