

will be disposed to waive for the present, in the manner and on the terms contemplated by those instructions, their right to that branch, and to that branch only, of the colonial trade, known by the name of *direct trade*, that is to say, the trade carried directly from belligerent colonies to the belligerents in Europe, when that trade was not permanent, in peace as in war permitted by the laws of the country to which those colonies belonged. The right to a trade between such colonies and the United States generally, and to that in colonial articles between the United States and other countries, never can, or will in my opinion, be abandoned, or its exercise be suspended by this government. On the contrary, it is solely in order to secure, by an express treaty stipulation, that trade against the danger of interruption, and thus by a mutual spirit of accommodation to avoid collisions, that the abandonment of the direct branch can ever be averted.

Permit me therefore to request, that you will inform me, whether you understood me on those two points, as I certainly meant to be understood, namely, that the relinquish, during the present war, of what is called the *direct trade*, was alone contemplated, and that no arrangement on that subject was suggested as a condition of the revocation of the orders in council.

I have the honor to be, with the highest respect and consideration, sir, your obedient servant.

(Signed) ALBERT GALLATIN.
Hon. D. M. Erskine, minister
Plenipotentiaire, &c. &c.

Mr. Erskine to the Secretary of the Treasury.

Washington August 15th, 1809.

Sir,
I have the honor to acknowledge the receipt of your letter of the 14th inst. in which you have been pleased to say that although you do not believe that in the conversations we have had respecting the probability of an adjustment of the differences between the United States and Great Britain, we had ever understood each other, yet as from Mr. Canning's instructions, lately published by my government, it would seem that some opinions are ascribed to several members of this administration which they did not entertain, it appears necessary to ascertain whether, on any point, a misapprehension could have taken place.

In answer to your enquiries, I have great satisfaction in assuring you that there appears to have been no misunderstanding respecting the substance or meaning of the conversations which have passed between us, as stated in Mr. Canning's instructions aforesaid.

As to the most essential part of your statement of the purport of our conversations, I can not discover any material difference from the representations made to the secretary of state (Mr. Armstrong) in my letter of the 14th inst. I am, however, sensible that the statements of the public mind, in every respect, should be the same as that which you seem to have entertained.

During the conversation which we had respecting the probability of an amicable adjustment of the differences between the two countries, when the relinquishment by the U. States, during the present war, of what is called the *direct trade*, was suggested by you, I conceived that you were alluding to the trade carried directly from belligerent colonies to the belligerents in Europe, when that trade was not permanent, in peace as in war permitted by the laws of the country to which those colonies belonged.

I never supposed that you intended to convey an opinion that the government of the U. States would make any arrangement respecting the colonial trade as a condition of the revocation of the orders in council, the two subjects being altogether unconnected; nor have I ever represented to his majesty's government that such preliminary pledges would be given.

With sentiments of the highest respect, I have the honor to be, sir, your most obedient humble servant.

(Signed) D. M. ERSKINE.
The Hon. Albert Gallatin, &c. &c.

Mr. Canning to Mr. Pinkney.
Foreign Office, May 27th, 1809.

Sir,
According to the intimation which I gave you in our last conference, I have now the honor to enclose to you a copy of the Order in Council which his Majesty has directed to be issued, in the purpose of preventing as far as possible any measures being entered into by the citizens of the United States, who may have entered into commercial speculations on the faith of the unannounced engagements of Mr. Erskine previously to the notification in America of his Majesty's disavowal of those engagements.

Having had the honor to read to you, in extenso the instructions to which Mr. Erskine is not furnished, it was necessary for me to enter into any explanation of those points in which Mr. Erskine has acted, not only not in conformity, but in direct contradiction to them.

I forbear equally from troubling you, sir, with any comment on the manner in which Mr. Erskine's communications have been received by the American government, or

upon the terms and spirit of Mr. Smith's share of the consideration.

Such observations will be communicated more properly through the Minister, whom his Majesty has directed to proceed to America—not on any special mission (which Mr. Erskine was not authorized to promise, except upon conditions not one of which he has obtained) but as the successor of Mr. Erskine whom his Majesty has not lost a moment in recalling.

I have the honor to be with great consideration,

Sir,
Your most obedient,
Humble servant,
GEORGE CANNING.

(Signed)
[Here follows the order in council of May 24th, 1809, as published in the Gazette of the 26th July.]

Mr. Pinkney's answer.
Great Cumberland Place
May 29, 1809.

Sir,
I have received the communication which you did me the honor to address to me on the 27th inst. and will hasten to transmit it to the Secretary of State of the United States.

