[002_049]

Abstract or Compressed View of a Tract intituled

Circulating Annuities:

exhibiting a Plan

For the creation, circulation and payment, of a

proposed new species of Government Paper Currency

under the name of *Annuity Notes*[*] [1]

Please begin new page.

[*] [Editor's Note: This file reproduces Bentham's 'Abstract' or précis of his Annuity Note scheme, the first forty-eight pages of which, containing the Introduction, Contents, Chs. I–III and the first seven pages of Ch. IV, he had printed towards the end of 1800. The surviving text of Bentham's draft of Ch. IV lacks some fifteen pages of text necessary to complete it. In the absence of that text, Bentham's corresponding marginal contents are reproduced as text. Bentham's draft text also lacks Ch. V. Financial Advantages Period I, since no such chapter appears in the continuously numbered sequence of folios which constitute the text. In the absence of the chapter, Bentham's marginal contents for his draft of it are reproduced as text. The Chapter as reproduced by Smith, Bowring, iii. 122–32, consists in a first section drafted not for this 'Abstract' but for 'Circulating Annuities', and accordingly reproduced there in the present volume. [i.e. 'Circulating Annuities', Ch. VI, § I], followed by five further sections corresponding to Chs. VI–X in the present volume. The Chapter as reproduced by Stark, *Jeremy Bentham's Economic Writings*, ii. 235–45, is the same text used by Smith for his § I, that is a text drafted not for this 'Abstract' but for 'Circulating Annuities'.]

[1] This title is taken from UC ii. 49, omitting the continuation of the title in accordance with Bentham's memorandum 'Omitt in the Abstract what follows?' For the unabbreviated title of 'Circulating Annuities' see p. 000 above. [To title page of 'Circulating Annuities']

[001][2]

Circulating Annuities, &c.[a]

Please insert a short rule.

[a] When the pen was first set to work upon these pages, there was generally understood to be a deficiency of paper money.[3] At present, there is at least no such deficiency:—a superabundance seems much more probable. At the time of the want, the proposed paper presented itself as a remedy against the want: now, at the time of the superabundance, it presents itself as a safeguard, against the sort of mischief, past, present, and impending, which may be traced to the superabundance.

INTRODUCTION.[4]

The *main principle* of the proposed measure consists, in the opening the market for government annuities, on terms of profit to government, viz. at a *reduced rate of interest*, to a mass of money, which, by existing circumstances, is either excluded from the faculty of yielding interest to the owners altogether, or, in the hands of bankers, or otherwise, obliged to accept, on inferior security, a rate of interest inferior, all things considered, to that which, with a very considerable degree of profit, might be allowed by government. The annuities thus created, to be charged upon the existing fund; and the money thus raised, to be employed, as it comes in, in the redemption of debt, and thence in exoneration of that fund.

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The result and benefit of the measure, taking it on the *smallest* scale, will, besides the above profit to government, consist, in the affording, to the least opulent and the most numerous classes of individuals (Friendly Societies included)—in a word to the great bulk of the community—the means of placing out *small hoards*, however minute, with a degree of advantage unattainable by any other means:[b] and this too even at *compound interest*: a

[2] The page references in first three chapters and the first part of the fourth are to the partial text printed in 1800, British Library shelf mark C. 194.a. 964.

[3] Bentham's earliest brouillon for his Annuity Note plan at UC i. 627 is dated 28 September 1799, while the first sheet of his draft of this Introduction at UC ii. 43 is dated 28 July 1800.

mode of accumulation, which, familiar as it is in *name*, is not in *effect* capable of being realized by any other means, in favour of individuals, though so happily brought to bear in favour of the *public* in the instance of the *sinking funds*:[5]—not to speak of the collateral advantage obtained, by creating on the part of the *lower* orders, in respect of the proposed new species of property, a fresh and more palpable interest, in the support of that government, on the tranquillity of which the existence of such their property will depend.[c]

[b] See Ch. XVI.[6]
[c] See Ch. XVII.[7]

On the *larger* scale upon which it may be expected to expand itself, the measure, after accelerating the *otherwise* rapid ascent of government annuities to the par price,[d] and clearing away the 4 and 5 per cents.[e] would afford the means of bringing the further reduction of the rate of interest on those annuities to its *maximum* in point of [003] effect, *rate* of reduction, and *rapidity* taken together:[f] *reduction* of *interest* accelerating too, in this way, *redemption* of *principal*—instead of taking place of it and retarding it, as on the plan pursued in Mr. *Pelham's* days.[g]

[d] See Ch. V.[8]
[e] See Ch. VI.[9]
[f] See Ch. VII. VIII. & IX.[10]
[g] See Ch. XV.[11]

[4] A partial draft of this section is at UC ii. 43–8.

[5] For the provision in the Sinking Fund Act of 1786 (26 Geo. III, c. 31) that the sinking fund would accrue by compound interest see p. 000 & n. above. [To note to UC cvii. 172, 'Political Prospects']

[6] See pp. 000–000 below. [To UC ii. 314–16, this file]

[7] See pp. 000–000 below. [To UC ii. 302–8, this file]

[8] Bentham does not appear to have drafted this Chapter for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'. For the corresponding marginal contents see p. 000 below, [To UC iii. 52, this file]; and for the corresponding chapter in in 'Circulating Annuities' see pp. 000–000 above. [To UC ii. 160–81, 'Circulating Annuities', Ch. VI, § I]

[9] See pp. 000–000 below. [To UC ii. 184–97, this file]

[10] See pp. 000–000, 000–000, and 000–000 below, respectively. [To UC ii. 198–203, 204–6, and 207–20, this file]

Other paper currencies have been either (like the French *assignats* and *mandats*, &c.)[12] engagements for money in *unlimited quantity*, and without *funds* for performance;—or promises of *minute* portions of a species of property (for example *lands* and *houses*) incapable of being reduced into such portions;—or, like some of the American currencies, promises of metallic money, payable at a period altogether *indefinite*, dating, for instance, from an un-fixed day, posterior to the conclusion of a war.[13]

By the *proposed* currency, nothing is engaged for, but to pay such *monies* as there are already funds for paying, and at such *times* at which there are funds for paying them: and this is in a *quantity* which, by the terms of engagement, has its *ne plus*[14] *ultra*, and can in no case add to the existing amount of the engagements it finds charged upon those funds. Reimbursing immediately, and with profit, the fund on which it draws, it stands distinguished by this prominent feature, from all currencies as yet exemplified.[h]

[h] See chap. I, III, and IV.[15]

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The losses, experienced or apprehended, from rash or pennyless issuers of promissory notes, gave birth to the restrictions imposed on issues of sums below a certain magnitude:[16] but this reason has no application to notes expressive of engagements, of the sort proposed, on the part of the government. Issuing from such a *source*, the sums of the notes cannot be too minute: incapable of increasing, certain even of diminishing, the amount of the engagements they find existing, the influx of them cannot be too great. The *smallness* of the *notes* adds to the *multitude* of the *customers*: the *multitude* of the notes *divides* the mass of the engagements, and does not *add* to it. Confined within those bounds,

[11] See pp. 000–000 below. [To BL Add MS 31,235, fos. 27–30, this file] For discussion of Pelham's reduction in 'Circulating Annuities' see pp. 000–000, 000 n., and 000–000 above. [To UC ii. 479–94, i. 113–14, 131–3, 'Circulating Annuities', Ch. I, note **{40}**, Ch. VI. §§ II and III]

[12] See p. 000 n. above. [To note to UC i. 14, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

[13] [Annotation to be finalized]

[14] 1800 '*neplus*'.

[15] See pp. 000–000, 000–000, and 000–000 below, respectively. [To 1800 pp. 9–38; 39–41; and 42–8, UC ii. 155, iii. 50, this file]

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

the magnitude of the emission adds, not only to the *profit* of the measure, but to the *security* of the fund.

A species of notes was *not long ago* proposed, whereby government annuities were to stand mortgaged, and *yet* (it was supposed) without diminution of their value:—and which were expected to pass, and be paid for, *as if* they had engaged for the payment of so much money, though without binding any assignable individual to the payment of it.[17] But the *now* proposed plan engages for no payment, for which adequate funds are not *already* in existence: nor without imposing on a determinate individual the obligation of making payment out of those funds: nor yet *burthens* those [005] funds, without immediately *disburthening* them to a superior amount.

By taking from the load of government annuities, which it found pressing on the market, the *sale of the land tax* for stock has bettered the terms of all succeeding loans.[18] On the measure now proposed hangs a profit the same in kind, superior in degree.[i]

[i] See Ch. X.[19]

Reducing the mass of the national debt, the operation on the land tax *takes nothing* from the mass of national capital: the proposed measure *adds* to it. The former borrows from capital, but refunds immediately with 10 per cent. to boot: the latter adds still more to capital, and that as speedily, without having borrowed any thing.[j]

[j] See Ch. XI.[20]

Every penny of the national debt redeemed, if redeemed with money not borrowed from capital, is so much added (it will be shewn) to that part the national capital which does not consist of money.[21] The addition made by the sinking funds to the mass of

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[17] Bentham had in mind Ambrose Weston's Stock Notes: see 'On the Stock Note Plan', pp. 000–000 above. [To Text file 2]

[18] See p. 000 n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[19] See pp. 000–000 below. [To UC ii. 222–5, i. 5–7, 3, 8–9, 4, 3, 4, ii. 226, i. 2, this file]

[20] See pp. 000–000 below. [To UC ii. 227–39, this file]

[21] 1800 bears at the point the following note added by John Herbert Koe (1783–1860), who had joined Bentham's household as an amanuensis in 1800: ' So long as the rapidity of the operation is not such, as to go beyond the still unemployed part of the national Stock of capacity for labour.'

national capital, is little inferior to the defalcation it makes from the mass of national debt. So many years as, by the aid of the proposed measure, may come to be struck off from the period which would otherwise have been occupied in the redemption of debt, so many years interest, upon the sum equal to the greatest [006] amount of that debt, will therefore have been added, and that at *compound interest*, to the amount of national capital, by the operation of the proposed measure.

A sort of discovery in political œconomy has been made of late (for such it seems to be) that commercial security is not less liable to suffer by *deficiency* than by *excess*, in respect of the customary quantity of paper in circulation.[22] Among the advantages attendant on the proposed paper will be found that of affording a remedy—and that of the preventive kind—against the shocks which commercial security might otherwise have to sustain from such deficiency or excess.[k]

[k] See Ch. XII.[23]

Shocks of that kind are not, however, the only mischief to which the community stands exposed, not only by the *abuse*, but even by the *use*, of every species of circulating paper as yet known. *Rise of prices* is another mischief, less heeded, but not less real. By gold and si[l]ver money to the same amount, the same mischief would (it is true) be produced, and in the same degree; but the magnitude of the mischief is in proportion to the *suddenness* of the addition, not to the *absolute quantum* of it: and, in the shape of cash, the influx is not susceptible to any such suddenness as in the shape of paper. To be capable of opposing an [007] effectual barrier to a torrent of this sort, will be found to be among the properties of the proposed paper. To point out measures adequate to that end, is among the tasks undertaken in the plan of the proposed measure.[l]

[l] See Ch. XIII, XIV.[24]

The extent of the proposed emission being given, neither the *efficiency* nor the *utility*

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[22] Bentham used this phrase again in Ch. XII. Advantage by addition to Commercial Security, p. 000 below, where he credited the insight to Henry Thornton, and referred to Thornton’s evidence to the joint Committee on the Affairs of the Bank of England as reproduced in Allardyce, *Address to the Proprietors of the Bank of England*, discretely paginated ‘Appendix’, pp. 52–6.

[23] See pp. 000–000 below.[To UC ii. 240–6, 248–50, 246–7, 251–2, 254, this file]

[24] See pp. 000–000 and 000–000 below. [To UC ii. 256–70, and ii. 271–83]

of the measure, will be found open to dispute. The only room for *uncertainty* regards the *extent*. As to that point, cases are collected, presumptions offered, but nothing short of experience can determine.

NOTE TO TYPESETTERS: Please begin new page.

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CIRCULATING ANNUITIES, &c.

CONTENTS.

[25] See between pp. 000 and 000 below. [To pdf text file 14]

[26] 1800: 'Secutities'.

[27] The variations in capitalization in these Contents follow both 1800 and the fair copy at UC ii. 42.

[28] 1800: 'Additions'. The text follows the copy of the Table of Contents at UC ii. 42 and Bentham's rendering of the title at ii. 227, p. 000 below.

Ch. XVI. MORAL ADVANTAGES.

Ch. XVII. CONSTITUTIONAL Advantages.

NOTE TO TYPESETTERS: Please begin new page.

[009]

CHAP. I

Plan for the Creation, Emission, Payment, and eventual Extension, of a proposed new Species of GOVERNMENT PAPER, *under the Name of* ANNUITY NOTES.[29]

I. CREATION, EMISSION, AND PAYMENT.

Art. I. THAT there be issued from his majesty's *exchequer*, in whatever *quantity* **{1.}**[30] it shall be applied for by purchasers, on the *conditions* hereinafter mentioned, through the medium of such *local* or *sub-offices* as are hereinafter mentioned, and the *interest* or *dividends* paid, in such manner as is also hereinafter mentioned, a competent number of *transferable promissory notes*, to be termed ANNUITY NOTES; importing, each of them, the grant of a *perpetual redeemable* annuity, payable to the purchaser or other *holder* of the note, in consideration of the *principal* sum, on the re-payment [010] of which such annuity is made redeemable, and which accordingly constitutes the denominative *value* or *principal* of such note; such interest to be paid half-yearly, **{2.}** immediately after the expiration of each half year.

> **{1.}** Art. I. (*In whatever quantity*.) The money thus raised being appropriated to the redemption of Stock Annuities, when that redemption is compleated, the emission will cease, by articles 6. and 20.;[31] and, subject to that limitation, the more copious the emission, the more profitable the measure.
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> As to the mode of limiting, in case of necessity, the portion producing the effect of money in the circulation, see note to art. 16.;[32] and Ch. XIV. *Rise of Prices*.[33]

[29] Disordered fragments of Bentham's draft of this chapter are at UC ii. 50–78. On 14 November 1820 Bentham noted at the head of UC ii. 51: 'Ms useless—Printed copies extant.'

[30] In this and the Table which forms the following chapter, 1800 renders Bentham's numbered note-markers in square brackets. In the present volume, in these chapters Bentham's numbered note-markers are retained, placed in braces, and presented in bold type. For further details see the Editorial Introduction, p. 000 above.

[31] See pp. 000 and 000 below. [To 1800, pp. 14 and 26–35, this file]

[32] See p. 000 n. below. [To 1800, pp. 22–3, this fie]

[33] See pp. 000–000 below. [To UC ii. 271–83, this file]

{2.} Art. I. (*Half-yearly*.) Yearly would be more simple, (as may be seen in the form exhibited for that purpose in Table II.)[34] as well as more profitable to government: but, being unconformable to the established usage, it would be apt to strike the customer as a great drawback from the value, stand in the way of the profit expected as under mentioned, by forbearance on the part of note-holders to receive interest, (see Ch. V.)[35] and would be in a manner destructive of the advantage obtainable in the way of *compound* interest, by persons keeping the paper in hand, as stock is kept in hand, for that purpose.

Art. 2. That the interest be in such sums, as to be capable of being computed *daily*, as in the case of *exchequer bills*. That the daily interest allowed upon the *standard note* (so termed, with reference to any smaller or larger notes that may come eventually to be added to the circulation, upon the same principle) be a *farthing* **{3.}**; and that the principal [011] or denominative value of such standard note be £12. 16*s*.; and that the [yearly] interest,[36] in order to afford a profit to government, be inferior to the current rate borne by government annuities at the opening of the issue, say £3 per cent. *nearly* **{4.}**—a small sum being added, to the principal sum corresponding precisely to that rate, for the sake of making the sums the more *even*, especially at the bottom of the scale. **{5.}**

NOTE TO TYPESETTERS: Please not the fraction ⅜ (three-eighths) in Bentham note **{4.}**.

{3.} Art. 2. (*A farthing*.) By taking, for the standard note, a principal sum, having for the amount of its *daily* interest, at the proposed rate of interest, an *even* sum, (i.e. a sum having an existing piece of coined money, or number of pieces of coined money, corresponding to it) the *multiples* of this *standard* note will, in like manner, have *even* sums for the respective amounts of their daily interest, and their *aliquot parts* will have for their amounts in interest, sums capable, when put together, of being made up into even sums.

[34] See between pp. 000 and 000 below. [To pdf 'Table II. Form of a proposed *Annuity Note*, on the several plans of Half-Yearly and Yearly Interest']

[35] Bentham does not appear to have drafted this Chapter for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'. For the corresponding marginal contents see p. 000 below; [To UC iii. 52, this file] and for the corresponding chapter in in 'Circulating Annuities' see pp. 000–000 above. [To UC ii. 160–81, 'Circulating Annuities', Ch. VI, § I]

Here, as in exchequer bills, the interest is computed daily, that each note may receive from each day a *determinate* addition to its value, and may pass accordingly in circulation.

The smallest of all notes possessing this property is taken for the standard note, because the smaller a note, the greater the number of persons that are capable of becoming customers for it.[a]

The standard note being scarce small enough in this view, it were better, perhaps, that not only the *half*, but the *quarter* of it, should be issued at the same time. The larger notes will serve to protect the smaller ones from the contempt which might otherwise attach upon them, by reason of the smallness of the daily, and even weekly, amount of interest.

[a] Had the *Bank* been sufficiently aware of this, would they have waited, till compelled by necessity, before they issued their £2 and £1 notes?[37]

{4.} Art. 2. (*3 per Cent.*) For the reason why no higher rate of interest could be allowed with profit on a series of notes, carrying daily interest, nor any lower, above 2⅜ per Cent. which, in the first instance, might be too low, see *Currency Table, Note* {*m*}.[38]

{5.} Art. 2. (*Bottom of the scale.*) See *Currency Table.*[39]

Art. 3. That each note contains, on the face or back of it, a *Table*, whereby the value of it, as in[012]creased by daily interest, may be seen for every day in the year, by inspection, without calculation; also a table, whereby in case of forbearance **{6.}** to receive the interest, the value of a note of that magnitude, as increased by daily interest, added to yearly interest, so forborne to be received, may be seen, for any number of years, by a single addition; together with an indication, by means of which it may be seen (also by simple inspection) for what number of years, if any, the interest on the particular note in question continues unreceived.

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[36] 1800 '£. 12. 16 *s*. yearly; and that the interest' is a slip. See the corresponding passage in the unabbreviated version of the work at p. 000 above. [To UC ii. 379, 'Circulating Annuities', Ch. VI, § I]

[37] See p. 000 & n. above. [To UC xvii. 107–8, 'On the Stock Note Plan']

[38] i.e. Table I. 'Table of a *Proposed* Annuity Note Currency', between pp. 000 and 000 below. [To pdf text file 14]

[39] See between pp. 000 and 000 below. [To pdf text file 14]

{6.} Art. [3.][40] (*Forbearance*.) See *Currency Table*.[41] On a note which passes on from hand to hand, any number of years may elapse before the interest on it is received from government; since the interest may be received by each holder with less trouble from the individual to whom he passes it. Hence one source of the profit to government, (see Ch. V.)[42] It is only where a man *keeps* a note in his hands, as a source of income, that the interest of it will be applied for at the offices. In fact, it is only the case where a man means to hoard up at compound interest, that it will be necessary for him to receive the interest upon his paper from government: inasmuch as, without trenching upon the principal, he may spend the income from his notes, by passing off a *proportion* to that amount, keeping in hand the rest.

Art. 4. That the interest on each note, whenever issued, commence on the first day of each year of our Lord; and that, on notes issued on the several days after such first day, the interest to the day of issue be *added* to the purchase money. **{7.}**

{7.} Art. 4: (*Interest added*.) Upon all notes of the [013] same denomination, interest must commence upon the same day (say the first day of the half-year) otherwise 365 notes of the same denomination might be of so many different values: and, if interest is to commence on that day, a purchaser in the way of issue must pay for the note accordingly: otherwise customers would be apt to delay taking out their notes till the last moment; keeping their money in their pockets, or employing it in other ways in the mean time: and then they would pour in, all at once, in crowds too great to be served.

[013]

Art. 5. That no such annuities be ever issued at a *less* price **{8.}** (i.e. so as to bear a *greater rate of inte*[014]*rest*) than the *first* issue; and accordingly, that as often as any money comes to be raised, at a higher rate of interest, by *perpetual* annuities, it shall be by the creation of *stock annuities*, &c. as at present; and that a clause to this effect, be a *fundamental* article in the contract made with the purchasers on the part of government,

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[40] 1800 ‘2.’

[41] See between pp. 000 and 000 below. [To pdf text file 14]

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and be *inserted* accordingly in the tenor of the note.

{8.} Art. 5 (*At a less price*.) Want of security against depreciation has hitherto been the bane of government currencies, and is *among* the reasons why banker's paper, yielding a low interest, is taken, notwithstanding the existence of a government currency (exchequer bills) yielding a higher interest. Government must, (it is true) have the money it wants upon any terms; but, so long as it reserves to itself the faculty of selling any *one* species of annuities, (ex. gr. the existing stock annuities) in a quantity commensurate to the amount of money it wants, at the *times price*, it may refuse to sell any other (such as the proposed note annuities), under a *fixed* price. As anybody may have as much of these as he will at par, nobody will ever give more: and as no more can ever be sold than is applied for, and the demand for these annuities will increase as the mass of existing stock annuities comes to be redeemed, by the money raised by the sale of these note annuities, backed by the money from so many other funds, no man need ever part with them at a less price: since, by taking an annuity note in the way of circulation, a man will save the trouble of going to the office for it, and taking it out in the way of issue, not to speak of the small fee which it may be necessary to require. (See Art. 17. and Ch. IV.)[43]

Art. 6. That, at that price, the issue be kept open, so long as any of the redeemable stock annuities, existing at the commencement of the issue, continue unredeemed, and no longer ; and that this be *another* such fundamental article. (See Art. 20.)[44]

Art. 7. That no such *note* annuity be paid off, till the whole mass of *stock* annuities existing at the commencement of the issue, or created subsequently, shall have been paid off, **{9.}** and that this be another such article.

{9.} Art. 7. (*Paid off*.) By an assurance to this effect, nothing can ever be lost to government: because, so far from *profit*, while an annuity to the amount of £3. a year is to be paid off by £100, an annuity to no more than £2. 19*s*. a Year can never be paid off, but to a loss: and it will be no small recommendation, especially when, by the

[43] 1800 '(See Art. 17) and Ch. IV.' is a slip. See pp. 000 and 000 below, respectively. [To 1800, pp. 23; and 42–8, UC ii. 155, iii. 50, this file]

[44] See p. 000 below. [To 1800, pp. 26–35, this file]

operation (as will be seen) of this measure, the compleat redemption of the existing mass of annuities has been brought to view. See Ch. VI.[45]

Art. 8. That, for every £3 a year annuity, thus created, an equal portion of stock annuities be forthwith bought in and extinguished, within a time to be limited; and that this be another such article.

[015]

Art. 9. That the *profit* resulting from the difference between the price at which each such annuity shall have been sold, and the price at which an equal mass of annuity shall have been bought in, be carried to the Sinking Fund, subject to such other dispositions, if any, as from time to time may be thought fit to be made by parliament, with respect to a pre-determined portion or portions of it.

Art. 10. That, at the outset, no other note be issued than the *standard* note (£12. 16*s*.) with the *half*, or with the half and quarter, of it.

Art. 11. That, by degrees, the series of notes be extended *downwards*, each successive note being the half of the one immediately preceding it, (with or without the *omission* of any term or terms in such descending series) until it has descended to the lowest piece of silver coin in common currency, viz. a sixpence; and that it be then considered whether to give it a further extension downwards, viz. to the level of the *copper* coinage. **{10.}**

{10.} Art. 11. This, if not stopped by the expence, (which increases with the number and not with the value of the notes) would be attended with several advantages:

1. The copper notes, the receiving of interest upon them being attended with a degree of trouble, in proportion to the number requisite to produce a principal yielding a mass of interest worth regarding, would stay in the circulation, and, by lessening *pro tanto* the amount of the supply capable of meeting the demands of those who want their paper to hoard for the purpose of income, it would increase the scarcity of the paper of the first issue, and render customers the [016] more willing to accept a second issue at a reduced rate of interest.

[45] See p. 000 below. [To UC ii. 198–203, this file]

2. The profit by *forbearance to receive the interest* (see Ch. V)[46] would take place upon the whole of this branch of the currency.

3. The proposed paper, being so effectually guarded (as will be seen) against *forgery*, (see explanations to the *form* of an *annuity note*)[47] and the copper coinage so much exposed to that crime, notwithstanding all the exertions that have been made to rescue it,[48] the saving to the public, especially to the inferior and more numerous classes, on this score, would be a matter of considerable and almost universa[l] accommodation:—And,

4. The saving to government, by the diminution of the expence of renewing the copper and other coinage, would be proportionably considerable.

How far the expence would be capable of being paid for by the profit, would be learnt by experience from the *silver notes.*

The minuteness of the small notes will be protected from contempt by their relation to the large ones; and, to go in change for one another, they must, all of them, (even *copper* not excepted) bear an *interest*, and the *same rate* of interest.

A reason for making the extension *gradual*, may be, to avoid perplexing the public mind with a multiplicity of notes of different values, before it has been familiarized with any of them. But, at the worst, the magnitudes would be little, if any thing, more numerous, than in the case of bank notes.

[016]

Art. 12. That, the notes having, for their respective values, sums not exceeding the largest silver coin in use (viz. 5*s*.) be distinguished by the appellation *silver notes*; all above being for the same purpose termed *gold notes:* and that to facili[017]tate the discrimination, a corresponding peculiarity of colour be given to the *Gold Notes.*

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[46] Bentham does not appear to have drafted this Chapter for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. For the corresponding marginal contents see p. 000 below; [To UC iii. 52, this file] and for the corresponding chapter in in ‘Circulating Annuities’ see pp. 000–000 above. [To UC ii. 160–81, ‘Circulating Annuities’, Ch. VI, § I]

[47] See Table II. Form of a proposed *Annuity Note*, on the several plans of Half-Yearly and Yearly Interest’, between pp. 000 and 000 below, and, for Bentham’s draft of the notes for ‘Circulating Annuities’, pp. 000, 000 and 000 above. [To pdf text file 15, notes {14. 22} and {24}; and to UC ii. 113–19, 125–6, and 128–9, ‘Circulating Annuities’, Ch. II]

[48] [Annotation to be finalized]

Art. 13. That moreover, as convenience may suggest, the series be extended, to a correspondent length, or otherwise, *upwards*; **{11.}** in which case the series will, if complete, consist of *nine terms below* the standard note, and as many *above* it:—total 19; having *two* for their common difference;—values as by the annexed Table.[49]

> **{11.}** Art. 13. (*Upwards*.) The time for issuing *large* notes, i.e. notes of the magnitude of the *smallest exchequer bills*, and upwards (in a word, all annuity notes above the [£51. 4*s*.][50] notes), will not arrive till after stock 3 per cents. are at par:—for, till then exchequer bills, yielding more interest, will draw off from the proposed annuity notes, all customers, whose quantum of money capable of being kept in hand, extends to such a purchase: unless possibly in the remote parts of the country; where exchequer bills are unknown, or not in use.

