

[001_256]

APPENDIX D.*

CH. [^]. MISCELLANEOUS EFFECTS OF THE PROPOSED
MEASURE (MARCH AND MAY 1800)¹

—on

1st. Quantity of Currency in circulation—in War and in Peace.²

2. The quantum of National Wealth.

* [Editor's Note: This Appendix consists in three elements. First, the surviving draft of Bentham's proposed chapter 'Effects' from March 1800, which includes only his Period I, together with a sequence on damage to bankers probably drafted at almost the same time. Second, a related discussion of Smith's view of the relation between metallic money and paper money, drafted in May 1800. Third, a series of undated sequences for a discrete section entitled 'Effects of the proposed measure on the general amount of the National Wealth'. The three constituent parts of the appendix are separated by spaces and short rules. The final part of the appendix is itself made up of a series of undated text sequences which are separated by short rules, and its organization is conjectural.]

¹ This Appendix reproduces first: Bentham's surviving draft of his proposed chapter 'Effects' from March 1800, which includes only his Period I, a marginal contents sheet corresponding to the bulk of which is at UC iii. 11 (22 March 1800). This first part of the appendix concludes with a short sequence on damage to bankers, which Bentham drafted for this section but later intended to move to a proposed but later abandoned chapter addressing 'Objections' to his scheme. Second, a related discussion of Smith's view of the relation between metallic money and paper money drafted in May 1800. Third, a series of undated sequences for a discrete section entitled 'Effects of the proposed measure on the general amount of the National Wealth', none of which are dated, and which lack corresponding marginal contents sheets. The three parts of the appendix are separated by a space and a short rule, and within the final part the discrete sequences are also separated by short rules. For further details see the Editorial Introduction, pp. 000–000 above.

² In the corresponding marginal contents sheet at UC 11 (22 March 1800), Bentham has noted the following '*Addenda*':

'Longer credits will be given on Bills.

'Issuing paper money payable to bearer, being a species of money, should be confined to the Sovereign.

'Quantity of paper money circulable depends not on the prior quantity of coin (as per A. Sm[ith]) but on the smallness of the paper.

'What occasions the coin to be expelled is that the encrease of wealth occasions an encrease of imports more than they have exports for in goods; and when the paper will not be taken, they must send the coin.

'Goods can not be manufactured, so fast as the *paper* can be coined.'

For Bentham's rejection of Smith's view on the relation between paper money and specie see pp. 000 n., 000–000 n., 000–000, and 000–000 n. above. [To UC ii. 573, 'Circulating Annuities', Ch. IV; UC i. 19–21, 'Circulating Annuities', Ch. [^]. Rise of Prices—how to be obviated; UC i. 430–3, Appendix A; and UC i. 49–56, Appendix C]

-
3. The money price of Labour and Goods.
 4. The price of Stocks.
 5. The Rate of Interest on Government Securities.
 6. The Rate of Interest on private Securities.
 7. The profit of Stock.
 8. The trade of the Bank of England.
 9. The trade of private Bankers—Town and Country.
 10. The pecuniary interest of Stock-holders selling out—Creditors and Debtors &c.³
 11. D^o of Traders and others considered as habitual Borrowers of Bankers.

*Period I. From the opening of the Office to the arrival of 3 per Cent Stock
Annuities at par*

1. If the proposed paper were to be taken out by all persons to whom it would be of advantage to take it out, and if the dispatch given to the issue were such as to keep pace with the demand, the degree of rapidity which the operation would experience would be too great for estimation—it would exceed any thing that was ever yet exemplified—even in the instance of the projects[?] called *Bubbles*.⁴ A single twelvemonth would be more than sufficient for the issue of a quantity adequate to the bringing up of the 3 per Cent Stocks to par: consequently, on this supposition, the duration of this first period would fall short of a single twelvemonth.

[001_257]

2. Of the probable rate of progress, and consequently of the probable duration of this period in

³ In the margin, Bentham has noted at this point: ‘State under these heads the state of things *without* the measure.’

⁴ Bentham probably had in mind the South Sea Bubble, for which see p. 000 n. above. [To note to UC i. 429, Appendix A] He may also have had in mind the Tulip Rage or Tulip Mania in Holland, a frenzy of financial speculation surrounding the sale of tulip bulbs, often before they had been extracted from the soil, which led to a twenty-fold increase in their price between November 1636 and February 1637, followed by an equally dramatic decrease between February and May 1637: see, for instance, P.M. Garber, *Famous First Bubbles: the Fundamentals of Early Manias*, Massachusetts, 2000, pp. 80–3; A. Goldgar, *Tulipmania: Money, Honor, and Knowledge in the Dutch Golden Age*, Chicago, 2007, pp. 131–93.

so far as depends upon such rate of that progress, nothing more can be said than that the eventual rate would probably be found to fall very far short of the above supposed rate. This actual or eventual rate would depend upon the state of the public mind, and consequently be subject to all those causes of variation and uncertainty by which the state of the public mind might come to be acted upon on such new and untrodden ground. By one person, the amount of the produce might be estimated at 50 or 60 millions: by another, at nothing at all: both opinions would probably prove erroneous: but neither of them could with propriety be termed absurd.

[001_258]

3. The rate of progress of the issue within the period, and the duration of this first period would have a reciprocal influence on each other. The quicker the rate, the shorter the period: and, the rate of progress of the issue being given, the longer the period proved to be from the joint influence of this and all other influencing circumstances, the greater, it is evident, would be the quantity issued within that space of time.⁵

[001_259]

4. *Cæteris paribus*, the duration of the period would be the longer, the longer the continuance of the present war, with the addition of such other war or wars, if any, as might come to be comprized in it: since the greater the quantity of time spent in war, the greater the quantity of Stock Annuities which Government would see itself obliged to create: and consequently the greater the mass to the raising of which the power obtained by the sale of these New Annuities would have to apply itself.

[001_260]

5. of the quantity of this paper purchased by the class of *Hoarders on a small scale*, so much as was purchased with hard cash, will be so much neat money added to the currency: for the paper will be introduced into this set of hands, and the cash which would remain in an undiminished quantity, will spread itself through the rest of the money market, through the medium of the Holders of such parcels of Stock as will have been bought up with it.

[001_261]

6. The clear addition made by this paper to the sum total of currency during any given portion

⁵ In the corresponding marginal contents sheet at UC iii. 11 (22 March 1800) Bentham has noted with reference to the following paragraph: 'Postpone'.

of this period, will be equal to the whole amount of the paper issued, deducting such portion of Bank of England and Country Bankers' paper as will have been expelled by it.

[001_262]

7. Bank of England paper will be expelled by it in this way. It being assumed that Bank paper will not be to be received at the Local Annuity Note-Offices as the purchase money for Annuity notes, such persons as prefer an interest-bearing paper, such as the Annuity notes, to a barren paper, such as the Bank of England Notes, will carry in their Bank Notes to the Bank to be exchanged for cash.

[001_263]

If Bank Notes be not accepted at the Annuity Note Offices in payment for Annuity Notes, the amount of Bank paper capable of being kept in circulation will (it seems probable) be diminished in a very considerable degree, and it seems difficult to say at what proportion it will stop. The expulsion of Bank paper will not be entire: because in the way of circulation a man who, having Bank Paper, wishes to obtain Annuity Notes in lieu of [it],⁶ will be able in exchange for his Bank notes to obtain cash, and so with that cash to purchase his Annuity Notes. But having no power to compel individuals to give him cash for his Bank Notes, a man will every now and then be experiencing a difficulty, and this difficulty will be sending him to the Bank, from whom, and from whom alone, he has a right to demand the cash.

[001_264]

8. The expulsion of Bank Notes will not be promoted, or at least not in so considerable a degree, by such of the Annuity Notes as are for sums under £1, this being the amount of the smallest Bank Notes: viz: the 16^s. and 8^s. Annuity Notes, and the four Silver Annuity Notes (4^s., 2^s., 1^s., and 6^d.). For these will be obtainable by individuals who either do not receive, or can not keep, or expect to keep in their hand for any length of time, so much as the smallest Bank note.

[001_265]

9. The paper of Country Bankers will be expelled in this way, the same as that of the Bank of England. Such persons as prefer a paper attended with no hazard in respect of solvency, nor with

⁶ MS 'them'. Bentham replaced 'notes' with 'Paper' but failed to alter the corresponding pronoun.

any difficulties, to a paper attended with hazard and clogged with difficulties,⁷ and not yielding [so]⁸ high a rate of interest, will refuse to accept of Bankers' paper when they can avoid it, and as to what they have already, will send it in for payment, in order to get cash for it, to lay out in the purchase of Annuity Notes.

[001_266]

10. The expulsion of Banker's paper will not be promoted, or at least not in so great a degree, by such of the Annuity Notes as are for sums under the amount of the smallest notes that can by law be issued by private Bankers or other individuals:—viz: by persons resident in England, £5: by persons resident in Scotland, £1.⁹ And this for the reason given in the case of Bank of England Notes.¹⁰

[001_267]

The addition made to the amount of national wealth of all sorts in the country within a given space of time by a given amount of the proposed paper, over and above that which comes in lieu of the existing paper, will be equal to the addition made in the amount of national wealth by an equal amount of hard cash: setting aside that addition which is made by the intrinsic value of the cash, considered in respect of its being convertible into bullion at any time without exchange, and thence capable of being made into utensils, without exchange.

[001_268]

The addition made by any extra influx of hard cash in the course of a year to the mass of national wealth can never (exclusive of the value of the cash) be either greater or less than the value^a (or real price) of the extra quantity of labour of which such extra quantity of cash has been productive in the course of the year: that is, of the goods and improvements produced within that time by that labour, exclusive of the value of any goods that may have been purchased and imported from foreign countries by a part of such hard cash, and exclusive of the produce of the labour of any labouring hands, which, without being sent out of the Country, it may have attracted into the Country from Foreign parts.^b

⁷ In the margin, Bentham has noted at this point: 'Reference to Ch. [4] [MS '3'] Grounds &c.' [To UC ii. 540–85, 'Circulating Annuities', Ch. IV]

⁸ MS 'to'.