No construction being taken from my government concerning the transactions in America to which your communication alludes, having, as I said, I can only express my opinion that the conciliatory arrangement concerted and concluded, as you have done, in the honor to inform me, between the American Secretary of State and his Majesty's accredited Minister at Washington, being in consequence, and professing to act in pursuance, of regular instructions from his Court, are not likely to have any effect which was naturally to have been excepted from them.

I have the honor to be,
With great consideration,
Sir,

Your most obedient,
Humble servant,
WM. PINKNEY.

The Right Hon.
George Canning, &c. &c.

[Here follows Mr. Gallatin's circular to the collectors of the revenue bearing date the 9th day of August last, and Mr. Madison's proclamation, same date, and at that time published, revoking his former proclamation opening commercial intercourse with Great Britain, in consequence of Mr. Canning's disavowal of Mr. Erskine's arrangement with this country—published in the Gazette of the 12th of August.]

Gen. Armstrong to Mr. Smith, Secretary of State.
Paris, Sept. 4th, 1809.

Sir,
A letter of which I send you a copy, was received during my absence and detained at Paris, till my return. The note annexed to it has not yet been received. Mr. Warden informs me, that the Council of Princes has been ordered to suspend their proceedings with regard to our vessels.

I have the honor to be, sir, with high consideration,
Your most obedient and
Very humble servant,
JOHN ARMSTRONG.

Count Champagny to Gen. Armstrong.
VIENNA, August 8th, 1809.
Translation.

Sir,
You have desired that one of the American vessels which are in the ports of France might be authorized to depart for the United States with your dispatches. I have taken the orders of his majesty on the subject of this demand, and his Majesty always disposed to facilitate your communications with your government has permitted the departure of the vessel you shall designate. I inform the ministers of the marine and of the finances of this disposition, requesting them to secure the execution of it so soon as you shall have made known to them the name of the vessel and the port from which it is to depart.

I have the honor, sir, to apprise you that I shall forthwith address to you a note by order of his Majesty on the actual situation of our relations with the United States. Please to profit by the departure of the vessel to make this known to the Federal government, and permit me also to send by that conveyance some dispatches to the Minister Plenipotentiary of his Majesty to the United States.

Accept, sir, the assurances,
&c. &c.
(Signed) CHAMPAGNY.
His excellency
General Armstrong, &c. &c.

Extract of a letter from Gen. Armstrong to Mr. Smith, Secretary of State.

PARIS 19th September, 1809.

"I received on the 6th instant, on my return from Holland, two notes from Count Champagny, copies of which I have the honor to enclose. In one of these you will find an exposition of the principles which have governed, and which will continue to govern the conduct of his majesty with regard to neutral commerce. To this, which was offered as a definitive answer to our propositions, I have believed that any reply, before I had received the further instructions of the president, would have been premature."

"Mr. Lawrence arrived at L'Orient on the 9th, and Mr. Haswell at Paris with your dispatch of the 12th of August last, on the 13th inst. I immediately communicated to Count Champagny the president's proclamation, interdicting anew all commercial intercourse between the U. States and Great Britain, and gave such other explanations as the case appeared to require."

Extract of a letter from Count Champagny to Gen. Armstrong, dated Altenburg, Aug. 22d, 1809.

[Translation]
"I have the honor to address to you the signed note, which his majesty has ordered me to send to you, and which I have announced in my last dispatch. If France has to do at this time all that the United States of America can desire, your government will be able to see that neither prejudice nor animosity influences its conduct; that it is the effect of its attachment to principles which the Americans, more than any other people, are interested in supporting, and of the necessity of reprisals, which circumstances impose. The emperor will consider as an happy event that which shall enable him to contribute to the prosperity of America, in leaving to its commerce all the liberty and all the extension which can render it flourishing."

[Here follows a letter (which includes the whole of the documents) of M. Champagny's to Mr. Armstrong, dated Altenburg, August 22d, 1809, on the subject of neutral rights, which was published in the Gazette of the 29th ult. It was copied from a London paper of Oct. 18th. On comparing it with the translation of the same letter made at Washington, we perceive no difference except in the phraseology.]

Treasury Department,
December 7th, 1809.

Sir,
I have the honor to enclose a report prepared in obedience to the act entitled "An act to establish the Treasury Department." I have the honor to be,
Very respectfully,
Sir,
Your obedient servant,
ALBERT GALLATIN.

The Honorable
The President of the Senate.

