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On the Stock Note Plan*

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* [Editor's Note, August 2019. The inclusion of this 'work', which consists in two letters sent to George Rose, and which Bentham neither published nor planned to publish, is made on the ground of the light it sheds considerable on the origin and development of his Annuity Note plan.]

[017_083]

Letter I[1]

Dear Sir,[2]

Whatever Bill you may be pleased to draw upon me for such attention as I have to bestow, has an indubitable right to be honoured. That relative to the *Stock-Notes* Plan found me pulled this way and that way, as I still am, by a variety of things. For want of practical experience it is a subject I do not find myself at all *ready* at, though about 3 years ago I began grappling with it pretty hard.[3]

There seems a good deal of ingenuity and contrivance in it; but to accommodate it to

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[1] For the inclusion of this material in the present volume see the Editorial Introduction, p. 000 above. The plan discussed in this work was that outlined by Ambrose Weston (1754–1810), attorney, in two letters addressed to an unnamed member of the House of Commons and printed (but not published) as anonymous pamphlets in 1799. Weston's Letter I was entitled 'A Method of Increasing the Quantity of Circulating-Money: Upon a new and solid Principle' (the letter being dated 27 September 1798 and the 'Introduction' 17 April 1799). Bentham's annotated copy survives as British Library, shelfmark Cup. 407. ff. 34. (2.). Weston's Letter II appeared as a separate pamphlet shortly afterwards (undated). Both letters were reprinted jointly in revised form as 'Two Letters, describing a Method of Increasing the Quantity of Circulating-Money: Upon a new and solid Principle' (the revised 'Introduction' to Letter I being dated 23 April 1799 and Letter II being preceded by an 'Advertisement' dated 24 June 1799). The work was eventually published in 1817, when an edition derived from this first joint printing appeared at London, and was reprinted the following year in *The Pamphleteer*, xi (1818), 1–31.

Bentham drafted this letter in the early summer of 1799, but does not appear to have sent it to its intended recipient, George Rose (1744–1818), Secretary to the Treasury 1782–3, 1783–1801, Vice-President of the Board of Trade 1804–6, 1807–12, Treasurer of the Navy 1807–18. The draft is reproduced in *The Correspondence of Jeremy Bentham*, vol. vi., ed. J.R. Dinwiddy, Oxford, 1984 (*CW*), pp. 168–74. An earlier version is at UC xvii. 87–9. In his second letter (p. 000 below) Bentham noted that 'Letter I' was 'not recoverable', having not been returned by Weston to the 'common friend'—probably Samuel Romilly (1757–1818), barrister and law reformer, Solicitor-General 1806–7—by whom it had been forwarded to him. For further details see the Editorial Introduction, p. 000 above.

[2] Bentham has cancelled the following paragraph.

[3] Bentham had worked on a proposal for the issue by government of an interest-bearing paper currency in 1794–5. See 'Exchequer Notes', in *Writings on Political Economy*: II, ed. M. Quinn, Oxford, 2019 (*CW*), pp. 296–343; for discussion of the date of composition of the proposal see the Editorial Introduction in ibid., pp. lxxvii–lxxix.

the measure of my faculties, there are several points in it which would require to be explained.

What I understand with regard to the main drift of it, is the advantageous effect which it is expected to produce: what I do not find any where stated is the precise means proposed to be employ'd for the production of that effect.

1. What is the thing proposed to be undertaken for—the act promised to be done in and by a proposed Stock Note? A Bank Note—an India Bond—a Navy Bill—an Exchequer Bill[4]—an accepted Bill of Exchange—every existing species of paper money that occurrs to me is a *promise*. A Stock Note is called in one place (p. 6) a Certificate.[5] But a *Certificate* neither is *itself* a *promise,* nor of itself *implies* any such thing as a promise. Each Certificate is supposed to be worth £100: but whence is it to derive that, or any other value? A promise to pay £100 may be worth any sum not exceeding £100. A Certificate relative to £100 is an attestation that somewhere or other, at some time or other, there did exist that money: but what can be the value, (I mean the transferable value) of such an attestation to the holder of it?

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[4] India bonds were short-term debentures issued by the East India Company, secured on the debt owed by the government to the Company, and authorized and regulated by statutes including the National Debt Act of 1721 (7 Geo. I, stat. 1, c. 5, § 32), the Suitors of Court of Chancery Act of 1726 (12 Geo. I, c. 32), and the Relief for Traders of Grenada, etc. Act of 1795 (35 Geo. III, c. 127, §§ 19–20). Exchequer Bills, first issued in 1696 to serve as a temporary substitute for cash during the financial crisis and recoinage of silver of 1696–8, were short-term interest-bearing bills of credit which allowed government to anticipate future revenue, and were paid off when that revenue was received. During the war with France, Pitt resorted to issuing exchequer bills in rapidly increasing increasing quantities. Navy bills were handwritten promissory notes issued by the Navy Board, which depreciated significantly through anticipated delays in receiving payment. In an attempt to eliminate the discount, at the end of 1796, the Payment of Navy, Transport and Victualling Bills Act (37 Geo. III, c. 26) prescribed that all future Bills 'issued by or under the Authority of the Commissioners of the Navy' were to be made 'payable on a certain Day .^.^. not .^.^. later than three Calendar months from the date of such Bill', and to carry interest at same rate as exchequer bills, that is just over 5%, effectively abolishing Navy Bills in their traditional form.

[5] Weston had proposed that a stock-holder who transferred an agreed quantity of his stock to the Bank of England should receive in exchange a number of 'certificates, or notes of the transfer' for purposes of circulation: see 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 6. In his copy of Weston's pamphlet, Bentham has underlined the word 'certificates', and added the marginal comment

2. By p. 3. Nobody is to '*obtain*' any one of these notes without bringing into the Bank a Mortgage of Land.[6]—What does this mean?—that no man is to be entitled to receive any such *Note* (or Certificate) unless he has £100 pounds' worth of land or more, and undertakes at the same time to mortgage it for that money? And yet in p. 6 these notes, it is said, might be 'used for loans or for capitals to trade upon: their use in trade, and for other purposes, being supposed the same as specie or Bank notes.'[7]

Is it that this obligation of having land to an equal amount with the Note obtained (or to some other and what amount?) is meant to be confined to A, to whom it is issued in the first instance? But if so, how does this confine (as is proposed) the benefit of the accommodation to indigent Landholders, when, as soon as it gets out of the hands of A, it gets into those of B, who is neither indigent nor a land-holder?

For clearing up these obscurities, I can think of no expedient comparable to that of drawing up the species of instrument in question, in the form in which it is proposed to pass: divers points would thus be ascertained:—1. who the *promiser* is: 2. what is the *act* promised to be done: 3. at *whose instance* it is promised to be done: 4. in what *event*, i:e: on what conditions:—5. at what point of *time*. On scarce any of these have I been able, (I must confess) to find a determination.

The plan, as far as I comprehend it, is grounded on the general idea of finding an expedient for pledging Government Annuities without selling them, and thence obtaining ready money on that pledge, by making the instrument, viz: the instrument employ'd as evidence of the engagement (whatever it may be), transferable from hand to hand.