⁹ See p. 000 & n. above. [To UC ii. 584 & n., 'Circulating Annuities', Ch. IV]

¹⁰ In the corresponding marginal contents sheet at UC iii. 11 (22 March 1800) Bentham has crossed through the content corresponding to the following paragraph.

^a *Value* as the *quantity*, exclusive of any more advantageous application of it.

[001_269]

^b It is common to speak of the quantity of wealth as being proportioned to the quickness—the briskness—of circulation .^.^.^ This, in as far as it is true, is only a mode, and that but an inaccurate one, of expressing the proposition laid down in the text. What can be brisker than the circulation of a guinea at a Gaming Table? Yet what addition does quickness of circulation, i:e: multitude of transfers in a given time, make to the quantity of wealth? The same guinea might experience an equal number of transfers within a given time even in the Corn Exchange, without producing any greater addition to the quantity of national wealth than if the transfers were made at the gaming table: it is only in as far as it gives birth to productive labour, it is only at the moment that the receipt or prospect of it puts in motion some labouring hand that money (even hard cash) adds any thing beyond its own amount—adds any thing in the way of circulation—to the general mass of national wealth.

Taking the commercial world together, it is only by an addition made to the quantity of actual labour that any addition can be made to the quantity of wealth: no transfer of money of any kind from hand to hand contributes any thing to the increase of the quantity of wealth in the commercial world, any farther than it is either made in return for actual labour, or in return for goods so circumstanced as that by the transfer thus made of them shall be [created] a means of calling into act some portion of labour which, but for such transfer, would not have been exerted: viz. by creating a demand for the preparation of an equal quantity of goods to replace the goods thus purchased and taken out of the trader's stock.

[001_270]

13. The ways in which the encrease thus produced in the quantity of money (of all kinds) in circulation will operate in augmentation of the mass of national wealth are as follows, viz:

1. By Converting into actual labour, (containing its proportion of productive labour) such part of the yet remaining fund of capacity of yielding labour as is possessed in such hands as it finds altogether without employment.

2. D^o such part as belongs to the hands it finds already in employment, but not yet in full employment.

3. D^o By transforming into more advantageous and productive channels a portion of that

labour which it finds employ'd in channels less advantageous and productive. See below N^{os} [^^^] and [^^^] which indicate the same result in other words.¹¹

4. By encreasing the quantity (as well as fertility) of land in culture: viz. of that species of subject matter which is of such a nature, that taking permanency and certainty into the account, a given quantity of labour bestowed upon it is employ'd with more advantage to the nation than if employ'd in any other.

5. By promoting the introduction of primarily expensive but ultimately profitable machinery: whereby a greater effort is obtained from a given quantity of labour.¹²

[001_271]

6. By adding to the number and serviceableness of Roads, Canals, Harbours, Docks, and all other channels of conveyance: thereby reducing the charge of conveyance, and reducing, in favour of the ultimate consumer, such part of the prices of goods of all sorts as is occasioned by, and dependent on, the expences of conveyance.

7. By drawing into the country from foreign countries hands already able and willing to yield an immediate stock of labour, and thereby to make a proportionable addition to the actual stock of national wealth.

8. By furnishing to parents and guardians the means of rearing and training up to labour children not yet fit for labour but already in existence: and thereby adding in that way fresh and fresh supplies every day to the national stock of productive labour.

9. By furnishing to labouring persons as yet unmarried the means of engaging in marriage: and thereby laying up an indispensable, though necessarily distant, fund of future labour.

N.B. The accession thus made to the population of the country remains for many years incapable of furnishing any addition to the stock of national wealth, meaning absolute wealth: and in the mean time, so far from operating an addition, it operates a diminution in respect of the degree of relative wealth: i:e: the quantity of wealth per head.

Supposing wealth to be preferred to domestic comfort and political security, labouring hands already of a self-maintaining age, labourers ready-made, should be imported from abroad: marriage

¹¹ Bentham may have had in mind the following two paragraphs.

¹² MS del. 'and the price to the ultimate consumer of the article is proportionably reduced, and the enjoyment of this species of wealth communicated to the greater number of consumers'.

and procreation discouraged. In a counterpart to [this]¹³ strain of economy, Cato the elder sold off his slaves when arrived to a certain age.¹⁴

[001_272]

10. By adding to the number of capitalists of all sorts, proprietors of Stock employ'd in the production of the several vendible articles of national wealth, and thereby, by increasing the competition amongst them in their capacities of vendors of such articles, reducing the rate of profit upon Stock (including the rate of interest on money borrowed to be employ'd as stock), reducing the real as well as money prices of such articles in as far as the profit upon Stock constitutes a component part in the composition of such prices, and thus increasing the quantity of vendible articles of each given kind brought to market by the employment of a given sum of money.

[001_273]

14. The ways in which the encrease thus produced in the quantity of money of all kinds in circulation will operate towards keeping down the augmentation of the mass of national wealth are as follows, viz:

1. By encreasing the quantity of money ready to be given by different persons in the way of rent for the use of land, and by a proportionable encrease in the competition as between those persons, raising the rent of land, and thence the prices (viz: the real as well as money prices) of vendible articles in as far as the rent of land, i:e: of the land on which the raw materials are raised, enters into the composition of such prices: and thereby, and in so far, diminishing the quantity vendible articles of each given kind brought to market by the employment of a given sum of money.

2. By encreasing the quantity of money ready to be offered by different persons to able hands in general (and thereby unavoidably to hands already in full employment as well as to others as yet unemploy'd or but partially employ'd) thereby encreasing the competition as amongst such employers, raising the wages of labour, and thence the prices of vendible articles in so far as the wages of labour enter into the composition of such prices; and thereby again, and in so far, operating in diminution of the quantity of vendible articles of each given kind brought to market by the employment of a given sum of money.

¹³ MS 'the'.

¹⁴ See Marcus Porcius Cato (234–149 BC), Roman statesman and orator, *De agricultura*, II, 7: 'Boves vetulos, armenta delicula, oves deliculas, lanam, pelles, plostrum vetus, ferramenta vetera, servum senem, servum morbosum, et siquid

[001_274]

15. Besides raising the real price or wages of labour, the addition thus made to the quantity of money (of all kinds) in circulation will produce an augmentation of the money or nominal price or wages of labour and, in so far, of the nominal or money prices of goods.^c ¹⁵

[001_275]

^c The only way in which any additional quantity of money (whether in the shape of hard cash or in that of paper which consists always of a promise of hard cash) can make any addition to the general mass of wealth in the country (without importation of goods or hands from foreign countries) is by being *offered* to able hands already existing in the country, in exchange for such labour as they are able, and may thus be rendered willing, to bestow, in that line of productive industry, whatever it be, to which the new portion of capital thus flowing in is applied.

If it were possible that such offer could confine itself to hands as yet altogether without employ, it would, in as far as it were thus accepted, be productive of a real addition to the mass of wealth without any corresponding addition, or any addition at all, to the price of labour, and, therefore, without any addition at all to such part of the prices of goods as is composed of the price of the labour employ'd in the production of those goods.^a

^a The case of a decrease in the quantity of gold and silver in the commercial world, accompanied with an encrease in the quantity of wealth of other kinds, is a case easily conceivable, and involving no contradiction, but which in fact does not appear to have ever yet been realized. The diminution from all causes taken together—wear and tear, shipwreck, loss by mislaying &c., is more than compensated every year by the supply from the mines.

Supposing such a decrease to take place, it is evident that if any encrease in the quantity of wealth of all sorts besides gold and silver were thenceforward to take place, it would necessarily be in virtue of some other cause than an addition to the quantity of gold and silver in the Commercial world, or even of paper money possessing its value from no other source than the gold and silver of which it contains a promise.

[001_276]

If it were possible that such offer should confine itself to hands whose time was already fully employ'd, and employ'd to as much advantage (in respect of the amount of their contribution to the general mass of national wealth) as they would be were the supposed fresh offer to be accepted by them, it could not, although it were accepted, be productive of any the smallest addition to the general mass of national wealth: it could have no other effect than that of raising the price of labour,

aliut supersit, vendat'; i.e. 'sell old oxen, defective cattle, defective sheep, wool, hides, an old wagon, old tools, an old slave, a sickly slave, and whatever else is superfluous'.

and thence the prices of goods in respect of such part of the price of goods as is composed of the price of the labour employ'd in the production of those goods.

[001_277]

If, being confined to hands neither altogether out of employ nor yet in full employ, but as yet in incomplete employ, the quantity of time and degree of exertion bestowed in their respective employments being below the customary rate, it were to confine itself, in the invitation given by it, within the quantity of time and degree of exertion sufficient to make up such customary rate, the influence of it upon the quantum of national wealth and upon the price of labour, and thence of goods, would be the same as if the class of hands it were confined to were the hands as yet altogether unemploy'd.

[001_278]

But the simplicity of operation thus supposed, is plainly ideal and impossible in all its branches. The offers of fresh employment produced by the influx and investment of a fresh mass of money can make no such discrimination as that supposed. A sum per day or per week is offered to all such as are able, and may thus be rendered willing, to bestow the species of labour which is thus in demand: offered to all alike, whether altogether unoccupied—imperfectly occupied—or already completely occupied.

If the offer thus made went no higher than the amount of the wages already paid to and received by the class of hands in complete occupation, the effect of it would also in this [case] be confined to the making an addition to the stock of real national wealth, without making any addition to the money price of labour, and thence, as before, to the money price of goods. But where the additional quantity of money thus applied within the compass of any given spot is in any degree considerable, no such limitation of price as is thus supposed for illustration sake will ever in fact take place. If the money is all in the hand of a single individual, it will be better worth his while to add something to the amount of the established rate of wages, rather than to wait the time that would elapse before an offer thus confined within such strict limits would be able to produce the number of hands for [001_279] which he has a demand: if it were in the hands of more individuals than one, the competition that would thus take place would, with still greater certainty and celerity, be productive of the enhancement which for illustration sake has been supposed not to take place.

