Albert Gallatin, Naval Foe

If names of enemies of the United States Navy were compiled, Albert Gallatin, third Secretary of the Treasury, might well head the list. Patriot, statesman, and custodian of the public purse during Jefferson's and Madison's administrations, Gallatin did as much as anyone could to choke the development of the navy in its formative years (1801-1815). What were the reasons for his violent opposition to the navy? Were his naval policies wise?

Gallatin's position on the role and future of the navy can best be understood in terms of the politics of the period and the financial policies of the Republican administration. When Jefferson became President in 1801 there occurred a marked change in the political and economic philosophy of government. In its broadest and simplest terms it was a shift toward the principle of "that government is best which governs least," with all that it implies. Jeffersonian Republicanism constituted a rejection of Hamiltonian "protectionism" both in domestic and foreign affairs. The triumvirate of Jefferson, Madison, and Gallatin strove to reduce the total role of government—and its costs in terms of the tax burden—to the barest possible minimum.

As the financial genius of his party, it became Gallatin's responsibility to map out a fiscal plan which would aid in the realization of the political and economic objectives of the Jeffersonian administration. The principal financial aim was to eradicate an $82,000,000 debt which the Republicans regarded as an inherited "moral canker" hanging on to the body politic of the young republic. In his first Treasury report Gallatin worked out a scheme by which $38,000,000 of the debt could be paid off by 1810, and the remainder finally

1 Albert S. Bolles, The Financial History of the United States (New York, 1885), II, 210-211.
extinguished by 1817. To accomplish this required estimates of revenue and expenditures which Gallatin prepared with great care.

According to his calculations, the Treasury could expect to receive an annual average revenue of $10,000,000. This sum would have to cover all government expenditures, including $7,300,000 for the yearly payment of interest and principal on the new, funded debt. Almost the entire revenue was to come from customs duties, since, under pressure from Jefferson, Gallatin agreed to a repeal of all the internal revenue taxes. Further, he did not include or even recommend in his estimate any increase in the schedule of tariff rates or any additional sources of income.

Thus with only $10,000,000 in total revenue, of which $7,300,000 was pledged to debt payment, there remained but $2,700,000 with which to meet all other items of government expense. The two previous administrations had spent an average of $5,000,000 annually on nondebt expenditures. Somewhere, somehow, Gallatin had to find a way to limit nondebt spending to the $2,700,000 remaining for that purpose. Since the internal taxes had to be repealed and no new sources of revenue were permissible, only one road remained open. A saving of $2,300,000 would have to be realized on nondebt expenditures.

A breakdown of the nondebt expenditures of the Federalist administration for 1801 revealed the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>$230,000</td>
</tr>
<tr>
<td>Foreign Intercourse</td>
<td>300,000</td>
</tr>
<tr>
<td>Civil List</td>
<td>550,000</td>
</tr>
<tr>
<td>Military</td>
<td>1,780,000</td>
</tr>
<tr>
<td>Naval</td>
<td>2,100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,920,000</strong></td>
</tr>
</tbody>
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5 Ibid., 705.
6 Ibid., 701-705.
8 Ibid., 704.
10 Computed from the table of expenditures for the years 1791-1815 in American State Papers, Finance, II, 921.
11 Ibid., 920.
After careful examination, Gallatin decided that very little could be saved on the first three expenditures. Despite earlier and bitter criticism of the Federalists for spending too much on these items, he concluded that they were almost as low as prudent policy required. As he explained to Jefferson, “While only thousands could be saved in the civil list, hundreds of thousands could be saved in the military and naval establishments.”

The central question to be resolved is why Gallatin singled out the navy as the establishment to bear the overwhelming brunt of his desire for retrenchment. Its selection was more than mere chance or pure fiscal necessity. The singular anxiety with which Gallatin strove to keep the naval appropriations to a bare minimum can only be comprehended in its historical setting. This was a period when Great Britain and France were at war, in part over the carrying trade of the world. The United States, having chosen the path of neutrality, began to run away with the carrying trade. American exports climbed from $26,000,000 in 1793 to $108,000,000 by 1808. This expansion in foreign trade brought not only commercial but agricultural prosperity to the United States.

As is often the case, a price had to be paid for this prosperity. While Great Britain and France both wanted American trade, neither could afford to allow the advantages of American trade to accrue to the other, and each was filled with a mixture of envy and resentment at America’s rapidly growing trade and prosperity. In light of these considerations, both belligerents began a systematic policy of depredations on American ships and men at sea.

As long as the Federalists were in power (1789–1801), and except for some troublesome anti-Federalist opposition, government policy was clear. Foreign trade had become the life-blood of the economy and had to be preserved. If American ships were captured or sunk, if American sailors were impressed, then it was necessary to build an ever larger and stronger navy in order to protect American lives and property on the high seas. If the current revenue was insufficient to cover the cost of building and maintaining an adequate navy, a

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resort to borrowing was not only justified but wise. These were the circumstances when, as Secretary of the Treasury, Gallatin selected the navy as the key to his policy of economy.

