

[001_038]

APPENDIX C*

§ |^|. MISCELLANEOUS EFFECTS OF THE ANNUITY NOTE PAPER AT DIFFERENT PERIODS OF ITS EXISTENCE (JANUARY 1800?)¹*Period I.*

The effects of this paper in the course of the first period may be stated as follows—1. In proportion as it extends—as the emission of it encreases—it will expel Bank of England paper.

Ignorance, inattention and indolence apart (for all which causes put together great allowance ought always to be made) it is not in human nature that Bank paper should be accepted when Annuity Note paper is to be had.

It possesses—and in equal degree (subject to the very slight exception which will be mentioned) all the advantages which Bank of England paper possesses in comparison with hard cash, and which cause it, for all transactions of a certain magnitude, to be employ'd in preference to hard cash.—1. Bank paper is more easily secured against depredation than hard cash: 2. it is more portable: 3. it is transportable to distant parts of the country at less expence and with less risk: 4. To the holder at least, it is more secure against loss by forgery: 5. It saves the greatest part of the time requisite for the counting of hard cash: it saves in a manner the whole of the time requisite for the examination of hard cash, with a view to its weight and goodness.

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All the above properties, the proposed Annuity Note paper possesses in equal degree with Bank paper: facility of counting excepted, in respect of which the Bank paper, by reason of its barrenness yielding no interest, possesses a small advantage. He who is content to forego the advantage of interest

* [Editor's Note: This file reproduces Bentham's first discussion of the effects of the Annuity note scheme, which a textual reference to stock prices (UC i. 327) indicates was drafted in January 1800. Marginal contents sheets for this Appendix are at UC iii. 12 and 8, neither dated.]

¹ This Appendix reproduces what appears to be Bentham's first draft of his proposed section or chapter on the effects of the Annuity Note scheme. Neither the text sheets nor the corresponding marginal contents sheets at UC iii. 12, 8 are dated, but a reference to stock prices on 17 January 1800 indicates that at least the final section was probably drafted on or around that date. For further details see the Editorial Introduction, pp. 000–000 above.

will save the trouble of counting it: that is, the trouble of looking at the Table to see what it amounts to.²

On the other hand, in what concerns security against falsification, the Annuity Note paper (supposing the security here proposed to be adopted in this instance and not in the instance of Bank paper) will have greatly the advantage.³

In regard to two capital points it possesses an incontestable advantage over Bank Paper. 1. *Solidity*, as against failure of the engagement entered into. 2. *Fertility*, in respect of the yielding interest.

Bank paper (though at the head of its class) belongs to that class of paper currency which has brittleness interwoven with its very essence: the very possibility of profit depending upon the perpetual emission of a mass of promises, the performance of which, taken together, is perpetually impossible.

[001_040]

Good management seconded by good fortune may so far reduce the risk to individuals—and, it must be confessed, has so far reduced the risk—as that so long as no paper exists which stands exempt from that risk—it may be better worth the while of each individual to encounter the risk inseparable from this paper, than to forego the advantages (as above enumerated) that attend the use of it.

What is here spoken of as a risk, has now for years (as is but too well known) been converted into a certainty. Yet so great is the mass of advantage possessed by paper in comparison of cash, that, there being no paper of firmer texture men, are glad to receive these promises under the experience[?] of their non-performance.⁴

The promise convey'd by the proposed Government paper is of that kind which has been in emission now for upwards of a century, and in all that time has never been known to fail: which from the very nature of it can not fail all at once, the performance of it being distributed over the unmeasurable expanse of time—which is not exposed to what is called a run, the fund being constantly

² See 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest', between pp. 000–000 above. [To text file 5]

³ Bentham has cancelled the following cross reference at this point: 'See § [^] Securities against Forgery'. In the event, Bentham decided to detach his discussion of prevention of forgery from 'Circulating Annuities', while the surviving discussion is reproduced in Appendix F, pp. 000–000 below. [To text file 12]

⁴ i.e. since the suspension of payment in specie by the Bank of England on 26 February 1797: see p. 000 n. above. [To note to UC cvii. 162, 'Political Prospects']

prepared for the greatest quantum of demand that by possibility can take place: and which, so far from being exposed to any new hazard by the proposed paper, will receive such a security from it as it never had experienced before.

[001_041]

Meantime, one distinction must be observed—viz: that the payment undertaken for by Government in the case of the proposed Annuity Note paper, is that of the interest only, not the principal: while the payment undertaken for by Bank paper is—that of the principal, without interest. The distinction, however, turns only upon the mode, and the practical result is not affected by it. From what hand a man receives his principal, when it is that that he wants and not the interest, is altogether immaterial to him, provided he receives it. If it be interest alone that he wants, it is from Government that he will receive it: if it be interest and principal together that he wants, it is from individuals that he will receive it—from the first man [with whom]⁵ he happens to have dealings with it. By the supposition, the paper is already in circulation: but being once in circulation, it can no more cease to be so, (civil war and invasion apart) than gold and silver can cease to be so. It could not have come into circulation, but for certain principles in human nature, which are not exposed to change.

[001_042]

To depend upon one hand for interest, and upon another for principal, with or without interest, is not peculiar to the proposed new paper, but is matter of universal and inveterate experience. In the instance of the existing Stock Annuities, it is the interest alone that is receivable from Government: he who wants his principal must look to individuals and send his Annuity to market to be sold, for the market price. In the case of Exchequer Bills—Navy Bills &c., principal as well as interest is indeed undertaken for by Government—but this is for a term[?] not always liquidated, and in respect of which, where not liquidated, a man must take his chance. If the principal be wanted on any day antecedent to that time, it is to individuals that a man must look for it: to individuals a man accordingly does look for it, nor is he ever disappointed.

In a few words, the difference on the point in question between Bank paper and the proposed Annuity Note paper lies in this. What Bank paper is now promising without performing, Annuity Note paper will perform without promising.

⁵ MS 'that'.

[001_043]

2. It will in the same proportion expel the paper of the Country Bankers.

Of the paper of Country Bankers, part is of the same species with Bank of England paper: being payable on demand, but without interest.

The same causes which will operate to the expulsion of Bank of England paper will operate, but, if there be a difference, with still superior certainty to the expulsion of similar paper issued from the shops of private Bankers. Private Bankers not having their paper received at the public offices, nor supported by associations,⁶ are not in possession of seeing their promises received under the experience of their non-performance.

[001_044]

[The] other part, but it is said in much larger proportion, bears an interest—the sort of interest that has already been described—nominally, in some instances upon a par with that proposed to be allowed on the proposed Government paper: in effect, in all instances considerably less.⁷

Two causes—either of them sufficient—will conspire to the expulsion of this paper. In the first place nobody would issue it—in the next place nobody would take it.