This is what strikes me as original. But before the idea is brought into such a shape as can render it capable of being discussed with a view to practice, the proposed form of the proposed engagement or undertaking must, according to my conception, be given *in terminis*:

'*Promissum quid?*' ('What is promised?'), with a cross-reference to Weston's fuller explanation on p. 8: see further p. 000 & n. below. [To BL Add. MS 31235, fo. 3, this file]

[6] See 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. [3]: 'persons obtaining the proposed notes, or money, should .^.^. be obliged to bring into the Bank of England, and deposit there, *Mortgages on Land* for the full amount of the NOTES'. In his copy of the pamphlet, Bentham underlined 'obtaining' and noted: 'What does th[is] mean? Th[at] the Bearer of each note be obliged [to] have land to that amo[unt] and to mor[tgage] it?'

[7] i.e. Weston, 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 6.

till then every thing in the way of defence as well as of objection seems to float *en ambulant*. Objection has no mark to point at: defence, no ground to rest upon.

The effect in point of obligation might (it may be answered) be laid down in the Act of Parliament.—True, but this would be only an oblique and obscure mode of doing the same thing: nor have we the words of any such supposed Act of Parliament.

[017_084]

The author has not (as far as appears to me) done sufficient justice to his own plan—he does not appear as yet [to] possess a clear conception of the peculiar advantage by which his particular species of paper money, if it can be made to pass, will stand distinguished from others which would not only be useless but pernicious.

What he appears to assume without discrimination is that *any* extension, as he calls it, of the circulating medium, any accession to the existing quantity of paper received as money, would be conducive to the public good. In this general point of view, the proposition seems to be erroneous.—The articles of which the existing quantity of '*circulating medium*' is composed are either metallic money or paper money. To the quantity of metallic money this plan does not profess to afford any addition: but only to that of paper money. But as far as paper money is concerned, every modification as yet existing in this country agrees in this, viz: that it consists of an undertaking to deliver metallic money. But of the quantity of such promises there neither is nor is at all likely to be any deficiency, if compared, as it ought to be, with the capacity of performance. The great complaint is that an excess exists already: witness the case of Bank paper: and a great apprehension is lest that excess should go on encreasing more and more.[8]

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[8] For the view that the over-issue of paper money by the Bank of England was repsonsible for its loss of credit see, for instance, Fox's speech in the House of Commons in debate on the Bank Restriction Bill on 9 March 1797, *Parliamentary History* (1797–8) xxxiii. 40–8, at 44: 'How are you to increase the quantity of cash in proportion to the increased circulation of paper? To increase its quantity is not in your power: but do at least what you can; .^.^. diminish the quantity of paper, and reduce that disproportion which exists between paper and specie.' See also William Morgan, *An Appeal to the People of Great Britain, on the present alarming state of the Public Finances, and of Public Credit*, London, 1797, p. 72: 'Unless the quantity of paper in circulation be reduced immediately, the Bank restrained in their future issues, and all connection destroyed for ever

The plan, if this were all, would be altogether an unpromising one.—The '*principle*' of it would not be possessed of any such '*solidity*' as he attributes to it.[9] A plan for the encrease of the quantity of paper money, of paper money of the existing sort—(viz: paper expressive of an engagement to deliver metallic money on demand or at the end of a short period)—could at best be but useless, and most probably would be pernicious. If the effect of it were to produce such a run either upon the bank it issued from or upon any other as could not be borne, it would be pernicious: even if it never produced any such run, it would do no good. The quantity of performable promise issued from the supposed new Bank would but prevent the issuing an equal quantity of like promises from others either that exist already or could have come otherwise into existence.[10]

The article with reference to which the supposed want is real, is—not paper money as compared with metallic money—not *promise* as compared with the means of performance—but *present money* as compared with *future*:—principal, ready money, capital, as compared with interest, annuities or whatever be the word. In a time like the present—in a time of war, the demand for present money is continually encreasing: encreasing on the part of government—and thence on the part of individuals. But for obtaining *present* money voluntarily and with the consent of the proprietors, there is but one possible means, which is the making over *future* money—(i:e: *promises* of future money, or at any rate a right to future money) instead of it.

If, in any instance where at present a man will accept of nothing but present money, an expedient can be employ'd by which he may be brought to accept of future money instead of it, without adding to the quantity of future money brought to market, the advantage is, therefore, manifest and indubitable. This accordingly is what appears to be aimed at by the gentleman's plan; and this it is that forms the apparently meritorious as well as characteristic feature of it. Without adding to the quantity of future money, he renders a portion of it capable of being given in exchange for present money—without adding to the quantity of

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between them and the Treasury, it will be in vain to hope for success in recovering either our credit, or even the smallest share of that confidence upon which our credit is founded.'

[9] The phrase 'solid Principle' occurred in the titles of Weston's pamphlet: see p. 000 n. above. [To note to UC xvii. 83]

[10] Bentham has made the following insertion at the beginning of the next paragraph, but failed to complete the sentence: 'The aforesaid proposition that there is a want of circulating medium would not, according to what hitherto has been understood by the words circulating medium, metallic money out of the question'.

future money, and at the same time without adding to the quantity of *failable* promise (viz: promise of present, or almost present, say *ready* money) as compared with the quantity of performance. I say [failable]:[11] for promise of ready money is *every instant* exposed to failure: promise of future money, as above defined—*never*. Promise of ready money always: for the time for performance is come already: promise of future money, never: for the time for performance is never come.

[017_085]

As to the precise mode in and by which the general idea as above delineated is proposed to be carried into effect and applied to practice, it is more than I have been able to discover. This is what I have honestly confessed to him, stating my difficulties: whether they are worth removing and removable it rests with him to judge.[12]

Among the effects of the communication thus made to me from a stranger was the bringing back to my mind an old idea of my own which, though not the same, stands on contiguous, if not on precisely the same ground.[13] His plan goes to the transfer of future money in the way of mortgage, and consequently without addition to the existing mass; mine goes to the transfer of future money as at present in the way of sale, but with such circumstances of additional convenience as shall enable it to be disposed of by government on better terms. His notes he calls sometimes Certificates, sometimes *Stock Notes*: and what they are to undertake for is among the things I have asked him, not being able to discover it from his plan. My Notes I call *Annuity Notes*:—what they undertake for is to pay an annuity—such as government undertakes to pay by what is called *creation of stock*. Redeemable at a predetermined period only, or at any time: in the latter case, at the option of government alone, or of the *holder* alone, or of either, as shall appear most eligible. Take the following terms for example—Principal to be paid off at the end of 5 years from the day of issuing: interest at so much per Cent (a low rate (say 2 per Cent) it is supposed may be sufficient), payable half-yearly or yearly in the mean time. Principal also demandable by the holder at any time: but if demanded before the expiration of the 5 years, the interest

[11] MS ‘fallible’.

[12] Bentham has crossed through the following three sentences (‘Among the effects .^.^. from his plan.’).

[13] See p. 000 n. above. [To note to UC xvii. 83]

forfeited.[14]

On conditions such as these, a £10 Annuity Note can never be worth less than £10: and according to the rate of interest, and time elapsed, it may be worth ever so much more. Amount, the lower the better, because the better within the reach of the most numerous classes: as low as it can be, so as that the interest *per diem* shall amount to a sum readily intelligible. A £20 note would give, at 2 per Cent, a farthing a day in coin money: a £10 note, a farthing every other day: and as less than £20 (viz: £18 19s 2d) will, at 2 per Cent, give the farthing a day, the difference, unfelt by the individual, is so much added to the advantage to Government. If, when Government raises money in the ordinary way by the creation of Stock at 5 per Cent, it can raise a certain quantity by the issuing of Annuity Notes at 2 per Cent, the difference, 3 per Cent, is so much saved to Government. A £10 Bank Note, though kept for these five Years to come, will never be worth more than £10: it is well if it be worth so much. A £10 [Annuity] note will be worth more and more for every day it is kept. Every day a man can contrive to keep it will afford him a premium for frugality. Every man's Bureau may thus be a Frugality Bank.[15] No man who can get an Annuity note to hoard will think of hoarding metallic money: hence the existing stock of metallic money will go further, and the circulating portion of it be larger in proportion to the quantity of this new species of Paper Money.

