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## THE DEVELOPMENT OF ACCOUNTING AND INTERNAL CONTROL FOR THE NATIONAL LAND SYSTEM OF THE USA

*Abstract:* This paper examines the early accounting practices that were used to administer the United States' national land system. These practices are of significance because they provide insights on early governmental accounting and they facilitated an orderly settlement of the western territories.

The analysis focuses on the record-keeping and control practices that were developed to meet the provisions of the Land Act of 1800 and to account for land office transactions. These accounting procedures were extracted from the correspondence between the Department of the Treasury and the various land officers.

With the signing of the Treaty of Paris in 1783, the United States acquired a vast domain. In order to manage this new territory, it was necessary for the new government to create an administrative system which would allow for a distribution of the land as well as a record-keeping system that would monitor and control this system.

This administrative mechanism had to serve three basic needs: 1) to provide a major source of revenue to help pay off the staggering national debt, 2) to provide for an orderly settlement of the west, and 3) to facilitate the distribution of land to veterans who had been promised it for their services in the Revolutionary War [Hibbard, 1965, p. 32-35].

Unfortunately, the development of an effective land policy to reach these goals was slow in coming. Over the course of the next thirteen years, two acts were passed by Congress to regulate the sale of the public domain (The Land Ordinance of 1785<sup>1</sup> and the Land Act of 1796<sup>2</sup>). However, the provisions of these

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<sup>1</sup>The statutory title of this ordinance was *An Ordinance for Ascertaining the Mode of Distribution of Lands in the Western Territory* [Journals of the Continental Congress, Vol. XXVIII, pp. 375-381, (May 20, 1785)]. Reprinted in Treat [1910, Appendix II, pp. 395-400].

<sup>2</sup>The statutory title of this act was *An Act providing for the Sale of the Lands of the United States, in the territory northwest of the river Ohio, and above*

acts did not satisfy either the public or the Congress, and few lands were sold under them (see Table 1). Criticism of the government's land statutes typically focused on issues such as minimum lot size, price per acre, credit terms, and the manner in which the land would be surveyed [Rohrbough, 1968, p. 22]. The greatest benefit derived from this period of public land sales may be that it provided trial and error experience for future public land policy.<sup>3</sup>

**TABLE 1**  
**Public Land Sales**  
**1785-1799**

	<u>Acres Sold</u>	<u>Revenues</u>
Ordinance of 1785 <sup>a</sup>	108,431	\$205,872
Land Act of 1796	48,566	\$105,040
Total	156,997	\$310,912

Source: U.S. Congress American State Papers — Public Lands, Vol. 3, *Schedule in relation to the sales of public lands before the Land Offices were opened*, Nov. 8, 1820, p. 406. *Application for the Remission of a Forfeiture*, Jan. 28, 1823, p. 535.

<sup>a</sup> These sales under the Ordinance of 1785 included the sale of 35,457 acres at a price of \$88,764, which was later forfeited to the United States for failure of payment.

By 1800, Congress was ready to write a refined act based upon these experiences. On May 10, 1800, Congress passed *An Act to amend the act entitled An Act providing for the sale of the lands of the United States, in the territory northwest of the Ohio, and above the mouth of the Kentucky river* [2 Stat., Ch. LV, pp. 73-78, (May 10, 1800)], hereafter referred to as "the Land Act of 1800." This Act would govern land sales for the next two decades,<sup>4</sup> a period in which sales of the public domain would ex-

*the mouth of the Kentucky river* [1 Stat., Ch. XXIX, pp. 464-469, (May 18, 1796)].

<sup>3</sup>In addition to the provisions for these two prior land laws, there were other factors that hampered public land sales during the period. These factors included Indian unrest, a shortage of surveyors, and "squatters" that settled on the land in defiance of the law [Hibbard, 1965, pp. 41-42].

<sup>4</sup>This act was amended on April 24, 1820, when Congress passed *An Act making further provisions for the sale of the public lands* [3 Stat., Ch. LI, pp. 566-567, (April 24, 1820)].

pand and reach fulfillment [Rohrbough, 1968, Ch. 6]. Within the provisions of this new act were the accounting practices that would guide its administrative procedures and monitor its success.

This paper deals with these accounting practices that governed early land sales. The next section provides an outline of the provisions of the Land Act of 1800. Those provisions that relate to accounting and control are emphasized. This is followed by a description of the record-keeping procedures that were developed by the Treasury Department in order to provide control over the monies received and the various land documents issued. The paper then examines some of the problems that were encountered by the land officers in carrying out their instructions during early land office transactions. The paper concludes with a summary section.

### THE LAND ACT OF 1800<sup>5</sup>

For disposal of the public lands in the Northwest Territory, the Land Act of 1800 established four land districts, each with an office, located in Cincinnati, Chillicothe, Marietta, and Steubenville, Ohio. For each of these land offices, the President of the United States was to appoint two officers: a "Register of the Land Office," who would direct the office, and a "Receiver of Public Monies." These two officers were in charge of the record-keeping procedures at their respective land offices, and their duties are discussed in the following sections.