No Banker would issue it, although he were certain of its being taken. For, by keeping his money in the form of Annuity Note paper, he will make 3 per Cent of it: and by lending it out, after paying the interest he will have to pay for it—supposing it to be but $2\frac{1}{4}$ —the laws against usury will not admitt of his making so much as he would make of it, as above, by keeping it.

No individual would accept of $2\frac{1}{4}$, $2\frac{1}{2}$ or $2\frac{3}{4}$ per Cent of a private Banker, and on the personal security of a private Banker, when from Government, and on Government security, he could get three per Cent: and in the way of circulation, without the trouble of sending[?] to the Banker's shop.

Thus much appears quite sufficient. Were it worth while to look farther, it would be seen that a private Banker, were it even possible for him to offer higher interest, could never hope to draw off

⁶ The vast majority of country bankers had close relations with London banking houses, which could provide support and access to short-term capital at need. For a related discussion see p. 000 above. [To UC i. 501–2, Appendix B]

⁷ See p. 000 & n. above. [To UC ii. 545 & n., 'Circulating Annuities', Ch. IV]

customers from the Government paper.⁸

[001_045]

3. So soon as the quantity issued over and above what is absorbed and taken out of the circulation by the customers for Petty Permanent Annuities should have come to exceed the quantity of Bank and Banker's paper in existence at the commencement of the issue, it will thenceforward begin to make an addition to the quantity of currency actually in circulation.

4. The addition thus made will continue to encrease, till, partly by the operation of the existing Sinking Funds, partly by the operation of this proposed new Sinking fund, composed of the produce of the Sale of this proposed paper, three per Cent Stock Annuities have been raised to par, or within a few per Cent of par.^a At this epoch, as Stock Annuities will, by the supposition, cease to render any higher rate of interest than that which is rendered by the proposed Note Annuities, as Stock Annuities have no advantage in any other respect over Note Annuities, and Note Annuities are more advantageous in *several* respects than Stock Annuities, the money that before went exclusively to the market for Stock Annuities in contradistinction to the market for Note Annuities, will now apply itself [001_046] indiscriminately to both markets, but probably with a more or less considerable degree of predilection manifested towards the Note Annuity market.

[001_045]

^a Perhaps it may be added, or within view, as it were, of par: since the near prospect of the arrival of that period, and of the operations which it may be expected to usher in, may naturally be supposed to produce an influence on the conduct of parties interested before the actual arrival of it.

Annuities, money destined for the purchase of permanent Annuities upon the scale of Stock Annuities, will now come pouring into the Note Annuity market in addition to the mass of money flowing in for the purchase of Petty permanent Annuities upon a small scale, and the mass of money flowing in for the purchase of Flying Annuities. But so much of the Annuity Note paper as is thus purchased to yield a permanent income, and to come in lieu, as it were, of Stock, must for that purpose be kept dead, as it were, in the possession of the proprietor (in the same manner as that which was absorbed, as abovementioned, by being invested in the purchase of Petty permanent Annuities having the same destination) and so long as it continues in this shape, that is appropriated to this destination, it

⁸ Bentham has cancelled the following passage at this point: 'He could give no Table to save the trouble of calculation. He could not exempt a customer from the trouble of coming to his shop.'

will not enter into the composition of the mass of currency actually in circulation. Like hoarded money, it will all along possess the capacity of being put into circulation, but so long as it continues in a hoarded state that capacity will not be reduced to act.

[001_047]

5. The quantum of the addition thus made to the currency will be greater and greater, the longer the continuance of the war: or, to come nearer the point, the greater the amount of the additions that continue to be made to the mass of Stock Annuities: since the greater the mass of Stock Annuities, the stronger their tendency to depreciation, the longer the space of time that must elapse before they are raised to par; that is, before the arrival of that period at which, (as hath just been shewn) whatever additions are made to the mass of Annuity Note paper, will be made—not to that part of it which is in circulation, but to that part of it which is hoarded and kept untransferred as a source of permanent income upon the footing of Stock.

The result, supposing it true, will certainly not present itself as an undesirable one. Money will be more and more plenty, the longer the war continues. It has the air of paradox: but the truth of it will be found to bear the strictest scrutiny.

[001_048]

6. All this while the sale of Annuity Note paper—the buying in of Stock Annuities with the produce of the sale—in a word, the vibration of the cash of the country between the two markets—the Note Annuity market and the Stock Annuity market—will be going on with a velocity which nothing can arrest. Were it not for the positive bounds proposed to be prescribed to it, it would have no other bounds than what were set to it by those which limit the quantum of the Fund provided for the payment of the Annuities thus created.

7. The addition to the currency, it is true, would not be *clear*, any further than in as far as the mass of hard cash in the country continued undiminished. But no cause presents itself as promising or threatening to operate any such diminution in any degree.^b The cash, as fast and as often as it gets into the hands of government, that is of the Commissioners of the Sinking Fund, is neither thrown away, nor melted, nor hoarded, but poured back into the circulation by being put into the pockets of the bought-out Stockholders in payment for their Stock.

[001_049]

^b It is an opinion that appears to be entertained by Adam Smith, but rather assumed than proved, that every £100 introduced into the currency in the shape of paper must have the effecting of expelling so much cash.⁹ The conclusion does not seem just in theory, nor does it accord with experience, as far as experience on this subject has been brought to light. Curious in itself, it is a question not worth discussing for the present purpose. Whether the quantity of wealth in all shapes receives an increase or undergoes a defalcation in the compass of a given period is a question of real moment. Whether that portion of it which happens to be in the shape of gold or silver receives an increase or undergoes a defalcation within the same period, the quantity of wealth remaining all the while unvaried, is a question not worth considering. If it is sent out of the country by Merchants it is not sent out for nothing, nor without profit: and whether the profit made be made upon a thousand pounds' worth of gold and silver, or a thousand pounds' worth of any thing else, is a matter of great indifference. If the quantity of gold and silver were the sole index of the quantity of wealth of all sorts, it would be worth attending to in that view. But the quantity of wealth of all sorts has other indexes, and indexes more instructive.