[017_086]

To ascertain the solidity of this plan as well as to apply it to practice, a number of topics would require to be discussed.[16]

1. Feasibility of the proposed unformal transfer, as compared with the formal transfer established in the case of the existing mass of Government Annuities. If the unformal be more eligible, how came it not to have taken place in preference? Answer.—When the formal

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[14] For Bentham's earlier consideration of these options in relation to what he had then called Exchequer Notes see *Writings on Political Economy*: II (*CW*), p. 342 & n.

[15] For Bentham's discussion of 'Properties to be wished for in a System of Frugality Banks' see: *Writings on the Poor Laws:* II, ed. M. Quinn, Oxford, 2010 (*CW*), pp. 586–9.

[16] Bentham has heavily emended and crossed through the enumeration of topics, and they are presented according to what appears to be his latest revised ordering. For further details see the Editorial Introduction, p. 000 & n. above.

was instituted, the unformal, for want of established credit and experience, was not practicable.—Is not the omission of the formalities attended with more danger in the case of a £1,000 Bank Note, where they are dispensed with, than in that of a Government Annuity worth £1,000, in which they have ever hitherto been required.

2. Does the Connection of Government with the Bank oppose any and what obstacles (Parliamentary, honorary or prudential) to the issuing of the proposed Annuities: if yes, are they removeable or irremoveable?

3. Differences between an Annuity Note and an Exchequer Bill, a Navy Bill, &c. The high rate of interest paid upon these Bills no disproof of the low rate at which it is supposed that Annuity notes may be disposed of.[17]

4. Expedient (viz: by a Table on the note) for exhibiting the precise value of it, according to its Age, to an instantaneous glance, without the trouble of calculation. An Annuity note no bigger than a Bank Note would afford room enough for such a Table.[18]

5. Expedients for obviating the danger of loss by wear and tear, mislaying, theft, &c. and for prevention of Forgery.—Ideas, supposed new, applicable to other paper money as well as this.[19]

6. Experimental quantity of Annuity Notes to begin with.—Modes of encreasing it, if proved advantageous by experience—1. Issuing a Million's worth of such Notes instead of raising a Million of money in the ordinary [way] by the creation of Stock. 2. Admitting the holders of existing Stock to exchange it with Government for Annuity Notes on certain terms.

7. Circumstances by which the agio or fluctuation in the value of Annuity notes is liable to be influenced—Limits of that fluctuation.

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[17] For Bentham's extended comparison of Annuity Notes with other forms of government securities see 'Circulating Annuities', pp. 000–000 below, and 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', pp. 000–000 below. [To 'Circulating Annuities', Ch. III and 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. III]

[18] See 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest', pp. 000–000 below, and 'Table II' between pp. 000 and 000 below. [To pdfs of the Tables]

[19] See further 'Circulating Annuities', pp. 000–000 below, and Appendix F, pp. 000–000 below. [To UC ii. 113–19 and iii. 303–40]

Limits to the quantity of Annuity Notes capable of being issued with advantage—and thence of the advantage that may be gained by them.

9. Quantum of the principal money to be promised in an Annuity note.—Should it be large, and how large? or small, and how small? or should there be large and small both?

10. Probable effect of the plan on the interests of different parties—The Bank—Private Bankers—Merchants[20]—The Metropolis—The distant Counties[?]—Individuals at large.

11. Relation as between the Annuity-Note Plan and the Stock Note plan.—Are they obstructive or unobstructive each with relation to the other?—If obstructive, whether reconcileable? If irreconcileable, which demands the preference?

The topics thus started have all of them been considered more or less—few of them as yet sufficiently for practice. In this case as in others, the completion of the labour depends, as is natural, upon the prospect of its being of use.[21] Enquiries of this sort require leisure: the wit of man, when drawn upon every day by the business of the day, does not afford a residuum of solvency equal to the task. Suggestions from me have sometimes been thought worth attending to, at other times not. The latter appeared to be the case three years ago, when the ideas in question first presented themselves to me:[22] and it was for that reason and that only they were laid by. They have sometimes been more fortunate when presented in other names and by other hands.[23] At the present, as at all times, if it be worth your while and M^r^ Pitt's to say to me that M^r^ Pitt and you will read,[24] it will be worth my while to write. Otherwise at

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[20] For the impact of the Annuity Note plan on the Bank of England and private bankers see Appendix A, pp. 000–000 below, Appendix B, pp. 000–000 below, Appendix C, pp. 000–000 below, and 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', pp. 000–000 below. [To UC i. 442–4, 460–72, 447–59, 479–83; UC i. 498–504; UC i. 38–63; and UC ii. 256–70]

[21] Bentham has crossed through the following sentence.

[22] See p. 000 n. above. [To note to UC xvii. 83]

[23] Bentham may have in mind his confidential co-operation with Patrick Colquhoun (1745–1820), Lord Provost of Glasgow 1782–4, stipendiary magistrate at Worship Street, Shoreditch 1792–7, and at Queen's Square, Westminster 1797–1818, in the preparation of two Bills for consideration by the administration in 1798–9. In the summer of 1799 it appeared that both Bills would be enacted, but in the event only the Thames Police Bill reached the statute book as the Thames River Police Act of 1800 (39 and 40 Geo. III, c.87). For further details see *Writings on Political Economy:* III, ed. M. Quinn, Oxford, 2020 (*CW*), pp. 000, 000, and 000.

[24] In a related draft letter on the stock note plan to Pitt at UC ii. 22–3, docketed 'Stock Note Plan to Pitt', which like this letter does not appear to have been sent, Bentham noted that he had heard that Pitt had been favourably

present not: and then I shall have a short method of acquitting myself to my friend, by telling him that I forbear giving him any more of the remarks desired, having the best authority for saying that if given they would be of no use. I allow a month for the experiment: after which, if no commands from you on the subject reach me, the plan will be laid on the shelf or committed to the press, as chance may dictate.

[BL Add. MS 31235_001]

Letter II[a] [25]

> [a] Letter I is neither material nor recoverable. How this happened may be seen in page 000.[26]

Dear Sir,

In my former Letter on the *Stock Note* Plan, I confessed myself not to understand it. On further consideration, I am sorry to add, that, if my optics do not deceive me, I descry the impracticability of it even before I understand it. I am truly sorry: for the sensation is a painful one, when indisputable ingenuity is seen to fail of its reward.

If sifted to the bottom, it seems to me that the Plan would turn out to be a contrivance for *creating value out of nothing*:—by making the same parcel of Stock bear *twice* over: produce a *dividend* to one man, and, without a diminution (or at least without a proportionable diminution) of this dividend, *interest* to another. This, then, is what appears to me to be impossible.

By these *Stock Notes*, *Stock* is, in some way or other (though in what precise way I have

impressed by Weston’s pamphlet, and that he was therefore enclosing his second letter on the plan in order to demonstrate its impracticability.