Art. 14. That, when the credit of this paper has been established, or even from the first, notes already taken out by individuals be received (as bank notes are at present) at the several government offices, **{12}** in the country as well as in town, [018] and re-issued from thence, in the way of circulation, as they would be between individual and individual, charged with the intervening interest, to as many as think proper to receive them at that value.

> [017]
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> **{12.}** Art. 14. (*Received at government offices*.) Were this to be done from the *first*, a great lift would certainly be given to the proposed currency at once: the only objection seems to be, the possibility lest, in case of any sudden turn taken against it by the public mind, the exchequer should, for a time, be overloaded with it; i.e. labour under a *deficit* of cash (the only money that nobody can refuse) to the amount of it. But in Ch. IV. The improbability of such an event, and at the same time an effectual remedy, is pointed out.[51]
>
> [018]
>
> Supposing bank notes to be driven out of the circulation,[a] the same sort of *necessity*,

[49] See Table I: 'Table of a *Proposed* Annuity Note Currency', between pp. 000 and 000 below. [To pdf text file 14]

[50] 1800 '£50. 8*s*.' is a slip.

[51] See p. 000 below, and, for a more extended discussion, pp. 000–000 above. [To UC iii. 50, this file; and UC ii. 565–73, 'Circulating Annuities', Ch. IV]

or supposed necessity, which gives employment to *bank* paper in the transactions of government,[b] and other transactions upon a large scale, in preference to cash, to save *counting, examining,* and *luggage,* would create an equal demand for the *annuity note* paper on that score.

[a] This (it should seem) would depend upon government: since, if government, in the issue of annuity notes, refused to take bank notes in payment for them, the unwillingness to take barren paper, when interest-bearing paper was to be had, would soon become general, if not universal. As to the propriety of this, or any further measures in the same view, see Ch. XIII. XIV.[52]

[b] 'Guineas *cannot* be used in any considerable dealings,' says Mr. H. Thornton, in his evidence to the Committee of the House of Lords on the stoppage of the bank, *Report,* p. 72. (reprinted in Mr. Allardyce's *Address on the Affairs of the Bank,* Appendix, p. 54.)[53]—By Mr Abraham Newland's Evidence in the above *Report,* (p. 62.) it appears that the payments of cash, into and from the exchequer, are small in comparison of the payments in bank notes: not above £50. or £60,000. a day, upon an average, remaining in the exchequer in the shape of cash; forming a daily total of money (cash and paper together) averaging about £151,095, (see Ch. V.)[54] And, out of £14,000,000, paid on the score of dividends at the bank, not above £1,300,000 or £1,400,000 is paid otherwise than in bank notes.[55]

[018]

Art. 15. That the offices from whence the proposed paper is issued to the purchasers, be, *in the first instance,* the several *local post offices,* **{13.}** in town [019] and country, with the eventual addition of any of the other local government offices (such as the *stamp* and *excise* offices) or in case of need, other [020] offices to be established for the purpose, in

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[52] See pp. 000–000 and 000–000 below.

[53] i.e. Allardyce, *Address to the Proprietors of the Bank of England*, discretely paginated 'Appendix', p. 54. See p. 000 n. above. [To note to UC ii. 420, 'Circulating Annuities', Ch. I, note **{27}**]

[54] Bentham does not appear to have drafted this Chapter for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'. For the corresponding marginal contents see p. 000 below. [To UC iii. 52, this file] For the corresponding discussion in 'Circulating Annuities', where Bentham made only a very brief reference to the Reports into the Affairs of the Bank, see pp. 000–000 above, at p. 000. [To UC ii. 160–81, at 174, 'Circulating Annuities', Ch. VI, § I]

[55] This information does not appear in Allardyce, *Address to the Proprietors of the Bank of England* and Bentham derived it from the evidence given by Abraham Newland, chief cashier at the Bank of England, to the House of Lords Committee into the stoppage of the Bank of England: see 'Report of the Lords' Committee of Secrecy', *Lords Sessional Papers* (1796–7) ii. 214, and p. 000 n. above. [To note to UC ii. 424, 'Circulating Annuities', Ch. I, note **{29}**] The information appears in brief notes on Newland's evidence made by Bentham at UC iii. 56 (4 October 1800), which contains marginal contents for Ch. XII, 'Advantage by Addition to Commercial Security'.

such situations and numbers as may be found necessary.

[018]

{13.} Art. 15. (*Post offices*.) *Dispatch*, *punctuality*, *cheapness* in the transaction of the business, *sufficiency of number*, and *equality of distribution* in regard to the *stations*, forming the characteristics of the post office establish[019]ment, as compared to all the other provincially-diffused official establishments, these form the properest *stations* for the transaction of the business, as well as the properest, or rather only proper, standard for the *mode* of conducting it.

In the *London* penny-post-offices, *deliveries* of letters six in a day: therefore once every day cannot be too often for deliveries of packets of annuity notes. *Six* times a day go letters, some of them with money in them: therefore, *once* in a day cannot be too often for money to go without the letters.

The oftener the receiver's hands are emptied of the principal's money, the less the degree of pecuniary responsibility that need be required of him: few of the existing post-offices, town or country, that might not be trusted with a day's stock (say £200 or £300) at a time (more in some places, according to the opulence and populousness of the spot): many whom it would not be prudent to trust with a month's stock, say 30 times that amount.

This public money being required to be kept unmixt with any other monies, and in a government package, and the officer declared to be a '*servant'* of government in respect of it, deficiency, otherwise than from accident, *might* be treated on the footing of embezzlement:—capital felony, in case of absconding; single, otherwise.[56]

In the penny-post-office, one-tenth of a penny is the pay in respect of each letter:—each marked with two stamps; besides the trouble of examining and receiving the money, and occasionally of giving change, in the case of those with which money is paid.

The proper quantum of pay is, in all cases, the least that will be accepted by a person competent to the business: such cases only excepted, in which, from the nature [020] of the service, the value of it is capable of being raised to an indefinitely increasing pitch of excellence by extraordinary exertions.

With this exception, quantity of *trouble*, *not value* of the subject matter, any otherwise than with a view to pecuniary responsibility, is the proper standard, and

[56] [Annotation to be finalized]

efficient cause of demand, for pay. *Poundage*, considered as a mode of remuneration, is therefore very apt to find itself disproportionate and excessive.

On a letter, for which no more, than a penny is received, out of which penny the expence of conveyance must be defrayed, as well as a portion of the expence of general superintendence, and a profit made—10 per cent. for the trouble of receiving it, is at the same time, almost as little as *can* be given, and yet (though in this case no more than the tenth part of a penny) as much as *requires* to be given. For receiving the price of a set of stamps, some of them as high as several pounds apiece, the same poundage would be acknowledged to be excessive.

If the trouble attending the issuing of an annuity note (the filling up the blanks, and examining and taking care of the purchase money) were no greater than that of receiving a penny post letter (allowance made for the proportion on which money is received, and the requisite extra trouble taken) experience shews that the 10th part of a penny would be a sufficient recompense; but the trouble would be in a considerable degree greater;—perhaps, 3, 4, or 5 times as great;—therefore so, it would be necessary, should the pay. A halfpenny might in this way be necessary, and at the same time sufficient, in the case of the standard note of £12. 16*s.*;—and, upon a note of this [021] magnitude, not only a halfpenny, but several pence might perhaps (as will be seen in Art. 17.)[57] without much inconvenience, be thus imposed: and thus, as far as notes of that magnitude were concerned, the expence of management at the local offices might be thrown upon the individuals—the purchasers. But, though a purchaser might not grudge a few pence, for the profit to be made in the way of interest upon a £12. 16*s.* note, he certainly would not give so much as a halfpenny, for the profit to be made upon a 6*d.* note; as it would be three or four years before the interest would have reimbursed the fee thus advanced. In notes that were to a certain degree below the standard note (say in the £3. 4*s.* or £1. [12*s.*][58] notes), it would be necessary that the fee upon each, though not remitted altogether, should be reduced below the amount of the lowest coin,—a farthing: which would be the case, if notes, under the £3. 4*s.* note for instance, were not to be taken out but in *parcels*, and a halfpenny or a farthing were the fee upon each parcel: in which case it would be necessary that government should make up the difference. This it would be well worth its while to do, even upon the copper notes: since in Yorkshire, according to Adam Smith, before the restriction on small notes, sixpenny notes were issued by individuals

[57] See p. 000 n. below. [To 1800, p. 23, this file]

[58] 1800 ‘16 *s.*’ is a slip.

in abundance.[59]

As to the *general* annuity note office—having no intercourse with individual customers, nor with the local office-keepers but by letter, the nature of the business admits of its being conducted with perfect regularity, and upon a plan extremely simple. (See Ch. VI. *Profit in respect of Management.*)[60]

[021]

Art. 16. That, to save trouble in the issue of the smaller notes, especially the *silver notes,* government reserve to itself the power of fixing the *least* quan[022]tity **{14.}** of annuity note money, which an individual shall be allowed to take out at once, as also to [023] prescribe the *composition* of that quantity, taking care to leave to the customer the choice of the composition, as far as it may be a matter of indifference to government.

{14.} Art. 16. (*Least quantity.*)[a] A note under this amount would consequently not be capable of being taken out singly, but only as one in a parcel, with other notes of the same or different magnitudes. So also, *perhaps,* in regard to the carrying in notes to the local office to be sent up to the general office, to be returned from thence with the interest;—as likewise in regard to the changing large for small notes, or *vice versa,* or injured notes for fresh ones. But instead of a prohibition, as above, the same end might be answered, perhaps more advantageously, in some at least of the above instances, by a small fee, acting as a penalty to the amount of it;—as by the next article.

By this means the offices would be kept clear of the most troublesome, as well as numerous, class of customers. *Silver* notes, for example, would in that case be taken out, not *singly* by *journeymen* manufacturers, but in *parcels,* by *masters,* by whom, at pay day, they would be distributed among their journeymen.

Interest would, by this means, be *capable* of being received at the offices upon the smallest notes (which, as above, is necessary to their passing in change for large ones): though what is probable is, that, on the small, it will scarce ever be demanded. (See on this head, Ch. v. *Profit by interest undemanded.*)[61]

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[59] See p. 000 n. above. [To note to UC ii. 584, ‘Circulating Annuities’, Ch. IV]

[60] See pp. 000–000 below.

[61] Bentham does not appear to have drafted this Chapter for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. For the corresponding marginal contents see p. 000 below, [To UC iii. 52,

What is the least note that can be issued with profit, will be determined by the quantity of *time* occupied in the operations necessary to the issue of it. Possibly on this account, in the silver, or at least on the copper notes (if any) the actual signature of the local office-keeper might be dispensed with, and a stamp of some kind (affixed at the time of issue at *his* office, or previously at the *general* office) employed in its stead.

[023]

In this power is included, that of suspending the issue of notes of any particular magnitude or magnitudes: by which means, in case of an *inordinate* demand for the proposed paper (viz. such an one as shall threaten to swell to a pernicious magnitude the-quantity of it producing the effect of money in the circulation) a stop may be put, at any time, to the inconvenience; (see Ch. XIV. *Rise of Prices.*)[62]

[022] [a] Not less, for instance, than the amount of the *quarter* note (the £3. 4*s.* note) or *the half quarter* (the £1. 12*s.* note.)

[023]

Art. 17. That powers be given to the king in *council*, or to the *treasury*, from time to time to declare, whether any and what *fee*, not exceeding a certain amount, shall be paid by the *purchaser*, on the emission of each note, or parcel of notes constitutive of such or such a sum, as also on the *exchange* of an old note for a fresh note, at the instance of the holder; regard being had, in both cases, to the magnitude of the sum, constituting the value of the note or mass of notes: as also to *call in* at any time any such note or notes, so it be without expence to the holder, for the purpose of their being *examined* or *exchanged:* and, by suspension of interest, or other penalties, to inforce obedience to such calls, as also to declare whether any and what *fee* shall be paid, by the holder, on the *receipt* of the *interest* due on each note or parcel of notes. **{15.}**

{15.} Art. 17. (*Emission, Exchange, or Payment of Interest.)* Imposing, after the opening of the office, the minutest fee, on any of these occasions, would be a breach of [024] engagement: and moreover, if otherwise than by authority of parliament, an

this file]. For the discussion Bentham may have had particularly in mind see pp. 000–000 above. [To UC ii. 167–72, ‘Circulating Annuities’, Ch. VI, § I]

[62] See pp. 000–000 below. [To UC ii. 271–83, this file]

invasion of parliamentary rights.

In regard to the fixation of the amount, no harm could result from allowing to the executive government a moderate latitude: such as from a farthing to 6 *d.* on the standard note of £12. 16*s.*:—and room would thus be allowed for following the dictates of convenience, as indicated by experience. Without being so great as to check the *issue,* the fee might perhaps be made to favour the *circulation.* In the circulation it might produce a *premium,* the *maximum* of which would be the amount of the fee.

The progress of the issue every where, being known every where, it is scarce possible that, in one and the same *place,* this paper should be meeting with customers in the way of issue, and at the same time meet with refusals in the way of circulation: the *trouble* of *taking out,* however small, being, with or without the *expence* of the proposed fee, so much saved by taking the note in the course of circulation. Nor even as between different places does it seem very likely that any such contrariety should take place: but, were the inconvenience to happen, the proposed fee, if made a little larger than would otherwise be necessary, might afford something of a remedy. Suppose the fee on the £12. 16*s.* [to be] 4*d*. and the circulation dull at York, while the issue was brisk at Bristol, a York banker, taking them at par at York, might, by sending them to a correspondent at Bristol, sell the notes there at 2*d.* or 3*d.* premium, especially if a correspondence of that sort were favoured in regard to postage. So long as this lasted, the *issue* at York would be stopped—the customer would get them at the bankers, instead of getting them at the government office, whereby he would save 1*d.* or 2*d.* beside a part of the trouble—and the load upon the market at York would be taken off. An agio to an *unlimited* [025] amount would indeed be destructive of one of the characteristic advantages of the measure: but an agio to an amount thus strictly *limited,* would scarcely (it is supposed) be felt as a disadvantage. Were the note kept in hand, though it were but for a few days, the interest on it for that small space of time, would afford compleat reimbursement of the greatest possible amount of loss.

If, in regard to the quantum of the fee, the principle were—that it should amount to just so much as would be sufficient for the remuneration of the local distributor, this again would be a reason for making it variable within certain bounds: for, under any given plan for conducting the business, it would be matter of experiment what is the lowest fee that would be sufficient: and by such improvements on the plan, as reflection fed by experience might indicate, the time and trouble, and thence the quantum of remuneration necessary, might from time to time come to be reduced.

[024]

Art. 18. That periodical accounts be *published* of [025] the progress of the issue, **{16.}** as regularly, and circulated as extensively, as the prices of stocks are at present, under heads expressive of the *day*, the [026] *place*, the number of notes of each *magnitude*, and the *total amount* issued on each day at each place, together with the *increase* or *decrease* of the amount, as compared with former periods; and any such other particulars as may be of use.

[025]

{16.} Art. 18. (*Accounts published*.) The uses of such publication are as follow:

1. That, from seeing this paper taken out in the way of *issue*, people may be the more ready to take it in the way circulation.

2. That, in case of its proving to be in any degree an impediment to the circulation of bank and country banker's paper, the parties concerned may, by observing how the paper spreads, have timely warning to withdraw or keep out of the market any superfluity in their own paper.

3. That, in case of any local difficulty as to the circulation of the paper in *one* part of the country (for instance, by reason of any sudden and extraordinary demand for cash) the [026] load of paper in the market may be lightened, by sending it to *another* part of the country, where the issue is observed to be going on briskly.

4. That, from the amount of the issue in the course of each given period, indications may be deduced of the degree in which any *temporary* cause of depreciation must have operated, before it can have had the effect, not only of *stopping* the *issue*, but subjecting to a *discount* the quantity already in *circulation*.

5. That *data* may be afforded, from whence the several classes of persons interested may be able to foresee the approach of the several results or effects in which they are interested: such as the *rise of stock* 3 per cents. to par—the growing *scarcity* of government annuities—the *reduction* of the *rate of interest* paid by government in respect of them—[027]the *increase* in the mass of national *capital*, by the paying off the annuitants: the *reduction* of the rate of interest *in general*, &c.

II. Eventual Extension.

Art. 19. That if, by this and other means, 3 per cent. stock annuities should ever have risen to par, the produce of the issue of note annuities be thereupon applied to the *paying off*, instead of *buying in*, stock annuities; and so *toties quoties*, buying in whenever they are *under* par, paying off, whenever they are *at* or *above* par.

NOTE TO TYPESETTERS: Please note the fraction ⅜, i.e. three-eighths, in the following paragraph.

Art. 20. That, inasmuch as the paying off stock annuities, the greatest part thereof carrying 3 per cent., will lead to a rapid, and almost simulta[027]neous *conversion*, **{17.}** of the whole amount thereof into note annuities, bearing nearly the same rate of [028] interest;—and inasmuch as, upon the redemption of the last parcel of redeemable stock annuities, the [029] emission of the note annuities, at *this* rate of interest, must (according to Article 6.)[63] immediately cease; and inasmuch as the mass of government annuities [030] will in the mean time *have* already been much reduced, and, by the continued operation of the continually increasing powers of the existing sinking [031] funds, the scarcity *will* be growing greater and greater every day (notwithstanding that, being continually exposed to be paid off at par, they will be [032] incapable of bearing any considerable *premium)* the offices be opened thereupon for emission of a *second* issue, at a *reduced* rate of interest; say [033] £2. 7*s*. 5*d*.—*i.e.* 2⅜ per cent. nearly:—(viz. by raising the price of the standard note from £12. 16*s*. to £16.):—the produce, of such *second* issue, to be ap[034]plied to the paying off the notes of the *first* issue; and the second issue to *close* as soon as the redemp[035]tion of the notes of the first issue shall have been compleated.

NOTE TO TYPESETTERS: Please note the fraction ¼ appears twice in the following note.

{17.} Art. 20. (*Conversion.*) *Conversion* is a word used for shortness, to indicate the result of two operations; on the part of government, the redemption of such or such a mass of stock annuities, with the produce of the issue of note annuities, and on the part of the stock-holders so expelled, a purchase made of a fresh mass of note annuities to equal amount;—a result which, in the case where a man does not choose to part with the mass of annuity he receives from government, is a necessary consequence.

[63] See p. 000 above. [To 1800, p. 13, this file]

That the disposition, to accede to such conversion, should be nearly universal, seems altogether probable. The loss of interest is but a sixtieth; and, in all other points, the change will be greatly to a man's advantage. In a very short period it cannot fail of taking place. When stocks (three per cents.) are no higher than par, the £2. 19*s.* note annuities are, (it is true) worth, as far as interest only is concerned, no more than £98. 6*s.* 8*d.*;—but, no sooner are three per cents. up at 102, than the £2. 19*s.* per cent. are worth upwards of £100¼.

Among any such groupe of annuitants thus forcibly expelled, there will always be a certain proportion (it is true) who, at the time of the expulsion, were desirous of disposing of their annuities, and would have done so, had the matter been left to their choice. But, by the supposition, there will be at the same time another groupe, desirous of purchasing a mass of annuities, equal at the least to that which is thus wished to be disposed of; otherwise the price of the article would not be at par, which it is supposed to be:—therefore, setting one demand against the other, the whole amount, of the mass of annuities paid off at or above par, may be set [028] down as so much taken from a set of proprietors, who will not part with such their property, but will accept of it in the proposed new shape.

Proposed mode of effecting the conversion.—Adjoining to the room where a man signs, in the stock book, a recognition of the redemption of his mass of stock annuities, two other rooms;—a *money room* (as at present, the *dividend warrant room*) and an *annuity note room.*—Question by the clerk—'*Is it money you want?—Yonder is the room for receiving money, and here is the warrant for it.—Do you keep your annuities?—Yonder is the annuity note room, and here is your warrant for the amount in annuity notes.*'

On this occasion, *two* provisions, customarily inserted in the acts, will require observance; 1. That notice (a year's in some instances,[a] half a year in others)[b] be given, of the intention to pay off; and that the masses paid off at once be not less than of a certain magnitude; £1,000,000, in some cases, £500,000, in others. Of the *former*, the object was, as it should seem, that a man may have time to form his plans, in regard to the employment of his money; of the *other*, to obviate the suspicion of personal preferences, which, if the masses were small and undetermined, might be manifested in favour of individuals;—viz: by paying a man off, or respiting him; whichever were most advantageous at the time.

[a] 25 Geo. II. c. 27 (the first consolidation act); 39 and 40 Geo. III. c. 32.[64]

[b] 3 Geo. III.[65]

To comply with these conditions, as far as appears either practicable, or material, or consistent with the practice and intention of the legislature;—suppose the course taken, in regard to the redemption of the *stock* annuities, with a view to their proposed conversion into *note* annuities, to be as follows, viz.

[029]

1. Notice to be given, in the usual form, on the day immediately preceding the *next* day for an half yearly payment, or on any earlier day subsequent to the then *last* day of half yearly payment;—such notice to be expressive of a *general intention* on the part of parliament, from and after the day mentioned in such notice, to pay off the then remaining mass of stock annuities, in masses or lots, of not less than the above stipulated magnitude of £500,000, as fast as the sums of money for the making of such payments, shall respectively be completed; the order in which the masses shall be paid off, to be determined by a lottery, unless changed in the way next mentioned.

By the publication of the progress of the issue in the news-papers, it will be known all over the kingdom, day by day, what sum is in hand applicable to this purpose. The masses being marked in numerical order for this purpose, each stockholder will see, day by day, whether the mass his portion of stock belongs to is ripe for payment, or if not, how soon it is likely to become so.

That a *general* notice of the *intention*, in contradistinction to a particular notice for the very day, was all that was meant by the legislature, may be inferred with some degree of assurance from the practice in Mr. Pelham's case. Fifty-seven millions worth and upwards was the mass of capital in relation to which notice was given on that occasion, that in the event mentioned, it should, on a particular day mentioned, be paid off; so that, if the invitation given, had remained altogether without compliance (an event which for some time was highly probable)[c] the whole would on that one day

[64] Bentham's first reference is to the National Debt Act of 1752 (25 Geo. II, c. 27, § 24). His second is a slip, since the statute to which he refers, the Duties on Hair Powder, etc. Act of 1800, contains no such clause. He presumably had in mind the National Debt Act of 1800 (39 & 40 Geo. III, c. 22).

[65] i.e. the National Debt Act of 1763 (3 Geo. III, c. 9, § 18). The chapter number is omitted in the printed text, but supplied in Bentham's draft at UC ii. 63. A similar clause, allowing the government to redeem capital loans on giving six months' notice, is found in a second National Debt Act of the same year (3 Geo. III, c. 12, § 67).

have been to [030] be paid off, and the money put into the hands of as many as, on that one day, might happen to apply for it. But, that such payment could have taken place, either in respect of the whole of the mass, or so much as the greater part of it, and that, either on the day fixed, or on any assignable subsequent day, within a week's, or a month's, or even a quarter's distance of it, is a result that does not present itself as probable. To borrow near eight-and-fifty millions in the lump—and at that early period too—or even nine-and-twenty millions—and that payable all in one day—presents itself as an affair of no small difficulty, even on the ordinary footing of mutual obligation, as between the two contracting parties. How much greater the difficulty, if (as by the supposition contended against) one party (composed of the eventual lenders) was to be bound, while government, the eventual borrower, was to remain loose!

[c] Sinclair II. 112.[66]

It seems, therefore, that (according to the interpretation put on that instance by parliament), by a notice that the capital of government annuities will, to such amount, be paid off on such a day, nothing more is to be understood, than that (as here proposed) a *part* will be paid off on *that* day to such as apply for it, and the *remainder* at some *subsequent* day or days, according as the money for paying off shall happen to come to hand.

If not, and if it were regarded as an article not to be dispensed with, that no one parcel of the consolidated 3 per cents. should be paid off, but on one of the half yearly days in use for payment of the dividends on those annuities, and that day posterior, by one day at least above a twelvemonth, to the first day on which the notice [031] to that effect shall have been made public, the consequence will be, that upon the *first* parcel so paid off, the loss of *time* and *interest* will amount to a full twelvemonth: but that, upon all *subsequent* parcels, the loss of time will be such, as cannot amount to less than a year and a quarter upon the whole. For paying off the *first* parcel—say on the 25th of December 1804—the latest day, on which notice can be made public, will be the 24th of December 1803. For paying off the *second* parcel, the earliest day that can be appointed will be the 24th of June 1805. Should a parcel, of the magnitude required by the act (£500,000) have come in or been made sure by the 25th of December 1803, notice may be given on the next day, appointing, as the day of payment in respect of that *second* sum, the 24th of June 1805. But, on this *second*

[66] See p. 000 n. above. [To note to UC ii. 481, 'Circulating Annuities', note **{40}**]

transaction, 1½ year, all but a day, would be lost. If again, by the 23rd of June 1804, a *third* sum happened to have been collected or made sure—and notice given accordingly for the 24th of June 1805, as before—then, upon that sum no more than a year and a day would be lost, as above mentioned: and upon the *whole,* supposing the intermediate days—of collection perfected, and notice given accordingly—to run in a regular series between the such earliest day and such latest day, it would, by the nature of arithmetical serieses, come to the same thing as if the quantity of time thus lost amounted to 1¼ year in *each* instance.

2. Meantime, by way of encouragement to stockholders to *expedite* the measure by their concurrence, *books* to be opened, in which each individual may *subscribe* his consent to take annuity notes for his stock at the same price.—The amounts of stock thus subscribed to be made up into [032] masses of a determinate size, as above:—the lot which is the first filled to be the last paid off:—and so on in order of the lots:—and the operation of the lottery to be confined to such parcels of stock as shall have remained unsubscribed.

By subscribing, and subscribing as soon as possible, a man (it has been seen) will have nothing or next to nothing to lose, and he will have much to gain.