The question of real importance is—will the addition thus supposed to be made to the amount of the currency in circulation be attended, in any and what proportion, with an addition to the quantity of wealth of all sorts.¹⁰

[001_050]

This property of making an addition to the mass of wealth is not the exclusive prerogative of the proposed paper. It is shared with it, and possessed in an equal degree, sum for sum, by Bank and Banker's paper. What difference there is regards not the quantum of the addition, supposing it to remain, but the *security*—i:e: the certainty of its remaining. Bank and Banker's paper being essentially brittle—exposed to lose its value, the proposed paper being essentially impregnable—exempt from the danger of losing any thing of its value. Bating this difference in point of solidity, what follows will apply equally to all three[?] species of current money: hard cash, Bank and Bankers paper—and the proposed Annuity Note paper.

Take any given large mass of money of any one of the three kinds, (say 4 millions' worth) and let it be supposed to be introduced into the country on a sudden, that is, within the compass of a short time, say a year: this being the case, whether the addition it continues to make to the quantity of wealth of all sorts taken together during a given space of time (say that same year and another) shall be a clear one, will depend in the first place upon its continuing in the country during that time, or

⁹ See *Wealth of Nations (Glasgow Edition)*, (Bk. II, Ch. II) i. 293–4 and p. 000 n. above. [To note to UC ii. 573, 'Circulating Annuities', Ch. IV]

¹⁰ Bentham has noted in the margin at this point 'Here insert: Addition: the same as would be made[?] by [.^.^?] Banks[?].'

in the course of that time being exported. If exported and employ'd in the purchase of commodities of real use (corn, suppose, and timber) the addition will be all clear.^a

[001_051]

^a It is only in the shape of gold and silver that the supposed sudden accession can be exported: neither Bank or Banker's paper nor Annuity Note paper can be expected to be taken in any quantity worth considering in this point of view by foreigners resident abroad. But this does not render the supposition of an export to the supposed amount an impossible supposition, in the case where the shape in which it flows in is that of paper: since in this case, though the paper will not be exported, an equal quantity of the gold and silver pre-existing in the country at the time of the supposed accession will be exported and go in lieu of it.

[001_052]

Next let the supposed accession of 4 millions continue, the whole of it, in the country during the supposed period, and during all that time forming part of the circulation. If (to make a supposition which has never yet been realized) the accession of money finds all hands in full employment—if the whole fund of possible labour be already converted into actual labour—and no accession of labouring hands be admitted from foreign countries—the accession of real wealth produced by the accession of this four millions' worth of money will amount to nothing. The effect of it will be all spent in the raising of the prices of labour and goods: in other words in lessening the marketable value of the pre-existing stock of money: and just so much as it adds to the mass of money, just so much will it defalcate from the value of the pre-existing part of that mass: leaving the value of the sum total neither greater nor less after the accession than it was before.^b

^b A well known case put by Hume is that of every man's waking of a morning and finding just double the quantity of money in his pocket that he went to bed with.¹¹ The inference is, that by this accession to the stock of money no real accession would be made to the stock of wealth. The inference would be correct in a country from which there were no possibility of exporting money, and in which the overstrained supposition started in the text were verified, I mean that of a perfect plenitude of employment, but not in any other country.

[001_053]

Lastly, let there be in the country at the commencement of the supposed period a fund of possible labour remaining unemploy'd to an amount greater than, or at least equal to, two million's worth, and let the effect of the supposed accession of four million's worth of money within the given period be to have reduced to actual labour two million's worth and no more of this fund: i:e: to have produced an accession of wealth to that amount in the shape of goods or improvements: in a word,

¹¹ See p. 000 n. above. [To note to UC i. 438, Appendix A]

any shape or all shapes but that of money. Two million's worth of real wealth will, on this supposition, be the amount of the clear accession made by the supposed four million's worth of money to the mass of real wealth: the rest of the influence of the money having employ'd itself in raising to the amount of two millions the money price of labour and goods, and thus in operating a defalcation to that amount from the value of the pre-existing stock of money, as before.

[001_054]

As the mass of currency keeps on encreasing it is almost impossible it should not contribute more or less to the encrease of the mass of real wealth. On the other hand, when the mass of currency is encreasing, especially if the rate of encrease is rapid, it is almost impossible that the whole force of the influx should be employ'd in the production of that effect: it is almost impossible but that a certain part of that force should be consumed in the lowering of the value of money (lowering its own value as well as that of the pre-existing mass of money): in other words, in raising the money prices, of labour and goods. Information of money to be had for labour can not confine itself to the abstract mass of possible labour remaining unengaged. It may present itself to a few, who neither have yet set their hands to labour, nor would or could (within the time in question) had it not been for the additional stock of power and inducement held out to them by this extra fund: it will present itself to others (and commonly in greater number), of whose time or capacity of exertion the greater part is already employ'd, and who thus have a remnant, but no more than a remnant, to dispose of. It will present itself to others whose aptitude for labour is already employ'd to the utmost, and who, not having it in their power to add to their performance, will avail themselves of the information to add to their demands.

[001_055]

So far as this latter effect takes place, so far is the supposed accession of money—so far is any addition to the existing mass of money in a country—an event rather to be deprecated than desired.—The encrease of money prices operates as a tax on all who have money: and a tax against which those whose incomes do not admitt of encrease by industry, have no possibility of indemnifying themselves. But in the whole train of human events, good and evil come together: good at least is impossible to be found pure. An accession of money in any shape, especially if rapid and considerable, can never fail of being productive in a greater or less degree of this undesirable result: such would, to a certainty, be the effect of 20 million's worth of gold and silver presented to his Majesty by the King of Spain from the mines of Peru and Mexico, in trust to be applied towards the extinction of the National Debt: if, however, it were to be put to the vote throughout the country whether a proffer to this purpose should be accepted or rejected, the number of votes for rejection would probably not be found to be very considerable.

[001_056]

It has already been stated, that if, by virtue of the emission of the proposed paper, a clear addition should come to be made, before the conclusion of this first period, to the total mass of currency in circulation, a part of that addition would go to the enhancement of prices, and in so far have the effect of making not an addition to, but a defalcation from, the pecuniary means of a part of the community: viz. all such members whose means did not derive a direct accession from the influx. By these prices were meant the nominal or money prices. But this effect would be counteracted and diminished, at least in a certain degree, by other effects originating in the same causes. A certain proportion would be employ'd in increasing the effect of labour by machinery, and other devices operating to that end.—At the same time, the extra influx of money which it added to the wages of labour, and in so far went to encrease the real price of goods, would, by the extra competition among manufacturers and vendors, operate to a certain degree in reducing the rate of profit of Stock. In both these ways, it would operate in reduction of the real prices of goods, and also, in proportion, of the money prices.

[001_057]

8. Persons, who whether by necessity or by choice, for the prospect of advantage, sell out of the Funds in the course of this period, upon the whole will be gainers, and for a certain length of time all without exception gainers, by the measure: each man being a gainer by the amount of the difference between the greater sum he actually receives, under the operation of the measure, and the lesser sum with which, supposing him to sell out, he must have contented himself, had it not been for the measure.