[25] This letter, addressed to George Rose, was written to in July 1799, but apparently never sent. The version reproduced in the present volume was sent in July 1801 to Nicholas Vansittart (1766–1851), later first Baron Bexley, Joint Secretary to the Treasury 1801–4, 1806–7, Chancellor of the Exchequer 1812–23. Bentham’s autograph draft is at UC xvii. 93–6, with additional material, including a partial earlier draft, at xvii. 97–108, and a copy at xvii. 90–2, which is reproduced in *Correspondence* (*CW*), vi. 177–85.

[26] See p. 000 below. [To BL Add. MS 31235, fo. 8, this file]

already declared I do not see) proposed to be *mortgaged*.[27] But what cannot be done in this way by mortgaging *land*, cannot be done by mortgaging *Stock*. In a mortgage of land, whatever value you acquire in respect of the money you borrow, you part with at least an equal value at the same time: viz: in respect of the defalcation which the very nature of the transaction makes from the value of the subject matter pledged. This defalcation is made—partly by the *eventual* and *contingent* obligation of parting [BL Add. MS 31235_002] with the subject matter (the land) itself; partly by the *certain* obligation of paying interest on the money borrowed, so long as the engagement continues in force.

If, on a *landed* estate that would sell for £2,000, and that produces you £100 a Year neat Money, you wish to borrow £1,000 in the way of mortgage—say at 5 per cent—you can no otherwise obtain this £1,000 than by engaging to pay £50 a Year for such time as the £1,000 remains unpaid: the Estate remaining all the while incapable of being disposed of on any other terms than[28] that of paying off the £1,000, together with the intervening Interest.

True it is, that by lending again at the same rate of Interest the £1,000 thus borrowed, you *may* acquire other £50 a Year:—but this you cannot do without parting with the £1,000 for such time as the £50 a Year continues to be received by you. Taking the two transactions together, it is well if the value of your property be not *diminished* by them: it certainly will not be *increased*. True again it is, that if you could get the *money'd man* to lend his £1,000 *without* interest, while *you* are *making* Interest by lending it to another, you might, on that supposition indeed, make £150 a Year out of your Estate, instead of the £100 a Year which it is worth: and if every body could do this, money might thus be made out of nothing and made by every body who has an Estate. But this is not what is supposed; nor is it to be done.

Change the subject matter.—Instead of *land*, put *Stock*—or rather (instead of the *ambiguous* and *figurative*, though customary, and even most customary, expression say) a *Government Annuity*, producing the same annual amount, viz: £100—the case will still be the same. Upon this Annuity you may borrow money (say £1,000) in the same way as you did upon the land. But it is no more possible for you to make the same subject matter produce twice over in this case than in the other. Without receiving interest, a man will no more lend the money upon a Government Annuity than he will upon Land: nor will a man lend his

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[27] See p. 000 above. [To UC xvii. 83, this file]

[28] MS 'that'. The text follows the draft at UC xvii. 93 and the copy at xvii. 90.

money for less Interest upon the annuity than upon the land.[b]

[b] Neither can property be made to receive an *actual* increase, in the case of Government Annuities, by borrowing, nor can so much as the *appearance* of an increase be so easily assumed in *this* case as in that of *land*. The land *may* without much risk be left—and usually *is* left—in the possession of the borrower: the annuity cannot with equal safety be left in his possession; nor is it usual for it to be so left. Where property of this sort is made use of to stand as a security for money borrowed, what is the course of proceeding usually pursued? A portion—a determinate portion[29]—of this species of property, is taken out of the hands of the borrower, and placed in the hands of a set of Trustees: and, whatever be the sum to be paid on the score of *Interest*, a portion of dividend equal to that sum is set apart and continued to be received by the Trustees, and by them paid over to the lender or his representatives, so long as the engagement subsists.

[BL Add. MS 31235_003]

In a word, whatever be the subject matter or pledge borrowed upon, on the ordinary terms between man and man, so much *value* as a man acquires in the shape of *principal* money, so much at *least* he is obliged to part with in the shape of *Interest*.[c] True it is again, that, under favourable circumstances, it is not impossible to make a profit—and that a neat profit—by lending with one hand what, for that very purpose, you have just been borrowing with the other:—you may borrow £1,000 at 3 or 4 per cent, and lend it at 4 or 5. You may borrow the £1,000 on land or Government Annuities, at 4 per cent, and, by lending the money to a man who gives you no *specific* pledge—nothing but what is called *personal security*—you may thus gain 1 per cent, amounting to £10. But in this case there are *two* different transactions carried on, having, each of them, not only different parties but a different *subject matter*. What the quantity of land or stock supposed to be pledged yields of itself, in the compass of a year, is the £40 and no more: it is not so much as the £50, much less is it so much as the £40 and the £50 put together, making £90. If £90 a Year, or even £50 a Year, could thus be said to be made out of the £40 a Year, landed Estate or Government Annuity, by the same reason might £500 or £5,000, £900 or £9,000, be proved to be made out of the same £40 a Year, taking an account of the money borrowed upon this security, and following it up in its progress through a proportionable number of hands.

c [017_098] To[30] the general proposition thus laid down, the case of ordinary paper money may appear to be an exception, and as far as it goes, a disproof. In virtue of the maxim *crede quod habes et habes*,[31] one pound of pretious metal is in that case made to go as far as three, and the production of masses of value out of nothing for every equal mass of value produced out of something is the result. But that case stands on very different grounds from the present. No man takes a £10 Bank Note—No man at least before the late extraordinary crisis[32] ever did take a £10 Bank Note—who did not believe at the same time that it would be in his power to have £10 pounds worth of coined gold or silver for it whenever he should find it worth his while to be at the trouble of asking for it. If he parts with £10 worth of coined gold or silver for a £10 Note, it is because he looks upon himself to be as secure of receiving an equivalent for the note at any time as if he had it in his hands. Whether the equivalent thus effected be eventually received or no is a distinct incident which makes no difference with regard to the nature of the consideration by which his conduct is determined. But if by lending his money a man can receive no interest from it, what becomes of the equivalent in this case? Where is the *consideration*, by which the supposed transaction is to be produced?

[017_099]

In the immense and diversified catalogue of articles of which the matter of *wealth* is composed, there are some in respect [of] which the persuasion of a man's being able to have the possession of them whenever he pleases will answer for a certain proportion of time as well as the possession itself. By the metals of which money is composed this property is

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[29] The phrase 'determinate portion' is underlined for emphasis in the draft at UC xvii. 93 and the copy at xvii. 90.

[30] This note reproduces a related note at UC xvii. 98–101, which appears at this point in the earlier draft of this letter, and which, strictly speaking, might have been more appropriately presented in an editorial footnote. However, given the need for annotation, it is presented as a Bentham footnote. For further details see the Editorial Introduction, p. 000 above.

[31] i.e. 'Believe that you have and you have', the reported response of Desiderius Erasmus Roterodamus (1466–1536) to a query from Sir Thomas More (1478–1535), Lord Chancellor 1529–32, about the whereabouts of a horse which he had lent to Erasmus for a journey to Dover, and which was not returned. Erasmus himself was echoing More's defence of transubstantiation in an earlier dispute between the two: *crede quod edis et edis*, i.e. 'believe that you eat and you eat'. See 'Life of Erasmus', in *All the Familiar Colloquies of Desiderius Erasmus, of Roterdam, Concerning Men, Manners, and Things, translated into English*, trans. N. Bailey, London, 1725, pp. 5–16, at 11–12.