Tracts of land were to be offered for sale in the four towns in either sections (640 acres) or half sections (320 acres). Prior to sale, the land was to be surveyed "by running parallel lines . . . from east to west, and from north to south, at the distance of one mile from each other, and marking corners, at the distance of each half mile . . ." (e.g., 1 square mile = 640 acres). The Surveyor General was to submit plats of the surveyed districts to the registers of the local land offices, and also forward a copy of these plats to the Secretary of Treasury. The land was to be sold at public auction on the dates prescribed by the Act, and sales were to remain open for three weeks. However, "All lands, remaining unsold, at the closing of either of the public sales,

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<sup>5</sup>The provisions of this act that are outlined in the sections below are contained in the body of the Act of 1800. Thus, additional citations or references to the act are omitted unless direct quotes from the Act are used.

may be disposed of at private sale by the registers of those respective land offices" [2 Stat., Ch. LV, Sec. 4, p. 74].

### *Terms of Payment*

The minimum price for which lands could be sold under the Act was two dollars an acre, and payments could be made either in specie form or in evidence of the public debt of the United States. On the date of sale, the purchaser was required to make a deposit of one-twentieth of the purchase price and pay a surveying fee of six (three) dollars for a section (half-section). Credit terms were as follows:

One fourth of part of the purchase money shall be paid within forty days after the sale as aforesaid; another fourth part shall be paid within two years; another fourth part within three years; and another fourth part within four years after the date of sale [2 Stat., Ch. LV, Sec. 5.2, p. 74].

According to Section 5.3 of the Act, interest at six percent would be charged on each of the last three payments, payable as they become due. In addition, a discount of eight percent would be allowed on any of the last three payments, "which shall be paid before the same shall become due, reckoning this discount always upon the sum, which would have been demandable by the United States, on the day appointed for such payment."

However, if the purchaser failed to make his first payment of one-fourth within the forty-day payment period, then his deposit of one-twentieth and his surveying fees were forfeited to the government, and the land would be resold at private sale.<sup>6</sup>

### *Duties of the Receiver of Monies*

The receiver of the land office was responsible for issuing receipts for all deposits, fees, and payments received by him. He was also required:

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<sup>6</sup>If the purchaser did not pay the entire sum within one year of the last scheduled payment date, then the land would revert back to the government and be sold at public vendue "for a price not less than the whole arrears due thereon." Any surplus of the sum bidden over the amount of the arrears (including interest) would be returned to the original buyer [2 Stat., Ch. LV, Sec. 5.5, p. 75].

... to transmit within thirty days in case of public sale, and quarterly, in case of private sale, an account of all the public monies by them received, specifying the amount received from each person, and distinguishing the sums received for surveying expenses, and those received for purchase money, to the Secretary of the Treasury [Sec. 6, p. 75].

The receiver was also required to transmit this money to the Treasury every three months. However, transferring this money to the nearest bank posed for the receiver several difficulties which are explored later in this paper.

The sixth section of the Act also specified that the receiver was entitled to one percent of all monies received "as compensation for clerk hire, receiving, safekeeping, and transmitting to the Treasury of the United States."<sup>7</sup>

### *Duties of the Register*

The duties of the register began when a purchaser of land presented him with a receipt of purchase issued by the receiver. He would then fill out an entry of application for the purchase of a tract of land in:

... books kept for that purpose only ... stating carefully ... the date of the application, the date of the receipt to him produced, the amount of monies specified in the said receipt, [and] the number of the section or half section, township, and range applied for [Sec. 7, p. 76].

The receipt would be filed by the register, and the buyer would receive a copy of the entry of application. If, within three months, the purchaser produced a receipt for one-fourth of the purchase price, the register was to file the receipt and make a note:

... in the said book of entries .. opposite to the original entry, and give to the party a certificate, describing the land sold, the sum paid on account, the balance remaining due [and] the time and times when such balance becomes due [p. 76].

When the purchaser produced a receipt for the second installment payment, the Act directed the register to open an account

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<sup>7</sup>For the "faithful discharge of his trust," the receiver was also obligated to submit a bond of \$10,000 before he entered office [2 Stat., Ch. LV, Sec. 6, p. 75].

in the name of the purchaser for each section or half section purchased. This account was to be recorded:

... in a book kept for that purpose ... and in which he shall charge the party for the whole purchase money, and give him credit for all his payments; making the proper charges and allowances for interest or discount, as the case may be.<sup>8</sup>

All subsequent payments were to be entered in this book, and when the last payment has been received and the account settled:

... he shall give a certificate of the same to the party; and producing to the Secretary, the same final certificate, the President of the United States is hereby authorized to grant a patent for the lands to the said purchaser, his heirs or assigns [p. 76].

However, if the Register is not tendered the receipt for the first payment of one-fourth, he was directed to:

... enter under its proper date, in the said book of entries, that the payment has not been made, and that the land has reverted to the United States, and he shall make a note of the same in the margin of the book opposite to the original entry [p. 76].

Under the eighth section of the Act, the register was to note on the general plat:

... every tract which may be sold, by inserting the letter A on the day when the same is applied for, and the letter P on the day when a receipt for one-fourth part of the purchase money is produced to them [Sec. 8, p. 76].

If the land should ever revert back to the United States due to a failure of payment, the letter A was to be crossed out, signifying that the tract may be purchased again.

According to section nine, the register was to transmit quarterly to the Secretary of the Treasury and the Surveyor General an account of: (1) all tracts applied for, (2) all tracts of which

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<sup>8</sup>For the second and third payments of one fourth (see *Terms of Payment*), the register was also required to issue a receipt to the purchaser. This receipt provided documentation that the purchaser had presented his receipt issued by the receiver to the register, and the register had duly filed it [2 Stat., Ch. LV, Sec. 7, p. 76].

one-fourth of the purchase money has been received, and (3) all tracts which have reverted to the United States. The Secretary of the Treasury was also to receive quarterly:

...an account of all the payments by them entered, according to the receipts produced to them, specifying the sums of money, the names of the persons paying the same, the names of the officers who have received the same, and the tracts for which the same have been paid [Sec. 9, p. 77].