¹⁵ The corresponding marginal contents sheet at UC iii. 11 (22 March 1800) finishes at this point. The text follows Bentham's continuous pagination of the sequence.

Upon the whole, therefore, no considerable and in any degree sudden influx of money (metallic or paper) can ever take place from any cause without being productive in one proportion of both these effects at the same time: viz: making a clear addition to the mass of real national wealth, and making a clear addition to the money price of labour, and thence contributing in a certain way and in a certain proportion to the making a correspondent addition to the money prices of goods: and thereby contributing in the same degree to the diminution of the value of the mass of money of all sorts pre-existing before the supposed new influx.

[001_280]

In as far as it raises, upon the whole, the money prices of goods, it will operate as an indirect tax upon all persons to whom no share in the influx in question [falls]: and even in the case of those by whom a share in such influx is received, it will still operate in the same way, in as far as the profit by the share in such influx falls short of the loss by such depretiation.

Operating as a tax upon income, not a tax upon this or that branch of consumption—being therefore inevitable not optional—it will in that respect be a disadvantageous species of tax. It will fall with peculiar weight upon all persons subsisting on incomes not capable of being raised: such as annuities, fixed stipends, salaries, pensions, and even rents, where fixed by leases as yet remote from expiration: also upon all creditors, having fixed sums to receive by titles commencing at periods antecedent to the depretiation.

In all other respects, considered as a tax it will be highly eligible. By being inevitable, it will be so far equal: not falling upon the upright contributor, in a greater proportion than upon the evasive: and it will be free from all the expences and vexations by which the weight of impositions meant to operate as taxes are inevitably more or less surcharged.

[001_281]

The inconvenient part of these effects, being no other than what result in the same proportion from an encrease to an equal amount in the mass of national wealth from what source so ever derived, are the result of the proposed measure, no otherwise than in as far as it is productive of an increase in the amount of national wealth, and thence in the degree of national security as against danger from foreign adversaries, in as far as national security is strengthened by national wealth.

No one, by the contemplation of the inconveniences attached to the encrease of the amount of national wealth, no one, perhaps, has ever by any such consideration been led to wish to see that encrease put a stop to altogether: few, if any, have, by that or any other consideration, been led so

much as to wish to see the rate of that encrease so much as retarded in any degree.

[001_282]

These effects, good and bad, are no other than what will be the unavoidable consequences of progress made in the discharge of the National Debt, whatever be the rate of that progress, and from whatever source the means of making it be derived. All that the proposed measure does is to accelerate the arrival of the state of things of which that discharge will be productive. What otherwise would not have happened but at a later period, it causes to happen at an earlier period: and thereby at such earlier period causes that to happen which would not have happened otherwise.

Nobody hesitates about paying off the debt; nobody thinks it can be paid off too soon. Whatever may be the rate at which the discharge proceeds, nobody but would wish to see done whatever were possible towards accelerating it.

[001_283]

Though, if issued to a certain amount within a certain time, (i:e: to the full amount of the quantity of possible labour capable of being converted into actual labour by employment) any surplus issued beyond that amount would cease to add any thing to the stock of national wealth, and would, therefore, cease in that point of view to be attended with any clear amount of national advantage, the issue of it would not cease or be so much as retarded at that mark, since the advantage which individuals, as fast as hard cash came into their hands, would derive from changing it into the proposed paper, would remain undiminished. Every 6^d thus sent in for paper would, it is true, add to the depretiation, and thence lessen to the Note-holder the value of the paper he thus obtained. But the loss by the depretiation produced by the taking out of a fresh mass of paper to the amount of £100 would not be a hundredth, a thousandth, or a ten thousandth part so great as the profit by the interest thus gained upon that £100: and, what is more, if, instead of taking out paper with it, he kept it in the shape of cash, the depretiation would attach upon it all the same.

The effect results from the paper not as paper but as money: it would be just the same were it so much cash. Every penny saved and laid by diminishes in fact the value of every other penny, as well as its own to boot. But although this effect of frugality were to be universally known and borne in mind, the inducement to lay up money would not be in the smallest degree diminished.

[001_284]

But though the issue would not be stopped by the depretiation, and the depretiation would go

on for some time in proportion to the issue, yet the depreciation would, before it had run any considerable length, be arrested by other causes, and that without prejudice to the rapidity of the issue. In proportion as the issue is rapid, the period at which the price of Stock Annuities will be raised to par by the produce if it will be accelerated, and no sooner does that period arrive than, let the rapidity of the issue be what it will, the depreciation in question will be arrested. For as soon as Stock Annuities are become as dear as Note Annuities, Note Annuities will be hoarded, that is kept in the same hand for a permanency, as a source of permanent income, as Stock Annuities are at present: and so [ever]¹⁶ long as an Annuity Note is thus kept in the same hand, every Annuity [Note] so kept and hoarded is kept back from entering into circulation, prevented from acting in the character of money, and kept back from producing any of the effects of which an augmentation to the national stock of money is productive. A note is equally capable, it is true, of acting in either capacity: but [it]¹⁷ can not act in both at the same time: so long as it is kept in one and the same hand as a source of income, it does not act as money: and the moment it is employ'd by a man as money it ceases to serve him in the capacity of a source of income.

[001_285]

In as far as it raises the real price or wages of labour faster than it adds to the population (in other words adds to the absolute quantity of wealth in the instance of the labouring classes faster than it takes away from the relative quantity) it adds to the relative wealth and thence, as far as comfort and happiness depend upon wealth, to the comfort and happiness of the labouring classes—that is to the bulk and great majority of the whole community.

[001_286]

In proportion as the measure becomes productive, it will raise the price of Stock Annuities: but in proportion as the price of Stock Annuities is raised, the quantity of Stock Annuities a given quantity of cash produced by the measure will purchase, will be reduced. The case is the same if the fund for the discharge in question be no other than the existing Sinking Fund. In this case, it has been calculated that, upon an average, the price paid for £100 Stock Annuities will be £85.¹⁸ But the higher the price which, at any given stage of the period, Government will have to pay for the Stock Annuities which, with the produce of the proposed measure, it buys in, the less is the price which it will have to give in Stock Annuities for the ready money which at that same stage of the period it will have to raise. By this means, so long as the war continues, the height of the price paid for Stock

¹⁶ MS 'every'.

¹⁷ MS 'in'.

Annuities bought in in any given year will not begin to be a disadvantage, unless and untill, in the course of that same year, the quantity of Stock Annuities thus bought in should come to exceed the quantity of new Stock Annuities created.

[001_287]

In proportion as the quantity of currency in circulation comes to be augmented, the rate of interest will (as already observed) be reduced: to the advantage of the several classes of borrowers, in proportion to the value of the species of security they have to give: according as it is a case of mortgage, bond, bill of exchange, promissory note, or simple contract: and to the equal disadvantage of the several classes of persons to whom, in virtue of a contract or other title, previous or subsequent to the measure, the respective money may be due.

In the former case, so long as the debt continues on the original footing, the rate of interest will remain unchanged, and so long neither will the debtor experience a gain, nor the creditor a loss: but in proportion as a debtor finds means to take advantage of the reduction thus effected, either by borrowing money at the reduced rate to pay off his creditor, or by forcing the Creditor, for fear of being paid off, to accept of the new reduced rate, the sensation of gain on the one part, and that of loss on the other, will be produced.¹⁹

[001_289]

A Banker, as fast as cash is brought in to him by his customers, will send it on to the next Annuity Note Office to be changed into Annuity Notes.

By this means he will be making three per Cent of the money immediately, while he is waiting for opportunities of making 5 per cent of it by discounting Bills.

The universality of the Annuity Note currency being supposed, a Banker will no longer be obliged to keep any the smallest part of his money dead for the purpose of answering draughts. Upon the whole amount of the money deposited with him he will be making three per cent, without parting with it out of his hands, and so long as it remains in his hands.

A Banker will not have less cash brought to him in deposit than at present. For the quantity of

¹⁸ See p. 000 n. above. [To note to UC ii. 407, 'Circulating Annuities', Ch. I]

¹⁹ The marginal contents for the following twelve paragraphs ('A Banker .^.^ damage on the other.')

do not appear in the marginal contents sheet at UC iii. 11, and Bentham later decided to transfer the sequence to an intended chapter on 'Objections' which was itself finally excluded from the work. For further details see the Editorial Introduction, p. 000 above.

cash in the country will not be less than at present, and the same inducements which cause men to deposit their cash with a Banker now will remain unchanged, unless it be so far as the owner of the cash prefers sending it in to an Annuity Note Office for Annuity Notes: in which case it is the same thing to Government, though not to the Banker, as if the Banker had sent it in.

[001_290]

The quantity of cash in circulation, so far from being diminished by the proposed measure, will be increased. It will be increased by the amount of the Petty Hoards of cash: the portions of cash which are now in the hands of persons who are hoarders of it on a small scale. This cash will, it is true, in the first instance be sent in by the Hoarder to an Annuity Note Office to be changed into Annuity Notes. But in the next stage it will find itself in the hands of the quondam Stockholder, whose Stock Annuities have been bought up with it by Government: and thence it is, that so much of it as is not sent in by the proprietor to be changed into Annuity Notes will be sooner or later sent in in the way of deposit to some Banker's, who will thereupon, on his own account, send it in to be changed into Annuity Notes.