[32] i.e. the suspension of convertibility by Order of Council on 26 February 1797: see p. 000 n. above. [To UC cvii. 162, 'Political Prospects']

possessed, and possessed in a preeminent degree. So long as this persuasion with regard to a given mass of such metal can be kept up, and the demand for actual use does not actually exist, whether a man actually has it in his possession makes no difference to him. The total quantity of the matter of wealth which he possesses or (what to him and to his feelings is, for the moment at least, the same thing) he appears to himself to possess is in both cases the same. What is more, in so far as this assurance of possession can be made to be accepted of and to answer the same purpose as actual possession, in so far the sum total of the matter of wealth in a community may, by the introduction of paper money, be encreased. For by the expectation of money—of the possession of money—labour is as capable of being produced as by the actual possession of it; (and accordingly, in as far as weekly payment of wages of labourers is more common than daily, it is by mere expectation that the purpose of possession is actually thus answered) [017_100] and it is by labour, and labour only, that every other species of the matter of wealth, the most substantial and indispensable as well as the most ideal and superfluous, is produced.

Thus it is that, admitting (what, bating accidents, has been supposed to be about the mark) that, in the case of a Banker in general, an average daily capital equal to a third part of the average of his daily receipts will serve to answer draughts,[33] it follows that, in this country, for every million worth of coined metal for which the existing quantity of all other modifications of the matter of wealth keep up a demand, two millions' worth of what is called paper money, meaning good paper money, might be produced—and thence two millions' worth be added to the sum total of national wealth. I mean, by such part of the paper money as consists in notes payable on demand: for in proportion as the term of

[33] Estimates of the prudent deposit ratio for banks varied. See, for instance, Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (first published 1776), ed. R.H. Campbell, A.S. Skinner, and W.B. Todd, 2 vols., Oxford, 1976 (*The Glasgow Edition of the Works and Correspondence of Adam Smith*), (Bk. II, Ch. II) i. 292–3: 'Though he has generally in circulation, therefore, notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may, frequently be a sufficient provision for answering occasional demands'; [Richard Cantillon], *Essai sur la nature de commerce en général*, [Paris], 1755 (written *c.* 1730), p. 403: 'que pendant qu'il s'est vu des Banquiers qui faisoient face avec une caissse de la dixieme partie, d'autres ne peuvent guere moins garder que la moitié ou les deux tiers, encore que leur crédit soit aussi estimé que celui du premier.' Bentham may have had in mind rather Thomas Mortimer, *The Elements of Commerce, Politics and Finances, in three treatises on those important subjects*, London, 1774, p. 362: 'In every reputable bank, whose notes on demand enter into circulation the same as specie, one third of the amount of their paper-credit will always be a sufficiency of coin to keep their cash payments regular'. Mortimer quoted the passage in an extended extract in successive editions of his *Every Man his own Broker: or, A Giude to the Stock-Exchange*: see, for instance the 12th edn., London, 1798, p. 194.

payment is distant, the quantity may be encreased—in proportion as the time for performance is deferred, the quantity of promise may be encreased—without being exposed to failure.

I have said *bating accidents*: but, unfortunately, the being perpetually exposed to accidents of this kind is a condition inseparably interwoven with the nature of paper money—with the Banker's business. What is always promised to be performed is, in the proportion above supposed, three times as much as is ever capable of being [017_101] performed, supposing the performance to be called for at the same time by all those who have an equal right to call for it: and this is nothing more than what may take place at any time. As often as it does take place, it presents itself to the generality of eyes as a most unlooked for as well as deplorable calamity: but the constant exposure to this calamity is the price paid by a nation for the real accession thus made to its wealth.

Be this as it may, whatever be the nature of the subject matter employed as a *pledge*, for securing the repayment of a sum of money borrowed, a *valuable consideration* or *equivalent* will always be to be given in the shape of *interest*, in return for the use of it.

This equivalent is of the very essence of the engagement: the want of it cannot be supplied by any contrivance. Without Interest (unless it be in the case of an engagement to pay on demand which is not here in question), a man will no more lend his money on Government Annuities than he will upon Land. Without Interest, he will no more lend it in an *indirect* and *roundabout* way, than in a *direct* way:—to a Trustee than to a Principal. Without Interest, a man will no more lend his Money in a *complicated* way than in a *simple* way; to a numerous *set* of Trustees acting together, any more than to a *single* Trustee. Without Interest, a man will no more lend his money along with *other* people's money, than he would *by itself*.[d]

[d] Arrangements, to some such effect as those here glanced at, appear to have been in contemplation with the Author of the proposed *Stock Note Plan*.[34]

[34] Weston envisaged the transfer to trustees, in the shape of the Bank of England or government, of the stock corresponding to the value of the certificates or stock notes issued, under the provision that if government annuities fell to below 25% of the par price, 'the stock should .^.^. become the property of the holders of the stock notes, and be transferred to them in proportion to the amount of notes held by them respectively, unless redeemed immediately by the proprietors of the stock': see 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 8. In his copy of the pamphlet Bentham noted of this passage, '*Promissum quid?*'

What cannot be done by these or any other contrivances is—to make an annuity of £50 a year yield £50 per annum to one man and at the same time an additional Sum per annum to another. What *can* perhaps be done, and what seems to *have been* done in the *present* instance, by some such contrivances as these, is—to make it *appear* to the contriver, and through him to others, *as if* some such additional sum *were* thus produced. By a man's concealing from himself either the *necessity* of the abovementioned indispensable equivalent, or the *absence* of it, an appearance [BL Add. MS 31235_004] thus fallacious *may*, perhaps, be produced: and it looks as if, in the present instance, a deception of this sort had *actually* been produced.

Take one of the proposed £100 Notes—call it what you please—call it a '*Certificate*'—call it a '*Stock Note*'—a man will not receive it for £100—a man will not receive it as an equivalent for £100 metallic money in hand—unless he sees clearly some person or other, who, being able, stands bound to give him £100 worth of metallic money for it: viz: on *demand*, if he is *not* prepared to wait for it a certain time, or if he *is*, £100 of such money at the end of that time, whatever it be, with *interest* in proportion to the time. If this Interest is *not* to be paid *out* of the stock in question, i:e: out of a sufficient and determinate portion of the general mass of Government Annuities, it is not secured to be paid *out of* any thing: and if it *is* to be paid out of[35] any such portion, no gain can be made to accrue, out of that portion, to any body, from pledging of it.[36]

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[35] MS '[.^.^.?]'. The text follows the draft at UC xvii. 94 and the copy at xvii. 91.

[36] In his draft at UC xvii. 94, Bentham cancelled the following note at this point and noted '*Quere an inserendum*' (i.e. 'Query whether to be inserted?') 'What may have contributed to the fallacy, if such it be, is this. By what is commonly meant by paper money—by paper promising to deliver metallic money *on demand*, gain has actually been made, is continually made, and value has thus been and is thus created, as it were, out of nothing. But that source of gain has already been drawn upon, or will, without any such contrivance as that in question, continue to be drawn upon, for whatever it is able to supply. The source of ability trusted to in that case in each instance is ready money supposed to be present. The source to be drawn upon in the present case in each instance is an annuity, a sum of money payable in instalments at different periods more and more remote. An annuity is good security for him who wants an annuity, but not for him who wants the value of it in hand.