He regarded naval expenditures as unproductive, wasteful, and destructive. This view stemmed from his general theory that there were three classes of expenditures: (1) war expenditures which were totally destructive and wasteful; (2) civil expenditures which were unproductive; and (3) specific expenditures on internal improvements which were productive. Naval expenditures, being related to war, were, of course, destructive and therefore to be avoided at all costs.

Thus, while Gallatin was basically opposed to naval expenditures as wasteful and destructive, he was even more passionately opposed to them when it became clear that naval expansion could only be undertaken at the expense of increasing the debt. Such an increase would mean higher interest and principal payments, necessitating an increase in taxation. Gallatin regarded that burden as too great for the American people to bear since the per capita tax had already reached $3.00 a year. Above all, he feared that naval expenditures would lead the United States, by increasing its debt, into what Jefferson called, "the English career of debt, corruption and rottenness; closing with revolution." England, said Gallatin, had paid dearly for its navy; it had incurred the huge debt of £300,000,000. Gallatin was determined to do all in his power to prevent an unnecessary, foreign, and useless institution from forcing the United States into England's pitfall.

The pressure for naval expansion had come from the Federalists, who were intent on protecting the sovereignty, dignity, and com-

merce of the United States. Gallatin did not share in that anxiety. His identity with the strong trend of Republican isolationism of that period gave him a different slant on the situation. It was his conviction that the United States would be able to follow the path of neutrality and peace for three specific reasons. One was America's geographic separation from the wars and politics of Europe. Another was the calculated self-interest of Great Britain and France, neither of whom would risk throwing American weight to the advantage of the other. And finally there was Jefferson's policy of "commerce and honest friendship with all nations—entangling alliances with none." Gallatin was so convinced that these three factors would keep America out of war that he could not conceive of any justification for expenditures on war preparations.

For the sake of congressional debate, Gallatin was even willing to assume the possible, though highly improbable, invasion of the United States. In such a case, he told his colleagues, a navy would be neither necessary nor a certain means of defense. He reasoned that should invasion come it would do so from a nation with such an overwhelming fleet that any navy the United States could afford to build would be inadequate. Gallatin was certain that the United States did not have the financial resources for the support of an adequate navy. In holding that view, he was concerned not only with the initial cost of building a fleet, but with the cost of its maintenance as well. The logic of his position finally drove him to conclude that a few vessels were no protection and a large fleet was out of the financial power of the United States. Under such circumstances there was nothing to do but abandon the whole concept of building any sort of a naval force.

28 Mai, 60; *Annals*, 5th Cong., III, 2830-2832.
Gallatin also failed to see the utility of a navy for the protection of American commerce. Had there not already been a remarkable expansion in the nation's commerce without the aid of a large navy? Commerce, Gallatin told Congress, depends upon the wealth and industry of a nation, not upon a navy. He was fond of making the point that it was England's commercial and industrial wealth that made possible the support of her navy and not her navy that made possible the great wealth of England. According to his calculations the expenses of a navy, in an effort to protect commerce, always exceed the benefits derived from it. With the possible exception of England, no nation in Europe had gained any advantage from having a navy; and, in the last analysis, all that a navy did for England was to force her into heavy debt, high taxes, and war. Why, asked Gallatin, should the commercial interests have the right to demand naval protection for their trade? Since commerce was a matter of calculating profit and loss, its protection should be subject to the same calculations. Gallatin did not regard commercial property on the high seas in the same light as property held at home, property which, under the Constitution, the government was obliged to protect.

There was an even deeper reason behind Gallatin's desire to deny the mercantile interests the rights to naval protection. A leader and founder of the Republican party, he, no less than Jefferson, accepted the agrarian faith of the party, a philosophy which held that agricultural pursuits were the most useful, the most productive, and the most worthy of man's occupations, and the most suitable to the growth and development of democracy. Representing an agricultural part of the country, Gallatin's interests and sympathies lay with the landed classes who believed that commerce was significant and justified only as a handmaiden to agriculture.

31 Annals, 5th Cong., III, 2859–2871.
32 Ibid.
33 Ibid.
35 Adams, Life of Gallatin, 267–269.
Even from a purely pragmatic point of view, Gallatin did not believe that a navy would be effective in protecting a nation's commerce. He regarded navies as instruments of power designed more to annoy the trade of other nations than to protect the trade of the nation possessing the navy. He feared even the smallest addition to the navy. It was his feeling that if a navy were once started there would be no stopping it. He regarded the existing proposals for a few frigates as only an entering wedge, the logical consequence of which would be a large navy, a growing debt, higher taxes and ultimate involvement in war, with the navy acting as an instrument of aggression.