Meantime, if a proprietor of cash sends in such his cash to a Banker's to be kept for him, as well might a proprietor of Annuity Notes: for there will be no more trouble in sending it to an Annuity Note Office, and so getting Annuity-Notes for it, than in sending it to a Bankers, and getting the Banker's receipt for it. But if a man sends in Annuity Notes to a Banker's, either the Banker allows him the interest for it, or he does not. In the [one] case, the Banker does not get the interest, and thereby it may be thought has no [001_291] inducement to charge himself with it. In the other case, a Customer, instead of receiving *gratis* the service which the Banker renders him by the keeping of his money and paying it out for him in obedience to his draughts, does as much as pay him 3 per cent for that service. Are there then, any persons (it may be asked) who will be content to pay for the service in question at so dear a rate? A question this, to which nothing but experience is capable, it should seem, of affording an answer. In a direct way, no such price has ever been paid as yet by any customer, because no such price has ever yet been asked by any Banker. But, in an indirect way, not only this price, but a much higher price, is habitually paid by Customers: meaning always by such as are Customers upon a large scale. Many are the individuals who have money by thousands laying for months or even years together at the Banker's, without interest, while all the while they might be making 5 per cent or more of it, by investing it in Exchequer Bills, Navy Bills and so forth. This forbearance, then—This perseverance shewn, in keeping the money dead at the Banker's instead of making the 5 per Cent interest of it in any of those ways—comes to the same thing as if a man paid the Banker 5 per cent for keeping it. Though by this forbearance a man does not reduce the £100 he has to £95, he, however, does reduce the

£105 which he might have instead of his £100, to the simple £100.

[001_292]

Though the Banker should allow the Customer the interest for as much Annuity Note paper as he keeps for him, he will not by this means have himself without inducement for the keeping it. By discounting Bills with the money he will make 4 or 5 per Cent: so that for every £100 worth of this paper he will make £1 or £2 neat.

But of the ^{^^^} Bankers or thereabouts existing in England in this present [time], about ^{^^^} (the number of the Country Bankers)²⁰ are in the habit of allowing upon the greatest part of the money they receive from customers, if not exactly 3 per Cent in every instance, yet something not very wide of that mark—in most instances probably less, but in some instances, perhaps, even more. That the Banker should allow to the customer the whole amount of the interest yielded by this paper would be no more than a continuance or a modification, of a practice already established.^d

^d In the accounts kept of such a system of transactions there need be very little intricacy. Instead of the single compartment of columns for the principal sums received and paid, as at present, there would be two such compartments, one for the principal, the other for the interest. When, by the payment of a draught, the portion of principal so paid came to be deducted from the entire principal received, the portion of interest thereby made to cease would, in the compartment of interest, be to be deducted from the entire interest that would otherwise remain due to the Customer. And (let it not be forgotten) the Tables printed on the Notes would afford to all these calculations a degree of facility as yet altogether without example.

[001_293]

The benefit of the interest of the Annuity Note paper thus deposited may either be reaped by the Customer alone, or by the Banker alone, or might be shared between them in any such proportions as they can agree upon. In which of all these ways it may come to be disposed of in each instance is a matter of no moment whatever to a man who considers it with a view to the effects of the measure in relation to the whole of the public taken together. At present, the terms on which Bankers deal with customers in this respect are very various in different places, and even at different times in the same place.

The material thing is—that, upon the plan least advantageous to the Banker, his advantage

²⁰ For the estimate of 230 as the number of country bankers see p. 000 n. above. [To note to UC i. 500, Appendix B]

will not be so small but that instances of a mode of dealing attended with as little advantage may be found in the present state of that branch of trade. In no event, therefore, does the annihilation of this branch of trade, or any considerable reduction in the number of those who exercise [it], appear to be of the number of the consequences to be expected from the present measure. The mode of carrying on the trade will undergo some variation: but it does not appear that even the quantum of it will be diminished, much less the whole mass of it destroy'd.^e

^e For the reasons, why, on the supposition that the Banking trade were to be reduced or even annihilated by the measure, no such result ought to be regarded as amounting to an objection to the measure—see Ch. Objections.²¹

[001_294]

Supposing²² the Banker's trade to be put an end to, or the extent of it narrowed, among the effects of the proposed measure would be a proportionable degree of inconvenience to such persons, traders or others, but traders more especially, who, in the way of discount or otherwise being in the habit of borrowing of Bankers, would find themselves cut off, in a manner more or less sudden, from this their habitual resource.

True it is, that the total amount of money of all sorts would not at any time experience any diminution, but would in process of time, and probably at no great distance of time, receive an increase in consequence of the proposed measure. But an accommodation to A is not an accommodation to B: the enrichment of A will not save B from bankruptcy: and though it should happen, (as doubtless it would happen) that the quantity of money received by the Stock-holder in his selling out would be rendered much greater by the proposed measure than it would be otherwise, yet, in as much as, unless by mere accident, the individual who sells out Stock is not the same individual who has in this way been in the habit of borrowing money of a Banker, nor, if he were, could the profit by sale of Stock be expected to preserve any sort of equality with the loss by want of the accommodation spoken of, the gain on the one part will not, as between individual and individual, afford in general any compensation for the damage on the other.²³

²¹ In the event, Bentham did drafted no more than fragments of the proposed chapter on 'Objections', and appears to have decided to exclude it from the work. He did, however, draft the discussion to which he refers here, for which see pp. 000–000 above. [To UC i. 498–504, Appendix B]

²² Bentham's pagination indicates a gap of four pages between the end of the last paragraph and the beginning of this one.

²³ In the following related fragment at UC i. 288 Bentham appears to contradict the sense of this paragraph:

NOTE TO TYPESETTER: Please insert two lines of space, followed by a short rule centred, and another two line of space.

[001_301]

*A. Smith*²⁴

Among the assumptions of A. Smith (for they are mere assumptions without proof, or so much as attempt at proof) are two propositions either of which, were it true, would be subversive [of] the positions above established. One is, that there is a fixed *maximum* in regard to the proportion of paper money to cash, beyond which it is incapable of being raised, by any accession to the quantity of paper: the other is that in every county there is in like manner a fixed *maximum*, in regard to the quantity of money, paper and cash taken together, more than which it can not, by any accession to the quantity of either, be made to contain in the country: for that overplus must necessarily be exported.²⁵

[001_302]

There are two causes that bring upon a Bank a demand for cash in exchange for its paper: doubts with regard to its solvency, and the demand for change, i:e: for portions of money of less

‘In the London Market, to the Merchants of the metropolis it does not appear that in regard to the facility of getting Bills discounted, the measure would, in any event, be productive of any change, unless it were that of encreasing the facility. If Bank paper be received in purchase of Annuity Notes, and thereby preserved in circulation, those who are in the habit of getting their Bills discounted by the Bank will find the same facility in this quarter, not to mention others. If Bank paper be banished out of the circulation, still as it will not be driven out any otherwise than in proportion as the Annuity Note paper flows in, and as the cash given in payment for Annuity Notes purchased as a source of accumulation by the Petty Hoarders will be so much added to the currency, as well as that portion of Annuity Note paper which is in notes smaller than the smallest Bank Notes, the quantity of money of all sorts circulating in the capital will at any rate be not reduced but increased by the measure, the proportion which is in readiness to be employ’d in discounting Bills will consequently be rather encreased than reduced, and whether it be of the Bank or of an individual that a man obtains the accommodation he stands in need of, will be a matter of indifference.’

²⁴ This sequence is headed ‘Ch. Effects. Period I.’ Four folios at 303–6 are dated ‘May 1800’.

²⁵ See Smith, *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]

magnitude.

Without any the smallest doubt in regard to the credit of the paper, the mere demand for change is sufficient to bring in upon any Bank a continual demand for cash, a continual return of the paper issued by that Bank. Whether a man shall be able to obtain [change] from another quarter is matter of accident. In all cases, it is matter of accident whether a man who has a note of a certain magnitude shall be able to obtain change for it within a certain time. His faculty of obtaining it within that time by making purchases will depend upon the occasion he has to make purchases, and upon the ability and inclination to afford change on the part of those of whom his purchases are made: and without making purchases, the obtaining such change is a matter of favour, and the obtaining it will depend on the ability and inclination in regard to the doing that favour on the part of those to whom application for that purpose is made. On the part of the Bank from which the paper issued, the obtaining change is matter of right: so long as the Bank is solvent, there is neither uncertainty nor difficulty in the case.

[001_303] [May 1800]

The run upon a Bank for cash on the score of a doubt in regard to credit is matter of accident, depending upon the opinions, as the opinions do upon the events of the day. The run for change is not matter of accident: it depends upon certain laws which [are]²⁶ the same at all times. It depends upon the magnitude of the sum promised by the Note: it is at all times most exactly in the inverse proportion of that magnitude.²⁷

Be the credit of a Bank ever so entire, if it issues no notes less than £5 notes, those notes must, from the mere demand for change, be continually coming back to it for cash. If it issues notes as low as £2. 10^[s.] or £2, its credit remaining the same, the run upon it for cash will be proportionally less, and the quantity of cash which it is obliged to keep up will be proportionably diminished. If it issues notes as low as a guinea, the application to it for cash will be in no greater frequency than the applications for silver in exchange for a guinea in gold would be to a Bank, if there were such an one, which were under an obligation of giving silver in exchange for gold: if it issued notes as low as a shilling or sixpence, the applications to it would be in no greater frequency than they [would be] in the case of a Bank which was under an obligation of giving copper in exchange for silver: if as low as a farthing, there would never be any application at all: and, the credit of the Bank being supposed to be all along entire and perfect, a Bank which should issue

²⁶ MS 'is'.

²⁷ See Smith, *Wealth of Nations* (Glasgow Edition), (Bk. II. Ch. II), i. 322: 'But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a half-penny more frequently than a shilling.'

farthing notes need never be at the pains or expence of keeping a single farthing to cash them with.