As the holders of annuity note paper of the first issue will all of them, sooner or later, be paid off, and as, when any such note of the first issue is paid off, the holder will have no certain means of placing his money out at interest upon the same sort of security, otherwise than by purchasing into the second issue at the reduced rate of that issue, he will naturally be upon the look-out for paper of the first issue. But as this will be the case with regard to all such expelled note-holders, as fast as they are expelled, such paper will (it is evident) bear an increase of price:—which increase will of course be greater, the more remote the period appears, at which the mass, to which the note belongs, is about to be paid off. From every such mass of annuity of the first issue, it is known that sooner or later one quarter of the amount will be struck off, unless a man chooses to receive the principal or purchase money instead of it: and this quarter, compared with the reduced remainder, may be considered as a sort of temporary annuity, for a term not altogether certain, but longer and longer, in proportion as the note stands higher and higher on the privileged list.

Under these circumstances, the opening of a second issue will immediately (it is evident) give an increased value to the whole remaining paper of the first issue:—which increase [033] cannot, at any time, nor in the instance of any class, amount to quite so much as 25 per cent. (the difference between the rates of interest on the first and last issues) payable during the time of respite—and from thence will vary, in a series, decreasing down to 0. The notes of each class will, at all times, be worth something more than the notes of the same magnitude, in an inferior class: and as the time for the redemption of the highest or last redeemed class, and thereby for the reduction of the rate of interest upon each class, is seen to approach, the extra value of the notes of all the classes will sink together. At the outset, this rise in value will approach the nearer to the 25 per cent. the less quick the progress of the redemption promises to be. Suppose it to be no more than 12½ per cent. or even 6½ per cent. even at the very outset, and in the case of the very highest class, the prospect of it will still hold out a very ample *premium* or *bonus* to subscribers. The subscription will be a sort of *lottery*, with all prizes and no blanks: since the worst that can happen to a man will be to receive more than he ever paid, principal and interest: nor yet so entirely a lottery, but that diligence will increase his chance.

As between note and note in the same class, the order of priority in respect of redemption might be determined, either by the number of the note (as in the case of exchequer bills) or by lot.

The *complication* incident to this state of things may present itself at the moment, as an objection to the measure. Notes of two issues current at a time: those of the closed issue bearing a premium, different in the several classes, however numerous: those of the open issue, bearing no premium: and each note, increasing and thereby varying in [034] value every year, half-year, quarter, month, week, or day, as time advances, according to the magnitude of the note. But, as to government, the complication will not be attended with any embarrassment. Whatever variation the price may be subjected to in the way of *circulation*, there will be but one price for government to *pay* on *redemption*, or *receive* on *issue*. To individuals the variety is productive of neither loss nor trouble. Where the premium is an object to a man, he will accordingly pay on taking a note, or make a demand on parting with it: where the difference is no object, he will neither pay it nor demand it. It cannot be productive of any dispute: since whatever may be the amount, no man has any *right* to claim it: there will be no authoritative *table* to fix it, and attest the reality of it, as in the case of the augmentation by *lapse of time*—I mean by daily or half-yearly interest unreceived. To those who will take upon them the trouble of attending to the variation, and whose dealings in relation to it will thence be conducted on a large scale, it will afford a source of profit: and in that character may afford to two classes of professional men, the stock-broker and the stock-jobber, a compensation for any loss they might sustain otherwise from the measure.

Even the owners of the 4 and 5 per cents. might find in this arrangement, not only an inducement to come cheerfully into the measure, but such a compensation, or at least mitigation, in respect of their loss, as, on the score of humanity (for strict *justice* is out of the question) may perhaps not be disapproved. For such of them as shall have come in by a time to be fixed, the highest classes may be reserved, in preference even to the earliest subscribers of the 3 per cents.:—the 5 per cents. being ranked in this respect above the 4 per cents.

[035]

As the purchasers of these extra-interest annuities have had the less to pay for them, on account of the prospect of their redemption, insomuch that, at a time when the 3 per cents. are at 64, even 5 per cents. are 3 per cent. below par,[67] the redemption might, under the above terms, be, in appearance at least, rather profitable than otherwise: and really and indisputably profitable, in the instance of all such as, as the time in question, would have been disposed to employ their money in other ways.

Even in the case of such as were prevented by *distance* from subscribing within the time, an expedient might perhaps be found for preserving the individuals as well as the public from being deprived of the advantage: stockholders for example, resident in, or on a voyage to or from, the East or West Indies. At the instance of a spontaneous though unauthorized agent of a person so circumstanced, he might be admitted to the benefit of the subscription, the portion of stock annuities cancelled, and the amount of annuity notes kept in deposit for him at the office, such agent undertaking to indemnify the proprietor against *any loss* by the subscription, and finding such sufficient security for the fulfilment of the undertaking as shall be appointed for that purpose.

As to the clause, restricting government from paying otherwise than in such large masses as the £500,000 and £1,000,000 above-mentioned, supposing the object above conjectured (viz. the exclusion of personal preferences) to have been the real one, the expedient proposed (viz. determination by lot—an expedient employed in similar instances under the old French government)[68] will be equally competent to the attainment of it. In all events the diffi[036]culty would not extend beyond the conversion effected by the *first* issue. The *paper*, if accepted, would stand clear of this and other such clogs.

[67] According to the *Morning Chronicle*, 5, 12, 19 and 27 August 1800, the price of 3% government annuities ranged between 63⅝ and 64⅞ during August 1800, while the price of 5% government annuities ranged between 97⅛ and 97¾.

[68] [Annotation to be finalized]

Were it otherwise, a stipulation of this sort might be attended with some inconvenience and expence. As, by the nature of the process of reduction, the charge precedes the exoneration (since it is by the charge, and that alone, that the money for the exoneration is to be furnished) the consequence might be, that, to the extent of a certain amount of paper, a half year's charge, on the score of interest, might be incurred, upon so much paper of the *open* issue, before the sums were collected that would be necessary to effect the exoneration by the redemption of a correspondent quantity of paper of the *closed* issue.

[035] Art. 21. That the amount of all interest saved, [036] as well by the redemption of stock annuities, redeemed by the produce of the existing, or other future funds, (and, therefore, without the preparatory emission of a mass of annuity note paper to the corresponding value) as by the progress made in the reduction of the rate of interest, in the way just mentioned, (viz. by the preparatory emission of a mass of annuity note paper, at a lower rate of interest, followed by the redemption of a correspondent mass of stock annuities, or note annuities, at the higher rate) be carried (immediately) to the sinking funds:—on the principle of the provision made, in the like behalf, in and by the existing act, (viz. the New Sinking Fund Act, 32 G. III. c. [55.][69] §2.)

Art. 22. That, *immediately* upon the redemption of the last parcel of note annuities of the *first* issue, [037] the offices be *again* opened for the emission of a 3d issue, at the next [highest][70] rate of interest suitable to the nature of note annuities on which interest is computed daily, say £1 9*s.* 6*d.* i.e. 1½ *per cent.* nearly;—**{18.}** viz. by raising the price of the standard note from £16 to £25. 4*s.*:—the produce of such *third* issue to be appropriated to the redemption of the note annuities of the *second* issue, as above:—with like provision as above in favour of the *sinking funds:*—and so *toties quoties*, in so far as any such farther reduction may be deemed eligible.

{**18.**} Art. 22. (1½ *per cent. nearly*.) See Table I. note {*m.*}[71]—From 3 to 1½, is no greater reduction than from 6 to 3;—being that, which in the course of 33 years, viz. between 1717 and 1750, took place in regard to divers parcels of stock, though the reduction of the great mass, from 4 to 3 per cent., was not compleated till 1757. See

[69] 1800 '32'.

[70] 1800 'lowest'.

[71] See between pp. 000 and 000 below. [To pdf. 'Table *of a proposed* Annuity Note Currency']

Sinclair on the Revenue, II. 112.[72]

When Adam Smith wrote, the rate of interest in the Dutch funds was already as low as 2 per cent. {B. i. Ch. ix.}[73]

Art. 23. That, inasmuch as, so long as any portion of the redeemable annuities remains unextinguished, there may remain two parcels of annuity note paper, bearing two different rates of interest—the higher *closed*, the other *open*—provision be made, that, in case of the creation of any portion of capital in stock annuities, at any time thereafter by reason of money borrowed for the support of the war or otherwise, powers for extending the issue of [038] note annuities, to the extent of the capital so created, and at the rate of interest allowed by the then last or *open* issue of note annuities, shall revive.

NOTE TO TYPESETTER: Please begin new page.

[72] See p. 000 n. above. [To note to UC ii. 481, 'Circulating Annuities', note **{40}**]

[73] See p. 000 & n. above. [To UC i. 295, 'Circulating Annuities', Ch. V]

[039]

CHAP. II.

FORM *of an* ANNUITY NOTE, *with Explanations*.

☞ Printed in Form of a Table at the End.[74]

NOTE TO TYPESETTERS: Please insert a long rule.

CHAP. III.

Comparison of the proposed, with the existing Government Securities, &c.[75]

I. *Features possessed in common with other Securities.*

1. RATE of interest low, inferior to that afforded by money laid out on the purchase of stock annuities.—Exemplified in the notes of *country bankers.*

2. *Perpetuity* of the mass of interest granted, subject to redemption.—Taken from stock annuities;—agrees with Irish debentures and India bonds;—differs from exchequer bills.

3. The *principal not demandable.*—Taken from stock annuities;—agrees with Irish debentures and India bonds;—also with navy, victualling, transports bills, and ordnance debentures—also with India bonds:—differs from bank, bankers', and private notes and bills.

4. Interest *without special fund*, over and above the general consolidated fund.—Taken from exchequer bills.—Differs from the common practice in the creation of stock annuities;—agrees with all the other above-mentioned government engagements.[76]

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[74] i.e. 'Table II. Form of a proposed *Annuity Note*, on the several plans of Half-Yearly and Yearly Interest': see between pp. 000 and 000 below. [To pdf Table II]

[75] A fair copy of this chapter with emendations by Bentham is at UC ii. 79–83.

[76] Bentham's point is that technically the Annuity Notes would constitute unfunded debt, in that no specific future revenues were set aside for the payment of interest or capital.

5. The quantity issued, *incapable of exceeding the quantity demanded at the original price.*—Agrees with bank paper, and in practice with bankers' paper;—differs from stock annuities, Irish debentures, exchequer bills, and navy, &c. bills.

[040]

6. The evidence of the engagement consigned to a portable instrument instead of a *fixed book.*—Taken from exchequer bills;—differs from stock annuities;—agrees with Irish debentures, and the now disused navy, victualling, transport, and ordnance bills, or debentures;[77]—also, with India bonds, bank notes, bankers' promissory notes, and private promissory notes and bills of exchange.

7. The *paper*, by its *size*, *shape*, *texture*, and *thinness*, particularly fitted for circulation.—Taken from bank paper;—agrees more or less with bankers' paper, and with the French assignats;—differs from all the other above-mentioned engagements, except from some late issues of exchequer bills, in respect of *size*.[78]

8. Application of the *profit* of the measure *towards* the *reduction of the national debt.*—Taken from the sale of the land tax, i.e. the exchange of so many portions of the annual produce of that tax for portions of stock annuities;—differs from all the other engagements above mentioned.

II. *Features altogether new.*

9. Secure provision for the *instant* extinction of the debt created by it.

10. The amount of it incapable of exceeding the amount of the existing debt.

11. Funds, no other than those already provided for the existing debt;—but the security better, in respect of the appropriation of the profit to the exoneration of the fund, by the continual redemption of a greater mass of debt than the mass continually created.

12. Interest receivable, with scarce any trouble or expence, *wherever* letters are receivable.

13. The note or instrument serving as a security for the interest, purchaseable of

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[77] See p. 000 n. above. [To note to UC xvii. 83, 'On the Stock Note Plan']

[78] [Annotation to be finalized]

government with *scarce any* trouble or expence, wherever *letters* are receivable.

14. Ditto, receivable in the course of circulation, and with the interest, *without any* trouble or expence. *N.B.* Exchequer bills, India bonds, &c. are not obtainable in the course of circulation, without the expence of brokerage; to which is [041] added, out of London, the expence of postage, and the expence of professional, or obligation of gratuitous, agency.

15. Quantity obtainable, adapted to every purse, from the largest to the smallest. Bankers' notes, limited as they are, on the side of diminution by law,[79] and in point of variety of magnitude, by the narrowness of the market, &c. in the instance of each banking house, share this advantage in an imperfect and inadequate degree.

16. Facility afforded for ascertaining by inspection, without calculation, the amount of interest due, &c.

17. Securities against forgery.—See Ch. II. Table II. *Form of a note.* {*Notes* 14, 22, *and* 24}[80]

18. Facility thence afforded for *ascertaining the value in respect of genuineness*;—an advantage it has over gold and silver coin, and which is shared with it in but an imperfect degree by bank and bankers' papers, &c. for want of the securities against forgery.

19. Means afforded of making *compound interest* without hazard, trouble, or expence.—Shared in an imperfect degree (being attended with hazard, trouble, and expence) by stock annuities;—completely impracticable by any other means.

20. *Security against depreciation.* The price can never rise, because any quantity may be had at the original price, so long as any portion of stock annuities remains unredeemed. In the *ordinary state of things*, no man need take an inferior price in the way of circulation, when men are giving the full price for it in the way of issue. As to the probability of any

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[79] For the Bank of England Notes under £5 Act of March 1797 see p. 000 n. above. [To UC xvii. 108, 'On the Stock Note Plan']

[80] See between pp. 000 and 000 below, and, for the longer notes drafted for 'Circulating Annuities', pp. 000–000, 000, and 000 above. [To pdf text file 15, notes {14. 22} and {24}; and to UC ii. 113–19, 125–6, and 128–9, 'Circulating Annuities', Ch. II]

state of things so extraordinary, as to produce a discount, see Ch. [IV.][81] *Grounds, &c.*—Bank and bankers' paper are incapable of rise; but, in several instances, the one has experienced a partial, and the other a total, loss of value.[a]

[a] A government engagement could not, like this, have been rendered *depreciation-proof*, but for the pre-existence of stock annuities, and its connection with them, as above.[82] The exigencies of government not being susceptible of limitation, no species of engagement could be offered, of which the price should be fixed, and the quantity limited to what could [042] be disposed of at that price, but for the co-existence of some other species of engagement, unlimited in respect of the quantity offered at market, and thence exposed to an unlimited diminution of price.

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[81] 1800 'xv.' is a slip. See p. 000 below. [To UC iii. 50, Ch. IV, this file]

[82] See p. 000 n. above, and for the expression of the same point in the corresponding chapter of 'Circulating Annuities', p. 000 above. [To 1800, p. 13 n.; and UC i. 705, Circulating Annuities', Ch. III]

[042]

CHAP. IV.

GROUNDS *of Expectation, in regard to the proposed Measure.*[83]

WHAT is expected of the proposed currency is—

1. That it will be taken out in the way of issue—

2. – – – at the fixed price put upon it—

3. – – – be received in circulation—

4. – – – at that same price—

5. – – – with the addition of the interest—

6. – – – and without undergoing any subsequent depreciation—

7. – – – and will thus continue to circulate, among individuals of all classes.

That it will be taken out in the way of issue, and pass in the way of circulation, at 3 per cent. nearly (the rate of interest put upon it) notwithstanding the higher interest yielded by stock annuities, Irish debentures, exchequer bills, and India bonds, is proved by the example of bankers' paper, the interest on which runs from 2 to a nominal 3 per cent.; but really not so much, by reason of divers conditions which reduce the value of it:[84] besides that, in these instances, the engagement is not perpetual, nor the security so good.

That the *interest* due will be allowed for in circulation, is put out of doubt by the usage in the course of exchequer bills, navy bills, and India bonds; though none of these papers are provided with the *tables*, which do away the trouble of computation altogether, however small the sum, and however short the time.

The following may serve as a view of the masses of money (cash or bank paper) *capable* of being employed in the purchase of this paper, whether in the way of issue, or [043] in the course of the circulation;—the time when the paper is capable of being taken in hand, being the time when the several masses of money respectively come in hand; and

[83] Bentham's partial draft of this chapter is at UC ii. 84–92.

[84] See p. 000 & n. above. [To note to UC ii. 545, 'Circulating Annuities', Ch. IV;]

the time for parting with the paper, being the time when the money must, or would, have been parted with.

I. Monies capable of being employed in the purchase of the proposed paper, for the purpose of *perpetual* or *permanent* income, *without* any view to circulation: and that would thereby afford to the note-holder, so long as the paper were kept in hand, a mass of perpetual annuities on a small scale.

1. Money actually kept up in the form of a *petty hoard*, or hoard upon a small scale, with or without accumulation, to serve as a fund for demands, more or less remote and certain, but *determinate*; such as marriage, apprenticing, or portioning out children—provision for widowhood or superannuation—purchase of articles of stock in agriculture or manufactures, building, or furniture—of such a price as to require a persevering course of frugality to raise the amount.

2. Money, the amount of which *would* be kept up in the shape of the proposed interest-bearing paper, if the proposed encouragement were to be held out.

3. Money actually kept in reserve for contingent and *indeterminate* expences.

4. Money that would be kept in reserve for such purposes.[a]

[a] This (should it ever come into existence) will be the only species of property known, which not only pays for keeping, but pays without either risk or trouble.[85] To the aged and parsimonious, it will be a new discovered treasure. Timidity and indolence are the natural accompaniments of that disposition to parsimony, which is so natural an accompaniment of old age. To place money out at interest in any other way, is a work not only of exertion but of hazard; in this way a man escapes from both. To *hoard* money—to keep in hand any quantity that might be placed out at interest—is to suffer a continually increasing loss. Yet the habit of sustaining this loss is found a concomitant—nor that[86] an unfrequent one—of the habit of parsimony. At the hour of death, ready money, in large masses, has been found in the hands of the parsimonious [044] of all ranks, from the beggar to the prince. But what prince, or what beggar, is there, who will hoard metallic money, when, by simply forbearing to part with this

[85] In Bentham's draft of this chapter at UC ii. 84, the note-marker corresponding to this note appears at the conclusion of the previous paragraph.

[86] 1800 'nor that not'.

new species of paper money, he may, every day of his life, be not only preserving his property, but adding to it?

[044]

II. Monies that could not, or would not, have been employed in the purchase of the proposed paper, *but with a view to circulation*: the amount being destined to be otherwise employed or spent within a smaller or larger compass of time, in masses, or in driblets, as the money (cash or bank paper) would have been employed or expended.

5. Money coming in [in] the shape of *fixed* income, i.e. to an amount certain, and destined for current expenditure.

6. Money coming in in the shape of *casual* income, i.e. to an amount uncertain, and whether in driblets, or large masses, and destined (as above) for current expenditure.

7. Money received in the shape of income *in trust* on *private* account:—ex. gr. by land stewards, army and navy agents, guardians, receivers of the estates of corporations, of estates thrown into chancery, &c. See Ch. XIII.[87]

8. Money received in trust on *public* account, in its passage to or from the exchequer:—ex. gr. by collectors and receivers of the land tax, customs, excise, stamps, assessed taxes; boards and individuals, receiving imprest money for various services. See Ch. V.[88]

9. Money already in capital sums (whether received on the score of debt, or by sale of lands, houses, government annuities, shares in a joint stock company, succession, testament, or gradual accumulation) *under engagement*, to be laid out, on a day certain or uncertain, in a mode of *permanent investment*: ex. gr. purchase of land, houses, or government annuities, shares in a joint stock company, loan on mortgage or bond, stocking of a farm, or establishment of a manufactory.

10. Money already in capital sums, *not under engagement*, but waiting for

[87] See p. 000 below.

[88] Bentham does not appear to have drafted this Chapter for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. For the corresponding marginal contents see p. 000 below,.[To UC iii. 52, this file] For the corresponding discussion in ‘Circulating Annuities’ see pp. 000–000 above. [To UC ii. 173–8, ‘Circulating Annuities’, Ch. VI, § I]

opportunities of being laid out, as above.

11. Money already in capital sums, not under engagement, but waiting for opportunities of *temporary* employment;—such [045] as loan by discount of bills, purchases in the above ways on speculation, purchases in the way of trade, &c.

12. Money, as yet in small sums, (whether saved from fixed or casual income) kept in hand for accumulation.

13. Money *received* in the shape of *capital*, in trust on private account:—ex. gr. by assignees of bankrupts and insolvents, prize agents, executors, and administrators, turning effects into money, &c.

14. Money destined for the discharge of debts, and kept in hand, while accumulating into the sum due, or waiting for the time when due, or for their being demanded.[b]

[b] Of the annual amount of money received in the shape of income, and *capable* of being employed in the purchase of the proposed paper, a conception may be formed from the supposed amounts of the several component branches of the national income, as exhibited in the *income table*, framed for the purpose of the income tax, and printed in Mr. Secretary Rose's finance pamphlet, of 1799:[89] to which are subjoined, the amounts of the same articles, according to the estimate of Dr. Beeke.[a]

[a] *Observations on the Income Tax*.—Second edition, 1800.[90]

	Official Estimate	Dr Beeke's Estimate
Land rents	25,000,000	20,000,000
Farming profits	19,000,000	15,000,000
Tythes	5,000,000	2,500,000
Mines, navigation and		

[89] See Rose, *Brief Examination*, unpaginated Appendix No. 7.

[90] i.e. Beeke, *Observations on the Income Tax*, p. 136.

timber	3,000,000	4,500,000
Houses	6,000,000	10,000,000[91]
Proportion for Scotland	5,000,000	8,500,000
Income from possessions beyond sea	5,000,000	4,000,000
Interest in funds, deducting foreign property	15,000,000	15,000,000
Foreign trade	12,000,000	8,000,000
Shipping	_ _ _	2,000,000
Home trade	18,000,000	18,000,000
Other trade	10,000,000	_ _ _
Labour	_ _ _	110,000,000

Observations.—The more regular the receipt, and the larger the masses received are in proportion to the total income of the year, the better adapted [046] they are to the purpose of the proposed temporary employment. Stock dividends occupy the highest point of the scale:—professional profits, where accumulation is out of the case, the lowest. The weekly pay of a labourer would afford him no inducement to take out annuity note paper in the way of issue, unless in case of hoarding; but, in the way of circulation, it would, at least, be upon a footing with cash.

The amount of the sums which, having been received in the scape of *capital*, are susceptible of the proposed temporary employment, is altogether unsusceptible of calculation. In the course of the year, is it greater or less than that of the sums received and kept for the purpose of expenditure?

[046]

[91] Bentham omits from Rose's table at this point £2m of income listed as pertaining to 'Professions'.

The ground of the expectation, thus entertained on behalf of the proposed currency, will appear the stronger, the more closely the advantages conferred by the possession of it are compared with the advantages afforded by the several other sorts of securities, or modes of placing out money, considered as coming in competition with it; viz. *stock* annuities, *exchequer bills*, and the market constituted by the demands of *individual borrowers*, *country banking houses* included, as well as [those][92] afforded by *cash* itself, and by *bank* of England *notes*.

Compared with the market afforded by *stock* annuities, we shall find it possessed of the following advantages:

NOTE TO TYPESETTERS: Please centre the following line of text.

I. In regard to *purchase*—

1. No trouble or expence on the score of journeys to London, or attendance there.—2. No expence on the score of agency—3. Brokerage—4. Stamp duties—5. Fees for powers of attorney—Or, 6. Postage—7. No danger of loss by buying to a disadvantage.

NOTE TO TYPESETTERS: Please centre the following line of text.

II. During *custody*—

1. Interest, daily;—not so much as a day's interest need ever be lost.—2. Interest receivable without trouble.—3. Compound interest capable of being made with certainty and facility.—4. Settlements of money in trust may be made by this means, without trouble or expence.

NOTE TO TYPESETTERS: Please centre the following line of text. And in the Tables in the Bentham note to the next para please reproduce vertical braces as shown in hard copy attached.

III. In regard to *transfer*.

1. No expence or trouble on the score of journies or attendances—2. No expence on

[92] 1800: 'these'.

the score of agency—3. Brokerage—4. Stamp duties—5. Fees for powers of attorney—[047]Or, 6. Postage.—7. No danger of loss by selling to a disadvantage.—8. The capitals of the mass of notes, employable in the shape of circulating capital, in whatever portions may, from time to time, be requisite—just like so much cash—without trouble or expence.[c]

[c] The following *bill of costs,* exhibiting the charges attendant on dealings in stock, though it were for the minutest portion, in cases where, by distance of residence, and want of connections in the metropolis, the party is obliged to have recourse, in the regular way of business, to professional assistance, may serve to shew how ill adapted government annuities are, upon their present footing of stock annuities, to enable a man to employ, in that way to advantage, either a *small* sum for any length of time, or even a considerable sum for a *short* time; and this, even independently of those contingencies, which in the latter case have so frequently the effect of converting, expected profit into positive loss.—The charges are such as I have reason to look upon as rather under than over rated.—By doing certain parts of the business himself, or getting them done gratis by a friend, a man may save so much of the expence;—as his wife might save the expence of a mantua-maker, by making her own gown;—but a contingency of this sort does not prevent the professional charge from being, in a *general* point of view, the proper standard of expence.

	I. *Charges on purchase*—							
	1. Country attorney's attendance on the party, to take instructions for the purchase of the stock in the party's name			*£. s. d.* _ 3 4			*£. s. d.*	
	2. Town agent's attendance on a broker for that purpose			_ 3 4				
	3. Broker's fee on the smallest purchase			_ 2 6				
	4. Attendance on the bank, for a blank power of attorney to accept stock							

and receive dividends, agent's and attorney's fees together	_ 6 8	2 5 8 which carry forwards
5. Price of the power of attorney	_ 11 6	
Attorney's attending and attesting execution of ditto, with two witnesses	_ 6 8	
7. Attendance at the bank to get it passed (agent's and attorney's fees, together) N. B. This is commonly charged, but if contested, not allowed.	_ 6 8	
8. Letters and parcels (a usual lumping charge)	_ 5 _	

[048]

II. Charges in respect of receipt of dividends—		
1. Agent's attendance at the bank to accept stock (both fees, as before)	*£. s. d.* _ 6 8	*£. s. d.*
2. Fees on receipt of each dividend (both)	_ 6 8	
3. Letters and parcels	_ 5 _	_ 3 3
III. Charges on sale—		
1. Attendance to give commission to a broker for the sale (both)	_ 6 8	

2. Attendance for a blank power of attorney, from the principal to the agent in town, for selling (both)	_ 6 8	
3. Power of attorney	_ 11 6	
4. Attendance on execution (both)	_ 6 8	
5. Attendance at the bank to make the transfer (both)	_ 6 8	2 5 8
6. Broker's fee	_ 2 6	
7. Letters and parcels	_ 5 0	5 8 8

IV. *Contingent charges*—

1. Fee on private transfer, if the books were shut at the time of the purchase, 2*s.* 6*d.* the same if they were shut at the time of the sale; charges therefore on both together	_ 2 6	2 6 which carry forwards.
If the party dies before the stock is resold, the whole of the above expence of £3. 3*s.* will be to be repeated, and setting against the 6*s.* 8*d.*, for receiving the dividend, the like sum for registering the probate or letters of administration[93] to the deceased.		