9. Persons who sell out for the purpose of discharging debts already contracted, or for the performance of contracts already made, will be gainers without exception, in the same proportion, viz: at whatever part of the supposed period the sale in each instance happens to take place.

10. This will likewise be the case for a part of the period with the class of *voluntary* sellers out—persons who, selling out not by necessity, but by choice, have their capital remaining upon their hands to be employ'd in ground improvements or in trade: viz: so long as the quantity of money continues unaugmented, the addition made to it by the Annuity note paper being compensated by the defalcation made from it by the subtraction of the Bank and Banker's paper.

[001_058]

11. This gain will be greater, but in a proportion not capable of being designated, even in the above loose way, if it should so happen that the subduction of the Bank and Banker's paper should be sudden in any degree, viz: in so far as to get the start of the addition made to the currency by the influx

of the proposed Annuity Note paper: and the addition to the gain will, of course, be in proportion to the magnitude of the intermediate void.

12. In regard to such part of the *voluntary sellers out* whose efflux out of the Stocks does not take place till after a clear addition has been begun to be made by the proposed Annuity Note paper to the mass of currency, the void produced by the efflux of the Bank and Banker's paper having been filled up, the rate of their profit will undergo a diminution to a certain degree by the consequent depretiation in the value of money, as above explained in N^o 4.¹²

13. In the instance of such persons who, whether in the way of direct borrowing on their own account, or by getting Bills of Exchange discounted, or otherwise, have been in the habit of obtaining temporary supplies from Bankers, and of placing their dependence on those supplies for the continuance of their respective trades and occupations, a degree of inconvenience and loss cannot but be sustained, and that not an inconsiderable one, in consequence of the measure.¹³

[001_059]

14. The amount of this loss, considered in point of *extent* (that is with respect to the number of persons to whom it extends itself) will be greater and greater, in proportion as the decline of the Banking business extends: and will accordingly be at its maximum, when the whole of the capital at present employ'd in the Banking business is withdrawn from it, or if not the whole, whatever part may come to be expelled by the proposed Annuity Note paper.

15. When thus arrived at its *maximum*, (by which time the total mass of currency, will (as above explained) have begun to receive a clear encrease), this loss will be subject to the influence of two conflicting causes—the one tending to enhance it, the other to put an end to it or alleviate it.

16. The cause tending to the extension and enhancement of the loss in question is this: viz: that the certainty of making three per cent of money without the least particle either of risk or trouble (viz: by means of the proposed Annuity Paper) being entire, the comparative amount of profit capable of being made by lending on private personal security, viz: by discounting Bills or otherwise, will be so much the less: inasmuch as [001_60] the utmost rate of interest allowed to be taken by law being but 5

¹² The numbered paragraph to which Bentham refers at p. 000 above [To UC i. 45] does not in fact explain the depreciation of money. He may have had in mind rather the note to numbered paragraph 7, pp. 000–000 n. above [To UC i. 49–56]

¹³ Bentham has marked the following six paragraphs numbered 14–19 inclusive for possible deletion.

per cent,¹⁴ 2 per cent will be the utmost extra profit capable of being made in the way of interest, at the expence of that trouble and that risk: whereas at present and in former times, the greater part of the money laid out on private personal security is money that, if it were not so disposed of, could not (under the circumstances so often noticed, by which small and temporary sums are excluded from the Government market) have been placed out at interest at all.

17. The cause operating in alleviation or removal of the loss in question is the extra-abundance of money that will by this time have begun to be produced in manner above-mentioned: insomuch that though the quantum of comparative profit to be made by the loan of money on personal security is lessened, yet the competition for that profit being increased, many persons who but for the competition would not have accepted it, will now in consequence of the competition submit to accept of it, under the inability of getting any thing more.

18. The influence of the latter cause is that which seems most likely to prevail; for inasmuch as, by the operation of the same cause, a general enhancement of prices will be extending itself in manner above mentioned, a smaller gain will become a greater and a greater object, and whatever may be the amount of it, a man will find himself under a stronger and stronger necessity of accepting it.

[001_61]

19. Concerning the influence of the measure on the rate of interest given for money secured by mortgage, it seems scarce worth while for the present purpose to institute a separate enquiry. The rate of interest on this superior security will be exposed to the action of the same pair of conflicting causes as in the case of personal security, as just mentioned. The same mass of money, it may be observed, is not in every part of it indifferently applicable to both these purposes. Money must be at a man's command for a considerable length of time, for a number of years at least, for it to be worth his while generally speaking to invest it in a sort of security the obtainment of which is attended with so much delay, trouble and expence: unless it be in the particular case where the apparent profit is made to receive an encrease by a share in the profit attached to the expence of conveyance.^{c 15}

¹⁴ See p. 000 n. above. [To note to UC xvii. 106, 'On the Stock Note Plan']

¹⁵ Bentham has noted in the margin at this point: 'Some of the money that was kept out of the Stocks by fear of their depretiation, may be invested in this shape, on account of the assurance it affords against depretiation.' In the corresponding marginal contents sheet at UC iii. 12 Bentham has noted: 'The price of Governm^t Annuities will *continue* to regulate the rate of interest on other Securities.'

^c Where accumulation—persevering and long continued accumulation—is the object, 3 per Cent yielded by Annuity Note paper will do more than 4 per Cent upon mortgage. Upon mortgage, compound interest is practically speaking impossible. Upon Annuity Note paper, compound interest (barring the contingency of being paid off) is obtainable to a certainty: not to repeat what has been shewn already, that in truth it is the only species of security by which that species of advantage is in reality to be obtained.¹⁶ For at simple interest at 4 per cent, a given sum requires 24 years to double it, [001_062] whereas at compound interest the same effect is produced in less than 24 years.¹⁷