As compensation for their duties, the registers were entitled to receive from the Treasury of the United States, "one half percent on all the monies expressed in the receipts by them filed and entered."<sup>9</sup>

### *Analysis of the Land Act*

Most of the provisions in the Land Act of 1800 were a culmination of earlier legislation and debates [Treat, 1910, pp. 94-98]. Multiple land offices, different size tracts, and credit terms were all by then established features of the land system. The new act modified these particulars to help facilitate sales to the western settlers.

The distinguishing feature of the new land system was the addition of the register and the resulting implications for record-keeping procedures. The Land Act of 1796 did not provide for a register, so the Receiver of Monies had assumed the responsibilities of record-keeping and the collection of payments.<sup>10</sup> The new Act separated these duties to provide an internal check for errors as well as serving as a deterrent to fraud. Both the receiver's record of "public monies received" and the

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<sup>9</sup>In addition, the registers were entitled to receive fees from the purchasers for "services rendered." These fees included the following: (1) for every original application of land, three (two) dollars for a section (half-section), (2) for every certificate issued upon the receipt of the first (last) installment payment of one fourth, twenty-five cents (one dollar), and (3) twenty-five cents for providing a receipt for the second and third installment payments [2 Stat., Ch. LV, Sec. 12, p. 77].

<sup>10</sup>The Land Act of 1796 provided for a "... person, to be appointed to receive the money on sales in the western territory," but did not specify that the receiver handle record-keeping responsibilities [1 Stat., Ch. XXIX, Sec. 12, p. 468]. These responsibilities were later assigned to the receiver by the Secretary of the Treasury [Wolcott, Oct. 5, 1796].



register's account of "payments entered" were subject to the scrutiny of the Department of the Treasury.

In addition, the Act went much further in establishing the records to be kept by the land officers. Based on the provisions of the Act, the register was to keep two books. The first book, or the "book of entries," was to contain the details of the purchase (the entry of application), and provide a record of the receipt of the deposit of one-twentieth and the first installment payment of one-fourth of the purchase price.<sup>11</sup> Upon the receipt of the second installment payment, the register was to transfer the purchase price of the tract of land and the payment history related to that tract into an account in the name of the purchaser in a second book. All subsequent payment would then be entered in this second book.

The duties of the receiver would prove to be exacting chores [Rohrbough, 1968, p. 31]. Under the terms of the Act, a purchaser could receive a discount on one installment payment and be required to pay interest on the next. Purchasers of public lands were also allowed to make payments using "evidence of the public debt of the United States" (see *Terms of Payment*), in lieu of cash. The procedures to be followed for these noncash transactions caused problems for the receivers, as did the calculation of discounts. Both of these problems are investigated later in this paper.

While the Act provided an outline of the records to be kept and the documents to be issued, it was up to the Secretary of the Treasury, Oliver Wolcott, to fill in the details and implement a record-keeping system for the disposal of the public lands.<sup>12</sup> The Secretary's record keeping system is outlined in the next section.

### WOLCOTT'S RECORD-KEEPING SYSTEM

For purposes of implementing the record-keeping procedures required under the Act, a more qualified man could not

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<sup>11</sup> The deposit of one-twentieth was to be deducted from the first installment payment, so the first payment was actually for less than one-fourth [2 Stat., Ch. LV, Sec. 5.1, p. 74].

<sup>12</sup> According to section eleven of the Act, "... the Secretary of the Treasury shall ... prescribe such further regulations, in the manner of keeping books and accounts, by the several officers ... in order [to] fully carry into effect the provisions of this act" [2 Stat., Ch. LV, Sec. 11, p. 77].

have been found than Oliver Wolcott.<sup>13</sup> Wolcott had a distinguished background in federal administration, having previously served as Auditor of the Treasury Department and Comptroller of Public Accounts [White, 1948, p. 124]. Prior to joining the federal government, Wolcott worked in the office of the Pay-Table and served as Comptroller of Public Accounts in his native state of Connecticut [Gibbs, 1846, pp. 15-17]. He was appointed to the Secretary's position in 1795 upon the resignation of Alexander Hamilton.

Wolcott began his work by sending his newly appointed registers and receivers instructions and forms to be used in the land office business [Wolcott, Sept. 26a, 1800 and Sept. 26b, 1800]. The purpose of these forms was to assist the officers in maintaining their books, preparing statements for the Treasury, and in issuing certificates. The content of these forms are outlined below.<sup>14</sup>

### *Instructions to Registers*

There were ten forms to be used by the registers for issuing certificates and preparing records. *Form I* contained instructions to be used in filling out the book of applications (the book of entries) referred to in the Land Act. According to Wolcott [Sept. 26a, 1800], notes of all "transactions connected with the acquisition of a complete title" were to be recorded in the margins of this book.<sup>15</sup> *Form II* was to be used in filling out a certificate to be issued to the purchaser upon receiving evidence of the first installment payment of one-fourth of the purchase price. When receipts for the second and third installment pay-

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<sup>13</sup> Wolcott's father, General Oliver Wolcott, was also a public servant, and had a distinguished military career. The senior Wolcott led several campaigns in the Revolutionary War, and was elected to the Congress of 1776. It was in this capacity that he earned his lasting place in history as a signer of the Declaration of Independence. He served in Congress until the end of the war, and in 1796 was elected governor of his home state of Connecticut. He died one year later in December 1797 [Gibbs, 1846, pp. 11-12].