'If what a proposed £100 Stock Note points at is—an engagement on the part of somebody to pay £100 metallic money whenever it is demanded, the plan, if it provided funds for such payment, would so far answer its purpose. But this does not seem to be intended; neither does the subject matter in question, viz: the existing mass of Government Annuities, afford any such fund. If what it points at [is] an engagement to pay such a perpetual annuity as shall be equal in value to £100 payable on demand, this, if a proportionable annuity were

A word or two by way of recapitulation and I have done. Whatever be the principal sum spoken of in a proposed *Stock Note*, if no *specific* and *adequate pledge* be given as a security for the payment of that Sum, or no *Interest*, or any thing *less* than[37] the full Interest, be allowed, and secured, for the money expected to be received in exchange for it, it will not be *circulated*, because people will not be found to circulate it: if any specific and adequate pledge *be* given for the payment, and at the same time[38] Interest, and that *full* interest, be allowed and secured for the money received in exchange for it, it will not be so much as *created*; because nothing will be to be got by the creation of it. Such is the dilemma to which the plan in question appears to me to stand exposed: if any means of escaping from it can be discovered, the discovery will afford the Country much benefit, and myself in particular real pleasure.

Under this view of the plan, a view of the precise *tenor* of a proposed Stock Note does not appear to be a condition absolutely necessary to a demonstration of the impracticability of it—but, on the other hand, supposing the plan a *practicable* one, the drawing up of an instrument for that purpose, as proposed in my former letter,[39] is a sort of experiment, which the Author, were it only for his own personal satisfaction, can scarcely, I think, after what has been said, decline to make.

The plan being thus founded (as appears to me) in delusion, it may be of use to state what appears to have been the *source* of that delusion:—it is (if I mistake not) a misconception (though a very common one) of the nature of the species of property, out of which in some way or other so large a mass of additional wealth is expected to be created.

There are two sorts of *names* by which this species of property is indiscriminately denominated. The one, *proper*—determinate—and clear of fiction—an *Annuity*—a *Government Annuity*:—the other (which has many synonyms) improper—figurative—and *derived* from fiction—viz: *Stock*—*property in the Funds*—*Money in the funds*:—whence the phrases—[BL Add. MS 31235_005] *to buy Stock*—*to buy into the funds*—*to invest Money in*

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set apart and laid up, might afford a suitable equivalent to any person who wanted such an annuity, and could wait for it, and was satisfied he should not want the £100 till he could get a purchaser for that annuity: but it does not seem to be proposed that the circulation of these Stock Notes should be thus confined.'

[37] MS 'than than'.

[38] MS 'same Interest'. Text follows the draft at UC xvii. 94 and the copy at xvii. 91.

[39] See p. 000 above. [To UC xvii. 83, this file]

the Funds. Unfortunately, the obscure and thence delusive mode of denomination is of the two (as is but too natural) by much the most common and familiar. Many talkers and many writers—many writers and many projectors—appear to have been deluded by it. The Gentleman, if he errs, errs in large Company—in good Company—in some, perhaps, of the very best of Company: 'IN A COMMERCIAL COUNTRY' (says he in the first of his two concluding '*axioms*') {Letter I: p. 11}[40] 'THERE SHOULD BE AS LITTLE DEAD OR UNPRODUCTIVE CAPITAL AS POSSIBLE: but the wealth of Individuals, *collected*[41] in the funds, is dead to trade and general use, except only so far as the dividends are spent and circulated, and not invested in the same funds by way of further accumulation.'

The *funds*, according to this notion (a notion which appears to have occupied the writer's mind, not only while this sentence was penning, but as often and long as the project occupied its place in the same quarter) are a set of immense *reservoirs*, in which the wealth of Individuals—of as many individuals as have been said to have *invested money* in these funds—(in plain truth to have *parted* with their money in exchange for Government Annuities) has all along been *collected*, and in which so much, as has thus been collected, has always *remained*—and even now remains: remains to this hour—remains much to the regret of our projector, in as much as, by remaining there, it remains '*dead to trade and general use*'.

Thus far, the imagination—what says the understanding?—No Reservoir—*nothing collected*—*nothing* '*accumulated*'—*nothing remaining*—*nothing* '*dead*'.

What is a Government Annuity? *Future* money given in return for *present* money—the money made over to Government. What becomes of the money so made over? Is it kept in the Exchequer? waiting there the influx of other moneys, and by the endless *influx* of those other moneys without *efflux*, destined continually to '*accumulate*'? Alas! (or—to view the matter with the eye of this projector—*Happily*) no such thing. No sooner does it get there, than it is disposed of: disposed of exactly as the projector himself would wish to see it disposed of: viz: '*spent and circulated*': spent and (for one move at least) pushed on, with a degree of celerity and certainty, not only equal to, but exceeding that, with which even '*the*

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[40] i.e. Weston, 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 11.

[41] The italics in all the quotations from 'Method of Increasing the Quantity of Circulating-Money' are Bentham's.

dividends' (the disposal of which is contemplated by him with so much satisfaction) are '*spent and circulated*'.[e]

> [e] 23 July 1801.[42] Dr Beeke, in his estimate of the National Capital, does he not give rather too much *quantity* to the nominal Capital of the mass of Government Annuities? He *adds* this article to the rest—should he not rather have substracted it?[43]

In a word—what is it he must have been thinking of while writing and talking about these *English* Funds? Neither more nor less than a *Bank of deposit*, such as that of *Amsterdam* was *once*, and by Adam Smith has been described to be.[44]

In this misconception (if I myself do not misconceive the matter) you may see the foundation of the whole of *this* project; not to speak of *other* projects, which, from the second of the Author's two concluding Axioms, he seems to have in Store.[45]—This foundation removed, the project (it will be seen) falls to the Ground. Is it then [BL Add. MS 31235_006] true that Government, as often as it receives money by borrowing on Annuities, undertakes to *keep*, in a place called *the Funds*, or in any other place, whatever money it thus receives?—To keep it under Lock and Key, as in the Bank of Amsterdam, ready to be restored at any time on demand?—By no means.—That which Government, in thus creating a mass of annuities, undertakes to deliver is—not *ready*—not *present*—but *future* money: money to be delivered in a long chain, and perhaps an endless one, of periodical transfers. For this *future*

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[42] The letter to Vansittart which enclosed this letter was is dated 24 July 1801: see *Correspondence* (*CW*), vi. 420–1. Unsurprisingly, the note does not appear in the other two versions of this letter.

[43] See Rev. H. Beeke, *Observations on the Produce of the Income Tax, And on its Proportion to the whole Income of Great Britain. A New and Corrected Edition, with Considerable Additions respecting the Extent, Commerce, Population, Division of Income, and Capital of this Kingdom*, 2nd edn., London 1800 (first published 1799), p. 183, where in a 'Postscript' consisting of 'a short statement of the present value of the capital of Great Britain', 'Present value of income from the public debt' is estimated at £300m. Henry Beeke (1751–1837), writer on taxation and finance, Regius Professor of Modern History at the University of Oxford 1801–13, Dean of Bristol from 1813.

[44] The Bank of Amsterdam, founded in 1609 and underwritten by the municipal authorities, accepted foreign and local coin at its intrinsic value. Smith described it as 'for these many years past … the great warehouse of Europe for bullion, for which the receipts are very seldom allowed to expire', and detailed the prices at which in 1775 it received silver and gold bullion and coin of various kinds: see *Wealth of Nations* (*Glasgow Edition*), (Bk. IV, Ch. III) i. 479–88.