20. As to Exchequer Bills, and the other floating Government securities so often mentioned, it might seem at first sight that the rate of interest would be subject to the same system of contingent variation as is above stated with reference to money lent on private personal security: and that accordingly, if the exit of the Bank and Banker's paper, but more particularly in this case the Bank of England paper, were to be exactly of a pair[?] with the influx of the Annuity Note currency, there would be no change: if the exit of the Bank of England paper were to be sudden, and get the start of the above influx so as to leave a temporary void, the difficulty of finding money for the purposes in question would be enhanced, and the rate of interest made in this [way], and consequent loss to Government, proportionally increased: and that it is not till after the commencement of the clear addition above spoken of¹⁸ (as being made to the total mass of currency by the excess of Annuity note paper over and above the efflux of Bank and Banker's paper) that the rate of interest on these floating Government securities would begin to be reduced. But, upon further reflection, the greater probability seems to be, that the reduction of the rate will, in this class of instances, be immediate, encreasing and unabated, notwithstanding the causes of scarcity, (and thence of the rise of the rate of interest where law permits, as here) exhibited above. In [001_063] the case of Bank of England paper, nothing of suddenness in the exit can be at all to be apprehended. The intercourse between that great Corporation and government being so close and constant, no change can take place in the state of the Bank of England currency that will not have been foreseen and provided for, in concert with and with the co-operation of Government. While there will be sudden exit of Bank paper, the market for these floating Government securities will enjoy, and enjoy without abatement, the benefit of the influx of currency in

¹⁶ See pp. 000, 000 & n. above. [To UC i. 44, this file; and UC ii. 545 & n., 'Circulating Annuities', Ch. IV]

¹⁷ In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', p. 000 n. below, [To UC ii. 234] Bentham referred to 'Smart's Tables' for computations of compound interest, having in mind an edition John Smart, *Tables of Interest, Discount, Annuities, &c.*, first published in 1724. See, for instance the edition published at London in 1780, p. 57, where the table 'Of Compound Interest' indicates that a sum doubled in 18 years at 4% compound interest.

¹⁸ Bentham considered presenting the following passage in brackets in the form of a note.

the shape of Annuity Note paper—or rather (to speak of the nearer part of the effect) in the shape of guineas: meaning the guineas that will be poured forth in increasing proportions into the hands of the bought-out Stock-holders as the emission of Annuity Note paper extends.¹⁹

The security being the same, and the rate of interest at the outset so much higher in the instance of those existing temporary Government Securities than in the instance of the proposed perpetual Annuities, Exchequer Bills and so forth will be sought after in preference to Annuity Note paper by that part of the mass of guineas which belongs to such of the bought-out Stockholders as are men of mercantile habits, resident in or in the near neighbourhood of the great seat of commercial and financial operations.²⁰

[001_064]

Period II. From the arrival of Stocks at par to the extinction of the last portion of Stock Annuities by its conversion into Note Annuities

1. From the causes that have been mentioned, the conversion of Stock Annuities (i:e: of such as were not absolutely paid off) into Note-Annuities will to all appearance to be so rapid, that it is with difficulty that the mind can assign to the period in question a duration of sufficient length to give birth to a state of things permanent enough to assume any determinate shape.

2. So soon as the price of 3 per Cent Stock Annuities has risen to par, the addition made to the quantity of currency actually in circulation will cease. Of the whole quantity of Annuity Note paper issued there is certainly no Note that, taken singly, will not be as susceptible of being kept or put into circulation as any other. But inasmuch as Note Annuities will now be purchased for the same purposes

¹⁹ Bentham has noted in the margin in relation to the following paragraph: ‘The mass comprizing the neat profit of the measure might be employ’d (in the whole or in part) in superseding Exchequer Bills.’

²⁰ For the rate of interest on Exchequer Bills, which at the time of Bentham’s writing stood at 5.308%, see p. 000 above. [To UC ii. 180, ‘Circulating Annuities’, Ch. VI, § I]

In the corresponding marginal contents sheet at UC iii. 12, Bentham compiled the following lists, for which there is no text: ‘Circumstances tending to *encrease* the *Money*-prices of goods.

‘1. Increased quantity of money offered to full-employment hands.

‘Circumstances tending to decrease the Money-prices of goods.

‘1.—All the circumstances tending to encrease the quantity of wealth.

‘2. Encrease in the quantity of money in so far as it tends to decrease the rate of profit on mercantile Stock.

‘—d^o rate of interest on money borrowed for purchase of Stock.’

as Stock Annuities are, and inasmuch as they can not continue to be applied to these purposes except in as far as each Note is kept in the same hand continually, and thus kept out of the circulation, and, as in Ireland Irish Debentures are at present,²¹ [001_065] whatever portion of the mass of Annuity Note paper extant is kept up for these purposes for any given space of time, will not operate as currency during any part of that time. It will be like hoarded cash, which, though capable of being passed at any time, yet in point of fact does not pass, but is kept constantly in the same hand.

3. When the increase in the quantity of currency actually in circulation has thus come to a stand, a decrease, though slow and gradual, will be likely to take place of it. For as the quantity of wealth in the country increases, that portion of it which is capable of being laid out in the purchase of the several sources of income will increase along with the rest, and, the quantum of the demand for the source of income afforded by this paper increasing accordingly, the quantity of it kept up and taken out of the circulation will thus be continually on the increase, and thereby the quantity left to run on in the circulation diminished.^d

^d The addition made to the quantity of Annuity Note paper by the expected conversion of Stock Annuities into Note Annuities—this addition, prodigious as it would be, and howsoever rapid it might be, would contribute nothing to the lessening of the above expected decrease. The reason is, that of the whole of mass of Stock Annuities that would be thus converted into Note Annuities, there is not a single pound's worth that would not be wanted for the same purpose as the Stock: i:e: for hoarding, and not for passing.

[001_066]

4. During the whole course of this period, the price of Stock Annuities will not, any more than the price of Note Annuities, be susceptible either of rise or fall: except the fall that might take place from any sudden addition made to the quantity of Stock Annuities in contemplation of a war, supposing the time of their being raised to par, as aforesaid, to be a time of peace. Stock Annuities could not fall because the same causes that raised them to par would remain acting with accumulated force every day. Nor yet could they rise, because, being every day paid off at par, and paid off in quantities much exceeding any habitual quantity of demand, a man would never give £101 for a property which, in a short time he sees, would be taken out of his hands for £100.

5. Nor yet, even to the last moment of this period, would it be possible for the price of Note

²¹ See p. 000 n. above. [To note to UC ii. 390, 'Circulating Annuities', Ch. I]

Annuities ever to experience the smallest rise. For though towards the close of the period, or even much earlier, it would be foreseen that, immediately on the termination of it, the rise—war apart as abovementioned—must be considerable and immediate, yet, as down to that very day any quantity would be to be had at par, no man, of course, would give a single penny above that price.

[001_067]

6. Towards the close of this period, or even earlier, the general avidity to lay in a stock of this paper, and the rapidity of the issue, would, however, be very great. Foreseeing the rise, every man who had cash at command would be hastening to take advantage of it.

7. From the commencement of this period, the business of Stock-jobbing will cease. For though there remain the irredeemable Annuities—the Annuities for numbers of years certain—yet as the quantity of these is proportionably inconsiderable, the price of them will be governed, and so governed as to be fixed to a point, by that of the redeemable Annuities.

