

**The Alexander Hamilton Collection of John E. Herzog (1716)**

October 25, 2021 EST, Philadelphia

**Viewing:**

Exhibition is open by appointment at our [1600 West Girard Avenue](#) location October 8-24. To make an appointment, please contact Colin Foley at [cfoley@freemansauction.com](mailto:cfoley@freemansauction.com).

**Lot 31**

**Estimate:** \$12000 - \$18000 (plus Buyer's Premium)

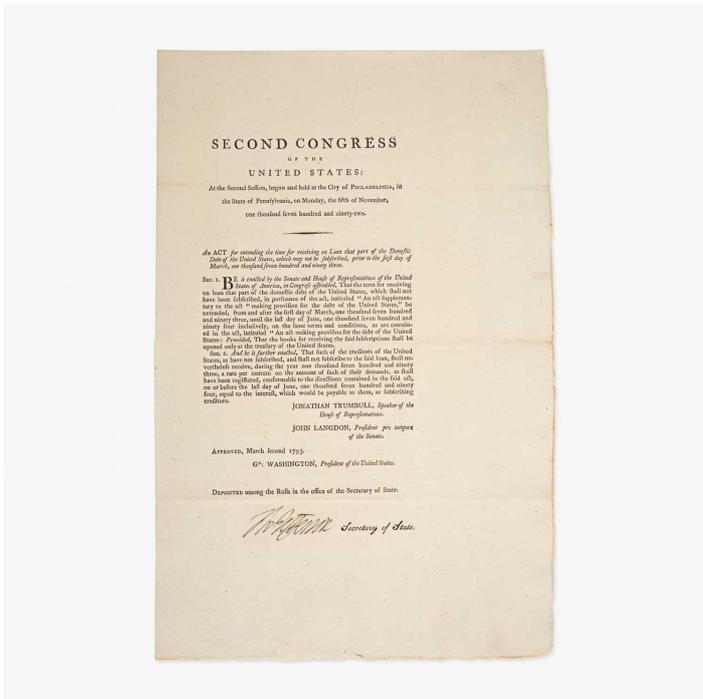
**[Hamilton, Alexander] Jefferson, Thomas An Act for extending the time for receiving on Loan that part of the Domestic Debt of the United States, which may not be subscribed...**

**Secretary of State Thomas Jefferson signed Act of Congress regarding Alexander Hamilton's Assumption Plan**

(Philadelphia, 1793). One sheet, 14 7/8 x 9 5/8 in. (378 x 244mm). Printed document, signed by Thomas Jefferson, as the first Secretary of State. Creasing from original folds, separation along left side middle fold; left blank margin trimmed. A fine example. Evans 26320. Lot includes an engraved portrait of Jefferson.

A fascinating document, an Act of Congress, signed by Thomas Jefferson as the first Secretary of State, concerning the Assumption Plan, a key facet of Alexander Hamilton's plan to modernize the new nation's finances.

The Assumption Plan called for the new Federal government to absorb and take responsibility for all unpaid debt incurred by individual states during the American Revolution, which at the time was calculated to be over \$20 million. Devised by Hamilton, federal debt assumption was a cornerstone of his plan to revitalize the American economy and establish sound credit (see lot 10), and one of the most contentious issues of the young Republic. This document extends the period from March 1793 to June 1794 in which people with monetary claims against the individual states or the Continental Congress could tender their debts to the Federal government in exchange for new securities issued by the Treasury Department. This extension reflects the work of settling state debts after the passage of this plan, which was not completed until 1795. A large majority of this debt originally belonged to Revolutionary War veterans who were given bills of credit (or IOUs) for their service, citizens who provided goods and services for the war effort, and others who purchased bonds through the now-defunct Board of Treasury. Due to the chaotic economic situation after the Revolution by the time Hamilton proposed this plan most of these securities had been sold by their original holders (due to poverty from the depression in the 1780s) to speculators for mere fractions of their original value. This plan would honor only *present* owners of these securities and the government would redeem them at their original face value, with all accrued interest—this immediately made these securities incredibly valuable. Democratic-Republicans, led by then Secretary of State Thomas Jefferson, alongside James Madison, of Virginia, were quick to criticize Hamilton's plan on many fronts. They argued it was morally abhorrent and elitist to award speculators who bought these now-valuable securities from



honorable veterans, casting these original holders as victims of predatory Northerners. They simultaneously argued that states like Virginia, who had paid off their war debt, should not have to pick up the bill for other states through new federal taxation earmarked to pay down these assumed debts. Hamilton countered his critics by arguing that awarding the original holders was unworkable, as the new nation lacked the bureaucratic capacity to track down the original owners and trace intermediate investors, and that doing so would create what Ron Chernow describes as "an administrative nightmare." Further, honoring the sanctity of financial transactions from retroactive government interference not only secured the confidence in public credit, but also, in his argument, prevented a chaotic scenario of endless arbitration concerning ownership rights of these securities. Chernow observes that Hamilton asserted that debt assumption "would be more efficient, since there would be one overarching scheme for settling debt instead of many small, competing schemes. It also reflected a profound political logic. Hamilton knew that bondholders would feel a stake in preserving any government that owed them money. If the federal government, not the states, owed the money, creditors would shift their main allegiance to the central government," further stating that Hamilton's "funding system was premised upon a simple concept: that the debt had been generated by the Revolution, that all Americans had benefited equally from that revolution, and that they should assume collective responsibility for its debt. If state debts were unequal, so were the sacrifices made during the fighting." The presentation of this plan to Congress set off some of the most rancorous partisan fighting of the new government, and set the course for the eventual formation of America's first two political parties. By April 1790 the House voted down Hamilton's plan by a vote of 31-29, and for the moment assumption seemed doomed. Seeking a way to move forward, Hamilton sought to compromise with Madison and Jefferson, using the location of the future capital as a bargaining chip. On June 26, 1790 an informal dinner was held at Jefferson's residence, and a compromise was achieved which saw the new capital temporarily placed in Philadelphia (in order to get Pennsylvania's votes) and then permanently settled in the South, along the Potomac River, in exchange for the votes needed to pass the assumption bill. Finally, it was passed by the House on July 26. This was a major victory for Hamilton. Years later Jefferson would come to refer to his assistance in passing the bill as his "deepest regret," and only later come to realize that this plan "created an unshakable foundation for federal power in America." We can locate one other copy at auction, in 1917. Rare.