These, then, were the reasons why Gallatin singled out the naval establishment as the principal target for his policy of rigid economy. But what did he propose to substitute for the services of a navy? Unfortunately, Gallatin only partially answered that question since most of his time and effort were devoted to the prevention of further naval expansion. In all justice it must first be said that, at least in his theoretical system of thought, Gallatin did not oppose the existence of a navy at all times and under all circumstances. He opposed it with great vigor and passion during a period when the nation was saddled with what he believed to be an overburdening and dangerous public debt. His first concern was to prevent the further increase in the debt (or the diminution in the rate of debt reduction) as a result of naval expenditures. From a long-range point of view, Gallatin agreed that it would be wise and desirable to increase the size of both the army and the navy, since no nation lived in a perfectly rational world. This increase had to come, however, after the debt had been sufficiently reduced so that some portion of the current revenue could then be reallocated to naval expansion.

37 Mai, 60; Annals, 4th Cong., 2nd Sess., 2129; ibid., 5th Cong., III, 2830–2832, 2859–2871; Stevens, 127–128; for Gallatin's views on this question, see Herbert Agar, The Price of Union (Boston, 1950), 126; Annals, 5th Cong., I, 278; ibid., III, 2859.
Meanwhile, wisdom called for the pursuit of a different policy. American dignity and sovereignty would be best protected if the nation's resources were carefully used for self-development.\(^{41}\) By avoiding the use of a navy and remaining neutral,\(^ {42}\) the United States could stay out of the war. At the conclusion of the war the belligerents would be so exhausted that a long period of peace would follow, during which the United States could become more powerful.\(^ {43}\) The "petty" annoyances suffered by American commerce at the hands of Great Britain and France could be handled by other means than the navy. There was the possibility of commercial retaliation in which Jefferson placed so much stock.\(^ {44}\) As for impressing other nations with America's strength, Gallatin was firmly convinced that paying off the debt would leave a greater mark in its favor than the use of a second-rate naval force.\(^ {45}\) To the commercial interests who insisted on protection, Gallatin advised that their commerce could best be protected by placing American seamen on privateers and permitting these privateers to annoy and molest foreign vessels that were belligerent toward American commerce.\(^ {46}\)

Underlying these substitute suggestions was the attitude that, if necessary, insults from foreign nations could be tolerated as the price for domestic prosperity.\(^ {47}\) Americans could take comfort, said Gallatin, in anticipating the day when the world would see that a new type of nation and a new type of power could exist.\(^ {48}\) Peace was a necessary ingredient to the fulfillment of Gallatin's financial aims.\(^ {49}\) The expansion of the navy endangered that peace. Gallatin was willing to accept less effective substitutes or even insults for the day when, debt-free, Americans could afford a different course. For the time being Gallatin was willing to rest with the thought that the

\(^{41}\) Adams, Life of Gallatin, 173.
\(^{45}\) \textit{Annals}, 4th Cong., 2nd Sess., 2129; \textit{ibid.}, 1st Sess., 883–884.
\(^{46}\) Adams, \textit{Life of Gallatin}, 170.
\(^{47}\) Gallatin to Jefferson, November, 1801, \textit{Writings of Gallatin}, I, 63; Agar, 126.
\(^{48}\) \textit{Ibid.}
\(^{49}\) "Biographical Memoirs of Gallatin," 12.
safety of the nation depends on "the union, the zeal, and the bravery of the mass of the people," not on permanent armies and navies.50

Most of Gallatin's theoretical views regarding naval expenditures were formulated and expressed between 1794 and 1801 while he was a member of Congress. As leader of the opposition party51 he had little direct success in translating his naval theories into policy.52 His opportunity to make naval policy began when he took office as Secretary of the Treasury in 1801. But, as is often the case, the necessities and exigencies of administrative responsibility forced Gallatin to modify his earlier views and twist the logic of his position into conformity with necessity (political, fiscal, and personal). Gallatin's principal influence on naval appropriations came through his control over the estimates of appropriations for the various departments.53 In 1800 naval expenditures had been almost $3,500,000.54 In 1801 they had fallen to $2,100,000.55 In his first Treasury report Gallatin proceeded to cut naval appropriations down to $1,100,000.56

From that point on, Gallatin was constantly trying to keep naval expenditures below the $1,000,000 mark. It became almost legend that each time the revenue seemed to fall short of anticipated expenditures, Gallatin looked to naval economy as a way to close the gap. In 1802 Jefferson asked the Secretary of the Treasury what effect the peace in Europe would have on government revenue.57 Gallatin replied that government revenue would be diminished and that the naval establishment would therefore have to be cut further. The Louisiana Purchase in 1803 increased the debt by $11,250,000. In order to maintain the same ratio of debt reduction, Gallatin secured congressional approval for the allocation of an additional $700,000 toward the servicing of the debt.58 But since only $400,000