8. The business of the Stock-Broker may also, by the same causes, be eventually reduced within a very narrow compass. When the price of Stock is fixed and universally known there can be no real occasion for the assistance of a Broker. But as the public in general is in the habit of having recourse to that assistance, (as it were for peace and quietness sake) in cases where it is not really of any use, as in the case of transfers to Trustees, the result *may* be that they may during the continuance of this period be rather gainers than losers on the whole. The quantity of Stock transferred, within a given time, will be increased at a most prodigious rate. In the case of transfers to Trustees, the Broker lowers his fee one half.²² In the case supposed he might lower it several times as much, and still be a gainer by the change.^e

^e In the case of trusts, the only real use of the Broker is to serve as a witness of the identity of the person.

[001_068]

9. During the whole of this period, property to any amount will be changed from the shape of ready money to that of a source of income, and *vice versa*, without either gain or loss. Government annuities being identified with so large a portion of the currency of the country, the same piece of paper will be capable of officiating in the one capacity or the other, at any time and at all times, at the

²² [Annotation to be finalized]

pleasure of the holder.

A deal of expence and hazard which, in the existing order of things, is unavoidable, would thus be saved. At present, if, in the pressure[?] of a temporary exigency, a holder of Government Annuities has occasion for a sum of ready money, he must either sell a portion of his Annuities for the purpose of buying-in again whenever he comes to be in cash, or mortgage a more considerable portion. The former course depends upon himself: but besides the expence—Brokerage alone 5^s. for every £100²³—which is considerable, it is attended with hazard in respect of the danger of a fall at the time of selling-out, and of a rise when the time comes for buying-in again. By the Mortgaging plan, the expence as far as Brokerage is concerned is reduced one half, and the risk is saved. But this is not in a man's power: it depends upon the contingency of his having a personal friend, able and willing to afford him the accommodation: a stranger as such can never find it worth his while.

In the proposed order of things, all this expence, all this risk, is at an end. If a man has property in this shape, his transactions are, as it were, with himself. He borrows of himself in the hour of need, he pays himself again in the hour of affluence.^{f 24}

[001_069]

^f A great deal of distress which now occurs frequently will thus be removed. When, through mercantile failures or any other cause, there is a sudden demand for ready money, mercantile men who have money in the Funds, i:e: who are in possession of Stock Annuities, are obliged to sell-out, and sell-out at any price. The mischief is not then confined to *them*: others who on their particular accounts find it necessary to sell-out, are forced to put up with the reduced price. In this new state of things, no selling-out—no depretiation of property—no loss.²⁵ He who, on the occasion of the supposed general and public pressure, has occasion for ready money, passes on his Note Annuities as money without loss. He who, on the supposed particular and personal account finds himself under a similar necessity, does so without loss on his part: he is not thus dragged, as it were, into a losing partnership, and made a sharer in the losses of persons with whom he has had no intercourse.

²³ According to Fairman, *Stocks Examined and Compared*, p. 9, the brokerage fee on government perpetual annuities was in fact 2s. 6d., as Bentham himself indicated in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', p. 000 n. below. [To 1800, pp. 47–8 n.]

²⁴ In the corresponding marginal contents sheet at UC iii. 8, Bentham has added the following content at this point, for which there is no text: '[Annuity] Note paper growing scarce, Bank and Bankers' [paper] will re-appear.'

²⁵ In the margin, Bentham drafted and then cancelled the following note for insertion at this point: 'Quere? since in the case supposed the premium on Annuity Notes would fall.'

[001_316]

Period III. From the conversion of the last portion of Stock into Note Annuities to the reduction of the rate of interest on Note Annuities

1.²⁶ At the very commencement of the period, the price of Note Annuities (now become the only redeemable Government Annuities and, with a comparatively small exception, the only mode of placing out money at interest on Government security) can scarce fail of experiencing a very rapid rise.

2. A certain cause of this rise will be the actual scarcity of the article: to this may be added as a probable cause—but probable in a degree next to certainty—accumulations made in the way of speculation—in consideration of the comparative scarcity, and in expectation of the natural degree of rise that can not but result from it.

3. During this third period, as during the second, the total mass of Note Annuities will require to be distinguished in idea into three different portions, vested [in]²⁷ the three great classes of customers so often noticed—1. Hoarded Annuities on the small scale. 2. Flying Annuities—and 3. Hoarded Annuities on the large scale—i:e: coming in lieu of Stock Annuities.

[001_317]

4. From the gradual but never-ceasing influence of the cause so often mentioned—viz: the increasing opulence of the community—the demand for each of these three masses will be continually on the encrease: while from the persevering operation of the two existing sinking funds,²⁸ (continuing after the third Sinking Fund provided by the proposed measure has had its effect and spent its force) the supply of the whole will be as continually, and much more rapidly, on the decrease.

5. What may be called the *certain* portion of this double Sinking Fund, viz: the accumulated amount of the Annuities bought-in, will constitute but a part of it, and a part which will probably not be long ere it becomes the smaller part: the greater part will be what may be termed the *casual* part, viz: the annual produce of the probable surplus of the Consolidated Fund, in the degree in which it may be

²⁶ In both the text and the corresponding marginal contents sheet at UC iii. 8 Bentham has cancelled this and the following paragraph. At UC iii. 8 he has noted: ‘Not a *rise*: the price will be kept down by the apprehension of being paid off or reduced. See N^o 11.’ His reference is to paragraph 14, pp. 000–000 below. [To UC i. 326–8]

²⁷ MS ‘to’.

²⁸ See p. 000 n. above. [To note to UC cvii. 172 ‘Political Prospects’]

expected to be augmented whenever the restraints that have so long been pressing on the trade and opulence of the country shall be taken off by the return of peace.^g

^g Thus the same cause, the increase of opulence of the community, acting in two opposite directions, as it were at once, contributes in a double way to the raising the price of these Annuities. On the one hand, by increasing the demand in all its three branches:—on the other hand, by diminishing the supply: to wit, by increasing the consumption of taxable goods—thence the produce of the mass of taxes: thence the amount of the Fund continually continually employ'd in lessening the amount of these Annuities.

[001_318]

6. To the above general causes of scarcity may be added several particular ones.

NOTE TO TYPESETTER: Please note the fractions $\frac{1}{33}$ (one thirty-third) and $\frac{1}{34}$ (one thirty-fourth) in the following paragraph.