[001_304] [May 1800]

As far as credit is concerned, in the instance of each note, the application to the Bank for cash for such note may be created not only by the opinion of the holder of that note in regard to the solvency of the Bank, but also on the opinion or disposition of any person or persons with whom he has dealings. I am in possession of a £5 note: I have occasion to lay it out. The state of the affairs of the Bank is precisely known to me: I know it to be not only rich in other property, but overflowing with cash. All this signifies nothing: if I am under an obligation of finding cash by a day or an hour certain, and I know of nobody of whom I can be certain that he will cash my note, I can do no otherwise than to send it back for cash to the Banker's.

As the sum promised by the Note diminishes, so likewise not only the frequency of a demand for cash for it on the score of change, but also on the score of credit, the solvency of the Bank, and even the opinion of its solvency, remaining still the same. As the sum diminishes, the amount of the loss on the supposition of insolvency diminishes, and along with it the hazard attending the acceptance of the paper, and the strength of the motives which prompt a man to refuse it.

The degree of solvency (i:e: the ratio between the sums demandable and demanded of it and the sums demandable and obtainable by it, added to the sums in hand, within a given time) being given, the smaller the notes it issues, the more perfect is its security. The reasons, and sole though sufficient [reasons], for setting limits by law to the smallness of the Notes, are that the additional degree of security thus afforded operates as a temptation to excessive issues, and is liable to be overdrawn upon by additions made to the magnitude of the aggregate mass emitted even by persons in solvent circumstances, and the facility that may be thus put into the hands of persons destitute of the means of payment, in regard to the issuing of such notes.

[001_305] [May 1800]

The result is, that of the two causes of run there is one that depends upon principles of an immutable nature, the other upon circumstances which are essentially and constantly liable to change, and that neither of them admit of any fixed proportion between paper money and hard cash: that so far as the one is concerned, Bankers paper need never be subject to a run: but inasmuch as the other always has existed, and it never can do otherwise than continue to exist, it is impossible that by any proportion of cash to paper—meaning paper promising of present money—any Bank should be exempt from that insolvency of which a run carried to a certain length is necessarily productive.

[001_306] [May 1800]

The conclusion is—that notwithstanding every thing that has been advanced by Adam Smith, there could not at any time be any run, glut or depreciation in regard to the proposed paper—that were it to be issued in ever so great a quantity, no exportation of cash or diminution in the annual import of cash would be the result of it: that consequently, in the proportion in which it was emitted, in that proportion, undiminished by any such drain, it would continue in the country, producing in the same degree which so much hard cash would produce, all the several effects, good and bad, which have been already exhibited as resulting from a copious and sudden accession to the quantity of current money.²⁸

[001_307]

If this view of the subject, viz. the effects of a sudden influx of fresh money (metallic or paper) be just, the view given of the same subject by Adam Smith, is in some respects erroneous: if this view be clear, his is to a certain degree confused.

A supposition he sets out with²⁹ is that after a mass of paper money has flowed in, and that suddenly and in a proportion not considerable only but excessive ‘*the commerce is the same*’, i.e: the quantity of productive labour and wealth called into existence is no greater at the end of a large influx of this kind than before the commencement of it. And this supposition is made not, as above, for the purpose of being disproved: but is afterwards assumed and reasoned upon as matter of fact.

‘The whole paper money of every kind which can easily circulate in any country never can exceed’ (says he) ‘the value of the gold and silver, *of which it supplies the place*, or which (*the commerce being supposed the same*) would circulate there if there was no paper money.’

Here, one supposition is:

1. That after the influx of a quantity of paper money in a given compass of time in a given country (in Great Britain), say 2³⁰ million’s worth in a year, or 20 million’s worth in ten years, the whole quantity of money, paper and metallic taken together, is no greater [001_308] greater than what it would have been in the same country, Great Britain, at the end of the same time, without such influx. For the effect of the paper money is not to tell,

²⁸ See p. 000 n. above. [To note to UC ii. 573, ‘Circulating Annuities’, Ch. IV]

²⁹ Bentham has noted in the margin at this point, ‘II. p. 448’, i.e. *Wealth of Nations*, 3rd. edn., 3 vols., London, 1784, ii. 448 (Corresponding to *Wealth of Nations (Glasgow Edition)*, (Bk. II, Ch. II) i. 300).

³⁰ MS alt. ‘a’.

along with the gold and silver money, in addition to the sum total of that which has the effect of money, but only to supply the place of such gold and silver money: i:e: of a quantity of gold and silver money equal to itself.

Yet this paper money, so long and so far as it passes current, can not but have the effect of money, the same effect as a quantity of gold and silver money to the same amount. But from the paper money's having the effect of gold and silver money, the gold and silver itself is not deprived of its own effect: if then, the effect of the paper money is to supply the place of the gold and silver money, i:e: if after the introduction of the paper money the whole effect produced by money of all kinds is no greater than without it, the case must have been either that by the paper money the value of the gold and silver money has been destroy'd, or that a quantity of gold and silver money to an equal amount must by this paper money have some how or other been driven out of the country and expelled. If so, in proportion as the quantity of paper money in the country increased, the quantity of gold and [001_309] silver would have been diminished. But the fact is notoriously the reverse. That in the course of the present reign the quantity of paper money has received a very great increase, is not to be doubted, but in the same space of time the quantity of gold and silver money has not only not been diminished, but has been increased: and increased in a proportion as great perhaps, if not greater, as the quantity of paper money itself.

2. Another supposition is—that the commerce is the same, that is the quantity of wealth constituting the subject-matter of commerce is the same, that is, or at least may be, no greater after the introduction of a mass of paper money to any amount than it would have been without it. But this is altogether impossible, for

i. If the quantity of that which passes for money has been increased, it is impossible but that the quantity of wealth of all sorts (unless the money, as in Spain, were sent out of the country without being expended in it) should not have increased likewise.

ii. It can make no difference in this respect whether that which passes for money be gold and silver money, or paper money, so long as paper money is received for its nominal amount. A week's labour for which the master manufacturer pays a guinea, and the labourer receives [001_310] a guinea being bestowed, whether that labour were paid for by a guinea in gold, or by a £1 note and a shilling, the produce of that labour and the value of that produce is just the same. True it is, that if the £1 note be burnt, or, what comes to the same thing, whether because the payment of the £[1] in hard cash is refused by the issuer, or from whatever other cause nobody will receive it, no more labour will be produced by that same note: but by the annihilation of the note the result of that labour will not be annihilated: if so many feet of walling have been built with it, the note may

cease to pass current, but the Wall will not on that account fall down. It will be no more in danger of falling down than if the money with which the Bricklayer had been paid for it had been hard cash.

iii. It is only by an addition made to the quantity of money (metallic or paper) held out to labouring hands that the quantity of other species of wealth—barter out of the question—can receive any encrease. For (barter out of the question) who is it that will perform labour without being paid for it?—and (barter out of the question) wherewith can a man be paid for his work, but with money?³¹

[001_311]

‘If (continues he) twenty shilling Notes, for example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of Gold and Silver, which would be necessary for transacting the annual exchanges of twenty shillings value and upwards usually transacted within that country.’

This being no more than an exemplification of the proposition intended to be proved, let us pass on to those which appear to have been meant to serve for proof.

‘Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the Country, it must immediately return upon the Banks to be exchanged for Gold and Silver.’³²

In this sentence, which appears to be rather of the expository kind than otherwise, we have nothing as yet beyond assertion and assumption: for matter of proof we must pass on again to the next.

‘Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad, they would immediately demand payment of it from the Banks’.

In this sentence the words run smoothly, as before, but the import is to such a degree involved in obscurity and confusion as to be altogether lost. What is thus said of many people, to see whether there be any truth in it let us first try it upon any one: here the assumption is

³¹ The following five folios are in the hand of a copyist. Punctuation is largely editorially supplied. For further details see the Editorial Introduction, p. 000 above.

³² *Wealth of Nations (Glasgow Edition)*, (Bk. II, Ch. II) i. 301.

that a certain quantity of this paper, say a £^s1,000 worth, is necessary for the transacting of my business, and another assumption, tacked to it in the way of implication at least, is that supposing me to have a further sum, say £500 worth of this same [001_312] paper, this same £^s500 worth would be of no use to me: what ground there should be for any such distinction I am totally at a loss to imagine. If it will pass for money, the £^s500 worth will be just as useful, as far as it goes, as a £^s1,000 worth, but the £^s1,000 worth passes by supposition, and passes for the £^s1,000: what is there then that should hinder the £^s500 worth of the same paper from passing likewise, and passing for £500? If I am able to pass it, that is to get Metallic money or whatever else it is I want in exchange for it, what need have I to go and demand payment of it from the Bank, i:e: from the Bank that issued it? Oh but, says the Author, it will not pass with other people and, therefore, it is that you find yourself obliged to demand payment for it, i:e: to demand Metallic money for it from the Banker who, and who alone, stands obliged so to exchange it. But, say I again, how and whence does it appear that persons at large, tho' they have accepted the £1,000 of me, will not accept of me the £^s500 worth of the same paper, nor any part of it? To prove that they will not, the Author gives nothing more than the original proposition, in relation to which the one now on the Carpet was intended to afford proof to it, not to receive proof from it. Because it is superfluous, the paper will be returned for payment to the Bank, and it will be returned for payment to the Bank because it is superfluous: the notion, as far as it is intelligible, seems to be that there is a certain uniform and permanent proportion between the quantity of metallic money that exists in a Country at any [001_313] given time, and the quantity of paper money that at that time will be received as money, i:e: received by persons at large. But this proposition is neither proved, nor does it appear by any means to be true: so long as people are content to receive this paper money as they would Metallic money, no matter what the quantity of metallic money is, no matter how small it is. So long as they will not receive this money as they would metallic money, no matter what the quantity of metallic money is, no matter how large it is. A man's readiness to receive paper money upon the same footing as Metallic money depends upon the strength of his persuasion that he should be able to get metallic money for it if he chose to have it; if he happens to think that metallic money will not be to be obtained for the portion of paper money in question, be that portion ever so small, he will not take it: if he happens to think that metallic money will be to be had for the portion of paper money in question, be that portion ever so large, he will not refuse it. True it is that, *cæteris paribus*, the larger the ratio of the quantity of paper money to the quantity of metallic money, the greater the probability of its coming back for payment to the Banks that issued it, because the larger the quantity of it, the greater the number of hands it will have found its way into, and the greater the average quantity of it in each hand, and the greater the number of hands it is in or is tendered to, the greater the chance of its coming to be tendered to some hand or hands who, by

reason of [001_314] some doubt entertained by them of their being able to pass it on to other hands, will be unwilling to receive it. But the currency of any given quantity of it depends much more upon the temper of the times, upon the opinion casually entertained of it, than upon the ratio of its amount to the amount of metallic money, and if there be in this respect a maximum or greatest ratio beyond which the proportion of paper money to metallic money cannot be carried, the Author does not appear to have given any sufficient reason for fixing that *maximum* at the point at which he appears to fix it.