[048]

II. To money, circumstanced as in the case last supposed, viz. to be laid out either in small parcels or parcels of any magnitude for a short time, the purchase of exchequer bills

[93] The printed copy breaks off at this point, and the remainder of the sentence is supplied from Smith's edition of this work, 'A Plan for saving all trouble and expense in the transfer of stock, and for enabling the proprietors to receive their dividends without powers of attorney, or attendance at the Bank of England, by the conversion of stock into note annuities', Bowring, iii. 105–48, at 120 n.

is, in some[94] [002_155] measure free from the objections to which the purchase of Stock Annuities is exposed but it is open to others.

1. the period for which they are issued is limited in general to a time of war, beside which their existence is at all times precarious.—2. The quantity of them is continually liable to increase, as well as the time of payment to retardation, and thence their marketable value to depreciation to an unknown amount.

3. Exchequer Bills are never issued for Sums less than £100,[95] by which circumstance every mass of money less than that considerable amount is excluded from this branch of the market.[96]

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[94] The printed copy breaks off at this point and the remainder of this paragraph and the two following at UC ii. 155 are in the hand of Richard Smith, of whom almost nothing is known except that he served as Collector of Stagecoach Duties at the Stamp and Taxes Office, and that he edited some fifteen works for the Bowring edition, including this one (see Bowring, x. 548 & n.). These paragraphs do, however, correspond to Bentham's marginal contents sheet for this chapter at UC iii. 50 (7 September 1800), headed 'Annuity Notes. Abstract. Contents II.' The marginal contents sheet indicates that Bentham drafted a further fifteen pages of text for the chapter, but only a single cancelled folio at UC iii. 102v has been identified. In the absence of the text, the present volume continues with the marginal contents for which there is no text. Strictly speaking, these contents might have been more appropriately presented in an editorial footnote. However, for ease of presentation and given the need for annotation, they are presented as text. Bentham placed the marginal content numbers in the centre of his columns, above the relevant text. In the present volume, Bentham's marginal content numbers are rendered in bold and appear on the same line as the text. For further details see the Editorial Introduction, pp. 000–000 above.

[95] Bentham's assertion is incorrect: see p. 000 n. above. [To note to UC ii. 549, 'Circulating Annuities', Ch. IV]

[96] Smith, Bowring, iii. 120–3, completed this chapter with text at UC ii. 156–9, for details of which see the following paragraph, and a précis of passages at UC ii. 595–8, part of a sequence headed 'Advantageous Properties—Steadiness' and reproduced in Appendix A, pp. 000–000 below, at 000–000. [To UC ii. 594–8, Appendix A] The marginal contents sheet corresponding to the sequence is at UC iii. 31 (23 October 1799), and there is no evidence that Bentham intended to any part of the sequence at this point.

Werner Stark, *Jeremy Bentham's Economic Writings*, 3 vols., London, 1952–4, ii. 233–5, completed this chapter with text at UC ii. 156–9, which was drafted for the corresponding chapter in 'Circulating Annuities'. The text at UC ii. 156–7 corresponds to Bentham's marginal contents sheet for the final part of the chapter in 'Circulating Annuities', and accordingly appears at pp. 000–000 above. [To UC ii. 156–7, 'Circulating Annuities, Ch. IV] 'The text at UC ii. 158–9, which corresponds neither to Bentham's marginal contents sheet for the final part of the chapter in 'Circulating Annuities' nor to the pagination of his draft of the chapter for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', is as follows: 'Being the holder of

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

[003_050]

9. Advantages of loans to Government in this paper, compared with loans to individuals at large.

10. Advantages, as compared with loans to Country Bankers by circulation of their notes.

On the terms of the Newcastle Bank a note of theirs must be held 30 years before the interest yielded by it is equal to that yielded by the Annuity Note paper.[97]

Though in other Banks the terms may be *different*, they can not be far from *equivalent*, and some are less advantageous to the Holder.

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an Annuity Note, there is not a person living whom I have any right to call upon to give me value for it: but had it not been for the advantage accruing from the holding of the Note I should not have become the holder of it: and as the advantage thus accruing to me from the holding of this note is no greater to me than it will be to thousands of other people, in a word, to every man without exception to whom it can be in my way to offer it in the event of his becoming the holder of it in my stead, the certainty of my obtaining value for it at any time wants nothing of being entire.

'No one living is bound to give me silver for any one of the guineas I have in my pocket, yet who is there that ever hesitated to receive a guinea, under the apprehension of not being able to get change for it? Not only the self-regarding advantage of making profit by goods sold for part of the value, engages my neighbour the shop-keeper to change it for me on my laying out to the value of a few half-pence with him, but the social consideration of amity and neighbourhood is sufficient to obtain for me the same accommodation at his hands without any such personal advantage. In the case of the Annuity Note the social consideration not only operates with equal force, but has the personal consideration of the advantage to be gained by the holding of the note to back and strengthen it.

'The material question is—will it be received?—this being answered, and answered to satisfaction, the other question—why will it be received?—how comes it that it will be received?—is matter only of curiosity and speculation.'

For further details see the Editorial Introduction, p. 000 above.

[97] For the notes of the Newcastle banks see p. 000 & n. above. [To UC ii. 545 & n., 'Circulating Annuities', Ch. IV] No evidence has been discovered to substantiate Bentham's assertion, which entails that the interest upon those notes was equivalent to less than 0.1% per annum.

11. Advantages as compared with the keeping the value in cash.

i. Counting. ii. Examining (trouble and risk). iii. Conveyance (trouble and risk). iv. Security by division.

12.—compared with their keeping the value in Bank paper.

i. Interest &c., daily. ii. Security against Forgery. iii. Divisibility greater. iv. Settlements—by yielding income and divisibility.

13. The smallness of the amount of interest will not render it an object of contempt even in the instance of the smallest sums: since to the advantage of yielding interest it adds all the advantages of Banker's paper.[98]

14. The demand afforded by private borrowers will not interfere with this paper, even where they afford better terms, because it may itself be lent to individuals.

15. Its not presenting any person as bound to pay the principal on demand, or at any fixed time, will not be a bar to the circulation of it.

Instances in proof: i. Stock. ii. Exchequer Bills. iii. Navy &c. Bills. iv. India Bonds.

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[98] The text corresponding to this marginal content survives at UC iii. 102^{v}, and has been crossed through by Bentham, and reads as follows:

'At the original rate proposed (viz: nearly 3 per Cent) the quantum of interest afforded by the proposed paper would not be regarded with contempt, and as not worth receiving even for a small time[?], since less than this is not thus regarded in the instance of the interest-bearing paper of Country Bankers. Bank of England paper in and near the Metropolis, Country Banker's paper in the country, even without interest, and notwithstanding the precariousness of the security, is generally preferred to gold and silver. The proposed paper would possess those advantages which cause Bank of England paper to be preferred to gold and silver, with the advantage of interest to boot: it would give better interest than private Banker's paper with the advantage of better security to boot.

'Neither the faculty nor the desire of lending out money to individuals on private security will stand in the smallest degree in the way of the purchase of this paper: 1. because, like Bank of England or Country Banker's paper, it will constitute as effectual a subject matter for a loan, as money does: and 2. because many masses of money which, through the operation of divers circumstances of disadvantage, would not or could not have been put out to interest in the hands of individuals, will find no such circumstance of disadvantage to keep them from being so employ'd by means of the proposed paper.'

v. American currencies.[99] vi. Even Bank of England paper.[100]

In regard to *interest* there *is* such an obligation, which is sufficient to constitute the value.

16. When this paper has once got footing, depretiation is next to impossible: because the demand for it will be continually encreasing with the prosperity of the country, while (in peace at least) the quantity of the Annuities it conveys will be continually on the decrease, and the price in circulation can not fall till after the issue at par has been stopped.

17. It has been proved to be preferable to cash for every purchase but melting.

A demand for cash for melting could not take place till after the country has been exhausted of bullion: which could not be till the ballance of trade had been long reversed.

What[101] should produce a sudden demand for melting?—Nothing, but an equally sudden encrease of wealth—which in such a degree is impossible.

18. Supposing a preservation against depretiation to be necessary, receipt of the paper in the Exchequer for taxes &c. (as per Art [14])[102] will operate as such.

18a. The expence would be no more than the difference between the two rates of interest *at the time*: and would not amount to a *farthing*, nor continue for a day more than the purpose required.

19. Provision should be made for such contingency on the institution of this paper. Power to issue Exchequer Bills at all times to any amount not exceeding the Annuity Note paper in the Exchequer: the *Bills* to be cancelled as *Notes* are re-issued.

20. A reserve in *cash* would be unnecessary, and more expensive.

21. Extreme cases affecting the existence of the Government afford no objection to the proposed paper, since they will affect *it* less than any *other*: *interest* being easier to pay,

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

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

[101] This paragraph was added to the marginal contents sheet at some stage subsequent to its initial drafting.

[102] MS '|^|'. See p. 000 above. [To 1800, pp. 17–18, this file.]

as well as the receipt of it better dispensed with, than *principal*.

22. In case of need, it would be supported as Bank Paper has been supported.

22a. That it should stand and fall with the Government is not an *objection* but a *recommendation*. See Ch. [XVII.][103] Constitutional Advantages.

NOTE TO TYPESETTER: Please begin new page.

[103] MS '12.' is a slip: see Ch. XVII, pp. 000–000 below. [To UC ii. 302–8, this file]

CHAP. V.

FINANCIAL ADVANTAGES—*Period I*[104]

[003_052]

1. The financial profits produced will be different in different periods.

2. Period I—to the arrival of Stocks at par.

Profit I. Profit on Sale of Note Annuities—difference between money received by Note 3 per Cents sold at par (£100) and Stock 3 per Cents bought at the current price (64 &c.).

3. Total amount of profit on this score is unsusceptible of calculation—depending *inter alia* on the continuance of the war. It is the greater, the longer the duration of Period I.

The greater the profit on this score, the less the profits of succeeding periods are, viz: by their being more distant.

4. What is susceptible of calculation, is the *rate* of profit or proportion to amount of Annuity paper sold: and this according to Mr Farhill's calculation, is 25 per Cent;[105] according to Mr Rose's assumption, 15 per Cent.[106]

5. Profit 2. Profit by interest unreceived. This profit will run upon the whole amount of Annuity Note paper issued during this period, such part excepted as is in the hands of

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[104] Bentham's draft of this chapter has not been identified, although the corresponding marginal contents sheet at UC iii. 52 (7 September 1800) indicates that the text consisted of twelve pages. In the absence of that text, the present volume reproduces the corresponding marginal contents as text. Strictly speaking, the contents might have been more appropriately presented in an editorial footnote. However, for ease of presentation and given the need for annotation, they are presented as text. Bentham placed the marginal content numbers in the centre of his columns, above the relevant text. In the present volume, Bentham's marginal content numbers are rendered in bold and appear on the same line as the text. For further details see the Editorial Introduction, p. 000 above.

[105] See 'First Report from the Select Committee on Finance. Debt, and Taxes', Appendix I. 11, in *Commons Sessional Papers of the Eighteenth Century*, cvii. 109*, where John Farhill (*c.* 1754–1852), Secretary to the Commissioners for the Reduction of the National Debt, presented his seventh possible scenario in predicting the period necessary to redeem the National Debt, which is described as follows: 'The 3-per-Cents supposed redeemable at the Average Price 75 till the Year 1808; then to rise, and to remain at Par'.

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

such purchasers for the purpose of permanent income on a small scale, as accumulate at compound interest.

—whose share will be very small.

5a. Hence the importance of making the receipt of interest as easy as possible, though at first it might seem otherwise.

This and following profits are grounded on the transition of the *Management* from the Bank to Government.

6. Profit 3. Profit by Notes in hand—

1. *in* the Exchequer. This should not be *purposely* encreased, but will accrue from surpluses kept in reserve, or through inattention.

7. Annual amount of it, in 1. *War*. £|^^^|. 2. Peace £|^^^|.

8. 2. in the way to the Exchequer.—Of this money none ought to be retained in the country, except what is necessary for local disbursement, (on the score of Bounties &c.) the rest it would be useless to send back in Notes, to be returned in Notes.

9. Annual profit on this score. £|^^^|.

9a. Hence a general ground for discarding intermediate hands, except where requisite for holding local deposits. Why cannot the Post bring Government money as well as private? Though the proposed measure is not *necessary* to this, it makes *it easier*.

10. 3.—in its way out of the Exchequer, in the character of *imprest* money—amount unknown.

11. Profit 4. Profit by Notes lost. Such loss may happen from a variety of causes. It is analogous to loss by *unclaimed dividends*, and loss by bad coin.—The profit is attended with no hardship, where the cause of loss is carelessness.

—It will be greater upon the mass in circulation, than upon the hoarded mass.

NOTE TO TYPESETTER: Please begin new page.

[002_184] [22 August 1800]

CHAP. VI.

FINANCIAL ADVANTAGES—*Period [II]*[107]

NOTE TO TYPESETTERS: Note to typesetter: Please present the following paragraph in slightly larger type than standard text, and note the fraction ⅜ (three-eighths).

Period II. From the arrival of Stock Annuities at par, to the redemption of the last portion of Stock Annuities; whereupon follows immediately the opening of the 2[d] issue of Annuity Notes, at the reduced rate of 2⅜ per Cent.

1. Profit (in the shape of principal money) *by Sale of Notes* ceases: but, in the event of the creation of a fresh parcel of Stock Annuities, revives, and continues till the redemption of such Stock Annuities.

[002_185] [7 October 1800]

2. Profit *by interest undemanded* will continue and with encrease. The profit above mentioned as produced by the Notes in *circulating hands* will encrease as the quantity of paper taken out with a view to circulation encreases: this branch of profit may be termed the *standing* or *regular* branch. To this will now be added the profit produced by the Notes in *hoarding hands*: viz: the expelled Stock-holders who take this paper with a view to permanent income as they held their Stock. This branch may be termed the *casual* branch: it will arise out of such casual forbearances only as take place at present in the case of Dividends on Stock.

The probable rate of it might be estimated from the course of the payments on this score made at present at the Bank. The quantity of Government Annuities, Stock and Note Annuities taken together, will, it is true, be growing less and less every day: while the quantity of money capable of being employ’d in the purchase of them will be growing greater and greater: so that the scarcity will be growing at both ends. But, inasmuch as, the issue being open all the while, every body will be at liberty to supply himself with

[107] MS ‘III’.

whatever quantity of this paper he chooses, whether for the purpose of hoarding, or with a view to circulation, the diminution will fall exclusively upon the Stock Annuities, the quantity in circulation will not be absorbed in any degree by the demand for the purpose of hoarding, and the only effect of the encreasing scarcity, even when the issue is at the point of closing, will be to make the demand and consequent emission the more rapid, to the last.

[002_186] [23 August 1800]

3. Profit by *Notes in hand*. This inconsiderable source of profit seems likely to continue from the first period, without any variation worth enquiring into. It admits of no encrease from the encreased amount of Annuity Note paper produced by the *conversion*, that part only which is [in] circulation being capable of finding its way into Government hands.

[002_187] [23 August 1800]

4. Profit by *Notes lost*. During the whole of this second period, this source of profit will be on the encrease: a quantity of Annuity Note paper equal to the whole amount of Stock Annuities being in the course of it added to the mass.

It is neither to be expected, however, nor to be wished, that the rate of profit to Government (loss to individuals) upon the large masses hoarded for the purpose of income should approach to that upon the small notes continually passing from hand to hand.

[002_188] [23 August 1800]

5. Profit by reduction of interest on *Exchequer Bills*. This source of profit will probably have begun to manifest itself in the course of the former period; but it is not till now that the amount can be easily submitted to calculation.—During the whole of this second period, the rate of interest will be that reduced rate towards which it will have been moving during the first period.

The rate of interest on these temporary loans has been for some years past 3^{d}½ a day, making by the year £5. $6^{s.}$ 5^{d}½ per Cent: bearing at present a premium of from 1^{s} to 6^{s}, at a time when 3 per Cent perpetual Annuities are about 64 or 65.

During the whole of this second period, i:e: while Stock 3 per Cents [are][108] at 100 and £2. 19s. per Cent Note Annuities at the same price, the rate of interest on Exchequer Bills may be expected to be no higher than 2d a day, making £3. 0s. 10d a Year; or at the highest, 2¼d a day, making £3. 7s. 7d¼ a year. For in 1730 (by Stat. 3. G. 2. c. 16)[109] the interest on them was not to exceed '*3 per Cent*':—in 1724, it was but 2d a day:[110] and 3 per Cent perpetual Annuities could scarcely have been much above par at that time (so as to yield a less interest), if they were not rather below it: for in 1731, the lowest price was 95, and the highest, 97.[a] Under these circumstances, the difference between the superior rate of interest made on Exchequer Bills and the inferior rate afforded by Stock Annuities, (which difference constitutes all the profit to be made by taking Exchequer Bills in preference) must have been very inconsiderable—and it appears that the reduction of the rate of interest on Stock Annuities was followed by a reduction of the rate of interest on Exchequer Bills to a level very little, if any thing, above that of Stock.[b]

[a] Sinclair II. Appendix. Table of prices of Stocks.[111]

[b] [002_189] The subject of Exchequer Bills with reference to that distant period is attended with several little obscurities, the clearing up of which would not pay for time or space, with reference to the present purpose. What is evident enough, and at the same time sufficient, is—that a reduction of the rate of interest on permanent Annuities must be attended with a correspondent reduction in the rate of interest on these temporary loans: and that the difference, on which ever side it be, can never be very considerable.

[002_190] [24 Aug. 1800]

Two pence a day, making £3. 0. 10d a year, is the rate that to this purpose may be regarded as being, in the case of Exchequer Bills, on a level with the £2. 19s per Cent

[108] MS 'being'.

[109] i.e. the National Debt Act of 1729 (3 Geo. II, c. 16).

[110] See p. 000 & n. above. [To note to UC ii. 180, 'Circulating Annuities', Ch. VI, § I]

[111] See Appendix III, 'Abstract of the Prices of the different Stocks since the year 1730', in Sinclair, *History of the Public Revenue*, ii. 49.

afforded by Annuity Note paper of the first issue. $1^{s.}$ 10^{d}, which is the difference between the two masses of yearly interest (£3. 0. 10^{d} and £2. 19^{s}), and is the result of the small addition made to the price of Annuity Note paper—for the sake of even money upon the smaller notes.

The next step above is 2^{d}¼: making, by the year, £3. $7^{s.}$ 7^{d}¼.

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in the second and third columns horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other; underline £219,755 and £688,210 to indicate that the numbers beneath them are the result of subtractions.

Annual interest paid on Exchequer Bills, at the present price of Stock 3 per Cent perpetual Annuities; Exchequer Bills at 3^{d}½ per day (making £5: 6^{s} 5^{d}½ a year) bearing a small premium . .	1. On the ordinary amount, of £6,500,000 £345,989	2. On the *extra*-ordinary amount occasioned by the Income Tax as per last account[c]—£20,360,700 £1,083,745
D^{o} at the said expected rate of £3. $7^{s.}$ 7^{d}¼ .	£219,755	£688,210
Annual Profit	£126,234	£395,535

[c] 22 April 1800: Commons Finance Accounts No VII.[112]

[002_191] [24 August 1800]

This head of profit will be an enduring one: no degree of plenitude on the part of the Exchequer will supersede it. It is not with Exchequer Bills as it was with Navy Bills. It

[112] i.e. ‘Accounts presented to the House of Commons respecting the unfunded debt and demands outstanding, of Great Britain, for the year ending fifth of January 1800’, in *Commons Sessional Papers of the Eighteenth Century*, cxxix. 283–93, at 286.

would (as already observed, Ch. IV.)[113] be bad economy to make and keep on foot a *perpetual* loan to a certain amount, in order to save *occasional* loans to the same amount, and at the same, or nearly the same, rate of interest: and to keep in hand a sum in cash to the same amount would come to the same thing; since, by the application of that sum, a proportionable part of the perpetual Debt already existing might be redeemed. The maximum of advantage under this head is, therefore, what results from keeping the rate of interest on such temporary loans from rising more than one step above the level of the rate paid on perpetual loans.

[002_192] [24 August 1800]

The *principle*, therefore, to which Exchequer Bills owe their rise, or at least their continuance, viz: that it is necessary to allow a somewhat higher rate of interest on a temporary than on a permanent loan, is of a nature to continue. Whether, under the order of things introduced by the proposed Annuity Note paper, the plan of the present Exchequer Bills would be the most advantageous plan of all for the borrowing money on such temporary loans, is a distinct question, the examination of which would be requisite in case of the adoption of the proposed measure, but would at present be premature.

[002_193] [24[?] August 1800]

6. Profit by saving on the expence of *management*:—*transfer* and *allowance of interest*, as between *individual* and *individual*, being performed *without* expence: and the expence attached to the issue and to the payment of interest on *government* account, being defray'd, in part or in the whole, by *fees*. {See Ch. I Plan. Art. 17.}[114]

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in the second column horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other; underline £9,249 to indicate that the number beneath it is the result of a subtraction.

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[113] This assertion does not in fact appear in Ch. IV, either in this work or in 'Circulating Annuities', and the passage Bentham had in mind has not been identified. On the folio containing the original draft of this passage at UC ii. 100, subheaded 'Advantages Period III or II or I. Exchequer Bills', which makes no cross-reference, Bentham has noted: 'What is cancelled had been employ'd in *Abstract*'.

[114] See p. 000 & n. above.[To 1800, p. 23]

Present annual expence of Management per million	£450
Total of present annual expence of management, adding Emperor's perpetual loan, and loan of 1800 (Capital [£]32,000,000), but not Irish, and deducting all annuities not perpetual	£209,249[d]
Expence of the proposed General Annuity Note Office—Suppose—	£9,249
Remains annual profit . . .	£200,000

[d] House of Commons Finance Accounts, N° VI, 24 Mar. 1800.[115]

Annual expence of the Post Office in Salaries and emoluments—(General and Penny Post included) A° 1797:[e] £45,851. On looking over the list of Offices included in that expence, it will be seen, that by far the greater part have no application to, nor equivalent in, the present instance.[f]

[e] 7th Finance Report. A° 1797. Append. C. p. 83.[116]

[f] See Ch. I *Plan*. Art. 15 Note.[117]

This profit, being a rateable profit on the amount of debt, will, of course, diminish in *amount*, as the amount of debt diminishes.

[002_194] [24[?] August 1800]

7. Profit by reduction of interest from £3 to £2. 19s.

NOTE TO TYPESETTER: Please note the fraction $^1/_{60}$th (one-sixtieth) in the following paragraph.

This profit results from the conversion of Stock Annuities into Note Annuities, at the par price of both, which will be the price throughout the second period. It amounts to exactly $^1/_{60}$th part of the interest at 3 per Cent. It comes in in a manner without design, the

[115] 'Accounts presented to the House of Commons, respecting the public funded debt of Great Britain, and the reduction thereof, to the first of February 1800': *Commons Sessional Papers of the Eighteenth Century*, cxxix. 273–81, 276–7.

[116] i.e. 'Seventh Report from the Select Committee on Finance. Collection of the Public Revenue. Post Office', 19 July 1797, in *Commons Sessional Papers of the Eighteenth Century*, cviii. 149.

[117] See p. 000 n. above. [To 1800, pp. 18–21 n.]

difference being the unavoidable result of the defalcation of a few fractions which it was necessary to get rid of, in order to leave even and commensurable sums.[g]

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in the second column horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other; underline 0: 16 and 0: 2: 3 to indicate that the numbers beneath them are the result of addition.

[g] [002_194b] Table, shewing the principal sums of the several Notes entering into the composition of £100 worth of Annuity Note paper, with their respective amounts of interest—taken from Table of Annuity Note currency.[118]	Principals of the Notes	Amounts of Interest
	£ s d	£ s d f
	51: 4	1: 10: 4
	25: 12	15: 2
	12: 16	7: 7
	6: 8	3: 9: 2
	3: 4	1: 10: 3
	0: 16	0: 2 3
	100: 0: 0	2: 19: 0

[002_194]

The amount of annual profit on this score on each million of capital in Stock Annuities *converted*—i: e: on each £30,000 of interest on the said capital,—is £500.[h]

[h] To so much of the mass of Stock Annuities as will have been either redeemed or

[118] See between pp. 000 and 000 below. [To text file 14. ‘Table *of a Proposed* Annuity Note Currency’]

converted into Note Annuities in the course of the *first* period, this £500 per million will, of course, have been to be added in the account of *that* period: but the amount of that portion being uncertain, it seemed most commodious to defer the rendering an account of it to this *second* period, at the end of which it will have attained its *maximum*:—thenceforward, the amount of it will, of course, annually decrease, as the amount of the debt is diminished by the operation of the Sinking Fund.

[002_195] [25 August 1800]

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in the second column horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other.

Present amount of the capital of the redeemable part of the National Debt: including Loan of 1800, £32,185,000, and *Emperor's* Loan, £7,502,000: but not *Irish* Loan, nor capital redeemed; £436,507,237: say . . .	£436,000,000
Annual Amount of profit by reduction from £3 per cent to £2. 19s. upon the above Capital (exclusive of profit by reduction from 4 and 5 per Cent, as per separate account following) *at £500 per Million*	£218,000
Deduct profit on the portion of Debt redeemed during Period I—say—at random—36 million . . .	£18,000
Remains amount of annual profit by reduction from £3 of interest to £2. 19s. per Cent, at the commencement of Period II, but diminishing, as the amount of the Debt diminishes	£200,000[i]

[i] According to Art. 21 of the plan (Ch. I),[119] in order to preserve the powers of the Sinking Fund undiminished, as soon as any portion of the Stock annuities, the interest of which has been subjected to any *reduction*, comes to be redeemed, so long as the interest is not extinguished, but kept alive in their hands, to be employ'd in continuing the redemption, the amount of the reduction, upon that portion of Stock, will be immediately to be *replaced*.

[119] See p. 000 above. [To 1800, pp. 35–6]

[002_196]

[8.][120] Profit by reduction of 4 and 5 per Cents to 3 per Cents.[j]

[j] These would, of course, be reduced, along with the 3 per Cents, to the £2. 19s per Cent; but, as credit has already been taken for the reduction of the 1s per Cent upon the whole amount of Stock Annuities of all sorts, it would be repetition to add it to the amount here.