To lay up money at compound interest in this way requires a fresh supply of this paper every year, a supply amounting in each year to between $\frac{1}{33}$ and $\frac{1}{34}$ of the original capital put up to hoard. Of each of the two classes of Hoarders, viz. the Hoarders upon the small scale, and the Hoarders upon the large scale, a certain proportion of hoarders in the way of compound interest may be expected.

7. The remainder of the paper occupied by these two classes, i:e: the paper occupied by the Hoarders on the footing of simple interest (which remainder will certainly constitute the great bulk of the whole) will not (it is true) furnish any such continual demand for more paper of the same kind. But (the scarcity and consequent rise in question being by this time either experienced or at least foreseen to a certainty) neither will the Hoarders on the footing of simple interest part with any of their paper. To live upon the interest of a quantity of Annuity Note paper a man has either of two courses to pursue: to receive the interest upon the whole of his mass of paper, keeping it entire: or to detach from it and pay away in the course of circulation at the end of each period of half-year or year, as the case may be, a quantity of paper equal to the whole amount of interest receivable for that half-year or year on the whole mass, [001_319] the amount of the principal being kept up without diminution by the amount of the unreceived interest due and receivable at any time on the portion of paper kept in hand. The rise in the marketable value of this paper being established, the former of these two courses is that which (bating accident, ignorance and negligences) may be expected to be generally^h pursued, by the Hoarders of both classes.

^h I say generally: for if, at the end of any year, a Hoarder for the purpose of simple interest chooses to add to his expences for the year ensuing the amount of the premium on his year's interest, he must pass off and put into circulation a proportionable quantity of his paper for that purpose.

8. As to the *Flying Annuitants*, they will not in a direct way add any thing to the scarcity in question: they will, however, in an indirect way, in virtue of the hoarding to which they will give birth on the part of government. Using the paper only as he would so much cash, not keeping it for the purpose of obtaining income from it, but passing it on in proportion as the occasion comes for employing the money in the way of current expenditure, a man of this class will not have either means or motives for keeping it, at the same time that he will oftentimes [have] something to gain by passing it on. He has not the means of keeping it, since by the supposition he wants it to disburse: he has no [001_320] motive for keeping it, because if he were to receive the interest of it from Government, that interest would come to him—not in the shape of paper but of cash. He will oftentimes have something to gain by passing it on, viz: the encrease that has accrued upon the [principal]²⁹ (where there is such an encrease) in the interval between the day of his receiving the paper and the day of his passing it on.

9. From this source, however, Government will derive an opportunity of hoarding a certain proportion of this paper, and hoarding it to advantage: viz: to the amount of the interest on the interest attached to—‘attending on’, 5 G. 3: c. 42³⁰—the capital of the mass of the Flying Annuities. As the interest upon that capital will not be received by the Annuitants, it will remain in the hands of Government. To make sure of being able to pay it at any time when demanded, Government will remain constantly under the obligation of keeping value in its hands. This value it will keep in the shape of Annuity Note paper: partly because so long as it does so it saves and converts to its own use the whole amount of interest on the whole amount of the mass thus hoarded; partly because, by contributing *pro tanto* to the scarcity of this paper, it accelerates *pro tanto* the arrival of that profitable day which it has at heart and in view, the day on which the interest upon the whole remaining amount of the redeemable debt may be reduced.^{i 31}

²⁹ MS ‘premium’.

³⁰ i.e. the National Debt Act of 1765 (5 Geo. III, c. 42, § 1), which made provision ‘for the Redemption of one-fourth Part of the said Capital or Joint Stock, and of the Annuities attending on such Part’.

³¹ In the text, Bentham has cancelled the following paragraph, and in the corresponding marginal contents sheet at UC iii. 8 he has marked the following two paragraphs for deletion.

NOTE TO TYPESETTER: Please note the fraction $\frac{1}{3}$ in the following Bentham note.

ⁱ [001_321] Call the total amount of the mass of Flying Annuities—in other words, of Annuity Note paper in actual circulation, on any given day in this period, $33\frac{1}{3}$ Millions: the interest on this sum, and consequently the sum necessary to be kept in hand by Government for the purpose of paying that interest if called for, one million:—the annual amount of interest on that interest, and consequently the amount of a year's profit to Government, will be £30,000. In this calculation, the time during which the receipt of the interest upon the capital in question is supposed to be forborne is but one year. But in respect of a part, or even the whole of this mass of capital, the forbearance in question may by this time be of several years' standing: if so, for every year of such forbearance a profit to the same amount of £30,000 will have been reaped, and this accumulating all the while at compound interest.

[001_322]

10. At this period, Annuity Note paper bearing a premium, and that premium rising every day, in regard to all sums payable on the score of debt,^j there will be a general tendency even among Flying Annuitants to avoid paying them in paper, and to pay them with cash in preference. If, indeed, the case were such, that the rise had got to its *maximum*, and the amount of the premium had become established and universally known, so as to preclude all bargaining, the employing cash for the purpose would (in the instance of the class of Annuitants in question, with whose circumstances it does not accord to hoard it for the purpose of permanent income on the footing of Stock Annuities) be a matter of indifference. But, by the supposition, the paper not only bears a present premium, but that premium is regarded as being upon the rise.

^j Examples—Rents due to Landlords.—principal and interest due on moneys borrowed on Mortgage, Bond, note of hand or without written security—Money due in Bills of Exchange—Money due to Government for taxes.

11. For the same reason, Government, to the extent of the cash which comes into its hands, will find an advantage in employing such cash in all its payments in preference to Annuity Note paper. For payment of the interest due upon the Annuity Note paper of larger sizes, cash will be employ'd in preference to small notes of the same kind, and so for the payment of Navy, Victualling and Transport Bills, and Ordnance Debentures.

[001_323]

12. An event that appears not to be an improbable one, is that at this juncture, if not earlier, general convenience may have given birth to the formation of a Bank or system of Banks of *deposit*, upon the principle of that of Amsterdam.³² The advantage attached to the keeping of Annuity Note paper, and consequently to the making payments in cash alone without any of that paper, will be considerable enough to cause cash to be employ'd in payments in many cases in which, by reason of the magnitude and unwieldiness of the sums, Annuity Note paper was employ'd during the first and second periods. Meantime, the disadvantage attending the employment of gold where paper had been in use to be employ'd will be by no means inconsiderable.^k The formation of a Bank of deposit presents a means of getting rid of that disadvantage,^l and the only means pure from risk that can be employ'd.^m³³

^k For the advantages of paper over gold, see Ch. [^^^].³⁴

^l In the Evidence given to the Committees of Lords and Commons on the stoppage of the Bank in 1797, making large payments in gold is spoken of as '*impossible*'.³⁵ In France, Silver, an article 20 times more bulky [in relation to value], is, or at least before the Revolution used to be, employ'd in the largest payments. In Russia and Sweden, even copper is thus employ'd. The cash which the Russian paper money undertakes for the delivery of is—not silver, much less gold—but copper.³⁶ The fault lies—not in the judgment of the gentlemen in question, but in the poverty of language, which presents the same word *impossibility* for all degrees of difficulty.