[45] For the axiom to which Bentham refers see p. 000 below. [To BL Add. MS 31235, fo. 7]

money—for these successive transfers—provision it *does* make, and I hope and dare believe, it ever *will* continue to make:—for the aggregate mass of these transfers, as the respective periods occurr, but for nothing more: for, as to the chain of eventual *surpluses*,[46] being the result of a recent and voluntary institution, subsequent to the creation of the Annuities in question, and having its specific appropriation, it is as nothing to the present purpose.[47]

Mean time the notion of the projector is—that '*the National Debt*' (to use his own words) '*is good for a fourth part*' (at least) '*of its nominal amount*': and that accordingly a Stock Note (the denominated value of it being, as proposed by him, £100) may always '*be circulated at 25*'.[48] By this (I infer from the context) is understood, that for every £400 Stock now existing (say for illustration sake in *three per Cents*) may be issued (in a form hereafter to be determined) one of his £100 *Stock Notes*: which Note shall be called a *£100 Note*; and, though unaccompanied with any *order* upon any body to pay £100 principal money, or any part of £100 principal money, upon *demand*, or at any *fixed* period, or even with any right of receiving, from those by whom the existing dividends are paid, the dividends upon the £400 stock or any part of it, shall notwithstanding be regarded by every body as worth £100: and as such as readily accepted, as £100 lawful money of Great Britain, or at least as readily as a Bank Note for £100, is at present. The supposition is at the same time given as too low, and too *un*favourable an one: but, to make sure ground, lest it should appear to be too favourable—'*as the caution of the most fearful*' (he observes) '*must have some limits*' if, (says he)[49] 'through the prevalence of distrust, the Notes described could not be circulated at *this* rate, they might undoubtedly at some *lower* rate'[50]—that is, if, in respect of £400 Stock in three per cent Annuities, £100 could not be obtained in this way, some less sum, and though less, yet still considerable, say fourscore—say at least threescore—might at any rate be obtained.—Fourscore *pound*, shall we then say? or threescore *pound*?—No—nor *farthings*.—If the case *really* were that, for this *nominal* £400 Stock—for this *real* annuity of four times three pound—there really were in existence a correspondent sum of £400,

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[46] The following nineteen words ('being .^.^. present purpose.') have been supplied from the copy at UC xvii. 91.

[47] i.e. the Sinking Fund as reformed by Pitt in 1786: see p. 000 n. above. [To note to UC cvii. 172 'Political Prospects']

[48] Weston, 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 11.

[49] MS 'say he'. The text follows the copy at UC xvii. 91.

[50] Ibid. There are minor inaccuracies in the rendering of the passage.

'collected in a receptacle called *the Funds*' or in any other receptacle, and there lying '*dead*' (i:e: ready to be delivered over to any person to whom it should be [BL Add. MS 31235_007] thought proper to transfer it) the supposition would be a moderate one indeed: if this *were* the case, there would then exist at this time five[51] hundred millions worth of lawful money of Greta Britain, more or less, lying in the Exchequer or some other safe place, of which sum a great deal of use, and very good use, might unquestionably be made. If this *were* the case, not only £100 might be obtained by a proper order, for such a Note, but £400 or even (for reasons not to the present purpose) somewhat more than £400. Unfortunately, of this five hundred million of Capital or ready money *in store*, there does not exist a single penny: what *does* exist—and I hope and dare believe ever *will* exist—is a provision, and that an adequate one, for the paying of the 3 per cent, 4 per cent, and 5 per cent annuities, corresponding to this nominal capital: which payments (bating the provision recently made for the gradual repurchase of a part of these annuities)[52] are all that is undertaken for.

I alluded but now to *other* projects, as lying ready in the same Store-House: projects similar in *foundation*, but still wider in *extent*. Of this nature is the project couched in the author's second and concluding axiom: viz: 'THAT THERE OUGHT TO BE NO SUCH THING KNOWN AS WANT OF MONEY': understand '*by those who possess property of any kind, whether it consists of lands, merchandize, or credits well secured*.'[53] All such property should enable the owner to procure a REPRESENTATIVE SIGN capable of general 'circulation'. That notions like this should have passed not only upon this writer (who appears to be a man of ingenuity and reflection, but who has either never read, or not sufficiently profited by, *Adam Smith*)[54] but (as they have likewise to my own knowledge) upon other intelligent men, readers too and admirers of Adam Smith, affords not only a proof how difficult a branch of science political Economy is, but also a presumption that, notwithstanding all that has been done by that

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[51] MS orig. 'four', both here at later in this paragraph. The draft at UC xvii. 95 and the copy at xvii. 91 also read 'four'. On 11 July 1799 Pitt reported to the House of Commons that the total of the permanent funded debt of Great Britain on 1 February 1799 had amounted to £386,902,000: see *Parliamentary History* (1798–1800) xxxiv. 1147.

[52] Perhaps a reference to § 120 of the Duties on Income Act of 1799 (39 Geo. III, c. 13), which provided for any surplus revenues raised by the new income tax to be passed to the Commissioners for the Sinking Fund for the purchase of public annuities.

[53] Weston, 'Method of Increasing the Quantity of Circulating-Money' [Letter I], p. 11.

[54] i.e. Smith *Wealth of Nations* (*Glasgow Edition*), (Bk. I, Ch. V) i. 47–55 and (Bk. IV, Ch. I) 437–40.

illustrious master, an adequate institute of that science is a work for which the demand remains still unsatisfied.[55]—Property of *every* kind capable of answering the purpose of *coined metal*, and of constituting a fund to *draw upon* like coined metal! Yes—if *selling* were an operation that, in the instance of every species of property, could be performed with as much dispatch, as well as certainty, as buying.—Yes, if property of *every* kind were as *portable*, as readily *divisible*, as *unperishable*, as *easy of estimation*, as the precious metals. That *land*, for *one*, is not quite so *portable*, so readily *divisible*, nor so *easy of estimation*, our projector might have learnt at the *Air Bank*:[56]—that *Butcher's meat* is neither quite so *portable*, nor by a good deal so *unperishable*, he may learn at any time at the Butcher's. When in this way he has gone the rounds of the different species of property which the inventory of national wealth contains, he may perhaps [BL Add. MS 31235_008] see reason to substitute to his pair of axioms, a single one not quite so brilliant, but rather more consistent with sound reason, as well as with good faith: viz: that *a promise to deliver hard money ought to have hard money ready to make it good*.

Familiar to the last degree to the *tongue*, *abstruse* in the last degree to the *understanding*, is the science of political economy! Who is there that does not *teach* it? Who is there that thoroughly understands it? For eight months together had this project been undergoing discussion on the part of adversaries as well as friends; and, at the end of the eight months, comes out a second part *thrice* the bulk of the first,[57] and consisting of a copious train of collateral researches, and a very compressed and laconic string of *objections* and *defences*.[58] Among the *objections*, are some, which, if they had a *fixed subject matter* to apply themselves to, and were developped with due precision, and to an adequate extent, would be found (I imagine) to coincide in good measure with some of the observations you have just read. As it is, how fares it with them? Each objection is squeezed into a *hint*, and

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[55] Bentham's attempt to fulfill this demand, 'Method of an Institute of Political Economy (including Finance) considered not only as a Science, but as an Art', will appear in *Writings on Political Economy*: V.