<sup>14</sup> The actual forms drawn up by Wolcott and sent to the land officers are not among the records on file at the National Archives. The content of these forms as described in this manuscript are based on the instructions from Wolcott contained in his letters.

<sup>15</sup> Wolcott's instructions regarding the book of entries appear to go farther than required under the Act. Based on the author's interpretation of the Act, the only payments to be recorded in the book of entries were the deposit of one-twentieth and the first installment payment of one-fourth.

ments were tendered to the register, he was to issue an "endorsement" to the purchaser according to *Form III*.<sup>16</sup> *Form IV* was to be used in issuing the final certificate upon receipt of the last installment payment of one-fourth. According to Wolcott [Sept. 26a, 1800], "These Certificates are to be numbered progressively, beginning at 1 and preceding in regular succession." As an additional precaution, Wolcott ordered his registers to issue this final certificate "... only upon the surrender of the Certificate before described No II duly endorsed."

*Form V* "is the form of a Register to be kept of all certificates which may be issued according to the forms II and IV" [Wolcott, Sept. 26a, 1800]. Those certificates issued according to *Form II* were to be recorded in columns one through 17 of the register, and those certificates issued according to *Form IV* were to be recorded in columns 18 through 21. Note that this register was not referenced in the Land Act of 1800, but was prescribed by Wolcott to maintain control over the certificates.

According to Wolcott [Sept. 26a, 1800]:

No. VI and VII are forms of a journal and ledger containing examples of the entries to be made in congruence of the different transactions expected to occur in your office — the principles upon which the books are to be kept are explained in the paper marked VIII.

The instructions of Wolcott cited above do not provide guidance on the details of this journal and ledger. However, section 7 of the Land Act provided for two different books: (1) the indented book of applications, which was used to record the deposit of one-twentieth and the first installment payment of one fourth, and (2) a book to record the second payment of one-fourth and all subsequent transactions. It is the author's contention that *Forms VI* and *VII* relate to this second book prescribed by the Act. Upon the receipt of the second installment, an account was to be opened for the purchaser in this book, possibly by debiting the account for the purchase price of the tract and interest accrued on the outstanding balance, and crediting the account for all payments received and discounts taken (see *Duties of the Register*).

*Forms IX* and *X* were to be used by the registers to prepare their quarterly statements for the Department of the Treasury,

<sup>16</sup>This "endorsement" given to the purchaser is in all likelihood the receipt provided by the register that is discussed in footnote 8.

which were required under the ninth section of the Act. Form number IX was an account containing "all lands applied for," and number X was to be used in preparing an account of all "monies entered" [Wolcott, Sept. 26a, 1800]. This account of monies entered could then be reconciled by the Treasury Department with the statements prepared by the receivers, which are discussed next.

### *Instructions to Receivers*

To distinguish the forms to be used by the receivers from those used by the registers, Wolcott marked the receivers' forms in alphabetical order from A to G. According to Wolcott [Sept. 26b, 1800], "The papers marked A & B contain specifications of entries to be made in a Journal and Ledger in which all receipts and payments must be recorded." The principles upon which the Journal and Ledger were to be kept were contained in *Form C*. This Journal and Ledger would serve as the linchpin of the record-keeping system for the receivers, and was used to prepare the quarterly statements for the Treasury. The form of the receipts issued to the land purchasers was contained in the paper marked *D*.

Those purchasers who wished to submit certificates of indebtedness (stock) in lieu of specie for their payments were to be issued a certificate (as well as receipts) according to *Form E*. However, the receiver was not supposed to accept these stock certificates. This stock had been created pursuant to *An Act making provision for the [payment of the] debt of the United States* [1 Stat., Ch. XXXIV, pp. 138-144, (Aug. 4, 1790)]. Under section seven of this Act, this stock:

... shall be transferable only on the books of the treasury, or of the said commissioners respectively, upon which the credit for the same shall exist at the time of transfer, by the proprietors of such stock [Sec. 7, pp. 140-141].

The purchaser was to deliver certificate *E* to the Treasury or the Commissioner of Loans who would make the transfer and necessary entries on its books.

According to Wolcott [Sept. 26b, 1800], "The paper marked *F* is the form of an account of monies received, which is to be dated and rendered at the end of each calendar month to the Secretary of the Treasury." A duplicate of this account was to be

remitted to the register of the land office. This duplicate account may have been used by the register to insure that the receipts presented to them were authentic, and that the payment had been made. The last form, (G), was to be used by the receiver to prepare a record of all receipts and repayments.<sup>17</sup>

In addition to the account of monies received, Wolcott directed his receivers to submit seven statements to the Treasury at the end of each quarter. Statement one was an *Account of Deposits including surveying expenses*. This statement was to be extracted from the Journal and Ledger "showing the particulars of all the debit and credit entries and the balance of the account" [Wolcott, Sept. 26b, 1800]. The second statement, *Sales of Public Lands*, included the tracts of land purchased and the sum paid on them. The third and fourth statements, *Accounts of all Forfeitures* and *Account of Interest*, were to be "exact extracts from the accounts in your books."

A *Cash and Stock Account* was to be prepared "distinguishing receipts in money from transfers in stock and exhibiting in distinct columns, the amount of each stock and its value in money" [Wolcott, Sept. 26b, 1800]. Finally, an *Account of Discounts* was to be submitted along with the receiver's *Commission Account*.