[001_324]

^m The paper of such a Bank would want a capital advantage, but would be free from a capital disadvantage, attendant on the existing Bank—and Banker's—paper. It would make no addition to the currency of the country—nor consequently to that part of the wealth of the country which is

³² See p. 000 & n. above. [To BL Add. MS 31,235, fo. 7, 'On the Stock Note Plan']

³³ In both the text and in the corresponding marginal contents sheet at UC iii. 8, Bentham has cancelled the following three paragraphs.

³⁴ See pp. 000, 000–000, and 000–000 above. [To UC ii. 399, 'Circulating Annuities', Ch. I; UC i. 461–3, Appendix A; UC i. 398–9, Appendix B]

³⁵ See p. 000 n. above. [To note to UC ii. 424, 'Circulating Annuities', Ch. I]

³⁶ Assignation roubles, bank notes in designations of 25, 50, 75, and 100 roubles, had been introduced in Russia in 1769.

constituted by the currency—but, undertaking for nothing which it would not be equally competent to perform at all times, and in all events, and to the full extent of its engagements, it would be unattended with any risk. For every million's worth of cash there would be a million's worth of Bank-of-Deposit-paper, and no more. The metal would be still in the Bank, and the paper would travel about instead of it.

A single Bank of this sort, which would, of course, be seated in the Metropolis, would be as useful as a thousand. For the management of such a Bank, no hands more proper than those of Government. Scarce any would be so unfit, if the object were to lay out the money to advantage. But all that the managers would have to attend to would be to protect it from depredation, in the several shapes of embezzlement, theft, robbery and forgery.³⁷

[001_325]

13. Constancy of practice with opinion on this head being hopeless—the complete abolition of the shackles which hamper the species of contract in question being impracticable, would an extension of the rate of legal interest on this account be regarded as advisable?

The period at which this paper would come to bear a premium having arrived, one expedient it would afford of eluding the rigour of the law to a certain degree, and an expedient which, without the fresh interposition of the legislature, could scarce be prevented from being effectual.

A man lends his money in the shape of hard cash: he stipulates for the repayment of it in paper. If the value of the paper were fixed, the amount of the premium would be usury. But being unfixed, it is a sort of sale or wager:—and the penalties of the usury laws would not attach: the interest thus paid may amount to more than 5 per Cent, but this is not *certain*, nor can it be said how much more.³⁸

[001_326]

14. It does not appear necessary that the price set upon the paper of the second emission should be in any degree inferior to the price to which the paper of the first issue has been raised by the premium it passes at in circulation at that time. A circumstance that will operate, and operate in a very powerful way, to keep down the price of the paper of the first emission, is the apprehension of its being

³⁷ Bentham had advanced the same argument in 1794 in 'Proposals relative to divers modes of Supply': see *Writings on Political Economy: II (CW)*, pp. 178–9.

³⁸ In the corresponding marginal contents sheet at UC iii. 8, Bentham has cancelled the content for the following paragraph and noted: 'Though the price would not be much raised, there would be a general disposition to take more at a higher price, the continuance being assured.'

paid off. So powerful may be the operation of this cause as even to prevent the rise altogether. Applied to things in general, the rule is as true as it is general, that scarcity will produce a rise a price, and that the degree of rise will be in proportion to the degree of scarcity. But because the rule is true in most cases, it does not follow that it must be so in all—in particular in the case where the probable and not far distant effect of the rise in the price is to put an end to the very existence of the article. To feel the propriety of this exception, we need look no farther than the case of the existing Stock Annuities. Neither the 5 per Cents nor the 4 per Cents have ever borne a price so high as, considering the rate of interest, it ought to be, when compared with the price of 3 per Cents. There is but one principle on which this difference can possibly be accounted for, and that is the apprehension of impermanence. The 5 per Cents of 17¹⁷⁹⁷ [001_327] are fenced in by a barrier of 25 millions of 3 per Cents raised by stipulation for that very purpose.³⁹—The debt goes on encreasing, and no determinate end can be assigned to its encrease. There remains still a possibility—or at least a non-demonstration of the impossibility—that this barrier may be broken through: and this possibility or non-impossibility is found sufficient in practice to effect a prodigious reduction in the market price of the extra 2 per Cent.ⁿ

Please note the fractions $\frac{3}{4}$ (three-quarters) and $\frac{7}{8}$ (seven eighths) in the following Bentham note.

ⁿ On Friday 17 Jan.^y 1800, 3 per Cent Consols, for example, for the opening were 61½, exclusive of the dividend just due. According to that price, 5 per Cents, ought in proportion to the interest to have been exactly 102½:—instead of that they were but 91.⁴⁰ Loyalty loan of 1797, bearing the same interest, $\frac{7}{8}$ higher⁴¹—evidently on account of the additional chance this stock possesses of escaping from being paid-off.

In this case, while the fundamental three per Cent sells for 20½ years' purchase, the additional 2 per cent sells for no more than 14¾ years' purchase.

At the same time, the price that 4 per Cents ought to have borne, i:e: would have borne had their continuance been as assured as that of the 3 per Cents, was 82: the price they actually bore was 77½:⁴² years' purchase for the extra 1 per Cent, instead of 20½, but 16.

[001_328]

³⁹ See pp. 000–000 above. [To UC i. 104–7, 'Circulating Annuities', Ch. VI, § II]

⁴⁰ See, for instance, *The Times*, 18 January 1800, p. 3.

⁴¹ See *ibid.*

⁴² See *ibid.*

For a fresh issue there will be a prospect of a long reprieve, a reprieve that may eventually be protracted to an indefinite length by intervening wars. From this reprieve the paper, now renewed, and as it were boiled young,⁴³ will acquire an increase in value equal to whatever depression which it suffered in its old state from the prospect of its being paid off. This being the only means of placing out money on Government security, a fine for renewal might well be required, and that fine might be a considerable one.⁴⁴

⁴³ An echo of Ovid's description of the rejuvenation of Aeson by Medea in *Metamorphoses*, VII. 251–93.

⁴⁴ In the margin, Bentham has noted at this point: 'A good deal might depend on the mode of treating with persons about the buying-off. But would bargaining be possible with an ever changing set of Holders?'