The assumption of the state debts in 1790 was a supplementary measure in Hamilton’s fiscal system. When attempted in the House of Representatives it failed. This threw Hamilton himself and a number of members into deep dismay. Going to the President’s one day I met Hamilton as I approached the door. His look was somber, haggard, and dejected beyond description. Even his dress uncouth and neglected. He asked to speak with me. We stood in the street near the door. He opened the subject of the assumption of the state debts, the necessity of it in the general fiscal arrangement and its indispensible necessity towards a preservation of the union: and particularly of the New England states, who made great expenditures during the war on expeditions which tho’ of their own undertaking were for the common cause: that they considered the assumption of these by the union so just, and it’s denial so palpably injurious, that they would make it a sine qua non of a continuance of the Union. That as to his own part, if he had not credit enough to carry such a measure as that, he could be of no use and was determined to resign. He observed at the same time, that tho’ our particular business laid in separate departments, yet the administration and it’s success was a common concern, and that we should make common cause in supporting one another. He added his wish that I would interest my friends from the South, who were then most opposed to it. I answered that I had been so long absent from my country that I had lost a familiarity with it’s affairs, and being but lately returned had not yet got into the train of them, that the fiscal system being out of my department, I had not yet undertaken to consider and understand it, that the assumption had struck me in an unfavorable light, but still not having considered it sufficiently I had not concerned in it, but that I would revolve what he had urged in my mind. It was a real fact that the Eastern and Southern members ( S. Carolina however was with the former) had got into the most extreme ill humor with one another. This broke out on every question with the most alarming heat, the bitterest animosities seemed to be engendered, and tho’ they met every day, little or nothing could be done from mutual distrust and antipathy. On considering the situation of things I thought the first step towards some conciliation of views would be to bring Mr. Madison and Col. Hamilton to a friendly discussion of the subject. I immediately wrote to each to come and dine with me the next day, mentioning that we should be alone, that the object was to find some temperament for the present fever, and that I was persuaded that men of sound heads and honest views needed nothing more than explanation and mutual understanding to enable them to unite in some measures which might enable us to get along. They came. I opened the subject to them, acknowledged that my situation had not permitted me to understand it sufficiently, but encouraged them to consider the thing together. They did so. It ended in Mr. Madison’s acquiescence in a proposition that the question should be again brought before the House by way of amendment from
the Senate, that tho’ he would not vote for it, nor entirely withdraw his opposition, yet he should not be strenuous, but leave it to it’s fate. It was observed, I forget by which of them, that as the pill would be a bitter one to the Southern states, something should be done to soothe them; that the removal of the seat of government to the Potomac was a just measure, and would probably be a popular one with them, and would be a proper one to follow the assumption. It was agreed to speak to Mr. White and Mr. Lee, whose districts lay on the Potomac and to refer to them to consider how far the interests of their particular districts might be a sufficient inducement in them to yield to the assumption. This was done. Lee came into it without hesitation. Mr. White had some qualms, but finally agreed. The measure came down by way of amendment from the Senate and was finally carried by the change of White’s and Lee’s votes. But the removal to Potomac could not be carried unless Pennsylvania could be engaged in it. This Hamilton took on himself, and chiefly, as I understood, through the agency of Robert Morris, obtained the vote of that state, on agreeing to an intermediate residence at Philadelphia. This is the real history of the assumption, about which many erroneous conjectures have been published. It was unjust, in itself oppressive to the states, and was acquiesced in merely from a fear of disunion, while our government was still in it’s most infant state. It enabled Hamilton so to strengthen himself by corrupt services to many that he could afterwards carry his bank scheme, and every measure he proposed in defiance of all opposition; in fact it was a principal ground whereon was reared up that Speculating phalanx, in and out of Congress which has since been able to give laws and to change the political complexion of the government of the US.

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