A ratio indeed there is, beyond which each Banker finds it not practicable, or at least deems it not adviseable, to carry the proportion of the paper issued by him to the quantity of Cash kept by him, in readiness to be given in exchange for such his paper in the event of its being demanded: but this ratio depends upon a variety of circumstances, none of which are noted by Adam Smith. It is different as between place and place, because the temper of the public mind in this respect is different as between place and place: in all places it depends in a very high degree on the smallness of the least sum of which such paper was allowed to convey the promise: suppose that sum as small as possible, as small as the smallest and least valuable piece of metallic money, there is no saying to what a height the ratio in question may rise; suppose it larger, suppose it, for example, £5, this being the smallest [001_315] note of this kind allowed to be issued by the law in being:³³ the restriction thus applied to the proportionable quantity of this paper capable of being issued with safety to the issuer is very considerable: in this case, be the credit of the issuer ever so good, and the proportionable quantity of hard Cash in the Country ever so considerable, it cannot but be frequently sent in for payment, were it only for the sake of change. A person who has no less a piece of money³⁴ than £^s.5 worth cannot make either purchase or payment of any inferior sum to a person who cannot, or chuses not to, give him change, without loss: for all such purchases or payments a man must, therefore, in his dealings with any other person than the issuer of the paper, take his chance in respect to the obtaining change, and thereby in respect to the avoiding of such loss: the issuer of the paper is a person, and the only person, of whom he is assured of obtaining such change: he being bound on pain of the ruin of his credit to give such change to every one who demands it.

³³ 'the law in being' appears to be a slip, since the prohibition on notes for amounts under £5 had been lifted in March 1797 in relation to both the Bank of England, by the Bank of England Notes under £5 Act (37 Geo. III, c. 28), and in relation to other banks, by the Negotiation of Notes and Bills Act (37 Geo. III, c. 32). Both Acts were initially of short duration, but were repeatedly re-enacted.

³⁴ MS del. 'paper or metal'.

NOTE TO TYPESETTER: Please insert two lines of space, followed by a short rule centred, followed by two further lines of space.

[001_329]

*§ Effects of the proposed measure on the general amount of the National
wealth³⁵*

This much, it is supposed, will already have become pretty apparent, viz: that over and above the effect produced by the proposed measure on the Public Finances—on the state of the Public Debt—the effects it can not but be productive of upon the sum total of national wealth can not but be very considerable, and in particular that the addition which will thence be derived to the nominal amount at least of that wealth, how soever it may fare with regard to the real amount, can not but be very great.

What addition will be made to the nominal amount? What addition, if any, will be made to the real amount?—amongst what descriptions of persons and in what proportions the additional quantity of wealth will distribute itself, and what the effect of that influx will be on the pecuniary circumstances of such descriptions of persons, if any, as will be no sharers in the mass of wealth thus distributed, these are questions of so interesting a nature that any statements and conjectures, how loose soever, that may tend to throw any light upon the subject, will probably not be thought to

³⁵ This section reproduces a series of text sequences, none dated and none bearing any strong internal evidence as to their date of composition, for which no corresponding marginal contents sheets have been identified, but which all focus on the effect of Bentham's proposed Annuity Notes on the national wealth. The organization of the section is thus conjectural. The discrete sequences are separated by short rules. For further details see the Editorial Introduction, pp. 000–000 above. For related discussions of the effect of the measure on National Wealth see pp. 000–000 above, and 000–000 below. [To UC i. 656–61, 206–9, 661–2, 'Circulating Annuities', Ch. I[^]. Addition to Wealth; and UC ii. 227–39, 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. XI]

be ill bestowed. The [001_330] wealth thus flowing in, fictitious as it may termed and thought to be, we shall find to be productive of equal effects, sum for sum, as so much real wealth—as so much hard cash—if hard cash is to be looked upon as real wealth, and to make an addition in the same way and to the same amount to the quantity of real wealth on the one hand, as well as to that of nominal wealth on the other; and to be productive of the same effects good and bad taken together, as the introduction of so much hard cash, if flowing in, in the way of tribute or otherwise, from abroad, into the lap of Government. In a word, we shall find the accession thus derived to the mass of national wealth from this source as real, as that which has been derived to it through the existing mass of Bank and Banker’s paper: with this difference, that the influx of wealth from the latter source, though real and incontestable while it continues undisturbed, has the inconvenience of being stopped (though not annihilated) by sudden shocks to which the influx from this new proposed source is essentially exempt.

[001_331]

In the first place, whatever sum comes to be received by the several persons, sellers of stock within a given period (say two years), in consequence of the measure in question over and above what they would have received otherwise, the quantity of Stock sold within that period being supposed to be the same in both cases, that sum may justly be considered as so much added to what would otherwise have been the mass of *existing* national wealth.³⁶

[001_332]

Call the period which will have elapsed by the time that 3 per Cent Stock Annuities are by this means raised to par two years

Call the price of those Annuities at the outset 60

Suppose the rise perfectly gradual—in which case the price of these Annuities will have been at the end of the first half year. 70

At the end of the 2^d half year. 80

At the end of the 3^d half year 90

³⁶ Bentham has marked the following passage, which appears at this point, for deletion: ‘and such being the addition made to the *quantity* of the existing mass of national wealth, such of course will be the defalcation made from the value of the otherwise existing mass of national wealth, as compared with future income or future wealth in expectancy in any other shape—and accordingly such will be the addition given to the value of such *future* wealth as compared with *present*:’

At the end of the 4th half year. 100

All this quantity of money received by Stock-holders on the selling of their Stock will have received an encrease in two ways:—1. By encrease of price upon each quantity of Stock sold, supposing that no more would have been sold at this advanced price than if the price had received no such advance: 2. By the encrease of the quantity of Stock sold, that encrease being produced by the view of the advantage accruing from the encrease of price.

[001_333]

Call the quantity of Stock that would otherwise have been sold out in the course of each half year of the two years. £10,000,000

Suppose that had it not been for the proposed measure, the price of 3 per Cent Stock would have been the same at the end of each half year of the period as at the outset—viz. 60

Accession of wealth upon this supposition, independently of Stock drawn out of the market by the advance of price:

	Stock sold	Rate of Profit	Amount of profit
End of the first half year	£10,000,000	10 per Cent	£1,000,000
[End of the second half-year]	£10,000,000	20 per Cent	2,000,000
[End of the third half-year]	£10,000,000	30 per Cent	3,000,000
[End of the fourth half-year]	£10,000,000	40 per Cent	<u>4,000,000</u>
			£10,000,000

Call the quantity of Stock drawn out of the hands by the consideration of the extra price in the course of the several half years, as follows:

	Stock sold	Rate of Profit	Amount of profit
First half year	£2,000,000	10 per Cent	£200,000
Second half year	£4,000,000	20 per Cent	£800,000
Third half year	£6,000,000	30 per Cent	£1,800,000

Fourth half year	£8,000,000	40 per Cent	<u>£3,200,000</u>
			£6,000,000
Add as above			<u>£10,000,000</u>
Total			16,000,000

[001_334]

Such on the above suppositions (suppositions put merely for illustration sake, and without building any thing on the respective amounts) will be the addition made to the mass of nominal wealth at least by the operation of the measure, by the time that 3 per Cent stock is raised to par by it.

NOTE TO TYPESETTER: Please insert a short rule, centred.

[001_335]

My surprize would not be great if Stocks were thus to be raised to par even during the continuance of the war: and to heighten the paradox, the result would be the more probable the longer the war continued. To supply in the course of a year the gap made in the quantity of money in the money market by the expenditure of a year of war would not require an issue of this paper to an amount equal to that expenditure: on the contrary, less, perhaps, than half that amount would be sufficient. For the quantity of money in the nation, hard cash and paper taken together, is not near equal to one year's income of the nation, nor is, therefore (neglecting for the present purpose the difference between income and expenditure), to one year's expenditure: it is, perhaps, not much more nor less than half of it: on which supposition, every guinea changes hands twice in the year and enables a man to spend two guineas. Call the extra expenditure of a year of war 20 millions: if, then, 20 million's worth of Annuity Note paper were thrown into the circulation in the course of that same year, this 20 millions worth of money would suffice for an expenditure of 40 millions: to supply the gap made in the money market by the extra expenditure of 20 millions made by Government, 10 millions added to the currency would be sufficient. Add to this that when the year is at an end, the expenditure of that year is at end: whereas the supply introduced by the additional currency remains to be expended over and again in other years.

[001_336]

The longer the continuance of the war, the more probable, as I said before, will be the result. The supply of the first year can not be expected to add any thing to the currency: it would not, though it were to be equal to the whole mass of existing paper: since its force would be spent in the expelling and replacing that paper, and it could not be expected to rise to any such amount. It would be a good deal if it did in two years: and it is not till the existing paper were expelled, that the addition made by the new paper to the currency would be clear.