This will be seen from the following Table: in which the assumed order of redemption is that which is most advantageous, viz: [to] the public, of any that would be consistent with the terms of the respective Loans.

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in columns 2 to 5 horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other; underline 205,500 to indicate that the number beneath it is the result of addition.

Species of Stock	Amount of each Species	Amount of Interest on each Species	*Rate* of profit by reduction	*Amount* of profit by reduction
4 per Cent[121]	25,000 000	1,000,000	1 per C[t]	250,000
5 per Cent Consols[k]	28,125,582	[1,406,279][122]	2 per C[t]	562,510
4 per Cent remaining[l]	19,759,859	790,392	1 per Cent	197,598
5 per Cent Loyalty 23 Dec. 1796[m]	20,250,000	1,013,500	1 per Cent	202,500
	93,135,441	[4,210,171][123]		£1,212,608

[120] MS '13.'

[121] Bentham's placement here of the note-marker for his note to the following row of this table, which concerns the 5 per cent consols, is a slip.

[122] MS '843,765' is a slip. The annual interest at 5% on £28,125,582 comes to £1,406,279 2s.

[123] MS '3,646,657'.

[k] By the terms of the Loan, none of these 5 per Cents are to be redeemable till the redemption of 25 millions of either 3 or 4 per Cents has been accomplished: but, since the option is left to Government as between the 3 and the 4 per Cents, of course therefore, when the time comes for *paying off*, i:e: redeeming at par, 4 per Cents will be paid off before 3 per Cents: but, so long as neither 4 per Cents nor 3 per Cents are as yet at par, which of them will be paid off on each occasion, will depend, of course, on the comparative price.

[l] [002_197] This remainder would be greater (the whole amount of 4 per Cents created being £|^^^|) were it not for £|^^^| which on the |^^^| had been bought in by the Commissioners.[124]

[m] These Loyalty Loan 5 per Cents would be liable to be paid off at par, and thereby reduced to 3 per Cents, by the conversion attached to the proposed measure, with a profit consequently of 2 per Cent, instead of the 1 per Cent assumed, were it not for the stipulation, by which the Stock-holder has it in his option, at any time within 3 years after the signature of the Definitive treaty of peace, to call upon Government to convert each £100 of the 5 Cents into £133. 6s. 8d of 3 per Cents,[125] giving him thus, instead of his 5 per Cent, 4 per Cent upon the original £100 of Stock: an offer, which, in the case supposed, can not but be universally embraced.

By this option, an addition to the amount of £5,062,500 will be made to the capital of the debt.

Please begin new page.

[124] [Annotation to be finalized]

[125] See p. 000 & n. above. [To UC i. 104–5, ‘Circulating Annuities’, Ch. VI, § II]

[002_198] [26 August 1800]

CHAP. VII.

FINANCIAL ADVANTAGES—*Period III*

NOTE TO TYPESETTERS: Please present the following paragraph in slightly larger font, and note the fraction ⅜ (three-eighths).

Period III. From the opening of the 2^{d} issue, at 2⅜ nearly (viz: £2.$7^{s.}$ 5^{d} per Cent) to the redemption of the last portion of the paper of that 2^{d} issue; whereupon follows immediately the opening of the 3^{d} issue at £1. $9^{s.}$ 6^{d}, being a trifle less than 1½ per Cent.

NOTE TO TYPESETTERS: Please present the following table without gridlines; align the numbers in the second columns horizontally with the last lines of text in the cells in the first column; and align those numbers vertically with each other; underline 2: 7: 5 to indicate that the number beneath it is the result of subtraction.

	£ s d
Rate of interest on the *closed* issue during this period	2: 19: 0
Rate of the *open* issue _ _	2 : 7: 5
Difference, constituting the rate of profit by the operation	11: 7

[002_199] [26 August 1800]

Profit 1. Profit by reduction of the remaining mass of redeemable Government Annuities to from £2. 19^{s} per Cent to £2. 7^{s} 5^{d} per Cent. This result constitutes the characteristic profit of this third period: the proportionable amount of it is nearly the fifth part of the interest on the mass of Annuities remaining at the commencement of this third period.

The annual rate this branch of profit is, upon each million of capital of Annuity Notes remaining in the hands of individuals—and thereby upon each £30,000 a year of interest on 3 per Cents	£5,791. $13^{s.}$ 4^{d}
Profit by reduction of 11^{s} 7^{d} per £100 of capital, *or* £3 of interest, of	

the redeemable part of the National Debt, supposing the whole to have continued unredeemed from the present time to the end of this 3[d] period £5,791. 13[s] 4[d] × 436 . . .	£2,525,166. 13. 4
Deduct profit on the part redeemed during the 1[st] period (say, as before, £36,000 000) £5,791. 13. 4 × 36 . . .	£208,500 £2,316,666. 13. 4
Deduct profit by reduction of £3 per cents to £2. 19[s] per cents during the 2[d] period	£200,000 £2,116,666
Deduct restitution to the Sinking Fund of profits by reduction of 3 per Cents to £2. 19[s] per Cents, and by d[o] of 4 and 5 per Cents to 3 per Cents—a quantity not susceptible of previous calculation .	|^^^|
Remains clear annual profit, during this period, by the reduction peculiar to this period, supposing the whole amount to be effected on the first day of the period . . .	|^^^|
Half of this gives the amount of the reduction, and thence of the profit, for each year of the period	|^^^|

[002_200]

2 &c. Profit on Sale—i:e: by difference between selling price of Annuity Note paper and buying price of Stock Annuities, remains extinct, as in Period II, by the extinction of Stock Annuities; subject to revival in the event of a fresh creation, as before.

[3. and 4.] Profit by interest undemanded, [and] by Notes in hand, continue as in Period II with little change.[a]

[a] [002_201] Profit *by interest undemanded* ceases (it is to be remembered) at every reduction, in proportion as the conversion from paper bearing the higher rate into paper bearing the inferior rate goes on: because, whenever a Note is paid off, the whole amount of interest remaining due upon that note must be discharged, as well as the principal. It follows, that, in regard to the paper of each issue, *the time of forbearance* can not date from any *earlier* period than the *opening* of that issue.

[5. and 6.] Profits by Notes lost, and by saving in respect of the expence of management, being rateable profits, their amount per million's worth of paper continues unchanged, but their total amount diminishes, of course, in some degree, as the amount of Annuity Notes (which from the commencement of this 3^d^ period are the only redeemable Government Annuities remaining) is diminished by the operation of the Sinking Funds. [002_202]

For some time at least, the paper of this second issue carrying but 2. 7^s^ 5^d^ a year interest, the demand for it with a view to *circulation* will be more certain, than the demand for the purchase of *permanent* income on the footing of Stock Annuities: because, to the former set of customers the whole amount of interest, reduced as it is, will be as so much *gain*: being a profit which, but for this species of paper, they would not have made—perhaps at all—certainly not in this commodious way, and by Government Annuities: whereas the reduction will sit heavy on the customers for *permanent* income, who, if they continue their money upon government security, must submitt to see their incomes reduced to this amount; and whose capitals, to a considerable amount, will accordingly, or for the purpose of escaping such reduction, be withdrawn from this employment, and either laid out upon other *securities*, or be embarked, along with the owners, in some branch of *trade*.

The progress of the operation may notwithstanding not be diminished upon the whole: for, to the amount of the demand with a view to circulation, no assignable limits can be found.

[002_203]

7. Profit in respect of *Exchequer Bills*. During this third period, in comparison with the second, the rate of profit will receive an encrease. For the money wanted for occasional purposes during the 2^d^ period, it will (as has been seen)[126] have been necessary to give a rate of interest one step higher, than that which, by the continual emission of Annuity Notes at that rate, to all customers, it was in the power of every body to make. But the first issue being *now* closed, it is no longer in the power of every body, or any body, to obtain Government Annuities at that rate: since, though the paper of the first issue will still be to be had of individuals, it will not be to be had but at an advanced price. The profit, by the saving of this advanced price, will be sufficient to engage customers, to take Exchequer Bills at the par price of the *closed* issue, to an amount adequate to any money that can be wanted on the footing of a temporary loan.

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[126] See p. 000 above.

NOTE TO TYPESETTER: Please begin new page.

[002_204] [31 Aug. 1800]

CHAP. VIII.

FINANCIAL ADVANTAGES—*Period IV*

NOTE TO TYPESETTERS: Please present the following paragraph in slightly larger font, and note the fraction Note the fraction 1/6 (one-sixth).

IV. Period IV. From the opening of the 3^{d} Issue at 1½ per Cent nearly (viz: £1. 9$^{s.}$ 6^{d} per Cent) to the redemption of the last portion of paper of that issue, whereupon follows immediately the opening of the 4th issue at £1. 3$^{s.}$ 8^{d}½ per Cent, being a trifle more than $1^{1}/_{6}$ per Cent.

NOTE TO TYPESETTERS: Please present the following table without grid lines. Please align the figures in the second column vertically.

	£	s.	d.
Rate of the closed issue during this period	2.	7.	5
Rate of the open issue . . .	1.	9.	6
Difference, constituting the profit of the operation .		17.	11

[002_205]

The Annual amount of this head of profit *for* this 4th period, at 17^{s} 11^{d} per £100 of capital, is, for each million of capital remaining in the hands of individuals, i:e: for each £30,000 of interest at the original rate of 3 per Cent . £8,958. 6. 8

Profit by reductions of interest *up to* this period inclusive is, per Million of principal of 3 per Cents, and for £30,000 a year of interest, as follows:

NOTE TO TYPESETTER: Please present the following title without grid lines. Please align the figures in the second column vertically.

Period II. Profit by reduction of £3 per Cents to £2. 19^{s} per Cents	500. 00. 0
Period III. D^{o} by d^{o} of £2. 19^{s} per Cent to £2. 7^{s} 5^{d} per Cents	5,791. 13. 4
Period IV D^{o} by d^{o} of £2: 7^{s}. 5^{d} per Cents to £1. 9^{s} 6^{d} per Cents	8,958. 6. 8
	£15,259. 0. 0

Profits by *Notes lost*, and *by expence of management saved*, will continue, as before, with little change in regard to the rate, but, in respect of the total amount, reduced in course as the quantity of the Annuities in question is reduced.

So, in regard to profit *by interest undemanded*, and profit *by Notes in hand*.

[002_206]

Profit in respect of *Exchequer Bills*, will, at this period, if not before, be so far fixed, as that the rate of interest upon these temporary loans will never be higher, and more likely lower, than that of the closed issue. For although the reduced rate of the open issue should not be accepted of by the expelled Annuitants of the closed issue, nor even by any more of the customers for Note paper with a view to circulation, yet, for the reasons given with reference to Period 3^{d}, the premium given for the paper of the closed issue will, notwithstanding, be considerable: the more so as the drop, viz: 17$^{s.}$ 11$^{d.}$, from the rate given by the closed issue (the 2^{d} issue) to the rate given by the third issue, being the issue that remains open till the very close of this fourth period, is so great:—2^{d} issue £2. 7. 5; 3^{d} issue £1. 9. 6; difference, 17^{s} 11^{d}: more by 6$^{s.}$ 4^{d} than the drop from the first issue to the second. Between the two amounts in question, a profit sufficient to draw purchasers for Exchequer Bills can not but find room to place itself: and the interest on Exchequer Bills during this period may be expected to be considerably less than £2. 7$^{s.}$ 5$^{d.}$

NOTE TO TYPESETTER: Please begin new page.

[002_207]

CHAP. IX.

FINANCIAL ADVANTAGES—*Concluding Period*

The precise number of reductions which the rate of interest upon this paper might be destined to experience, is what it would be too much to attempt to fix. But a picture of the last moments of the expiring debt, at whatever stage the reduction of interest may then be arrived, may be not without its use.

It will present the profit by *interest undemanded* in an enlarged and interesting point of view: strike off in effect the last 10, or 20 or 30 Millions of the debt: and strike off perhaps the value of a year or two or more from the duration of that load.

[002_208] [16 September 1800]

After the exoneration thus effected in the course of the fourth period by the reduction of the rate of interest to the £1. 9$^{s.}$ 6$^{d.}$, which is the rate given by the paper of the third issue—is it or is it not likely that the reduction of interest should have descended any lower before the redemption of the last portion of the principal of the debt?

The reduction of the rate of interest on the money that had been thus lent to Government, will stop short of this mark, or stop at it, or go beyond it, according to the influence which the rate thus allowed by government turns out to exercise over the rate of interest in general. That the influence which the Government rate of interest has, in its rising state, maintained over the general rate of interest, has been considerable, is matter of known experience: though the operation of the restrictive laws, which stop the rise at the point of 5 per cent, even on the slenderest security,[127] has rendered the amount of this influence scarce capable of being measured. The influence of the rate of interest paid on the debt can not but encrease with the magnitude of the debt, to which the magnitude of the mass of capital poured into the market (as will be seen), by the redemption of that debt, will be proportioned.

[002_209]

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

The effect of 436 millions thus poured in, can not but be double (it should seem) to that of 218 millions, at least if poured in within the same compass of time. The influence of the capital poured in by the redemption of the National debt, at the time the reduction of the interest on that debt is going on, will (it is true) not depend solely on the quantum of capital thus poured in, but also on the magnitude of the general mass of national capital into which it flows. But the general mass of national capital is also, of itself, in a rapid state of encrease: and to such a degree on the encrease, as to be of itself in a way to effect a reduction in the rate of interest in general, without any aid from this or any other factitious source. Accordingly, the factitious cause of reduction—the factitiously accumulated capital which is thus poured in by government, so far from finding any obstruction in the magnitude and *vis inertiæ* of the mass into which it flows, finds a powerful assistance in the operation of that mass, acting, as it is already, in a direction tending to the same end.

If, then, while the two forces—the *natural* and the *factitious*—are thus acting in the same direction, the influence of the factitious should be strong enough to bring the other to the same pace, things will continue on in the same state as already depicted in the account of the fourth period:—paper of a *closed* issue, in a quantity which can not be encreased—paper of an *open* issue, in a quantity which will be continually and rapidly on the encrease, till, by the produce of it, the paper of the closed issue has been paid off; when a *fresh* issue will be opened, at a still lower rate, and the *now open* issue *closed*: and so on—always paper of two issues, at two rates of interest, till the last applied portion of redemption money comes, and sweeps them both out of the market at once.

[002_210]

If, then, the reduction of the rate of interest goes on to the *last* year of the debt without stopping, the state of the paper, during that last year, in respect of its being divided into paper of two issues, (viz. a closed issue and an open one) will be the same, at that supposed last period of the existence of this paper, and of the redeemable part of the National Debt, as is exhibited in speaking of the advantages belonging to the 4th Period of its existence:—the paper swept off by the last mass of redemption money will be paper of two different issues.

On the other hand, if the emission and consequent reduction have stopped any where, there will, at that last stage, be but one rate of interest paid by government on the redeemable part of the debt: the Annuity Note paper remaining at the time will be, all of it,

of the same issue, viz: the then *closed* issue: there being at that time another issue *opened*, but no paper of that *proffered* issue in existence,[128] because nobody will purchase any at that price.
[002_211]

For illustration sake, let the last issue which meets with customers be the abovementioned 3^{d} issue: the issue at £1. 9^{s} 6^{d} with which the opening of which the 4^{th} Period commences. Let 30 millions at this time be the amount of the whole remainder of the Debt: of which let 10 millions be the amount of the paper of the 2^{d} issue, now closed, bearing interest at £2. 7^{s} 5^{d} per Cent, and let the other 20 millions be paper of the third or open issue, bearing interest at £1. 9^{s} 6^{d} per Cent: and let the 10 millions at £2. 7^{s} 5^{d} per Cent be, all of it, in the hands of persons who keep it *in* hand as a source of permanent income, while the 20 millions at £1. 9^{s} 6^{d} is, all of it, in a state of circulation more or less rapid, being all of it in hands that *took it out* or received it in that view.

The Sinking Funds, taken all together—the Sinking Funds present and future—being now in a condition (suppose) to pay off 10 millions in the course of a year, let such payment be made accordingly. This extinction, falling of course upon these ten millions, strikes off the whole of the hoarded paper, and leaves only that part which, being in circulation, constitutes so much of the circulating capital of the Country. Upon the redemption of the last parcel of these ten millions, the opening of the 4^{th} issue follows of course, by Article 22.[129] If any purchasers presented themselves at [002_212] the rate of this fourth issue (£1. 3^{s} 8^{d}½ per Cent) the reduction of the rate of interest would go on. But, by the supposition, no such purchaser *does* present himself. The persons who had been keeping their capitals in the shape of Annuity Note paper of the 2^{d} issue at £2. 7^{s} 5^{d}, are, by the redemption of the remaining paper of that issue, put to their option—either to cease letting their capital lie in that sort of security, or to accept of £1. 3^{s} 8½^{d} per Cent. By the supposition, they all reject the paper bearing this new and lowest rate: they will not meddle with it, not even for a time, and with a view of putting it into circulation, by employing it in the ways in which they determine to employ the capital thus thrown upon their hands. It is still taken, and that to the amount of 20 Millions, by the customers for temporary income in the course of, and with a view to, circulation: but by this 20 millions, the demand, on the

[128] Bentham has marked the next four words for deletion, which would destroy the sense.

[129] See p. 000 above. [To 1800, pp. 36–37]

part of that class of customers, (it may be supposed) is satisfied.

[002_213]

When the *two* masses of paper, that had till now been in the market, are thus reduced to *one*, that one will, all of it, be in the hands of Note-holders who take it with a view to circulation. For whatever rate of interest is accepted on the footing of permanent income, there will be always persons in abundance, to whom it will be worth while to accept of the next [highest][130] rate, with a view to circulation. If, by the growth of National opulence, a rate, so low as £2. 7$^{s.}$ 5^{d} appears now, is raised to such a pitch of relative value, as to be worth acceptance in the character of a source of permanent income, the *next* [highest][131] rate, though so low as £1. 9$^{s.}$ 6$^{d.}$, will be raised along with it in the scale of importance, and will become not less worth acceptance, in the character of a source of such temporary profit, as could not, with equal security and convenience, be made by any other means. And if the £1. 9$^{s.}$ 6^{d} comes itself to be thought worth acceptance in the character of a permanent provision and sole dependance, the next [highest][132] rate, though now reduced to £1. 3$^{s.}$ 8$^{d.}$½, will no more be regarded with contempt, in the character of a source of temporary profit, than the £1. 9$^{s.}$ 6^{d} was before. If, then, the demand for Annuity Note paper should stop altogether, at any period prior to that of the compleat extinction of the Debt, it is with the customers for *permanent* income that it will stop, and not with the customers for *temporary income*, with a view to circulation. [002_214] Compared with cash, the interest afforded by the Annuity Note paper to those who take it, or keep it, with a view to circulation, will, be it ever so small, be so much *profit*. Compared with the preceding higher rate of interest, the reduced rate afforded by the Annuity Note paper, to those who, if they take it, will, to the extent of their respective capitals so invested, have nothing else to depend upon for their respective incomes, will, by the amount of the difference, present itself as so much loss.

[002_215]

Under these circumstances, though, for illustration sake, the supposition has been that the fresh issue would at some period remain open without customers, it seems not easy

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[130] MS ‘lowest’.

[131] MS ‘lowest’.

[132] MS ‘lowest’.

to abide by it. At the time the Sinking Fund came with its ten millions, and swept off all the paper of the 2^{d} issue—all the paper, that was in the hands of the customers for permanent income—the demand on the part of the customers for temporary income, with a view to circulation, had got no further than the remaining 20 million. But, under the accumulation of wealth inseparable from the state of things thus supposed, it is scarce possible that the demand, from that class of customers, should, for any length of time, be altogether at a stand. If, in a twelvemonth, but a single £100 worth were wanted by any person, for a few weeks or months, more than could be met with, without giving such a premium as would make it dearer than the paper of the open issue, he would betake himself to the open issue.

[002_216]

Even in the case of the last groupe of now-expelled Note-Holders, by whom this paper had been held as a source of permanent income, the supposition of their rejecting the paper of the fresh issue *altogether*, appears scarcely tenable. They would still, to a certain degree, be customers for Annuity Note paper, though with different views: *before* their expulsion, for the purpose of *permanent* income: *after* that expulsion, for the purpose of *temporary* income, till a better income, or better prospects, could be obtained from some other source. True it is, that by paper out of their hands they made £2. 7$^{s.}$ [5$^{d.}$][133] a year: while, by the paper of the fresh issue they would make not half the money: £1. 3$^{s.}$ 8^{d}½.[134] But £1. 3$^{s.}$ 8^{d}½, which they might begin making from the very instant of their expulsion, would be £1. 3$^{s.}$ 8^{d}½ better than nothing; which is what the interest of a considerable part of their 10 millions of capital would be reduced to, for a time more or less considerable, if it rejected this accommodation. And, though no more than a single £100 of the expelled 10 millions were to betake itself to this employment, though it were but for a day, from thence would be to be dated the birth of the paper of the fourth issue.

[002_217]

If, however, at the period in question, there remains no paper but of one issue, it is, all of it, (as we have seen) in the hands of the customers for temporary income with a view to circulation, who would, generally speaking, betake themselves to the *circulation* for the interest of it, upon which the *demand* for interest at the *Offices*, would nearly cease. But the

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[133] MS ‘6^{d}’

[134] £1 3s. 8½d. is exactly half of £2 7s. 5d.

same cessation *might* also take place, although there were to be paper of *two* issues: and *would* take place, if the paper of both issues were to be in the hands of the customers for temporary income with a view to circulation. Nor is this any more than what might well enough take place, since the paper of the closed issue would bear a premium, corresponding to the superior rate of interest it afforded:[a] and it would be seen by Government to be the case, if the interest upon the paper of the closed issue were seen to remain undemanded.

[a] The premium is a necessary condition to the co-existence of two papers of the same denominative value bearing different masses of interest: a man would never give £100 or the value for a mass of paper called £100, and yielding £1. 3$^{s.}$ 8^{d}½ a year interest, if for the same price he could get a mass of paper, which though called but £100, yielded £1. 9$^{s.}$ 6^{d} a year interest.

[002_218]

In this state of things, many millions of government paper still in circulation, and little or no interest demanded on it, there seems nothing to be gained and something to be lost by carrying the redemption any farther. As to so much interest as continues to be undemanded, the Debt *ceases* to be a burthen; the taxes, from which the redemption money would be to come, *are* a burthen: and the paper taken out of the circulation by the redemption would be so much taken from the mass of circulating capital: as much so, as if gold to that amount, after having been received by government on the score of taxes, were to be thrown into the sea.[135] A defalcation made to any such amount as the supposed 20 million, in the course of two years, might by its suddenness be productive of inconveniences such as it would not be easy to estimate:[b] similar, in a word, to those, which have been attributed to the diminution in the quantity of Bank of England paper in circulation.[136]

[b] See further {Ch. |^| National Capital.}[137]

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[135] An echo of Mark 9: 42; Luke 17: 2.

[136] [Annotation to be finalized]

[137] Bentham did not, in fact, pursue this question in Ch. XI. He perhaps had in mind a passage in the corresponding chapter of ‘Circulating Annuities’: see pp. 000–000 n. above. [To UC i. 206–9, ‘Circulating Annuities’, Ch. |^|. Addition to Wealth]

[002_219]

Were the redemption thus to cease, it might be of use to declare, at the time that such cessation were declared, that from thenceforward, as often as a Note were sent in for payment of interest, interest and principal should be paid together:[c] as is the practice at present in the case of Exchequer Bills; and at the same time to declare a respite of the redemption for a certain time.

[c] [002_221] By this restriction, the amount of the premium might perhaps be made less than it would have been otherwise: but that would, comparatively, be of little moment.

The advantages would be—

1. The continuation of the source of profit in question (profit by interest undemanded) would be more steady and assured. For, in proportion to the length of respite declared, the paper thus respited would come to bear a premium in circulation: the amount of which premium, though *limited* by the rate of interest yielded by the open issue (resorted or not resorted to), would not be prevented by it from taking place. This premium a man would lose, by sending in his paper to be paid off at par: *in general*, then, paper will not be sent in for that purpose, nor consequently any interest be paid by Government.

2. No payment would thence forward be made upon the proposed paper but that a payment to a far greater amount would go in redemption of principal: whereas, without such regulation, no part of the money paid would take that profitable course.

[002_220]

The undemanded interest (it might be thought) might in this way come to accumulate to such a mass, as might be productive of inconvenience, if, by a sudden turn of affairs, it were to become a matter of advantage to the whole body of annuitants to claim payment of it at once. But, on a second glance, the inconvenience would be seen to vanish altogether. Supposing, as before, the amount of the paper 20 millions; rate of interest 1. 9$^{s.}$ 6^{d}: the whole amount of a year’s interest would thus be short of £300,000. Being *simple* interest, not *compound*, the whole amount of it in 20 years would be short of 6 millions, supposing the whole of it to remain undemanded and the principal undiminished all that time. No issue (it has been seen)[138] can carry more than its own interest: because, as the open issue fills, the paper of the close[d] issue is paid off, interest and principal together. *Respite* is indeed proposed: but the term of respite need not be so *long*, as to preclude government from providing such a course of redemption, as should ward off any inconvenience that might ensue from a too sudden diminution of this part of the currency, and at the same time prevent the interest from swelling to any such amount as to become formidable. At the worst, at such a period, interest so low, money so abundant, £6,000,000 would be but a trifle to raise by an immediate and temporary loan, as now by Exchequer Bills.

NOTE TO TYPESETTER: Please begin new page.

[138] See p. 000 above. [To 1800, pp. 26–38, Arts. 19–23]

[002_222] [21[?] [.^.^.?] 1800]

CHAP. X.

FINANCIAL ADVANTAGES—*War Loans*

By so many per Cent as the market price of Old Annuities is raised by any cause, by so many per cent (it is well known) is the price of New Annuities raised to those who give money for them to Government, (i:e: the terms of the loan bettered) by that same cause: because, since as between Old and New the value is just the same, it would be in vain for any man or set of men to insist upon any considerably greater price in annuities for their money, (allowance made for depretiation by encrease of quantity, and for Dealer's profit) than people in general are disposed to take for theirs.

[002_223] [23 September 1800]

Whatever takes *Stock* out of the market without taking out or keeping back the equivalent in *money*, adds in proportion to the price of Stocks. The proposed measure takes Stock out of the market without either taking out or keeping back money: it therefore adds in proportion to the price of Stocks.