### *Notes on the Record-Keeping System*

Unlike the office of the register, the text of the Land Act of 1800 did not provide a reference for specific accounting books to be kept by the receiver (see *Duties of the Receiver of Monies*). Rather, the Act called for statements of accounts that were to be transmitted to the Department of the Treasury on a monthly (or quarterly) basis. Thus, Wolcott designed a record keeping system that facilitated the preparation of these statements.

As outlined above, the statements submitted by the receivers were detailed and numerous. While these statements were necessary to provide the Treasury Department with current revenue projections, they also provided checks over the two land officers and land claims. Note that the register was required to submit an account of "all lands applied for," while the receiver had to prepare a statement listing all tracts purchased (i.e., *Sales of Public Lands*).

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<sup>17</sup>The nature of these repayments are discussed later in this manuscript under *The Receiver's Account of the United States*.

Wolcott's record-keeping procedures would soon be tested, as the first public sales of land were scarcely six months away.<sup>18</sup> However, circumstances would soon prevent him from supervising his system. Wolcott resigned from the Treasurer's position upon Thomas Jefferson's victory over John Adams in the Presidential election of November, 1800 [White, 1948, p. 125]. While Wolcott's responsibilities for directing land office affairs were completed, his record-keeping system would survive to be a lasting contribution to the administration of the national land system. The balance of this study will explore some of the problems encountered in the operation of this system in its initial stages.

### ADMINISTRATION UNDER ALBERT GALLATIN

On March 4, 1801, the new administration assumed direction of the nation's affairs [Rohrbough, 1968, p. 26]. To serve in his cabinet as Secretary of Treasury, Jefferson appointed Albert Gallatin of Pennsylvania on May 14, 1801.<sup>19</sup> Gallatin, formerly the leader of the opposition of the house, had emerged as an authority on public land policy and displayed a keen interest on its issues. As an astute financier, he clearly foresaw the potential of sales of the public domain as a means to reduce the federal debt [Balinky, 1958, p. 126]. However, in pursuing this objective, Gallatin could not have anticipated the administrative duties which lay ahead. In his first year in office, the Secretary would spend a substantial portion of his time conducting land office affairs. He found himself constantly interpreting the provisions of the Act of 1800 and clarifying Wolcott's record-keeping system for his land officers. This first year of public land sales would, in fact, serve as a trial-and-error period for the national land system.

#### *First Sale of Public Lands of Chillicothe*

As directed by the Act of 1800, the first public auction in Chillicothe commenced on the first Monday of May, 1801, although it was under very interesting circumstances. The register

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<sup>18</sup> Under section four of the Act, the first public sales of land were to be held in Cincinnati on the first Monday in April, 1801, and in Chillicothe on the first Monday in May, 1801 [2 Stat., Ch. LV, Sec. 4, p. 74].

<sup>19</sup> During the interim, Jefferson had appointed Samuel Dexter as the acting head of the Treasury [Balinky, 1958, p. 15].

of the land office, Thomas Worthington, had failed to receive his proper books and certificates to be used in the land office business [Worthington, May 11, 1801]. In addition, neither the Governor nor the Secretary of the Western Territory had arrived. Under the Act of 1800, at least one of these officials was to attend as Superintendent of the sales.

While the register clearly did not want to proceed with the sales, the large crowd which had been gathering for several days may have influenced his decision. Worthington [May 11, 1801] wrote:

In this case I felt much undetermined as to my duty, not less than two hundred people were in town from different parts of the country waiting for the commencement of the sale . . . the Surveyor General being here, I called on him for his opinion and on three Gentlemen of the Bar all of whom agreed it was my duty to commence the sale.

So reluctantly following this advice, the register signaled the crier to announce the location of the first tract to be offered for sale [Rohrbough, 1968, p. 43]. Lacking record books and certificates, Worthington followed the directions issued to him by the former Secretary to record the purchases of land. According to Worthington [May 11, 1801], "In conformity to my instructions from Mr. Wolcott I prepared a book for entries and have regularly had the Application entered and signed by the purchasers."

Despite the chaotic beginning, the land sales at Chillicothe were a great success. The office sold 99,058 acres of land for \$229,918 in the three weeks of public sale. In the next five months, Worthington sold an additional 64,205 acres for \$128,410 at private sale [Reports of the Secretary of the Treasury of the United States, Vol. 1, *Report on the Finances for 1801*, Schedule O, p. 246]. These figures were a sharp contrast to the sales under the Land Act of 1796, and were a welcome addition to the government's income [Rohrbough, 1968, p. 44].

#### *Controversy Over the Book of Entries and Register's Fees*

During these initial land sales at Chillicothe, a dispute arose between Worthington and Governor St. Clair (who arrived three days late) over the record-keeping procedures of the register. This controversy was related to a point of law embodied in the Act of 1800. According to the twelfth section of the Act:

They [the registers] shall be further entitled to receive . . . the following fees for services rendered . . . for every original application of land, and a copy of the same, for a section three dollars, for a half section two dollars [2 Stat, Ch. LV, Sec. 12, p. 77].