Loans would nevertheless be to be paid off: but as, instead of being made, say, at 50 per cent, they would be made at par, the amount of the charge would not be more than half as great with the benefit of the new paper as without it.

[001_349]

The³⁷ extra addition in question is an addition to the quantity of money in the country, but it is no addition to the quantity of wealth: it is an addition to the quantity of nominal wealth, but not to the quantity of real wealth. All Wealth is the fruit of labour: take the world together, it is only in proportion as the quantity of wealth is either increased, or employ'd with more advantage and effect, that the quantity of wealth can receive any encrease. Suppose the whole quantity of capacity with regard to labour during a given period to be employ'd, and employ'd to the best advantage, no further accession of wealth can within that period by any possibility accrue.

Take a particular country, Great Britain for example, to which the accession of currency is supposed to be confined, the case is no otherwise varied, than in respect of the possibility of encreasing the quantity of real wealth by the exportation of a quantity of hard cash which, if unexported, would have made an addition to the quantity of nominal wealth without making any to the real. Call the quantity of hard cash in Great Britain £40,000,000: the total quantity of money, hard cash and paper money taken together, £60,000,000: the quantity of capacity with regard to labour unemploy'd at the commencement of the year, but capable of being called forth in the course of the year by an adequate accession of money £5,000,000:—and the addition made to the quantity of money [001_350] in the shape of the proposed currency, £10,000,000. Here, supposing no part of the currency exported, the quantity of nominal wealth in the shape of money would amount to £70,000,000: but, as of that £70,000,000, £5,000,000 would have no other effect than that of sinking the value of the rest, the £70,000,000 nominal wealth would amount to no more than £65,000,000 of real wealth: but of this £70,000,000, suppose, the extra quantity of £5,000,000 to be

³⁷ The pagination indicates that the first page of this sequence is missing.

exported, that is suppose £5,000,000 of the hard cash to be exported (for it is only that part of the currency that foreigners would take of us) prices of commodities would not be raised by the influx of currency, and the whole £70,000,000 of money would be so much real wealth.

[001_351]

In Political Economy as in Chemistry, results are scarce ever obtained pure: while part of the new influx is employing [itself] in producing the beneficial result of an accession of real wealth through the medium of profitable labour, [an]other part will be employing itself in the raising of prices of labour here and there, and thence of this and that class of goods: and, indeed, it is scarce possible that a new mass of dormant labour should be called forth into act without making some addition to the recompense given to the mass already in employment.

NOTE TO TYPESETTER: Please insert a short rule, centred.

[001_352]

The³⁸ addition that will be made by the proposed paper to the quantum of national wealth, in virtue of the addition that will be made by it to the quantum of the currency, is an additional benefit over and above the profit which, as we have seen, will be afforded to Government. That an addition of this sort will be produced by it, and that this addition will be considerable, seems evident enough. But (to avoid exaggerating) the addition made to the quantum of national wealth will not rise so high [as] the addition made to the quantum of the currency: nor will the quantum of the addition made to the currency rise so high by a great deal as the quantum of the issue.

To come at the portion constituting an addition to the quantum of the currency or money in circulation, we must deduct, in the first place the amount of the mass of Bank and Banker's paper existing at the commencement of the issue, in the next place the amount of the quantity of the Annuity paper itself which, at the period in question, will be hoarded and kept out of the circulation, for the purpose of affording income, as Stock Annuities do at present. As the issue of this paper descends to lower and lower sums, Bank and Banker's paper, as we have seen, will fly before it: and to fill up the gap made by the disappearance of the existing Bank and Banker's paper, a mass of the proposed Annuity Note paper will be necessary, before any clear addition to the quantity of currency in circulation can begin to take place.

[001_353]

The effect of the proposed currency (I mean of that portion which is over and above the amount of Bank and Banker's paper expelled by it) is precisely the same as that of so much hard cash would be: if paid by Spain for example, as the price of peace, and applied to the same uses.

In this respect, it possesses no advantage over the currency supposed to be expelled. Let it be twenty millions for example—whether the 20 millions be in the shape of hard cash—of the proposed currency, or of Bank and Banker's paper—whether the money be any one or any other of the three shapes—is a matter that, so long as the money *lasts* and continues current, makes no sort of difference. But the value of hard cash can never fail—the value of the proposed currency is equally exempt from failure—the value of Bank and Banker's paper is essentially exposed to failure, and it is but too often that we who are now alive have witnessed its experiencing it.

[001_354]

In all these cases, its effect, upon the mass of national wealth, is obviously to increase it: I mean here not merely nominal wealth, but real wealth. In none of these cases does the addition it makes rise to the exact amount which the sum would seem to impart; it succeeds, in as far as the fresh influx of money gives birth to a fresh influx of labour, and thence of goods, the fruit of labour: it fails, in as far as without giving birth to any fresh stock of labour, it operates to the enhancement of the price of labour and of goods.

[001_355]

The amount of the addition made to the quantity of money in circulation will be the amount of the issue intervening between two periods: the period of the expulsion of the last parcel of Bank and Bankers' paper—and the period when the paying off Stock Annuities begins to take place of the buying it in. The Stock-holders thus paid off without their applying for it, being by the supposition desirous of retaining their property in the shape of Annuities, become purchasers to the same amount of Annuity Notes, which, being kept in the hands of the purchaser to yield the Annuity required, remain in his hands so long as he keeps the Annuity, without entering into circulation, and consequently without constituting any addition to the stock of *actual* currency, current at the time.

[001_356]

³⁸ A text sequence at UC i. 341–5, 348, 347, subheaded '§ Effects 2^{do}', is omitted, since it appears to have been superseded by this sequence, headed '§ Effects 3^o'.

What space of time may intervene between these two periods—and what quantity of this currency may come into the circulation in this space of time (which will be so much clear addition, since the hard cash will remain likewise unless sent out of the country, which it will not be but for a profit) are questions which it is not possible to resolve. They depend (the two amounts) on the state of the country in regard to peace and war—and in case of war, upon the continuance of war. The more war there is within the space of time in question, the greater the quantity of Stock Annuities that will be brought to market, and the longer, therefore, the time which it will take for an influx of money to a given amount to raise the price of them to par.

[001_357]

This much is apparent at any rate—viz: that if it is good for peace—it is still better for war. It operates in supply of the drain of war. Will the amount of it fall short of that drain?—will it equal it? will it exceed it? Another string of questions to which the answer is impossible.—It depends on events all of them equally inscrutable: the number of years which the war is destined to continue—the amount of the money raised for it in each year—the amount of the Annuity-Note paper the demand for which presents itself in each year. The amount of the good remains in darkness: but that the result is good upon the whole is clear enough—and that is enough for practice.

[001_358]

The unexampled ductility, if so it may be termed, of this species of property—of this money—is worth observing. At a moment's warning it becomes income or capital—either the equivalent of Stock—or the equivalent of the money which Stock is bought with—and in both cases without loss. Not so with the money or the Stock.—But of this afterwards.

NOTE TO TYPESETTER: Please insert a short rule, centred.

[001_364]

Being³⁹ alike applicable to both purposes and without loss it will supply mony[?] of which there is a scarcity in the room of Annuities which are a drag.

It will be a singular enough effect, but one that seems by no means unlikely to happen, if by means of this paper money should grow more and more plentiful as the war continues, and the

³⁹ Bentham added this paragraph in pencil.

quantity of it grow less and less on the return of peace. It seems, however, by no means an improbable one, and even supposing the war to continue on for a certain length of time, a necessary one. While Stock Annuities [grow]⁴⁰ more and more plentiful, and consequently cheaper and cheaper every year, or supposing them even not to sink below their present price, no man that has wherewithal to buy Stock, Exchequer Bills or other government paper yielding 5 or 6 per Cent will lay out his money on Note Annuities for the purpose permanent income. Yet this incapacity of being purchased and hoarded for the purpose of permanent income will not prevent this paper from being purchased and taken out even in the way of issue as often as a quantity of hard cash finds itself in sufficient quantity and for a sufficient length of time to make the interest worth sending for to the nearest Post-Office. So long as this property of yielding interest adheres to it, no abundance of it, how excessive soever, can ever hinder its obtaining the preference to hard cash.

[001_365]

Carried to a certain length, the excess of it will indeed be productive of depretiation: but this depretiation will fall not upon this paper money considered in comparison and in exchange with metallic money, but upon money of both sorts and of all sorts in comparison with goods. The quantity of it outstripping in its progress, the quantity of fresh goods procurable by means of it, outstripping the extraction of actual labour from the fund of possible labour at home, and of goods from abroad in the way of importation, a depretiation proportionably sudden in the value of money of all sorts, and, what is the same thing in other words, an encrease of the money price of labour of all sorts and of goods of all sorts, will be a necessary consequence. Such will be the result in time of war, in the case of a long protracted war. On the return of peace, on the other hand, the price of Stock Annuities having been supported in no small degree by all this paper, will not have far to rise nor long to keep rising before it arrives at par: and then the creation of Stock Annuities having ceased immediately upon the conclusion of peace, those who otherwise would have become purchasers of Stock Annuities, will have nothing now to hinder them from obtaining the income they have a demand for through betaking themselves the Note Annuities, which now by the supposition [001_366] yield as good a rate of interest as Stock does. They will accordingly make use of this paper as a source of settled income: which [to] do for any given time they must for that same length of time keep it by them, and withhold it from the circulation.

If money in abundance be more desirable at one time than another, war must surely be that time. If scarcity of money can be better endured at one time than another, peace must surely be that time. Thus it is, that of the two natures which this paper is equally fitted to assume at pleasure, the

⁴⁰ MS 'grows'.

one which it assumes is always that one which, for the good of the public at large as well as that of the individual more particularly concerned, is most desirable.