True it is, that even previously to the absorption of Stock Annuities, which it takes out of the market, it has created other Annuities to a considerable part of the amount. But of the money thus received for the New Annuities, there is not any part that could have gone to market for Old Annuities: because, while Stocks are under par, no money that can be employ'd with advantage in the purchase of Stock, can be employ'd otherwise than to a manifest disadvantage, in the purchase of the inferior rate of interest afforded by the proposed Note Annuities.

[002_224] [26 September 1800]

Any melioration thus produced in the price of Stocks, and thence in the terms of the Loan of any given year, will operate—(it should be remembered) not only on the Loan of that year, but on all succeeding Loans during the existence of the existing Debt: since, whatever additions the debt may come to experience in the course of any number of succeeding Years, it will always be the less by the amount of all the defalcations that have been ever made from it.[a]

[a] This, though so evidently true as to appear little better than nugatory, will be apt enough to be overlooked, or even appear disputable: for, such will naturally enough be the case, if, after rising the first year of the application of the given cause of elevation, Stocks should, in consequence of fresh causes of depression, experience a fall the next or any other succeeding year.

[002_225] [22 September 1800]

Were it not for the operation of the *Sinking Fund*, the profit on this account would be so much *clear*: but, inasmuch as, to the extent of the Stock purchased in the year by that Fund, Government loses exactly as much as it gains on the Stock sold in that same year in and by the Loan, the amount of the *loss* by the *purchase* will be always to be deducted, from that of the *profit* by the *sale*:[b]

NOTE TO TYPESETTERS: Please present the following table without the gridlines; align the numbers in the second column horizontally with the final line of text in each cell in the first column; align the numbers in the second column vertically with each other; and underline £4,649,870 and 437,659 to indicate that the following numbers are the results of subtraction. Provide dots as necessary where the text in the first column falls significantly short of extending to the right hand margin of its cell.

[b]

Money raised by Loan of 1800,[a] contracted for 22[d] Feb[y] 1800.[b]	£20,500,000
Deduct income of the Sinking Funds on the 24[th] March 1800, exclusive of the dividends on the Stock put in the hands of the Commissioners by the Sale of the Land Tax[c]	£4,649,870
Remains amount of money on which the profit by melioration of the terms of the loan takes place .	15,850,130
Deduct year's dividend on the Stock purchased by Sale of Land Tax, as above . .	437,659[d]

[a] 39 & 40 G. 3. c. 22, dated 10th March 1800.[139]

[b] *Times* 22 Feb. 1800.[140]

[c] Common's Finance Accounts 1800 N° VI dated 24 March 1800.[141]

[d] Mr Rose's *Brief Examination*, p. 77. 6th edit. [1799].[142]

To this account, some corrections might be made, by observations relative to *dates*: but the benefit would not be worth the trouble.

[002_226] [22 September 1800]

To calculate the probable amount of profit on this score, for one, two, or more years, would require two sets of *data*:—viz. 1. Amounts of the several other *causes* of *elevation*, together with those of *depression*, in each year:[143] 2. Amount of *Annuity Note paper sold* in each year. The former would scarce yield to calculation: the latter bids defiance to it altogether.

[001_002]

A glimmering light being better than total darkness—giving up the *amount* of profit, the following is an imperfect sketch of what might have been the *rate* of profit on this score from the proposed measure, as compared with the rate of profit on the same score from an actually adopted measure of similar tendency—viz: the sale of the Land Tax for Stock.

NOTE TO TYPESETTERS: Please present the following line of text centred and in larger type than standard text.

I. Calculation of the Rate of Profit by Sale of Land Tax for Stock

1. Between the 1st of May 1799 and the 4th of Decr 1799,	

[139] i.e. the National Debt Act of 1800.

[140] See p. 000 & n. above. [To note to i. 396v ,'Circulating Annuities', Ch.,I]

[141] See 'Accounts presented to the House of Commons respecting the Public Funded Debt of Great Britain,' in *Commons Sessional Papers of the Eighteenth Century*, cxxix. 281.

[142] MS '1800'.

[143] In the text, Bentham has inserted a note-marker at this point, but no corresponding note has been identified, and no such note appears at this point in the corresponding marginal contents sheet at UC iii. 57.

£437,659 a year of the Land Tax,[c] had been sold—say, for round numbers	£450,000
2. With that purchase money of this sale there had been bought in (3 per Cent Consols and Reduced) Stock Annuities to the amount of £16,046,727—say, for round numbers[d]	£16,000,000
3. At the time the expectation of this measure began to act, viz: in April 1798,[e] Stocks were as low as	48[144]
4. Price at the conclusion of the treaty for the Loan—say[f]	64
5. Rise accordingly produced by this cause among others, but say by this cause alone.[g]	16 per Cent
6. This rise being produced by £16,000,000 of Stock taken out of the market, is, for each for each million so taken out	one per Cent
7. By this rise of 16 per Cent in the price of Stock, the terms of the next War Loan, and all other succeeding War Loans, were made better to Government by 16 per Cent—upon the sum borrowed by each Loan.	
8. By the then[?] next Loan the amount of the money borrowed was	£20,500,000
9. Sixteen per Cent saved upon that sum makes profit by bettering the terms of the loan . .	£3,280,000[h]
10. Forty-eight per Cent being the lowest price given for any part of the above 16,000,000 of Stock, and 64 the highest, the average of the price given for it was 56 per Cent.	
11. Total price given for the £16,000,000 at 56 per Cent was therefore	£8,960,000

Note to typesetter: Please note the fractions ¼ and ⅓ in footnote [k.]

[c] Rose, p. 77. 6th edit. [1799].[145]

[d] [001_005] In this £16,046,727 Stock, is included £3,320,727 only contracted for and not actually bought in, on the said 4th Decr 1799. But, about the 23d of Feby 1800, being the time when the terms of the then next loan were settled, I, therefore, for the sake of round numbers, and to save[?] discussions, suppose the whole of the £3,320,727 to have been bought in by that time: and, considering the great rise that had already taken place, and the prospect of further rise, and how strong the motive thence presented for accelerating the purchases, the supposition seems not an unreasonable one. For a little more than ¼ of the former quantity, it allows more than ⅓ of the former time.

[e] [001_005] The date of the Act (38 G. 3. c. 60) is 21 June 1798.[146]

[f] [001_005] In fact, not more than 61: but the difference between that and the assumed 64, may, it should seem, be set down to the account (i:e: the *prospect* of the loan) of the loan itself. That, on the part of the Contractors, the expect[at]ion was, that the price would be soon above 64, notwithstanding any depression produced by the loan, is plain from their consenting to have their Stock valued to them at so high a price as between 63 and 64.[a] This they would not have done, unless they had been persuaded of its rising beyond 64 within a few months: accordingly, so early as the 9th April (about 6 weeks after the conclusion of the treaty) Consols had risen to ½ per Cent above that price.[147]

[a] [001_005] £63: 13s: 10d½:

Consols. 110

[144] See ‘Prices of Stock for the Year 1798’, in ‘Appendix to the Chronicle’, *Annual Register*, vol. xl. (1798), 121–208, at 199, where the price of 3% consolidated stock in April 1798 varied between a low of 48 and a high of 49⅞.

[145] MS ‘1800’.

[146] i.e. the Land Tax Perpetuation Act of 1798: see p. 000 n. above. [To note to UC iii. 81 ‘Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time’]

[147] See, for instance, *The Times*, 9 April 1800, p. 3.

Reduced 47

157. Compared with the Act 39 & 40 G. 3, c. 22, § 1. 157: £100: : £100: £63_13^{s}_10^{d}½.

[g] [001_006] Notwithstanding the concurrence of other causes of elevation, it may perhaps be not altogether unreasonable, to attribute, to the influence of this single cause, a rise to the assumed amount of 16 per Cent.

The money brought into the market by the purchase of this £16,000,000 was (it is true) but .	£8,960,000
On the other hand, the money, brought into market by the other great cause of elevation, viz: the raising a till-then-unprecedented portion of the supplies within the year, at first by the tripling of the assessed taxes, and afterwards by the tax on income, reckoning it at £6,000,000 a year, makes for the 22 months between 23 of April 1798 (the day on which the expectation of the Sale of the Land Tax is assumed, as before, to have begun to operate) and the 23d of Feb^{y} 1800 (the day of settling the terms of the Loan), the money (I say) thus brought into the market by that other cause of elevation, will be . . .	£11,000,000
But, in that interval, a fresh cause of *depression* had accrued:—viz: the Loan of 1799—to the amount of	£18,500,000

If, then, we suppose the *factitious elevative force* of the above £11,000,000 to have been employ’d and expended, in conjunction with the *natural elevative force* (I mean the encrease of national capital poured into the Stock market by the encreasing prosperity of country), in counteracting *and* ballancing the influence of the above *fresh* and *factitious* cause of *depression*, the whole of the *rise* may not unaptly be ascribed to the £8,960,000 in money poured into the market, (and £16,000,000 Stock in consequence taken out of it) by the Sale of the Land Tax for Stock.

[h] [001_007] Deduct loss by rise of price to the Year’s produce of the Sinking Fund (say £4,500,000) £720,000: remains neat profit by the measure 16 per Cent upon the remaining 16 million = £2,560,000.

The satisfaction afforded is of the purest kind, when, in recommendation of a measure of promised utility, the opportunity presents itself, of comparing it—not with measures on which it becomes necessary on that account to fix a mark of disapprobation, but with measures of experienced and acknowledged excellence.

NOTE TO TYPESETTERS: Please present the following three lines of text centred and in larger type than standard text.

[001_003]

II. Hypothetical Profit on the same score by Sale of an equal quantity of Note Annuities in the same circumstances, and consequent purchase of Stock.

1. At 2:19 per Cent, £442,500 a year—say in round numbers (as before) at 3 per Cent, £450,000 a year Note Annuities would have produced in money . . .	£15,000,000
2. With this £15,000,000, Stocks being as before at 56,[i] the amount of Stock bought and taken out of the market would have been £26,178,000, say in round numbers . .	£26,000,000[j]
3. Twenty-six per Cent upon £20,500,000, as before, makes profit in respect of the terms of the loan . .	£5,300,000

[i] [001_008] [28 September 1800] The average being 56, as above, for the time in the course of which the price was raised from 48 to 64, by a quantity taken out of the market to the amount of £16,000,000, by money to the amount of £8,960,000, it is evident that when money to the amount of the remaining £6,040,000 came to be poured into the market, the price would receive a *further* rise; beyond the above mark of 64; the average price would be raised above the supposed price of 56;—and consequently the quantity of Stock, taken out by the £6,040,000 in money, could not be so great as the supposed £11,000,000, by a considerable amount. But as the correction of the excess would require more time and space than might be worth bestowing, it may be sufficient thus to confess and indicate the existence of the error, without scrutinizing the amount.

[j] [001_009] [28 September 1800] The difference between this £26,000 000 (the

amount of Stock or Old Annuities taken into the hands of Government) and the £15,000,000 (the amount of Annuity Notes or New Annuities created for the raising of the £15,000,000 wherewith the £26,000,000 is thus taken in) may serve to exemplify the profit intitled *Profit on Sale*: the first in the abovementioned list of Financial advantages stated as resulting from the measure. See Ch. V.[148]

The interest on the above £16,046,727, the amount of Stock made over to Government by the purchasers of portions of Land Tax, was £481,425; that is to say more, by £43,766, than the amount of the Land Tax by the Sale of which this quantity of Stock was obtained. This £43,766 a year constitutes the *direct* profit taken in the transaction by Government, over and above the indirect profit which was the principal object of the measure; and corresponds to the profit entituled *Profit on Sale* in the case of the Note Annuities. That was 10 per Cent: profit, on the same score, by Annuity Note paper sold, would have been about 57 per Cent.

This being rather too much, and it being natural enough that the supposition of £15,000,000 worth of this paper issued should appear excessive, let us substitute, to the above quantity of Land Tax and Annuity-Note paper sold, a fifteenth part of each, and the result will be as follows:

[001_004] [28 September 1800]

Please present the following line of text centred and in larger type than standard text. Also please not the fractions $^{1}/_{15}$ (one fifteenth) and ⅛ (one-eighth) in the following table, which should be presented without the grid lines, and align the numbers in the second column horizontally with the final line of text in each cell in the first column; align the numbers in the second column vertically with each other; and provide dots as necessary where the text in the first column falls significantly short of extending to the right hand margin of its cell.

[III.][149] Profit by Sale of Land Tax for Stock

1. Stock bought in by £30,000 a year of the Land Tax (£16,000,000

[148] Bentham does not appear to have drafted this Chapter for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. For the corresponding marginal contents see p. 000 below. [To UC iii. 52, this file] For the corresponding discussion in ‘Circulating Annuities’ see pp. 000–000 above, at p. 000. [To UC ii. 160–81, at 160, ‘Circulating Annuities’, Ch. VI, § I]

[149] MS ‘I.’.

÷ 15) . . .	£1,066,666
2. Rise thereby produced 1 per Cent and $^{1}/_{15}$, a fraction which must be thrown out, being less than ⅛ (the least variation noticed in the Stock market): say therefore . .	1 per Cent
3. One per Cent on the amount of the Loan (£20,500,000) as before makes profit, in respect of the terms of the Loan, by Sale of Land Tax	£205,000[k]
[k] [001_009] Deduct loss, by rise of price, to the Sinking Fund, as before, at 2 per Cent	£45,000
Remains neat profit . .	£160,000

[001_003]

NOTE TO TYPESETTERS: Please present the following two lines of text centred and in larger type than standard text.

[IV.][150] Profit (on this score) by Sale of Note Annuities and consequent purchase of Stock.

1. £30,000 a year in Note Annuities at £100 for every £2.19[s] produces, in money, £1,016,666: say in round numbers	£1,000,000
2. Stock bought in with the £1,000,000 at 48, £2,083,333: say in round numbers . . .	£2,000,000
3. Rise thereby produced . .	2 per Cent
4. Two per Cent on the amount of the Loan (viz £20,500,000, as before) makes profit by Annuity Note paper, in respect of the terms of the Loan . . .	£410,000[l]
[l] [001_009] Deduct loss, by rise of price, to the Sinking Fund, as before, to the same amount of 2 per Cent	£90,000

[150] MS ‘II.’

Remains neat profit . .	£320,000

[001_004]

Profit by Sale of Land Tax . . . [£205,000][151]

Superiority [of profit by Sale of Note Annuities] . . £205,000

In this low state of the Stocks the profit on this score, by sale of the Annuity Note paper would thus have been double the profit on the same score by sale of the Land Tax. The reason is—that the Annuity Note sells these New Annuities at the *high* price at which the nature of the case (as we have seen) admitts of its being sold: while the Old Annuities, bought in with the money so raised, are bought in at the *low* price of the *time*: whereas in the case of the Land Tax, the correspondent portion, of the annual produce of that tax, could not be sold but at nearly the same low price, at which the Stock was to be bought.

NOTE TO TYPESETTER: Please begin new page.

[151] MS '£410,000'.

[002_227]

CHAP. XI.

ADVANTAGE BY ADDITION TO NATIONAL CAPITAL

Among the advantages promised by the proposed measure, may be reckoned the addition it promises to make to the mass of national productive capital, and thence to the mass of national wealth: viz. by the acceleration it will give to the operation of the existing Funds, in respect of the redemption of the National Debt.

[002_228]

That an addition to the mass of national capital—an addition to the value of £100 once paid—is the result of every £100 paid in discharge of the National Debt—is a proposition which, though hitherto it seems to have engaged but little, if any, attention, will be assented to, almost as soon as mentioned. That the putting of money into men's hands on this occasion in lieu of the income they are obliged to part with has no tendency to encrease the ratio of the amount of money expended in the way of *prodigality*, to that of the money expended and employ'd in the way of *thrift*, is evident enough. But if, in employing the money put into his hands in lieu of a source of income of which he is deprived, a man employs it otherwise than in the view of making it productive of a mass of income to equal amount, he employs it in the way of prodigality: and, if he employs it in the view of making it productive of income, it must be, either by expending it *himself* in the production or improvement of such articles as constitute a mass of *capital*, to the amount of such expenditure, or by lending it, directly or ultimately, to somebody else, by whom it will be applied to that same purpose.[152]

[002_229] [11 September 1800]

If the Money, thus put into the hands of the expelled Annuitant, in lieu of his Annuity, were taken from the mass employed in the shape of *Capital*, there would be neither loss nor gain by the operation, on the score of addition to the mass of National Wealth.[a] But the Money thus employed by the existing Sinking Fund, is *not* taken from any such mass. It is the produce of *Taxes*: of taxes levied on income, either directly or through the medium of expenditure; and is taken out of that fund, the whole of which (after a small deduction on account of savings) would otherwise have been expended within the year, in

[152] The following paragraph is mostly in the hand of a copyist, with Bentham's emendations.

the way of *current expenditure*: that is, in the purchase partly of unproductive labour, such as that of Servants, Coach and Saddle Horses, Players, Musicians, and the like, partly in the purchase of articles consumed mostly within the year, or some other such short period of time, without having produced any equivalent encrease.

[002_230]

[a] This supposition is actually realized in the case of money employ'd in the redemption or purchase of portions of the Land tax, and laid out in the purchase of masses of Stock Annuities on Government account, to be added to the Sinking Funds. The money for a purchase of that sort can not be supposed (unless here and there by accident) to be saved out of the income of the year and defalcated from what would otherwise have been the unproductive expenditure of the year, unless in the case where, without any such call, a sum to the same amount would have been saved up, and employ'd or lent out, in the shape of *capital*. It is, therefore, so much *taken from* the mass of National Capital. On the other hand, when handed on to the Stockholders of whom the Stock is bought, and in payment for their Stock, it is *then* so much *added to* the mass of National capital; being so much which would not have taken that course, had it not been for the measure. It therefore leaves the amount of National capital where it found it.

[002_231]

Of the money thus put, in the shape of capital, into the hands of the public creditors, on the redemption of their respective portions of the public debt, that part which is received by *British subjects*, will, *in general*, be employ'd in adding to the mass of Capital contained within the limits of the British empire:—on the other hand, that part which is received by *foreigners*, will as naturally be employ'd in adding to the mass of capital contained within the dominion of the states to which they respectively belong:—in adding to the quantity of *foreign*, not of *British* capital.

Deducting, then, from the whole amount of the money payable on the redemption of the redeemable but unredeemed portion of the funded debt, (£463,723,534)[b] that part of it which is in the hands of foreigners, say, upon an allowance supposed to be excessive, (the odd £63,723,534), the remainder (£400,000,000) is the sum that, in the year in which the last portion of the Debt comes to be redeemed, will have been added to the mass of national capital from this source, independently of any effect produced by the proposed measure.

NOTE TO TYPESETTER: Please present the following table without the grid lines, and align the numbers in the second column horizontally with the final line of text in each cell in the first column; align the numbers in the second column vertically with each other; and provide dots as necessary where the text in the first column falls significantly short of extending to the right hand margin of its cell. Please also note that several figures in the right hand column and one figure in the middle column where the left hand column splits into two cells, have been underlined to indicate that the numbers immediately beneath them are the result of addition or subtraction.

[b] Remaining unextinguished of the redeemable debt, due from Great Britain to the Holders of Stock in the British Funds (after deduction of £12,133,375 *extinguished* before 5 Jan^{y} 1800 by the Sale of the Land Tax) as per House of Commons Accounts N^{o} VI. p. 8. 24 Mar. 1800.[153]	£451,699,919[154]
Deduct redeemed and transferred to the Commissioners as per d^{o} Account to 1st Feb. 1800	£44,733,294
	£406,966,625
Add Capital created by the Loan of 1800, as per Stat. 10 March 1800, 39 & 40 G. 3. c. 22 (Money raised £20,500,000)—Capital created .	£32,185,000
	£439,151,625
Add capital that will come to be added to the 3 per Cents, upon the reduction of the £20,250,000 Loyalty Loan 5 per Cents to 3 per Cents, as per Ch. VI. p. |^^^|[155] . .	£5,062,500

[153] i.e. 'Accounts presented to the House of Commons respecting the Public Funded Debt of Great Britain,' in *Commons Sessional Papers of the Eighteenth Century*, cxxix. 280.

[154] This figure is a slip, since 463,723,524 − 12,133,375 = 451,590,149.

[155] See p. 000 above.

		£444,214,125
Add borrowed for, and due from, Ireland, but payable, as above, to British Stockholders as per d^o Accounts . . .		£12,175,000
		£456,389,125
Add borrowed for, and due from, the Emperor of Germany, but payable, as above, to British Stockholders— Capital created	7,502,633	
Deduct Redeemed and transferred to the Commissioners, up to 1st Feb. 1800 as per d^o Accounts	168,224	
Remains unredeemed . .		£7,334,409
Total of the money requisite to be paid in London for the redemption of Stock Annuities .		£463,723,534

[002_233]

Whatever amount of profit the proposed measure may be attended with, this profit being also applied, in aid of the other Sinking Funds, to the redemption of the debt, will act in acceleration of that effect. It will, therefore, be productive of a distinguishable addition to the mass of national capital, in proportion to the acceleration thus produced by it. In a rough way, the amount of this addition may be stated as equal to the interest, at compound interest, at the rate at which the National capital is accumulating, upon the above £400,000,000, for the term of years struck off by the acceleration.[c]

[c] This calculation would require great corrections: but these, requiring more room than would be thought worth bestowing, are omitted with the less scruple, in as much as the result of the would be altogether in favour of the measure:—As it would

operate in addition to the rate of profit here assumed.

Taking 5 per Cent *compound interest* for the rate at which the National capital accumulated, and no more than 5 years for the amount of the acceleration, the amount of the addition to the mass of National capital on this score would be £110,572,624.[d]

[002_234]

[d] The rate of accumulation, indicated by the amount of the Exports from Great Britain, for the 14 Years ending in 1798, agrees, to a wonderful degree of exactness, with the assumed 5 per Cent. At that rate, in 14 Years, £1,000,000 nearly doubles itself: it becomes £1,979,931.[a] According to the Table of British Exports given by M[r] Secretary Rose,[b] (Old valuation) Amount in 1785, £16,086,000: amount in 1798, £33,800,000:—a little more than double. The rate of accumulation in a branch of productive industry, favoured as this may be supposed by the war, may accordingly be supposed greater than in other branches. This, however, seems open to dispute: but what will scarcely be deemed open to dispute is—that in time of peace, when an annual defalcation by war-loans to the amount of upwards of 22 millions, upon an average (over and above what has been restored to capital by the operation of the Sinking Funds), is at an end, the accumulation can not but go on with much greater rapidity, than in a period of the same number of years divided in equal proportion between war and peace.

[a] Smart's Tables p. 53.[156]

[b] Rose's *Examination*, Appendix Nº 1.[157]

[002_235]

From this, in any accurate course of computation, would come to be substracted that proportion of the national income, which, had it not been taken by taxes, and thence, in the shape of redemption-money added to capital, as it were by force, would have been saved up, and, without changing hands, have thus gone to capital of its own accord.—At random, say, for instance, an eighth. Hence would be required two deductions—

[156] Bentham had in mind John Smart, *Tables of Interest, Discount, Annuities, &c.*, first published in 1724. See p. 000 n. above. [To note to UC i. 61]

[157] See Rose, *Brief Examination*, unpaginated Appendix No. 1.

NOTE TO TYPESETTERS: Please present the following two tables without the grid-lines; align the figures in the second column vertically with each other; and underline 50,000,000 to indicate that the figure below it is the result of a subtraction.

From the amount of the *restitution*[e] to capital, by redemption of the Debt, independently of the proposed measure—viz. the	£400,000,000
Deduct one eighth, viz: . . .	£50,000,000
Remains	£350,000,000

From the amount of the profit from the proposed measure on the score of addition to National Capital by acceleration of the redemption, as before, viz: . . .	£110,512,624
Deduct one eighth: . . .	£13,814,078
Remains neat profit . . .	96,698,546

[e] [002_236] I say *restitution*: for, as the amount is *added to* productive capital upon the redemption of the Debt, so was it *taken from* productive capital on the creation of the Debt.

The capital created (it may here occur) is always more than the money borrowed; and, therefore, deducting from the capital created, the amount of the money borrowed, the difference will be—not *restitution*, but neat *addition*: so that, supposing £100 million borrowed in 3 per Cents at 50, and paid off at par, i:e: by payment of £200 million, the restitution would be effected by one of the hundred millions, and the other would be so much neat addition, made to the mass of National Capital, by the war.

If this statement were correct and full, it would follow that in point of productive capital, and thence in point of wealth, as far as mere disbursement and receipt were concerned, the nation would be a gainer to this vast amount, instead of being a loser, by the war: and if the account were taken, of profit and loss on other scores, viz: loss by destruction and *captures suffered* on the one hand—profit by insurance-money and *captures made* on the other, the result would (I have reason to think) be still more favourable.

But, besides that, upon the redemption plan now pursued, a considerable part of the Debt will be redeemed—not at par, but for a considerably inferior price—the money, added to productive capital by *redemption*, is added at periods of time much *later* than those at which the money was defalcated by war [002_237] expenditure: so that, upon the whole, account being taken of money raised—average proportionable amount of capital created, average price paid for capital redeemed, periods of redemption, and quantity redeemed at each period, in the case of the present war, it would be all *restitution* without any clear addition, nor would the restitution be compleat. This, however, depends altogether upon the proportions as between the above several quantities: insomuch that a case *might* be put—(and that, how far soever from being a *desirable*, by no means an *impossible* or even very *improbable* one) in which, in point of *ultimate wealth* (were that alone considered) a Nation might, under the *Sinking Fund* plan—and even with some ill success and no good success, be a gainer by war.

I need scarce observe—and yet—(rather than appear subject, for a moment, or to any eye, to the imputation of broaching paradoxes, and those of the most pernicious kind) I *will* observe—that money to A is no compensation for loss of money, life or limbs to B—that the acquisition, if made, is made by no other means than that of the most cruel pinching, for a period greater than the average of human life—and that if the money wrung from *pleasurable* expenditure had been added, the whole of it, in the first instance to productive capital, instead of being consumed in *misery-making* expenditure, the addition to productive capital and wealth would have been so much the more abundant.

[002_238]

Be this as it *may*, the calculation would be a very curious and instructive one: and, at any rate, at the *conclusion* of the war, so many of the above *elements* will have been *given*, that it might easily be ascertained by what degree of acceleration, practicable or impracticable, the profit to national wealth by *redemption* of debt and *restitution* to capital, would be exactly equal to loss to d° by *borrowing* and war-expenditure.