The Governor maintained that purchasers at public sales were not required to pay this application fee since their “original application” was by becoming the highest bidder; that is, giving a receipt to the register cannot be considered as “applying for the purchase” [Gallatin, June 10a, 1801]. Based on his own interpretation of the law, St. Clair also thought it unnecessary to make an entry of application for sales at public auction in the book of entries [Worthington, May 11, 1801, and July 2, 1801]. The real issue at hand was whether the record-keeping procedures to follow at a public sale were the same as those of a private sale. From Worthington’s point of view, this issue had already been settled. In response to one of the register’s prior letters,<sup>20</sup> the former Secretary, Oliver Wolcott [Nov. 21, 1800], had remarked:

You are right in your ideas that lands sold at public sales are to be entered in the same manner as those privately applied for — after they are struck off to the highest bidder, the mode of proceeding is to be precisely the same.

Following these directions, Worthington had charged all purchasers at the public sale an application fee and filled out an entry of application in the book of entries.

St. Clair pointed out that Oliver Wolcott was no longer the Secretary of the Treasury. For guidance on the matter both Worthington and the Governor sought the advice of the new Secretary, Albert Gallatin. For months, the Secretary side-stepped the issue without rendering an opinion. Gallatin [July, 16, 1801] finally concluded, “I think this is one of those cases, where I should resort to the opinion of the Attorney General; it would have been done at once, had he not been absent.” During this time, a suit was brought against Worthington in the Court of the Common Pleas in Fairfield County for the return of those fees previously charged. The outcome of this suit is described by Worthington [July 28, 1801]:

<sup>20</sup> This letter from Worthington to Wolcott was not found, but is referenced in Wolcott [Nov. 21, 1800] and Worthington [May 11, 1801].



After a fair investigation of the subject by arguments for and against the Question it was given unanimously in my favour [sic], not withstanding 3 out of 4 of the judges were Interested in the question having purchased a considerable quantity of Lands at the sales.

However, this ruling was not the end of the matter. A few days after this proceeding, the Attorney General, Levi Lincoln, rendered his opinion [July 29, 1801]:

I see no necessity from the law making the entry of a public sale on the book of entries, in the same manner as in the case of an application for a purchase at private sales . . . It is more clear, that the purchasers at public sales are not obliged to make application at the Land office, . . . or to pay any fee therefor.

Now that the Attorney General had issued his opinion, the Secretary took a stand on the issue. Gallatin [Aug. 15a, 1801] advised Worthington:

By last mail I sent you the opinion of the Attorney General on the quantum of fees, for the land sold at public sale — it does not accord precisely with mine — it is perhaps superfluous to add, that it is only an opinion, and, that, in that case, it is not to be considered as binding, but merely as advice.

Gallatin further noted that “a decision by the court . . . would be preferable as it would settle the matter.” This issue was now in fact before the General Court of the Territory. In October, 1801, the General Court ruled in Worthington’s favor, settling the issue and making it law [Worthington, Oct. 29, 1801]. While the Governor expressed intentions of appealing the decision to the Federal District Court of the Territory, there is no evidence that he ever did so.<sup>21</sup>

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<sup>21</sup> This dispute brought about by St. Clair was not untypical of the Governor’s character; he often attempted to rewrite laws he did not agree with, and he was constantly using his veto power over the territorial legislature [Goforth, Jan. 15, 1802 and Symmes, Jan. 23, 1802]. In addition, the Governor was the chief obstacle to the legislature’s bid for statehood, and his political appointments were often despised by the western inhabitants [Sears, 1958, pp. 54-55]. As a result, St. Clair was not a popular man in the western territory, and this dispute over land office affairs only hastened his downfall. Shortly after St. Clair raised this controversy over the book of entries, his enemies drafted up a memorandum to effect his ouster [Worthington, Jan. 30, 1802]. The memorandum contained ten charges against the Governor, and was personally delivered

### *Gallatin's Instructions for Payments and Receipts*

The text of the Act of 1800 was the origin of another problem that affected the record-keeping procedures of the land officers. Recall that under the fifth section of the Act, the first installment of one-fourth of the purchase was to be paid to the receiver within 40 days (see *Terms of Payment*); and according to the seventh section the receipt for this payment was to be delivered to the register within three months (see *Duties of the Register*). Apparently, a number of purchasers had paid their first installment of one-fourth to the receiver, but had neglected to remit their receipt to the register within three months [Gallatin, Aug. 5a, 1801]. Following a rigorous construction of the law, this could cause a reversion of the lands to the United States. According to Gallatin [Aug. 15a, 1801], a forfeiture under these circumstances was "contrary to the intent and spirit of the law." In order to prevent this reversion from happening, Gallatin ordered his receivers to issue duplicate receipts for all payments received. In cases where the purchaser failed to convey his receipt to the register within three months, the register was to:

. . . consider the Receiver . . . as an Agent for the parties, and to act upon such duplicate receipts, precisely as if the original had been produced to you within the limited time, by the purchasers [Gallatin, April 5, 1802].

In those cases when the receiver acted as the agent for the purchaser, the duplicate receipt was to be transmitted to the Treasury and the certificate of payment was to be prepared. When the purchaser finally produced his receipt, he would receive his certificate.

### *Mode Used in Calculating Discounts*

Prior to the first sales of the public lands, the Secretary of the Treasury realized the potential problems that his land officers might have in calculating the discount of eight percent allowed on payments received before their due date. Under the advice of the President, he consulted the Attorney General for

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to Congress by Thomas Worthington [Smith, ed., v. 1, p. 240]. After an investigation of the Governor's affairs, St. Clair was notified by the Secretary of State, James Madison [Nov. 22, 1802], that his commission as Governor of the Northwestern Territory had ended.

his opinion on the matter [Dexter, March 12, 1801]. The Attorney General responded:

I . . . am clearly of the opinion that in case any payment shall be made before the same shall become due, the mode of Casting the 8 per cent discount provided by the act, is to add the interest of the 6 percent from the day of sale to the time appointed for the payment & then from the aggregate sum deduct at the rate of 8 per cent per annum making in reality a discount of about 2 percent on the principle [Lincoln, March 10, 1801].