REPORT.
In obedience to the directions of the act supplementary to the act entitled "An act to establish the Treasury Department," the Secretary of the Treasury respectfully submits the following report and estimates:

The duties on merchandise and tonnage which accrued during the year 1807, amounted, after deducting the expenses of collection, to
dolls. 26,126,643

From which deducting for duties issued on account of re-exportations, 10,067,191

Left for the nett revenue accrued during that year 16,059,452

The same duties during the year 1808 amounted, after deducting the expenses of collection, to 10,581,559

From which deducting for duties issued, and which on account of the embargo did not exceed 249,396

Leaves for the nett revenue accrued during that year, as will appear by the statement [A] 10,332,163

The statement [B] exhibits in detail the several species of merchandise and other sources from which that revenue was collected during the year 1808; and the statement [A] gives a comparative view of the importations and re-exportations of the several species of merchandise for the years 1807 and 1808, shewing thereby distinctly the effect of foreign aggressions and commercial restrictions on the importations of foreign articles.

From the returns already received for the three first quarters of the present year, and from the general knowledge of the importations made during the two last months, it is believed that the gross amount of duties on merchandise imported during the whole year will, after deducting the expenses of collection, amount to about ten millions of dollars.

But as the debentures issued on account of re-exportation, principally of colonial produce, will amount to about 6,500,000 dollars, the nett

revenue will be about the year 1809 amount to about 13,800,000 dollars and a half.

It appears by the statement [C] that the sales of public lands have during the year ending on the 30th of September, 1809, amounted to 143,000 acres; and the payments by purchasers to near 500,000 dollars. The proceeds of sales in the Mississippi Territory, after deducting the surveying and other incidental expenses, appropriated in the first place to the payment of a sum of 1,250,000 dollars to the state of Georgia, are distinctly stated.

It appears by the statement [D] that the payments on account of the principal of the public debt, having during the same period amounted to near 6,750,000 dollars, the reimbursement of the 3 per cent. stock having taken place on the first of January last. But the aggregate of payments on account of principal and interest will not for the two years 1808 and 1809 exceed the sum of sixteen millions of dollars appropriated by law.

The same statement shows that about 34,700,000 dollars of the principal of the debt have been redeemed during the eight years and eight months, on the 1st of April, 1809, and on the 30th September, 1809; exclusively of more than six millions of dollars paid in conformity with the provisions of the convention with Great Britain and of the Louisiana convention.

The actual receipts into the treasury during the year ending on the 30th of Sept. 1809, have amounted to
dolls. 9,315,753 16

Making together with the balance in the treasury on the 1st of October, 1808, and amounting to 15,816,717 52

An aggregate of 25,132,470 68

The disbursements during the same year have consisted of the following items, viz.

Civil department including miscellaneous expenses, and those incident to the intercourse with foreign nations, 1,453,633 25

Military and naval establishments including the Indian department, viz.

Military, including arms and fortifications, 3,366,463 12

Navy, 2,379,267 80

Indian department, 292,363 84

Interest on the public debt, 6,937,974 76

Reimbursement of principal of the public debt, 3,126,149 15

Amounting together, as will appear more in detail by the statement [E] to 17,333,534 67

And leaving in the treasury on the 30th September, 1809, a balance of 5,828,936 01

25,132,470 68

When it appears that the expenses of government, exclusively of the payments on account of the principal of the debt, have exceeded the actual receipts into the treasury by a sum of near thirteen hundred thousand dollars; and that the deficiency, as well as the reimbursement of the principal of the debt, have been paid out of the sums previously in the treasury, or in other words out of the surplus of the revenue of the preceding years.

The outstanding revenue bonds may, after deducting the expenses of collection, and allowing for bad debts, be estimated to have amounted on the 30th of September, 1809, to
dolls. 7,500,000

The duties on the importations during the last quarter will not probably, after making a similar deduction, fall short of 2,800,000

All those will be due prior to the 1st day of Jan. 1811, and make together with the balance in the treasury on the 30th September, 1809, and amounting as above stated to 5,800,000

An aggregate of 16,100,000

The expenses of the present quarter though not yet precisely ascertained will not probably, including the payments on account of the public debt, exceed 3,600,000

Leaving on the first day of January, 1810, a sum of 12,500,000

About twelve and a half millions of dollars in cash or bonds payable during the year 1810 and applicable to the expenses of that year. This estimate, however, is founded on the supposition that the amount of debentures payable in that year will not exceed two millions of dollars, and that the receipts during the year arising from importation subsequent to the first of January next, and from the sales of land, will be sufficient to pay those debentures and to leave at all times in the treasury at least one million of dollars.

Estimating the expenses of a civil nature, both domestic and foreign, for the year 1810, at the same amount actually expended for those objects during the preceding year, or at about
dolls. 1,500,000

And adding thereto the annual appropriation of 8,000,000

For the public debt; (of which sum about three millions seven hundred and fifty thousand dollars will be applied to the final reimbursement of the exchanged six per cent. stock.)