A practical advantage, derivable from such a calculation, and the views which suggested it, as above, is—the helping to reconcile the public in general, and in some degree the parties affected, to the loss that must inevitably ensue to many descriptions of persons, by the influx, or rather reflux, of capital, which will be seen to pour in from this redemption of the Debt: I mean principally the fall in the rate of the interest of money, and thence the defalcation from all incomes flowing from that source. Such (it is true) will be their suffering—from the redemption—from the Sinking Fund—from the war with its Debt:—but such *would* have been *their* suffering, and still greater, had there been neither borrowing nor redeeming, and had the country been reposing all the while in a state of uninterrupted peace.

[002_239]

To the amount of the addition thus promised to the mass of national capital, in respect of *fixed* capital, and such other parts of the mass, as are of are of an *intrinsically productive* nature, it may naturally enough [be] expected that I should add the augmentation promised in the shape of *circulating* capital—viz. to that branch of it which consists of money.

That in certain circumstances an augmentation of this sort would be among the natural consequences, and even, unless prevented by special care, among the necessary consequences, of the measure, is a proposition the truth of which will, I imagine, appear with sufficient evidence: but, so far from taking credit for any such result, in the account of advantages, probity requires that I should give warning of it as a source of *danger*. To point out the means of obviating this danger, will be the business of an ensuing Chapter.[f]

[f] Ch. [XIV].[158]

NOTE TO TYPESETTER: Please begin new page.

[158] MS 'XVI'. See pp. 000–000 below. [UC ii. 271–83, this file]

[002_240]

CHAP. XII.

Advantage by addition to COMMERCIAL SECURITY.

Another advantage expected, from the proposed paper, is—the addition it promises to make to commercial *security*—the support it holds out to commercial solvency. It presents itself, not only as being itself exempt from those shocks to which the ordinary species of paper money are essentially exposed, but as affording to the community a remedy, and that of the preventive kind, against the disorders to which it stands at present exposed, by the constitutional weaknesses of those other papers.

[002_241] [3 October 1800]

For a property thus valuable it is indebted to two features belonging to it and altogether peculiar to it.—One is—the making no addition by its quantity to the quantity of cash engaged for.—It is by this that it is itself preserved from that brittleness which is of the essence of those other papers. The other is—the faculty of being employ'd in either of two capacities at pleasure:—1. as a permanent source of income—like so much Stock—so long as it is kept in the same hand:—2. as a circulating medium, a species of money, as often as it is passed on from one hand to another. It is by this latter feature that it is enabled to fill up whatever gaps may come to be made in the quantity of money in circulation by a deficiency in the quantity of these other papers.

[002_242] [3 October 1800]

That, in point of *security*, commercial wealth is liable to suffer from an excess in the comparative quantity of paper money[159] is a truth but too often felt and sufficiently understood. That in point of *quantity*, it is liable to suffer a kind of negative loss from a deficiency in the quantity of paper money is a truth rather understood than felt, but equally out of doubt: because, inasmuch as every fresh £100 worth of paper money is so much added to the mass of circulating capital, to the amount of the value at which it passes,[a] the National Capital is of course so much the less, for every accession of this kind which it *might have* received, consistently with commercial security, and fails to receive.—That, by a deficiency in the quantity of paper-money, commercial wealth is liable to suffer—not in point of *quantity* only, but even in point of *security*, is a sort of *discovery* in political

[159] MS del. 'relative to the quantity habitually in circulation'.

economy, seemingly of very recent date.[b] Till the pressure upon the Bank of England in 1797, it seems to have been generally understood, that, in the article of paper money, *deficiency* was the *safe* side: but on that occasion it became apparent, that, in regard to paper money of the kind in use, there is *no safe side*.

[a] See Ch. XI.[160]

[b] The source to which I am indebted for it, is the evidence of Mr Henry Thornton, as printed in the several unpublished Reports of the Committees of Lords and Commons on the Affairs of the Bank, in March and April 1797, and reprinted in Mr Allardyce's published *Address to the Bank Proprietors* in the same Year.[161] In the form of a Note, the substance of that evidence would form a valuable addition to the future editions of Adam Smith.

[002_243] [3 October 1800]

While there is Stock to sell, and in such abundance, how (it may be asked) *can commercial wealth be liable to suffer in point of security, by a defalcation (which can never be a very large one)*[162] from the quantity *of paper money?—when, by selling Stock, a man who has either Stock enough or credit to borrow Stock enough, may at any time raise as much money as he pleases. He will be a loser (it is true) by the interest of the Stock sold out, from the time when sold to the time when replaced, and so far wealth suffers in point of* QUANTITY: *but there ends the damage:* SECURITY *remains entire*.—Raise money? yes, doubtless;—so a man may:—but on what terms?—on the terms of taking the precise[?] amount from some one else:—the deficiency is shifted only, not lessened. Stock may be

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[160] See pp. 000–000 above. [To UC ii. 227–39, this file]

[161] For the extracts of Thornton's evidence to the Committee see Allardyce, *Address to the Proprietors of the Bank of England*, discretely paginated Appendix, pp. 52–6. See also p. 000 above, where Bentham referred to the 'discovery' without supplying the elucidation. [To 'Introduction', 1800, p. 6].

[162] Bentham cancelled the following note which was drafted for inclusion at this point: 'So much as is added to money on such an occasion by Annuity Notes put into circulation, so much (it is true) is taken from the mass of annuities kept in hand for the purpose of permanent income, on the footing of Stock. But by this defalcation no deficiency is produced in any article on which commercial wealth depends for its security. What is engaged for, when commercial debts are contracted, is—not annuities, but ready money: not future money in an indefinitely lasting series of payments: but a sum equivalent to such a series, and payable at once. Note Annuities yielded income while kept in hand: but so they do, to equal amount, in favour of as many as choose to receive it, while circulating as currency.'

sold for money; and in that *figurative* sense it may be *converted* into money: but in the literal sense it can not be converted into money: and it is in the literal sense that an article must be capable of being converted into money, to answer the purpose in question here. Stock convertible into money?—Yes, in the same figurative sense in which land, and houses and goods are convertible into money—and no other.—Annuity Note paper is convertible into money (paper money) in the literal sense. Stock is one thing: paper money (the sort at present in use) is another: Annuity Note money, and that alone, is both in one. It has two natures: and is, at all times, either the one thing or the other, whichever is most wanted.[c]

[c] [002_244] It is a fact no less curious than true, that by a mere *collateral* circumstance, such as the *mode* of transfer appointed, and the nature of the *evidence* required in *proof of title*, the nature of a species of property *in itself* the same in both cases, should undergo so material a change.—Without a degree of expence, destructive of a part or the whole, or even more than the whole, of the value, *Stock*, as we have seen,[163] can not be broken down into masses corresponding to those small and diversified portions into which money is, and must be, divided: nor can it, at any expence, be either bought or sold, on any occasion, without loss of time, and the obligation of personal attendance at one certain place, the same for the whole island, wheresoever the residence of the parties happens to be in each instance. It can not be carried about by a man in his pocket and so, like so much cash, distributed among any number of hands, at the very instant the occasion for each disbursement comes. Annuity Note paper, like cash and Bank of England paper but still more divisible, is already broken down into a multitude of portions still more various and commensurate to all purposes: and, like cash, is to be had at all times and in all places.

I have a weekly Bill of £1.12[s] to pay to my Baker. The £1 of it which should have come to me in Bank paper has, in consequence of the million of supposed deficiency of that paper, failed me. Can I say to him, *Come to the Bank, and I will transfer to you £1.12[s] worth of Stock*? His answer would be—*True—£1. 12[s] is the worth of the Stock you will give me today, but what will it be tomorrow? I have my batch of bread to mind every day, my journeymen to overlook[?], and my customers to wait upon: Can I find time (do you think) to go with you to the Bank to-day to receive your Stock, another day to receive the interest, and another day to sell the principal?—and what*

[163] See p. 000–000 n. above. [To 1800, pp. 47–8, this file]

will the principal amount to when Brokerage is paid out of it?—No: it would be cheaper to me to give up the debt, than to obtain payment for it on such terms.

[002_245]

How different would be the case, if, instead of Stock I had my £1. 12^{s} worth of Government Annuities in the shape of an Annuity Note! *Here* (I should say) *is your money. £1. 12^{s} is what I have just been giving for it: pass it today, any body will take it of you at the same sum. Keep it but till tomorrow sennight, any body will allow you an additional farthing for it, and so on, a farthing for every eight days, for as many times eight days as you may think fit to keep it*.

[002_246]

The defalcation made from commercial security, by the defalcation of a given mass of *money* (*cash* or *paper* makes to this purpose no difference) would, upon examination, be found greater than might have been supposed. The amount of the annual receipts of the Country on the score of income and capital taken together may (without any error capable of affecting the argument) be stated as not much over or under three times the amount of the money of the country, cash and paper taken together.[d] Call, then, the quantity of Bank of England paper *habitually* issued and kept in circulation, £10 millions: and of that habitual £10 millions suppose, at a *particular* time, one million cancelled or kept back: for instance by a defalcation to that amount from the usual discounts. Here, then, is produced already, by the defalcation of this single million from the quantity of money in circulation, a defalcation to the amount of 3 millions from the mass of money that should have been received in the course of the year: and this without any allowance made for the proportion of the money of both sorts (cash and paper) that will always be hoarded and kept out of circulation in the shape of *capital waiting for employment*, or the *cash* that must always be kept up in the same way, as a *fund of reserve* for answering the engagements, contracted by that part of the currency which is in *paper*.

NOTE TO TYPESETTERS: Please present the table within the following note without grid lines; align the figures in the second column with the final line of text in each entry in the first column; vertically align the figures in the second column; and underline 3,000,000 to show that the figure beneath it is the result of an addition. Please add braces as shown in hard copy, p. 000.

[002_248]

[d] Total of National income according to Dr Beeke (the official estimate not including income from labour, and therefore not being applicable to *this* purpose) .	£217,000,000[164]
Quantity of National metallic money, Gold, Silver and Copper together (Gold alone being, according to Mr Secretary Rose, near £44 millions)[165] say .	45,000,000
Bank paper, before the pressure of 1797, and the consequent extension by £2 and £1 Notes, as per Accounts published, on an average about .	10,000,000
Country Bankers circulating paper, by loose estimate (see below) [166]	12,000,000
Common Bills of exchange by random conjecture for the purpose	3,000,000 70,000,000
Addition by £2 and £1 Notes—say	£3,000,000

Quere as to the addition made to the amount of Bank and Banker's paper by allowance of smaller notes, considering the effect, if any of the late tax imposed on that species of paper?[167]

Are Exchequer Bills to be considered as entering into the composition of the mass of paper money? They perform that function, at any rate, in the neighbourhood of the '*Change*, with not much more difficulty than Bank Notes of the same magnitude: the intervention of Broker's assistance, and Broker's fee being, though convenient in some instances, not necessary in all.—In this point of view, the recent addition to the quantity of this species of paper, in consequence of the additional sums raised within the year, by the trebling of the assessed taxes and since by the Income Tax,[168] may

[164] See Beeke, *Observations on the Produce of the Income Tax*, p. 136.

[165] See Rose, *Brief Examination*, p. 76.

[166] Bentham probably had in mind the discussion in Ch. XIII. Particular Interests concerned: see p. 000 below. [To UC 264, this file]

[167] See p. 000 n. above. [To note to UC iii. 58, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

[168] The Triple Assessment Act of 1798 (38 Geo. III, c. 16) gave those who had previously paid assessed taxes on expenditure on luxuries the option between making an annual payment of from three to five times the amount of their most recent annual liability, and making a declaration of annual income signed by two

help to account for the great plenitude that has so rapidly succeeded to the preceding scarcity.

[002_249] The particulars afforded by the printed documents are—*numbers* of Banking Houses at four different periods, 400 the highest[169]—*comparative quantities* of paper issued by a certain portion (16) of that number at different periods[170]—and *absolute quantities* of paper issued at these periods by a lesser number of Houses (6), all of them in a particular town (Bristol)[171]—the quantities of paper issued in a particular County Devonshire,[172] and the quantities of paper issued by a single Bank in another County, viz: one of the Newcastle Banks, at the two first of the above periods, viz: at the first £120,000; at the second, upon the extinction of a rival Bank, [£]200,000.[173] Of these documents taken together the result is comprised in the

witnesses, which would be taxed at rates rising from 2d. in the pound (0.833%) on declared incomes of between £60 and £65, to 2s. in the pound(10%) on declared incomes of £200 and above. Those declaring annual incomes of under £60 were exempted from the tax. The disappointing yield of the Triple Assessment led Pitt to introduce the income tax, for which see p. 000 n. above. [To note to UC i. 469, Appendix A]

[169] According to George Chalmers, there were 'more than four hundred country banks in England' before the financial crisis of 1793: see the 'Dedication', 'to James Currie, *of Liverpool*, M.D.F.R.S. &c.', in Chalmers, *An Estimate of the comparative strength of Great-Britain, during the present and four preceding reigns; and of the Losses of her Trade from every war since the revolution*, London, 1794 (first published 1782), pp. i–cxxx, at liii, lxvii. Bentham explicitly cited his source in the following chapter, p. 000 n. below. [To UC ii. 268, this file]

[170] Bentham' source for this and the following three quantities was the evidence given to the House of Commons Committee on the Outstanding Demands of the Bank of England on 1 April 1797 by Henry Thornton: see 'Third Report from the Committee of Secrecy', 21 April 1797, in *Commons Sessional Papers of the Eighteenth Century*, cv. 95–345*, at 241–2. Thornton was asked for information on 'the comparative amount of the quantity of Country Bank Notes before and since the commercial difficulties in 1793', and in fact detailed several intervening periods, the first being 1792, and the last being the period since the suspension of cash payments on 26 February 1797. He provided figures for Bristol, Devon and for a single bank in Newcastle, before listing a further eleven places from where he had received similar information, noting that paper money was hardly in use in Manchester, and providing information from bankers in Carlisle, though without mentioning quantities of notes.

[171] See ibid. Thornton reported that in 1792 the quantity of notes payable on demand issued by the six banks amounted to £360,000, which had fallen to £220,000 in the second half of 1797, and £130,000 since the suspension of cash payments.

[172] See ibid. Thornton reported that in Devonshire the quantity of Bankers' notes payable on demand had been £120,000 in 1792, £60,000 in the second half of 1797, and £20,000 since the suspension of cash payments.

[173] See ibid. Thornton in fact reported that the quantity of notes payable on demand circulated by the bank in question had been from £160,000 to £180,000 in 1792, had increased some time after 1793 to £200,000, in

following Table.[174]

As to the main point—that which to the present purpose is the main object of enquiry—viz: the total absolute quantity of paper in issue at the several *periods* from all these Houses taken together, the light afforded is faint to an extreme. In looking for the quantity per House, £60,000 a year—the quantity afforded by a place standing so high in the [scale of] commercial eminence and population as Bristol—a place second in both these respects only to the Metropolis—seems too high for the whole of England taken together, [002_250r] including so many comparatively petty Towns and even Villages—even for the period of greatest abundance:—and yet at a period of inferior abundance we find £200,000 the quantity issued by a single House in a town of inferior rank—Newcastle! How small may be the quantity in issue in the instance in which it is smallest, it seems impossible to say:—no more than a few thousands, possibly,—or even hundreds:—in that case a few such instances as Newcastle, and many there can hardly be—would go but a small way towards making up the deficiency of the Houses of the smaller and more numerous classes to such a degree as to give any such average as the Bristol complement of £60,000, upon the whole.

Meantime, in this account no other paper (it is to be observed) is comprized, than what is called *Cash* paper: paper payable on demand. Of the paper bearing other conditions—for instance payable so many days after sight (of which, according to private information, examples are not wanting), the amount remains in total darkness. Quere concerning paper carrying interest, but the interest not commencing till a certain number of months (six months in the instance of certain Newcastle Banks)[175] after date?—Is this comprized or not, under the denomination of cash paper?

[002_246]

Call the amount of money kept up on both these accounts in the shape of capital one fourth of the whole, then will a defalcation as above from the mass of money by a defalcation to that amount from the quantity of Bank paper issued and kept out, produce, instead of the above supposed defalcation of *three* millions, a defalcation of *four* millions, from the mass of money receipts.

Suppose again that, by reason of the alarm, excited by this defalcation from Bank

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consequence of another house ‘leaving off business’, had fallen to £110,000 before the suspension of cash payments, and had fallen to £80,000 thereafter.

[174] No such table has been identified

[175] See p. 000 & n. above. [To UC ii. 545 & n., ‘Circulating Annuities’, Ch. IV]

paper, and whatever was the cause of such defalcation, another million (cash and paper together) is hoarded up and kept out of circulation, out of the portion which otherwise would have continued in the circulation: on this supposition, the defalcation from the mass of the Year's money receipts swells from the *four* millions above spoken of, to *eight* millions.

[002_247]

But it is on the quantity of money ready to be transferred to those to whom it is *due*, or by whom it is otherwise *expected*, whether out of the portion which is kept in general circulation in *small* masses and which serves as a vehicle for *income*, or out of the portion kept up in *large* masses, in the shape of *capital*, that the body of commercial men, in their capacity of *debtors*, depend for their ability to fulfill the aggregate mass of their engagements. If, then, the influx of money in the course of the year into commercial hands be thus diminished by the amount of eight millions, on the score of income and capital taken together, eight millions or some such large sum, will be the amount of engagements *broken*, in the course of that year, by reason of the defalcation of a single million's worth of Bank paper, (unless in as far as the deficiency may have been made up from other sources): and to this amount will the commercial wealth of the country have suffered—not only in point of *quantity*, but in point of *security*.

I speak of *security* in contradistinction to *quantity*: i:e: to actual wealth to a *liquidated* amount: for, if, to the above liquidated loss, be added the loss by failure following upon failure, in consequence of the shock given to *security*, the ultimate loss may rise, above the supposed eight millions, to an indefinite amount.

[002_251]

The want of a circulating medium as such, that deficiency, of which so much was said in 1797,[176] is not felt now, but it may recurr at any time. By the united wisdom of all parties interested, it received a cure at the time from a number of concurrent measures, all

[176] See, for instance, Thornton's evidence given to the House of Lords Committee on the Outstanding Demands of the Bank of England on 30 March 1797, when he reported that he considered the evidence of rising premiums on securities easily convertible into Bank notes as proof 'that the Bank-notes in circulation have not borne a due proportion to the wants of the public'; and that 'the increased transactions of commerce in the metropolis must have required an increase of the Bank-notes issued': see Allardyce, *Address to the Proprietors of the Bank of England*, discretely paginated Appendix, pp. 52–6, at 54.

of them perfectly well adapted to the production of the effect. From true wisdom it received, for the time, a perfect cure:[e] but, by any other means than the sort of remedy here proposed, to prevent the evil from recurring again and again, at any time, is not within the reach of the most perfect wisdom, and prevention is still better than the most perfect cure.[177] To be liable at any time to become the instrument of mischief, and that in either of two opposite ways, by being in too great quantity, or in too little, is of the essence of all such promissory paper: for its not being in *too small* a quantity it depends upon the wisdom and even humour of a few individuals:[178] for its not being in *too great* quantity it depends not only upon the wisdom and humour of individuals, but upon contingencies of the day, and the humours and prejudices of the uninformed, and ill-informed, and hasty and impetuous multitude: upon the former, as to their not exceeding in their issues the amount warranted by the rules of prudence: upon the latter, as to the not frustrating and setting at default all the rules of prudence, by crowding in to demand for their paper, without need, such a quantity of cash as is not in existence.

[e] [002_252] 1. On the part of the *Bank*, the extension given to the quantity of this paper—not in Notes of the then usual magnitudes, but in Notes of the reduced magnitudes—the £2 and £1 Notes: whereby the market was enlarged to such an extent, as, if given to it at an earlier period, would, it seems probable, have prevented the exigency.[179]

2. On the part of *Government*, the suspending to a certain degree the action of the restrictive laws by which individuals had been prevented from issuing notes below a

[177] Bentham deleted a note-marker at this point and also marked the following corresponding note at UC ii. 253 for deletion: 'To a theoretical glance it might be apt to appear, that the lesser quantity of money might serve to convey the same quantity of annual receipts as the greater, if, in proportion to the deficiency in the *quantity of matter*, the *velocity* of the circulation were to be encreased.—But, upon examination, I do not imagine it would be found by what means the velocity would be capable of receiving any adequate encrease. The natural effect of those pressures to which such encrease would be a relief, is—not to *accelerate* the circulation, but to *retard* it.'

[178] i.e. the Bankers.

[179] According 'An Amount of the Amount of Bank of England Notes in Circulation .^.^. in the Years 1797, 1798, 1799 and 1800', in *Commons Sessional Papers of the Eighteenth Century*, cxxx. 585, in the final quarter of 1797 £1 and £2 Bank of England notes to the value £1,237,000 were in circulation, as opposed to notes of £5 and over to an amount of £10,411,700. In the final quarter of 1800, the respective amounts were £2,062,300 and £13,388,670.

certain magnitude.[180]

3. On the part of the *commercial Body*, by their agreement to accept of Bank of England paper, without demanding cash for it.[181]

4. To the force of these *factitious* remedies, was added that of the *natural* remedy, the return of hoarded money of both kinds into the circulation, upon the cessation of the alarm.

As no man can keep any unnecessary quantity of money by him for any length of time but to a loss, would not this natural remedy, together with the preceding one, have been sufficient?

That the exigency of the case would have admitted of the waiting for the operation of these two last-mentioned remedies, is more than I will undertake to say. But that, if it would, the application of the two first might have been omitted with great advantage on another score, is an opinion that will, I imagine, be acceded to by whoever recognizes the mischief pointed out as flowing from every addition to the quantity of money, metallic or paper, in Ch. XIV on the *Rise of Prices*.[182]

The sort of promise given by Bank and Banker's paper, is that sort of promise, the fulfillment of which, taken in the aggregate, is physically and constantly impossible:—the promise, given by the proposed Annuity Note paper, is that sort of promise the fulfillment of which, whether taken in the aggregate or in parcels, has never yet been found to fail:—which possesses all the certainty that is to be found any where in human affairs:—and which becomes less and less liable to fail, the greater the quantity of money of which it conveys the promise.

[002_254]

Were the proposed paper the *only* paper money, national wealth would not be liable to suffer either in point of *quantity* or in point of *security*, either from *excess* or from *deficiency* in the quantity of paper money, in any degree: since, even without the exercise of human reason on the part of any body (except on the part of each Note-holder in so far as his own particular interest—and that the interest of the moment—were concerned) it would adjust itself, as it were, of itself, as to what concerns the demand for circulating money, to the exact quantum of the demand; it would be *Stock* one moment and *cash* the

180 See p. 000 & n. above. [To UC xvii. 107 & n., 'On the Stock Note Plan']

181 See p. 000 n. above. [To note to UC ii. 497, Appendix A]

182 See pp. 000–000 below. [To UC ii. 271–83, this file]

next, whichever were most wanted.

In the other case, were it but one ingredient, amongst others, in the composition of the currency of the country, it would, as far as it went, and to the extent of the quantity kept in hand principally with a view to income,[f] act as an occasional supplement to other paper money, and as a remedy of the preventive kind to whatever inconveniences might otherwise have arisen from a *deficiency* of that article.

[f] It, therefore, would not begin to act in this capacity till after Period I: but from thenceforward the quantity would be more than adequate to the purpose here in question, in a prodigious degree.

Against an *excess* in the quantity of other paper money, its operation would not be quite so efficient or so manifest. But, by presenting to every eye a species of paper money, unsusceptible either of excess or depretiation, it would, at once and at all times, take the pretence of necessity from the rashness that might otherwise be disposed to hazard an excessive issue: and it would render the public in general the less disposed to accept in an excessive quantity a paper essentially hazardous, seeing that a paper—essentially exempt from hazard—was at their command to any amount at any time.

NOTE TO TYPESETTER: Please begin new page.

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CHAP. XIII.

PARTICULAR INTERESTS concerned.

Of the four distinguishable effects looked for by the proposed measure, that which will probably be regarded as the principal, is the degree of acceleration and assurance promised by it to the redemption of the National Debt. To the accomplishment of so desirable an object, in a way consistent with existing engagements, no damage accruing to particular interests has ever been considered as opposing any bar that ought to be regarded as unsurmountable. That a reduction, say from 4 to 3 per Cent, is a tax, and that a perpetual one, to the amount of 25 per Cent upon the income of a particular class of men, is a proposition too obvious to be overlooked. Yet the design of effecting a reduction of the same cast, and that to an undefined amount, is a design rooted in the mind of the legislature, evidenced by the practice of preceding Parliaments[a] and by the express declarations of the last.[b]

> [a] In the compass of 33 years, viz: from 1717 to 1750, interest on divers parcels of the National Debt was reduced from 6 to 3 per Cent, Sinclair, II. 214.[183]
>
> [b] 32 G. 3. c. 55.[184]

[002_257] [9 October 1800]

The nation at large and the Stock holder are *Borrower* and *Lender*, *Debtor* and *Creditor*. When the money is to be raised, it is the Lender's harvest, and he takes advantage of the Borrower and his necessities to the utmost of his power. When debt comes to be paid-off, it is the Debtor's turn, and it is neither unnatural nor unjust, nor illaudable, nor ought it to be unexpected, that he by his agents should take the like advantage. The Stock-holder of the *paying-off* season is not (it is true) in every instance the same individual as the Stock-holder of the *borrowing* season. He is, however, either the very same, or one who with his eyes open, and for valuable consideration, has put himself in the other's place:

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[183] i.e. Sinclair, *History of the Public Revenue*, ii. 214.

[184] i.e. the National Debt Reduction Act of 1792, § 4, which prescribed that the repayment of all future loans would be provided for by the yearly transfer to the Commissioners for the reduction of the National Debt of one per cent of the estimated outstanding capital of the loan at the end of forty-five years.

succeeding to all his rights, it would be in vain to repine at the thoughts of having succeeded to any of his obligations. From a *creditor*, in some cases, and on the score of humanity, *mercy* may, with more or less reason, be expected:—but from a *Debtor* what *mercy* was ever looked for? the words ‘merciless’ and ‘*debtor*’ are words scarcely to be coupled with a grave face.

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Expressions, however, and the momentary effect they may have on the *imagination*, are not the proper standards of right and wrong in this case any more than in any other. *Human feelings*—and the effect of measures upon those feelings—*do* constitute that standard, in so far as they can be *ascertained*. A stockholder is as much a member of the community—as great a part of the community—as any other man. Such as his *expectations* have been, such will his feelings be, when the event takes place.—But what *have* been his expectations?—it is from his *situation*, and that only—from the terms of the contract by which his situation in that respect is constituted—that any judgment can be formed.

[002_259] [10 October 1800]

Thus stands it with regard to the public creditor—the Stock-holder, who, on the comparative return or encrease of general prosperity and opulence, has in former instances seen that part of his income reduced by one half, and who within a period already in prospect may be doomed by the like cause to a reduction to the like amount.