Regarded in a certain point of view, this rise of prices it must be admitted is an evil: but it is an evil which is the inseparable result of general prosperity when pushed to a certain extent, and whether produced by the cause in question or any other cause: and it is an evil which can not have been produced in any considerable degree within any given space of time without having already screwed up to the highest pitch possible within the time the sum of industry and wealth.^f

[001_367]

^f The depretiation to which, in this state of things, each £100 worth of this money will bring upon money in general, and consequently upon itself, will not afford an adequate inducement to restrain a single individual from doing his part towards the production of that effect—will not operate so as to keep down in the smallest the quantity taken out in the way of issue. To produce any such effect, it would be necessary that, of the depretiation in a given space of time produced in the value of the sum total of money in the country by each £100, the share that fell upon that £100 should amount to more than the value of the interest for and during that time: and that it should be seen to do so. But the depretiation so produced will not rise to a thousandth nor a ten thousandth part of the value of the interest of the money so producing it: and to the eye of an ordinary observer, were it a thousand times as great as it is, it would be imperceptible.

Thus in the case of Navy Bills, where the quantity of that paper unfunded, (that is for the payment of which, principal or interest, by any certain time no provision was as yet made) subjected that paper to a deduction of value, rising as high as 14 per Cent. To a man who sold goods to the amount of £100 payable by a Navy Bill, it would be necessary, if he received that value for them, that [001_368] the sum the Bill was made out for should be £114, the odd £14 being added to make up for the depretiation. By this £14 a further depretiation was produced:⁴¹ but to have constituted an adequate inducement to forbear receiving it, it would have been necessary that the amount of the depretiation produced by such allowance should exceed the whole amount of the allowance, in other words that the value of the £14 added to the £100 should, by the issue of that same £14, be reduced less than nothing; at the same time that by the sum total of all former issues the loss of value sustained by the £100 had been no more than the £14.

NOTE TO TYPESETTER: Please insert a short rule, centred.

⁴¹ MS del. 'but as this additional depretiation, so far from exceeding the £14 would not amount to a millionth part of it'.

[001_369]

It is not enough that the paper in question should be capable of being applied to both purposes:—what is necessary besides is—that it should be applicable at all times to that one of the two services that has the greatest need of it:—but even this requisite will be seen to be fulfilled by it. The time in which it serves to make an addition to the currency, is the time at which there would otherwise be a deficiency in the currency: I mean *war time*—a time in which money, being to be raised in large quantities for the service of government, must for a time be diverted from other channels—the channels it would otherwise have run in, and, notwithstanding the quickness of government expenditure, locked up every now and then in portions more or less considerable, and for portions of time more or less considerable, in some or other of the many and capacious coffers of government.

The time at which it withdraws itself from the currency, by being hoarded for the purpose of yielding income, is on the other hand the very time and no other at which, were it not for such a drain, the quantity of currency might become too abundant, and by such superabundance productive of the inconveniences above spoken of. I mean the time of established peace—a time in which money has a tendency to accumulate faster than a correspondent portion of dormant labour can be found to be put in action by it, and in which the difficulty of making it yield a better rate of interest elsewhere renders the comparatively low rate of interest allowed by government in this paper a desirable resource.

[001_370]

From this convertibility it follows, that it can not on any supposition be ever existing in excess. The longer the drain of war continues, the greater the quantity which there will be if it, because the longer that drain continues, the greater the quantity of Stock will have been created, which must have been all bought up or paid off, and a proportionable quantity of Annuity Note paper issued, before that vibration of the cash between the two markets, by means of which the Stock Annuities are annihilated and the Note Annuities made in place of them, can have arrived at its termination.

[001_371]

I do not say that with the benefit of this paper it is the same thing to the country whether the war continues a shorter or a longer time—I do not give this paper as a specific against the evils of

war, or war against that evil which consists in the augmentation of the mass of public burthens. I do not say that it is the same thing to the country whether a less or a greater mass of Annuities be created, whether a less or greater mass of annual burthen is to be borne by it—I admit that the imposition of such burthens is an evil to the full extent of it: all I contend for is, that supposing the war to continue—supposing the money to be raised—supposing a given quantity of annual burthen to be imposed, the addition which such an addition will make to the quantity of this paper is not, separately taken, an augmentation of the evil, but on the contrary a most powerful palliative: and that under a given quantity of the burthen, the greater the quantity of this paper, the better on every account: since whatever inconvenience the inordinate plenty of it may be supposed for a moment to be productive of, carries along with it its own corrective: and the power of the corrective rises with the magnitude of the supposed cause of inconvenience.

[001_372]

For suppose for a moment the quantity of this paper to be so great, as that in the shape of currency it overloads the market, outstrips the supply of employment seeking labour and raises the prices of commodities. From this same plethora it follows that money being a drag[?] and unable to find opportunities of being placed out at interest in other markets, pours in to the Government market, buys up existing Stock, lies in wait for impending loans:—the greater the avidity for such loans, the less disadvantageous the terms at which Government obtains them, and the less the mass of annual burthen which on that account it finds it necessary to impose.⁴²

[001_373]

That it is not in the power of the Annuity note paper to produce any such inconvenient excess of currency as that in question, appears from hence, viz: the quantity of Annuity Note paper issued in a given space of time does not depend upon the quantum of the expence of war—upon the quantity of Stock Annuities created—even within that time: it depends upon the quantity of hard cash in the country, (which is what a state of war has certainly no tendency to encrease) and upon the quickness with which that cash finds its way into such hands as shall have found an adequate motive to carry it to the Annuity Note market to make interest of it.

Nor (for the same reason) can any length of the war—any continuance of the expence occasioned by the war of the process of creating Annuities for the defraying of that expence—

⁴² In the margin, Bentham has noted at this point: ‘Nor can it raise prices without encreasing labour, which by producing commodities creates a fresh demand for money and lessens the excess of it.’

contribute any thing to *accelerate* the rate at which the issue of Annuity Note paper shall go on. The longer the time during which the issue keeps going on at that rate, whatever it be, the greater, it is true, will the quantity of this paper that at the close of the war will have been issued, and require to be redeemed. But the quantity of the paper *existing at a time* will not increase in proportion to or by reason of the increase in total amount of the issue: [001_374] because what encreases the quantity issued is the length of the war, and the longer the continuance of the war the greater, on the one hand, is the drain which the paper in question has to fill up, and, on the other hand, the quantity of that (viz: the Annuity Note paper) which, supposing it to find itself in excess in the shape of currency, affords to the possessor at once the power and the inducement to reduce that excess by applying it to the purpose of a stationary and uncirculating source of future income. For, once more—the greater the quantity of this paper in the country, the greater the quantity of *money* or currency (paper and cash together) in the country: and the greater the quantity of money in the country, the less the rate of interest to be made of it in the country at large, and the less the rate of interest capable of being made of it in the country at large, the better it is worth a man's while to receive from government such rate of interest as the paper itself affords.

[001_375]

The quicker the rate at which the issue goes on the better, because the quicker this rate, the sooner it brings up Stock Annuities to par, and the sooner it brings them up to par, the sooner it brings them in a condition to be paid off and converted into Note Annuities: and the sooner it brings the Stock Annuities in a condition to be thus converted into Note Annuities, the sooner it brings the National Debt into condition in which the rate of interest payable on its [...?] capital, that is to say the annual amount of the burthen of it, may and will be reduced.

When this forced paying-off comes to take place, then indeed will come the plethora above spoken of—and this plethora will be the greater, the greater the quantity of Annuity Note paper that had been issued. But this inconvenience, such as it is, has for its origin not the Annuity Note paper as such, not the shape which the Annuities which it was necessary to grant had been made to assume, but the magnitude of the mass of annuity which in some shape or other it had been found necessary to create.

The reduction of the rate of interest is what I, for my own part, admitt to be an *evil*, though it has never been mentioned as such that I know of: and the amount of this evil is the greater, the greater the mass of Annuity thus subject to be reduced, that is the greater the amount of the Annuity Note paper that has been issued: but still, it is not the Annuity Note paper as such that has added any thing to the evil: on the contrary, as we have seen, it will have contributed, and will have

contributed largely, to the reduction of the evil.

[001_376]

The cost of a plethora, such as it is, is an evil altogether inseparable from the universally wished for reduction of the National Debt. It is an evil attendant on prosperity: and for which nothing but adversity can be a cure.

What is more—it is an evil which neither has the proposed Annuity paper (the palliative to the evil of the National Debt) nor so much as the National Debt itself, for its cause. The National Debt, so far from being a cause is an obstacle to its progress and a reduction from its amount. It is the necessary effect of accumulated wealth, the result of industry and frugality combined. The expence of war, by lessening that accumulation, breaths a vein as it were, and lessens the plethora: the accumulation is an effect that would have taken place in still greater degree had there been no war, no extra expenditure, no debt to discharge: but in as much as the discharge of debt will bring it under observation, the discharge of debt will have the appearance of producing it.

[001_377]

What is more—it not only operates as far as it goes in supply of the waste of war, but promises to supply that waste to any extent. Being always preferable to hard cash, yet never expelling any hard cash, the whole quantity of hard cash keeps perpetually pouring into the Annuity Note market so long as that market continues open, which it will do so long as there is any Stock to purchase. The more Annuities are created, the more there is for the produce of the sale of Annuity Note paper to buy in or pay off, and thence the more Annuities are created, the longer the Note Annuity market must be kept open and the greater the quantity of Annuity Note paper that must be issued in the first instance and will come afterwards to be paid off. But this paper, considered as an addition to the currency, is not a burthen but a supply. Considered as a security for Annuities to be paid by Government, it is indeed a burthen, and heavy in proportion to the value of it. But the supply is the effect and produce of this paper: while the burthen is no other than what would equally have existed (and indeed in considerably larger proportion) had the paper never come into existence.⁴³

⁴³ A related fragment at UC i. 378–82, headed ‘§ Effects. Borrowing’, and paginated 1–5, of which only the first three folios contain text, is excluded.