50 Annals., 5th Cong., III, 2859-2871.
52 Adams, Life of Gallatin, 180-181.
54 American State Papers, Finance, II, 920.
55 Ibid.
57 Jefferson to Gallatin, Sept. 13, 1802, Writings of Gallatin, I, 98.
in additional revenue seemed to be forthcoming, he suggested that the remaining $300,000 be procured by further naval economies. Whenever the Treasury seemed to be temporarily drained of specie, Gallatin exerted his influence for the curtailment of naval expenditures until the "crisis" had passed. Following the period of the Embargo, he set himself to repair the financial damage it had inflicted on the government. His first suggestion for the restitution of the earlier fiscal system was that greater emphasis be placed on naval economy.

The events which followed Gallatin's assumption of office as Secretary of the Treasury seemed to conspire to prevent his realization of the naval economy he sought so passionately. Gallatin found his first obstacle to naval retrenchment in the nature of opposition from the Federalists, who accused him of trying to starve the navy entirely out of existence. The Federalists in Congress were able to force through greater naval appropriations than Gallatin wanted.

A second difficulty that confronted Gallatin was to be found within his own party. In appointing a Secretary of the Navy in 1801 Jefferson was faced with a dilemma. He was looking for "what cannot be obtained . . . a prominent officer equal and willing to undertake the necessary duties." Jefferson was searching for a good naval officer who at the same time would be willing to co-operate in retrenching the navy. Unfortunately, the man selected—Robert Smith—was neither. The result was continuous conflict and irritation between the two department heads, with each giving some ground at the expense of a consistent policy.

The problem of the Barbary pirates, who were molesting American commerce in the Mediterranean, constituted a third factor standing in the way of effective naval economy. After many years of effort at conciliation and bribery, the Republican administration found it necessary, by 1804, to wage naval war against the Barbary states. This forced the naval expenditures far above the level estimated by

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64 Adams, *Life of Gallatin*, 291; White, 141-143.
Gallatin. In order to keep some semblance of the fiction of "reasonable" naval expenditures during this period, he conceived and secured the passage of the Revenue Act of March 26, 1804 (the Mediterranean Fund), which placed an additional two and a half per cent duty on all imports. The revenue from this source was to be exclusively applied to naval expenditures and was to be repealed as soon as that crisis was over. In fact, however, the Mediterranean Fund was only a shift in the mode of taxation (raising approximately the amount of revenue which the repeal of the internal taxes had lost the government) and constituted no less a naval expenditure than if the amount had been directly included in Gallatin's estimate of the permanent naval appropriations.

A threat of war with Spain in 1805 was a fourth factor militating against naval economy. In order to postpone an immediate rupture with Spain, Gallatin indicated a willingness to allocate a portion of the growing Treasury surplus to naval expansion. It was his feeling that by agreeing to spend more money on the navy he could pacify those Federalists who wanted to plunge the nation into immediate war.

By the beginning of 1808 and continuing beyond 1815 when Gallatin resigned as Secretary of the Treasury, greater naval expenditures were made even more necessary by the exigencies of the Embargo, the nonintercourse policy, and the War of 1812. By 1808 he had given up any real hope of economy in the naval establishment.

Gallatin began his responsibilities as Secretary of the Treasury by hoping to hold naval expenditures to $650,000 a year. He raised that estimate to $1,100,000 at the time of his first Treasury report. In practice, however, naval expenditures averaged $2,200,000 a year during the period when he was in office, climbing from $950,000 in 1802 to $7,000,000 by the end of his career as Secretary of the Treasury. Despite his every effort, he had failed to achieve those


66 In fact, and due to the need for revenue, this act was renewed by eight successive acts until the War of 1812.


69 *American State Papers*, Finance, II, 920.
naval economies which he believed were essential to reducing the public debt.

It is worth noting in conclusion that despite this failure to hold down naval expenditures, Gallatin is still credited with the so-called "Golden Age of Republican Finance." The fact is that the debt was reduced by more than even Gallatin had anticipated, falling from $82,000,000 in 1801 to $57,000,000 by the end of 1808. Thereafter debt retirement remained on schedule until 1812, made possible by factors for which Gallatin could claim neither credit nor responsibility. Republican financial success, at least until 1808, was due primarily to the growth of customs revenue arising from the greatly expanded foreign trade of that period. Gallatin had estimated an annual average revenue of $10,000,000. Actually, it rose to a peak of $16,000,000 by 1808, averaging $13,500,000 during the "Golden Age." Debt reduction was made possible by an excess of actual over estimated revenue and not by naval economy. It is unfortunate that Gallatin did not realize that there was no need to sacrifice the navy in order to attain his party's financial objectives.

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