[56] Douglas, Heron & Company, a banking company commonly known as the Ayr Bank, was established in Ayr, Scotland, in November 1769 'for the express purpose of relieving the distress of the country', but it failed in June 1772, with liabilities exceeding £1m. See Smith *Wealth of Nations* (*Glasgow Edition*), (Bk. II, Ch. II) i. 313–14.

[57] Weston's Letter I ran to 12 pages and Letter II to 39.

[58] See Weston, 'Method of Increasing the Quantity of Circulating-Money' [Letter II]: § 15, 'Some particular Objections stated', at pp. 34–6; and § 16, 'Replies to those Objections, and Conclusion', at pp. 36–9.

each hint overthrown by an *epigram*. To overthrow them indeed was not difficult: for they have no ground to stand upon. They have no ground to stand upon; for that Ground, if they had it, would be *the form and tenor of a proposed Stock Note*. That form and tenor the author has not *yet* given; nor, if the point of view in which the project has been contemplated, in this survey of it, is a correct one, will *ever* give.

N.B. Letter I is neither very material (as may be conceived from the allusions above made to it) nor *recoverable*: applications for the return of it (concomitant as well as subsequent to the delivery) having remained unnoticed. The intimations convey'd by it were not spontaneous, but by repeated importunities extracted from the Author, through the *medium* of a common friend, who had claims not to be repelled.[59] This second letter has been mentioned as being in readiness, on condition of the temporary return of the first: but that application likewise passed unnoticed.

To keep clear of biases, the Author of this *review* has all along made a point of remaining altogether unacquainted, with the name and every thing else, that concerns the Author of the *Plan reviewed*.[60]

Please insert a short rule.

[017_105]

P.S. He sets out with a postulate, viz:—*the want of a circulating medium*:—and even this postulate is more than I can grant. A circulating medium is either hard cash, or paper conveying a promise of hard cash. Hard cash is what neither your friend nor any body else ever thinks of augmenting the quantity of. As to promise, it is a commodity of which there never has been a scarcity, or any danger of a scarcity:—the danger is from the

[59] Possibly Sir Samuel Romilly: see p. 000 n. above. [To not to UC xvii. 83, this file]

[60] The remainder of this work, which reproduces the text from UC xvii. 105–8, were not sent with Letter II, but were apparently drafted as a postscript to a copy of the letter intended for Samuel Romilly: see p. 000 n. above. [To not to UC xvii. 83, this file]

superabundance. Paper of this kind [is][61] what the Country Bankers live by issuing: 5 per cent is what they make by as much as they can get people to take. Promises of this kind a man is always ready to lend out to the amount of the utmost quantity which he can have any reasonable assurance of being able to realize: often, but too often, to a considerably greater amount, as so many failures testify. The mischief is want of ready money in hard cash: more being always promised to be produced, than can always be produced. Too great a stock of this cheaply produced commodity is apt to find its way into the market:—this is the real mischief:—now, what is the proposed remedy?—to pour in a fresh stock: and to do this in an oblique and obscure way, so that a man's right hand shall hardly know what he is about while he is making promises with his left[62]—in this consists the contrivance.

[017_106]

The thing really wanting is *present* money in contradistinction to, and in exchange for, sources of future money—capital in contradistinction to, and in exchange for, income—on the part of such a multitude of individuals who, having need of present money, and having sources of future money to purchase it with, find themselves not only outbid by their irresistible competitor, Government, but even forcibly driven out of the market with a strong hand, by the laws limiting the rate of interest.[63] These laws, which were established for a foolish purpose, partly mischievous and partly impracticable,[64] are productive of a Collateral effect, which, be it good or bad, they never had in view. Government, having the market to itself, has thus got its money so much cheaper: the burthen, though in reality the heavier, has appeared the lighter, by being thrown upon a part of the Nation instead of the whole, and because the amount of it has not appeared on the face of the public accounts. The national alarm and uneasiness in respect of the weight of the public burthen has been so much the less: and the damage to the classes aggrieved (viz: such possessors of sources of future money as have been labouring under a want of present money), how severe soever, has been exempt from injury, as having its source in a law under which all parties were born, and for the

[61] MS orig. 'Promises of this kind are'.

[62] An echo of Matthew 6: 3.

[63] The maximum legal rate of interest in England had been 5% since the Usury Act of 1714 (13 Ann., c. 15). In Ireland it had stood at 6% since 1731 (statute of the Irish Parliament, 5 Geo. II, c. 7).

[64] See *Defence of Usury; Shewing the Impolicy of the present legal restraints on the terms of pecuniary bargains* (first published at London in 1787), Letters VI, VII and XIII, in *Writings on Political Economy*: I, ed. M. Quinn, Oxford, 2016 (*CW*), pp. 43–121, at 62–7, 68–71, and 93–113, respectively.

effects of which all parties had in so far been prepared.

[017_107]

In a certain sense, indeed, there *has been* a want of circulating medium: but, in a convulsion of distress rather than by any exertion of human prudence, this want has for some time found the way to its relief. There was a want of Bank paper; viz: of Bank paper in smaller sums: in this sense, that, for want of so obvious an expedient as that of reducing the sum, and thence opening the market to a fresh and abundant class of customers, there had not been that quantity of promissory paper issued from that opulent and most accredited source, which might always have been kept in circulation, without producing any diminution in regard to the capacity of performance. What seems obvious enough when once pointed out, is—that a man who had but £2 or £1 to receive, will not be less ready to receive in this shape, if he were but permitted, his £2 or his £1, than another who has £5 to receive has always been to receive his £5 in that same shape.[65] But so long as there were no Bank Notes less than £5 Notes, a man who, though he had continually from £1 to £4 passing through his hands, had never at any one time so much as £5, was as effectually shut out from the market for this species of circulating medium, as if he had stood prohibited by law from taking it.

[017_108]

The issues that were made of £2 and £1 Notes operated as a repeal of this virtual prohibition by law:[66] the market was thrown open for a quantity of circulating medium which, though issuing from the same source (and from a better it could not issue), was cut down to a smaller scale, so as to be brought within the reach of vast multitudes who could not till then put in for it. As the distress in respect of the difficulty of finding cash for large notes was thus relieved by the issue of small notes, the want that had been experienced might in so far be said to have been a want of small notes—a deficiency in the quantity of circulating medium in small parcels, as a want of money—a deficiency in the quantity of hard cash.

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[65] The Promissory Notes Act of 1704 (3 & 4 Ann., c. 9) provided that signed promissory notes should have similar legal status to inland Bills of Exchange. In 1725 the Bank of England issued printed notes for denominations of £20 and higher, while £10 notes were issued in 1759 during the Seven Years' War and £5 notes in February 1793 at the start of the war against Revolutionary France.

[66] The Bank of England Notes under £5 Act of March 1797 (37 Geo. III, c. 28) authorised the Bank to issue promissory notes for amounts under £5.

Howsoever it may have been with regard to the opulence of that great commercial body, it was fortunate for its credit at that particular conjuncture that a resource so safe, so efficient and so obvious remained to that time unemploy'd. Whatever may be the amount of Bank paper now in circulation in the shape of £2 Notes, and £1 Notes, the Bank might have been making interest upon that sum, and the stock of National wealth might have been receiving an annual accession, by the amount of interest and profit upon a considerable part of that sum, for one knows not what number of years back.