After receiving these instructions, the Secretary transmitted a copy of them to his land officers. In spite of these detailed instructions, problems in computing discounts still existed.

In June of 1801, David Hoge, the register at Steubenville, got into a dispute with an astute purchaser, Charles Long, over the correct mode to be pursued in calculating discounts [Gallatin, Aug. 17, 1801]. Hoge had determined the discount on Long's payment by multiplying the discount rate of 8 percent by the principal sum due. According to Long this was incorrect; and when Hoge refused to issue him his final certificate because of it, he presented the case to Albert Gallatin. After examining Hoge's calculations, the Secretary quickly concluded that Long was correct. Gallatin [Aug. 17, 1801] wrote to Hoge:

The mode of calculation which it is understood you have adopted, though it is strictly conformable to the Arithmetical rule of discount, differs from the mode pursued by the Banks . . . it is explained at large in the forms originally sent you.

Gallatin further instructed the register that the correct method to be used in the future for calculating discounts was to multiply the rate of discount by the gross amount due (i. e. principle plus interest). "Calculating in this way the payments of Mr. Long will be found sufficient to pay in full for the Section which he has purchased," Gallatin added, and Hoge was ordered to issue Long his final certificate.

### *Transfers of Stock*

Many purchasers of lands presented stock (debt) of the United States as an alternative form of payment. This stock was interest bearing and typically circulated below par. There were several types of stock, and the rates at which they could be

transferred for payment was governed by *An Act to authorize the receipt of evidences of the Public Debt, in payment for the Lands of the United States* [1 Stat., Ch. XIV, p. 507, (March 3, 1797)]. Under this act, stock which had a stated interest of 6 percent would be received at its par value. All other species of stock would be received at its market value at the time of payment. As mentioned previously, all transfers of stock were to be made at the Treasury Department or by the Commissioner of Loans. These instructions, however, apparently were not clear to all.

In June, 1801, Zaccheus Biggs, the receiver in Steubenville, accepted two six percent certificates of stock, one for \$503.35 and another for \$1,546.22 in full payment of a tract of land. When Gallatin learned of this, he ordered Biggs to transmit these stock certificates to his office, so the necessary entries could be made on the books of the Treasury [Gallatin, June 11, 1801].

To prevent against similar occurrences in the future, Gallatin issued a circular to all receivers which contained detailed instructions to be followed when purchasers wished to tender stock for payments.<sup>22</sup> In these cases, Gallatin [June 27, 1801] ordered his receivers to inform the purchaser that:

... public stock is by the laws of the United States, transferrable and therefore payable only at the Treasury of the United States or at one of the loan offices.

The receivers were then directed to:

... grant him a certificate similar in substance to the enclosed form H, and stating the value of the stock which if paid on the ensuing quarter day would discharge all or any of the said installments.

The *purchaser* was then to deliver certificate H to the Department of the Treasury or the Commissioner of Loans, who would make the transfer on the books of the Treasury. The Treasurer or loan officer would then issue a certificate (marked A) to the purchaser, which was to be delivered to the receiver. Certificate A would serve as evidence of the transfer of stock, and upon its receipt, the receiver would issue the purchaser a receipt for his payment. The receiver was then instructed to endorse and can-

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<sup>22</sup> The principles outlined in these instructions are consistent with those provided by Wolcott [Sept. 26b, 1800], but contain some slight modifications concerning the letter of the certificate granted by the receiver.

cel certificate A "by cutting a hole through the name of the Register of the Treasury or of the Commissioner of loans" [Gallatin, June 27, 1801]. The receiver would then transmit these canceled certificates to the Treasury along with his quarterly returns.

### *The Receiver's Account of the United States*

In order to provide control over the public monies received by the district land offices, Gallatin's predecessor, Oliver Wolcott, had requested his receivers to submit seven summary statements to the Treasury on a quarterly (or monthly) basis (see *Instructions to Receivers*). Shortly after the first sales of public lands, Gallatin requested that his receivers submit an additional document, their "account current", on a monthly basis [Gallatin, June 10b, 1801]. The purpose of this *T-account* was to facilitate the reconciliation of the receiver's books with his ending balance of monies. This account is presented below.

#### United States in acc<sup>t</sup> curr<sup>t</sup> with AB Receiver of Public Monies

Repayments to purchasers Cash paid the Treasurer's bill Commissions Balance remaining in hand to the credit of the U.S.	Balance on hand per last return Cash received for lands sold Cash received for surveying expenses
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The *T-account* above operates under the same principles as a statement of cash flows. The credit side of the account represents cash received on behalf of the United States, and the debit side represents cash payments made by the receiver. The final balance at the end of the month represents cash due to the United States. While the credit entries to the account are fairly straight forward, the debit entries are not, and are discussed below.

The first entry, *Repayments to purchasers*, represents cash reimbursements to purchasers of land. The receivers were required to make repayments for at least two reasons,<sup>23</sup> the first of

<sup>23</sup> A third possible case in which a purchaser might receive a refund was if a forfeiture occurred and the purchaser had already paid one or more of the installment payments of one-fourth (see footnote 6). However, it is not clear whether this refund would be paid by the district land officer or by the Treasury Department.

which involved transfers of stock. Upon the purchase of a tract of land the purchaser was required to submit the deposit of one-twentieth of the purchase money in specie. However, if the purchaser later elected to transfer stock for his first installment payment of one-fourth, he was entitled to a repayment in cash for his previous deposit [Gallatin, June 26, 1801]. The second case in which a purchaser was allowed a repayment was when an error in calculation had been made by the receiver, resulting in an overpayment [Worthington, July 2, 1801].

The second debit entry, *Cash paid the Treasurer's bill*, includes: (1) cash remitted to the Treasury during the period, and (2) cash drawn on the receiver to fulfill financial obligations of the United States. The second of these components is examined further in the next section.

Finally, the *Commissions* account was the amount of the receiver's commissions of one percent of all monies received during the month.

### *Transfer of Specie*

The responsibility involved in handling the public funds placed a large burden on the receivers. For safekeeping, the monies collected were stored in an iron chest until it could be transmitted to the Treasury Department. While the Act of 1800 directed that these monies were to be transmitted quarterly, this rule was rarely followed because of the difficulty involved. The distance to the nearest bank was far and the roads in between hazardous. During March of 1805, James Findlay, the receiver at Cincinnati, was asked to ship \$150,000 in specie to the Bank of Pennsylvania in Pittsburgh [Gallatin, March 8, 1805]. The sum, made up mostly of silver, weighed four tons and required four wagons and several armed guards.

To help prevent the accumulation of public monies, Gallatin had earlier adopted the practice of drawing on the receivers to make payments for the Treasury Department [Gallatin, Aug. 28, 1801]. The Department of War, the Surveyor General, and the Postmaster General all drew regularly on the receiver's accounts. The compensation of the registers (see *Duties of the Register*) was also paid out of the receiver's funds [Gallatin, May 5, 1802]. This required the receiver to have his "account current" and monthly record of monies received updated so the Treasurer would not draw on him for more than the money he had in his possession [Gallatin, Aug. 15b, 1801].

When the Treasury needed to draw on the receiver's account, the payee was to present the receiver with a bill. The receiver was then instructed to "make out a fair copy of the bill and to take a formal receipt from the holder" [Gallatin, May 16, 1801]. The receiver would then transmit a duplicate of the receipt and the bill to the Treasury.

To further alleviate the problems encountered in transporting specie, purchasers were allowed to submit bank notes in payment of their lands [Gallatin, Nov. 6, 1802]. This created additional headaches for the receivers. They had to reject notes that would not be accepted at par at the bank of deposit, a condition requiring them to know the fifty or so banks whose notes might currently be received [Rohrbough, 1968, p. 32].

### SUMMARY AND CONCLUSIONS

As evidenced by the experiences recounted above, the years 1801 and 1802 served as a period of trial and error for the Land Act of 1800 and Oliver Wolcott's record-keeping system. The provisions of the Act had to be interpreted and the record-keeping procedures clarified, or in some cases changed. Had Wolcott remained in office to implement this record-keeping system, it is doubtful whether things would have gone much smoother. In general, the inhabitants of the western territory were not very learned, [St. Clair, Dec. [nd], 1799], and few of the land officers had prior training in record-keeping [White, 1951, p. 522]. Fortunately, Wolcott's record-keeping system included the checks and balances to detect errors made by the land officers. While the two offices provided their own internal control, the oversight provided by the Treasury Department over the register and receiver was also critical. When the inevitable mistakes were found, the land officers were required to track the buyers down and make the correcting entries on their books.<sup>24</sup>

As sales of the public lands increased, these administrative and record-keeping procedures matured. The sales of land from

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<sup>24</sup>For example, the register at Cincinnati, Israel Ludlow, sold two tracts of land during the month of April, 1801, which he had included in his June statement "land forfeited to the United States." When this error was uncovered by the Treasury Department, Gallatin [Aug. 5b, 1801] informed Ludlow, "This is incorrect. It was impossible for you to know on 30th June whether land applied for since 1st April was forfeited . . . they were not obliged to produce receipts to you before the expiration of three months." Ludlow was then required to make the necessary correcting entries on his books.

**TABLE 2**  
**Public Land Sales**  
**April 7, 1801 - November 1, 1802**

	<u>Acres Sold</u>	<u>Revenues</u>
Cincinnati	214,622	\$ 432,787
Chillicothe	193,029	\$ 417,861
Marietta	5,821	\$ 13,891
Steubenville	325,185	\$ 650,369
Total	738,657	\$1,514,908

Source: Reports of the Secretary of the Treasury of the United States, Vol. 1, *Report on the Finances for 1801*, pp. 216-251, *Report on the Finances for 1802*, pp. 252-261.

1801-1802 were substantial (see Table 2). However, they were just a sample of what was to follow. During the twelve years Gallatin served as Secretary of the Treasury, there was a tremendous growth in the land business. By 1812, Gallatin had established eight more district land offices in the Northwest [Rohrbough, 1968, p. 30]. These administrative provisions for the disposal of the public land sales were also expanded to the south after the purchase of the Louisiana Territory in 1803. To accommodate these new inhabitants, six land offices were opened in the Mississippi and Louisiana Territories as well [Rohrbough, 1968, p. 29]. During this expansion period of the west, these record-keeping procedures served the internal control needs of the public and provided the accounting information needed by the Department of the Treasury to carry on the nation's affairs.

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