But in comparison of the interests of *this* vast branch of the community what can be the amount of all the *other* particular interests put together! and in comparison of the degree of sufferance in *this* case, how trifling will be the degree of sufferance in any of those *other* cases!

The destiny of the Stockholders is not hypothetical—it originates not in the proposed measure. It has been fixed and made known by the legislature, and built upon for years and years, by determinations several times repeated and brought to view, without a doubt from that or any other quarter on the head of perseverance. It is for want of means and not of determination that the redemption, with all its consequences, has not long ago been accomplished. In comparison of *such* interests, whatever lighter interests may be found to stand in the way, might therefore appear as scarcely worth a glance.—But though all *particular* interests put together will not prevail for the rejection of a measure beneficial, *in a superior degree*, to the *whole*, yet a view of the particular *ways* and *degrees* in which they may respectively come to be affected by it will not be without its use, were it only by way of warning of the probable *sources*, and *grounds* of *opposition*, and of the nature of the obstacles which may be to be combated in the course of the exertions necessary to bring the measure into effect.

[002_260] [2 September 1800]

During Period I, while no part of the mass of Government Annuities is taken, but on terms on which the holder is *desirous* to part with it, benefit to particular interests will run along with, and probably preponderate over, the damage. From the commencement of the period when the species of property in question is taken out of unwilling hands, the damage, as far as particular interests are concerned, will be apt to outweigh the benefit.

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The only interests that belong in strictness to the present enquiry, are those which are affected by the particular mode of operation employ'd by the proposed measure. The consideration of any such interests as would equally be affected, whatever other mode were employ'd, is foreign to the present case.

The particular interests on which it bears, are of course the several interests concerned in the species of paper money already in circulation.—The *parties* in question are, therefore—1. The Bank of England. 2. The Country Banking Houses. To which will be added (although not concerned in the emission of paper money, but on another account) 3. The Banking Houses of the Metropolis.

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I. If the paper of the Bank of England should be accepted in payment for Annuity Note paper issued by Government, at the Local Annuity Note Offices, on the footing of cash, as it is at present at the other existing Government Offices, the circulation of Bank Notes would not (it should seem) experience any diminution from the proposed measure. It might even receive assistance: since in virtue of the same properties by which Bank paper is rendered preferable to cash for all other purposes,[c] it will be rend[ered] no less so for this purpose. Should the public in general testify for Annuity Note paper the expected preference, as compared with cash, the Bank, by keeping that paper as the stock in reserve to answer calls for change for their own Notes, might keep so much the less cash, and derive £2. 19^{s} interest from a portion of their stock which at present yields them none. But the profit from the present state of things is simple and certain: the result of the proposed measure as touching its effect upon the affairs of the Company would appear wrapped in clouds. The Bank, according to their intelligent censor M[r] Allardyce,[d] have not been forward to step out of the beaten track, where the step has been ever so obvious, and encreased emolument ever so certain a [002_263] [2 September 1800] fruit of it: the probability, therefore, seems to be, that the plan of the proposed rival paper would not be viewed from that superb edifice but with a rival's eye.

[c] See Ch. IV.[185]

[d] *Address to the Proprietors of the Bank*, 1798.[186]

Should damage eventually accrue to the corporation, and should the case be regarded as calling for compensation, the profit would afford an ample fund, and the situation of the party damnified is such as would render it easy to receive compensation in a variety of shapes. But to put the public to any expence in rendering any such compensation would be a departure from former practice. When, by threats of forced redemption, Government has compelled the Bank to accept of a reduced rate of interest—has made a defalcation to the amount of 25 per Cent upon the greatest part of its income[e]—compensation has neither been granted by one party nor demanded by the other. To Government, whose own manufactory of paper money[f] is of no less standing than that of the Bank, it will be difficult to say why it should be forbidden to follow the example of the Bank, and cut out its paper into as many smaller sizes as it found convenient. To Government, which, for the benefit of the community at large, has made no scruple of restricting the dealings of other manufacturers of paper money,[187] it would be strange if, in the same view, it were not allowable to take its own course in the manufacture of its own paper—in the management of its own affairs.

[e] By the reduction of interest on Government Annuities from 4 to 3 per Cent in Mr

[185] See p. 000 above.

[186] See, for instance, Allardyce, *Address to the Proprietors of the Bank*, p. 144, discussing the 'evil consequences' of the suspension of payments: 'They will be forever felt. The good management of the Bank for another century or two will not wipe off the stigma which some prudence and forethought might have averted'. See also ibid, p. 149: 'The effect of doing two-thirds of what is wanted, compared to doing all that is wanted, is sometimes as doing nothing at all.'

[187] Bentham has in mind the statutory limitation of the minimum value of bank notes: see p. 000 & n. above. [To UC ii. 584 & n., 'Circulating Annuities', Ch. IV]

Pelham's time, A° 1749, 1750. 23. G. 2. c. 1 & 22[?][188]

[f] Exchequer Bills.[189]

[002_264] [6 September 1800]

But the *resource* (it may be asked)—*Shall Government deprive itself of such a resource?*—The answer is short and simple. The resource can not be taken away by the measure, till profits have been produced to a greater amount than the fee simple of it. Bank paper need not—no, would not begin to be withdrawn out of the circulation, till the paper of the Country Banks had been driven out of it altogether. Call both together £25 millions: the sum to which the pressure ascribed was not £12 millions: a sum equal to that seems not very likely to be again granted by one party, or asked for by the other. But the profit by £25 millions of Annuity Note paper sold, adding no more than the profit by the two first reductions—viz: that from £3 per Cents and that from 4 and 5 per Cents to £2: 19[s]: (not to mention the ulterior or minor profits) would be several times that amount.[190]

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It is only in time of war that the resource is of any value. The quantity of money in the country will not be lessened at any rate by the proposed measure: the great and only danger is—lest it be encreased too much. Upon any emergency, the same quantity of money would therefore be to be had, and always to be had, only through a *channel* perhaps different, and at a rate of interest, possibly, though not certainly, a little higher. At the worst, to set against gain of the twenty, thirty or forty millions, two or three times in the course of ten or twenty years, an extra expence to the amount of £50,000 or £100,000 might be incurred. Upon these occasions a quantity of money might come to be raised, upon Bills in the nature of Exchequer Bills, under powers previously and regularly obtained from Parliament, instead of being raised by Treasury Bills, without powers from Parliament.

The resource, such as it is, might or might not be reduced, but at the worst would be but reduced. Even now profit by paper issued is but a part of the profits of the Bank.

[188] See pp. 000 n. and 000–000 above, and pp. 000–000 below. [To UC ii. 458 & n. and 480–4, 'Circulating Annuities', Ch. I; and to BL Add. MS 31,235, fos. 27–30, this file]

[189] See p. 000 n. above. [To note to UC xvii. 83, 'On the Stock Note Plan']

[190] In the margin, Koe has noted 'But before this would have happened a profit would have been made by the sale of annuity note paper more than Equal to the usual[?] advances made by the Bank to Government.'

[002_266] [3 September 1800]

II. As to the Country Bankers, the effect of the measure upon their interests appears by no means clear. On the one hand, if the quantity of cash in the country is not lessened by the proposed Government paper, the demand for Banker's service in keeping that cash will not be lessened. Should the proposed Government paper come to be universally received in preference to cash, the supply of cash kept by these Banks for answering draughts may be made to assume that form, yielding £2. 19$^{s.}$ per cent while kept at home, while an equal amount in cash is sent abroad, in the way of discount, in exchange for Bills. On the other hand, the money which is now attracted to a Country Bank by the *nominal 3 per Cent*, or whatever interest it is that is paid for it at present, will no longer find its way thither, being turned aside by the *full £2. 19$^{s.}$* a year, with so many other advantages, that attend the proposed paper in comparison with the paper of Country Bankers.[191]

[002_267] [5 September 1800]

The loss,[192] if there be any, to which this species of trader[193] would be thus exposed, is at any rate among the slightest and least to be regretted of any to which man is exposed by the vicissitudes of trade. It is a mere cessation of gain, or rather of gain in this particular shape. A Banker's capital is all in Money: it is not with a Banker as with a Manufacturer: no loss by removal of Stock, or by forced sale, in the lump, and thereby to a disadvantage, to avoid the other greater loss. A Banker steps into his trade without trouble, and goes out of it without loss.

[002_268] [3 September 1800]

In Nov^{r} 1792, (according to M^{r} Chalmers) the number of Country Banks was upwards of 400;[g] before the month of March 1793, (according to the evidence given on the 1st of April 1797 to the Committee of Lords)[h] this had decreased to about 280: on that same 1st April 1797, according to the same evidence, they did not exceed 230. If, in consequence of the proposed measure, the numbers of these Banks should experience a further

[191] Bentham at one stage considered moving two paragraphs here from his discussion of the London Banks at p. 000 below, as the sources of profit identified in them applied equally to Country and London Bankers. [To UC ii. 269, this chapter]

[192] This paragraph is in the hand of a copyist, while Bentham's own cancelled draft of the paragraph is at UC ii. 266.

[193] i.e. the Country Banker.

reduction, or even be swept away altogether, the change is of a sort that threatens not to be either preceeded or followed by *Distress*. *Failure* can not be among the consequences. The Banks will have had ample warning time for getting in their Debts, and contracting their issues. Of the issue of the proposed paper the progress, from the very opening of it, will be known, day by day, the whole island over,[i] to a penny.—*Months* at any rate, not to speak of *years*, will have intervened, between the first authentic[?] mention of the measure, and the establishment of it.

[g] *Estimate &c.* Edition 1794. Dedication. pp. lii, lvii.[194]

[h] By Mr Ellison, Agent to Association of Country Banks. Lords' Report, p. 87.[195]

[i] By Art. 18. Ch. I.[196]

From withdrawing without failure—from withdrawing, should it take place in consequence of the advancement of the proposed Annuity Note paper—little damage would ensue to the few individuals particularly concerned, and none to any body else. From failure, as often as it happens, ruin ensues to the individuals concerned, and much mischief to the community at large. An entire substitution of the proposed government paper to the paper of Country Bankers would prevent the recurrence of this mischief and that ruin. It is no light matter. Out of 400 and odd Country Banks above spoken of, (according to an account taken by Mr Chalmers,) upwards of 'a full fourth', 100 failed.[j] Of more recent failures I say nothing, having nobody to quote.

[j] ib.[197]

By expulsion from this branch of trade, the whole body of the trade would thus be secured from failure. By the failure of a part, though it were but a tenth part, more distress would, at any time, be produced, reckoning that of the trade alone, than by the expulsion of the whole.

[002_269] [3 September 1800]

[194] See Chalmers, *Estimate of the comparative strength of Great-Britain*, liii, lxvii.

[195] The estimates of 280 country banks before the financial crisis of 1793, and 230 in 1797, appear in evidence given on 30 March 1797 by George Ellison, Secretary to the Association of Country Bankers, to the house of Commons and House of Lords Committees on the Outstanding Demands of the Bank of England: see p. 000 n. above. [To note to UC i. 500, Appendix B]

[196] See p. 000 above. [To UC ii. 383, 'Circulating Annuities', Ch. I]

III. For the Banking Houses of the Metropolis, there seems less cause of apprehension, than for the *Country Banks*. They have no paper for the government paper to annihilate. True it is, that, on the one hand, many persons who now keep their Money at a Banker's, because by keeping it themselves they could make no interest, would not indeed keep their *Annuity note paper* at the Banker's, if by keeping it there they could make no interest of it, while by keeping it at home they could make £2.19^{s} per Cent of it. But the inducement to keep money at the Banker's does not consist solely in the consideration of *safe-custody*, but in that and other advantages put together: in the saving in point of time and trouble in regard to the counting of money, and doubt and disputes about the goodness of money offered, together with the convenience of a man's having the account of his expenditure kept by other hands. For these remaining conveniences, some might be willing to waive their claims to the small and unusual[?] gain of 2^{d} per £100 per day upon expenditure: others, though unwilling to give up the whole, may be willing to give up some part of it; and in this way a man might keep his Annuity Note paper at his Banker's, as he does now his cash, but *upon terms*, and the profit by interest on the paper might thus come to be shared in some proportion between the *owner* of the paper and the *keeper* of it.[198] Capital sums, however, which now are, in so many instances, suffered through indolence and while waiting for a distant and undetermined employment to lie dead to the owner at a Banker's, would not be quite so apt to lie there, when, in the shape of Annuity Notes, they might be productive of interest to the owner without prejudice to such their destination, and without any encrease of trouble.[199]

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Here then we see two new sources of profit opened by the measure to the Banking Houses of the Metropolis—1. Profit by interest of Annuity Note paper kept in reserve, instead of cash, to answer draughts: and 2. Profit by Annuity Note paper kept for customers, *upon terms*. Suppose the quantity of cash in the Metropolis to be undiminished by the measure, the amount of the above profits will even be *neat*. *Will* it remain

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[197] See Chalmers, *Estimate of the comparative strength of Great-Britain*, p. lxvii.

[198] In the margin, Bentham has noted at this point, before striking through the note: 'This so much gain to Bankers and quantity of cash the same—But will it be the same'.

[199] Bentham at one stage considered moving the following two paragraphs to his discussion of Country Banks: see p. 000 n. above. [To note to UC ii. 266, this chapter]

undiminished? the affirmative seems highly probable. {See Ch. XIV.}[200]

Among the effects of the measure is one, that to a certain degree can not fail to encrease that quantity. The cash which now remains, and would otherwise have remained in the hands of the frugal poor, in unproductive hoards, being now poured into the hands of the Commissioners of Redemption through the medium of the Annuity Note Offices, in return for Annuity Note paper, will be restored to the circulation, and add to the quantity put into the hands of Bankers.

NOTE TO TYPESETTER: Please begin new page.

[200] Bentham in fact deleted the passage to which this reference corresponds, but it is included in an editorial note at p. 000 n. below. [To note to UC ii. 273, this file]

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CHAP. XIV.

RISE OF PRICES—*how to obviate*

I have already stated an extra-rise of prices as among the *conceivable* results of the proposed measure.[201] Taken by itself, it is evidently an *undesirable* one: it is a tax on income to the amount: a tax which comes out of every body's pocket, and goes in to nobody's. Being, with reference to the proposed measure, an *unfavourable* result, I may be received with the less difficulty, when stating it as a *probable* one. Supposing the *influx* of the proposed paper, not to be followed, or rather kept pace with, by an *efflux* of other money to an equal amount—and supposing it too *sudden* to be productive of an influx of vendible commodities, to an amount worth regarding in this view, within the assumed span of time, the result presents itself as a *demonstrable* one. For, the price of the whole mass of vendible articles taken together sold within the year, is, in other words, the same thing as the quantity of money given or undertaken for in exchange for them within that time: so that, the quantity of those articles remaining the same, the greater the quantity of the money is that has been given for them, the higher has been the price.

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It has already been observed, that it seems impossible to say with any precision, to how small or how great a length, the emission of the proposed paper may eventually be found to extend, previously to the arrival of Stock 3 per Cents at par.

That, at some part or other or that interval, a small quantity, at least, can, however, scarcely fail to find acceptance:—and that a small quantity, a very few millions, for example, issued previous to the conclusion of it, would be sufficient to operate the conversion indicated, and thereby give the form of the proposed paper to the whole of the then remaining mass of Annuities composing the National Debt—

That, although the quantity of that species of property will be continually and rapidly on the decrease, while the demand for it will be as continually and rapidly on the encrease, [002_273] [19 Oct 1800] it will nevertheless be difficult, if not impossible, to prescribe any

[201] See p. 000 above. [To 1800, pp. 6–7, this file]

determinate limit to that portion of it, which, in this way, may come to have introduced itself into the circulation, on the footing of current *money*. For the open issue will remain equally open to the customers for *temporary* income, (who, when they have kept it as long as they can afford, will throw it into the circulation) as to the customers for *permanent* income: and it seems impossible to say in what proportions, at any given time, the quantity of Annuity Note paper, remaining at that time, will find itself distributed between the two classes.

On these considerations, it will be matter of prudence, to be prepared for the several possible cases and degrees, in which it may happen to constitute a clear addition to the mass of money in circulation, to any such amount as to be in a sensible degree, productive of the apprehended inconvenience.[202]

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Of such preparation, the practical result will be—to take such measures as shall be effectual, for the prevention—not of the rise of prices, which is impossible—but of any addition to that degree of rise, or rate of encrease, which would have taken place, in the natural course of things, independently of the proposed measure.[203]

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[202] Bentham has marked for deletion, then cancelled, the following paragraph and corresponding note which appear at this point: '1. To put the *possible* case, of its constituting a clear addition, to the whole amount of it.—In such a case a very few millions (three, four or five, for example) would suffice (it is apprehended) to produce the apprehended inconvenience in but too sensible a degree. In this case, by the supposition, no diminution takes place, in the instance of any other species of money, to any amount:—but the whole mass of other of money of every kind, paper and cash together, which it found in the circulation continues there undiminished. This case, as already observed, does not present itself as a probable one.[a] The more probable one seems to be—that as this paper advances itself into the circulation, other paper will make its retreat in nearly the same quantity, and the paper of the Country Bankers in the first instance.

'[a] See [Ch. XIII.] [MS XV.] Particular interests &c.'

For Ch. XIII see pp. 000—000 above. [To UC ii. 256–70, this file]

[203] Bentham has marked for deletion, then cancelled, the following paragraph which appears at this point: 'To know in what proportion a given quantity of the proposed paper money would produce a rise of prices, it would be necessary to know in what proportion a rise of prices is produced by the same quantity of money, derived from other sources. But, in the present state of things, and without further documents, in addition to whatever have been made public or so much as collected, such knowledge is, perhaps, not attainable, and certainly has not been attained. Without any error greater than 50 per Cent or so, a conception of the quantity of vendible commodities sold in the year, and of the quantity of money of all sorts existing in the country and

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If, after having expelled, of itself, the whole amount of paper money of other sorts, it were to keep on encreasing without expelling metallic money to an amount equal to its own—it would thenceforeward, if not restrained, make a proportionable addition to the quantity of money of all sorts in circulation, and thence to the prices of vendible commodities. In this case, it would be necessary to apply the check to the proposed paper itself, by limiting the quantity that should be suffered to enter into the composition of the mass of money in circulation: for example, by stopping the issue of all Annuity Notes below a certain magnitude: say, for instance, the £102. 8[s] Notes. By an expedient thus simple, (the requisite powers being given to the Executive Government *ab initio*) the end might be accomplished, in the possible event supposed, without any fresh interference on the part of the legislature. That the means thus proposed would be adequate to the end will appear clear enough (it is supposed) from what has been said on this subject in a former Chapter.[a]

> [a] Ch. IV. {*Grounds* &c.}[204]

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That in proportion as the proposed paper advanced in the circulation, Country Banker's paper and Bank of England paper would quietly withdraw themselves, is a result that appears more probable than the contrary, according to what has already been observed.[b]

> [b] Ch. [XIII][205] Particular Interests.[206]

Should it fail of taking place in the requisite degree of itself, it would require to be produced by means directed expressly to that end.

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passing from hand to hand in the course of the year in exchange for those commodities, is not beyond our reach. But to know what addition in the price of vendible commodities taken together would be made in the compass of a year by an sudden addition to the mass of money within the year to a given amount seems scarcely within our reach. In addition to a knowledge of the state of things in this respect in the present period, it would require a similar degree of knowledge in relation to a number of antecedent periods. But, imperfect as our knowledge is in these respects in relation to the present period, in relation to all former ones it is beyond comparison more imperfect.'

[204] See pp. 000–000 above. [To UC ii. 256–70, this file]

[205] MS 'XV'.

The first, of two species of paper attacked[?], would naturally be the paper of the *Country Banks*. Collectively modern, individually changeable, they have no such claims on Government as plead in favour of the great incorporated Bank.[c] Express *prohibition* would not be necessary: by *taxation*, the same effect precisely might be produced: by a simple extension, of a tax *already* imposed for other purposes.[207] By this means, if necessary, about half the utmost possible amount of the supposed redundant mass of paper (25 millions) would be cleared away.[d]

[c] The case of the incorporated Banks of Scotland does not appear to differ materially in this respect from that of the unincorporated Country Banks.[208]

[d] [002_277]

By[209] the tax recently imposed on Country Banker's paper, Government has already taken to itself a share in the profit on that paper. In so far as Banker's paper came to be extruded by the proposed Government paper, this comparatively minute profit would fall, of course, to be deducted from the sum total of profits promised by the proposed measure.

The present amount, as indicated by the return for the first quarter, (£9,821) appeared to be about £40,000 a year.[a]

[a] Commons Finance Accounts, A° 1800, N° II, p. 21. dated 29 Jan.^{y} and 5 March. The date of the Act (39 G. 3. c. 3) is 12 July 1799.[210]

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[206] See p. 000 above. [To UC ii. 256–70, this file]

[207] See p. 000 n. above. [To note to UC iii. 58, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

[208] [Annotation to be finalized]

[209] Bentham abridged this folio, which he had used in his draft of this chapter in 'Circulating Annuities', p. 000 above, and added a note. [To UC ii. 277, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

[210] See p. 000 & n. above. [To note to UC ii. 277, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

Secondly and lastly, would come the paper of the *Bank of England*. In this case, as in the other, the same means would be sufficient to the same end. Perhaps, however, in this case they would not be necessary. A simple refusal, on the part of Government, to receive, at its own Offices, any other than its own paper, might be adequate to the effect.[e]

[e] In this case, nothing would be receivable at the Annuity Note Offices, but cash.

[002_279]

It may be asked—to what end throw the whole burthen of the measure upon the two particular classes in question, instead of letting it spread over the community at large, in the shape of a rise of prices?

My answer is—to reduce the amount and pressure of it to its *minimum*. At an estimate greater than any possible one, the former loss would not be to the latter in so high a proportion as that of interest to principal. To the Banking class it is not clear (as hath already been shewn)[211] that the loss would in fact amount to any thing. But put an extreme case, and take it, in the instance of each individual, at the utmost possible amount, it could rise to in the instance of any one. Call the total amount of Bank and Banker's paper, as before, £25 million, and upon the whole of this paper suppose a neat profit of 5 per Cent, annually made. Upon a supposition in a variety of points thus excessive, the total loss is but £1,125,000 a year. Call, on the other hand, as before, the total quantity of money of all kinds taken together £73 millions: and (according to the position brought to view at the commencement of this Chapter) suppose [002_280] that the addition made to the prices of vendible commodities taken together is in the exact proportion of the supposed sudden addition to the mass of money: viz: as 25 to 75 = as 1 to 3. On this supposition, the rise of prices being supposed equable and therefore universal, every income which did not receive a rateable encrease from the supposed sudden influx of 25 million would in effect be diminished by a fourth: the whole income of a man so circumstanced producing him no more than three-fourths of the quantity of vendible commodities it produced to him before. Call, with D[r]. Beeke, the annual income of the country (including income from day labour without stock) £217,000,000, or, for round numbers, £210,000,000. Then will the annual burthen on the country by rise of prices, on the non-expulsion of the paper money in

[211] See pp. 000–000 above. [To UC ii. 256–70, this file]

question, be £70,000,000. *Per contra*, the utmost possible annual loss to the Bankers and Bank proprietors by the expulsion, not so much as £1,250,000: the probable loss, scarce so much as the odd £250,000.

The amount of the loss would, it is true, be made good in money in a certain degree, to every person whose circumstances enabled him to make in money an addition to his income equal to the degradation thus sustained by it: for although the real value of the total mass of money—its value in respect of the quantity of vendible commodities it purchases and conveys—is not greater after the supposed addition to the mass of money, yet, on the other hand, neither is it less. The misfortune is—that although the pressure from the defalcation would be felt in all its force—and felt by all parties, indemnified as well as unindemnified—the indemnity would in comparison be scarce perceived. The loss by rise of prices would be felt as so much loss: the gain by the share in that extra influx of money [002_281] by which the loss had been produced—this gain, not being coupled and set down *per contrà* in the mind of the party, and confronted with the loss, would present itself in the shape of an independent gain, unconnected with any such effect: and by an indisputable law of the sensible faculties of man, sums and circumstances equal, the enjoyment produced by gain is never equal to the suffering produced by loss: if it were, the main reason for the affording protection to property would cease.
[002_282]

That an encrease in the quantity of real wealth, i:e: vendible commodities, has been produced by the encrease in the quantity of nominal wealth, viz: current money, cash and paper together, seems by no means clear of doubt.[212] But what seems not exposed to doubt is—that the quantum of such addition, if real, accruing in the compass of a year, can not amount to more than the product of the fresh quantity of unemploy'd capacity for labour brought into employment by the application of a proportionable quantity of the supposed fresh influx of money, over and above that which would have been brought into employment: so that, if at the commencement of the year all hands capable of employment were full of employment, and so would have continued during the whole course of it, no addition could in the course of that time be made to the quantity of real wealth or vendible commodities by the influx of money in question, howsoever copious. But whatever quantity of money, being introduced into the circulation, has not the effect of producing a

[212] MS del. 'can scarcely be doubted'.

correspondent quantity of vendible commodities, can not but have the effect of producing a correspondent degradation in the value of the existing mass of money into which it flows, thereby producing what is in truth no more than the same effect expressed in other words, a correspondent *rise of prices*.

[002_283]

Let £6,000,000 be the quantity of extra-influx money introduced into the circulation in the compass of the year: let the quantity of extra labour produced by this extra influx be equal to full employment for [100,000][213] fresh hands. The allowance would be, perhaps, sufficient as applied to the whole amount of fresh labour produced within the year by all causes, the existing quantity of money and the supposed extra quantity taken together: applied, therefore, to the latter alone, it will be excessive.—It is not a matter of necessity that any addition at all to the mass of vendible commodities shall have been produced by the extra influx of money: since a particular application of the existing quantity of money in the country, without any accession to it whatsoever, is altogether adequate to the producing the utmost possible degree of accumulation. But, for illustration sake, the supposed state of things may serve as well as if it were more correct. Call the average value of the produce of their labour 12^{s} a week for each: this, in round numbers, will be £3,000,000 a year. £3,000,000 then, is the quantity of extra influx money remaining, the efficiency of which is spent altogether in degrading the value of the mass into which it flows, and producing the correspondent rise in the price of vendible commodities.

NOTE TO TYPESETTER: Please begin new page.

[213] MS '£100,000'.

[BL Add. MS 31235_27]

CHAP. XV.

REDUCTION OF INTEREST—proposed mode compared with *M^r Pelham's*[214]

Reduction of Interest is a declared object with Parliament:[a]—the only question is as to the *mode*.

[a] New Sinking Fund Act, 32 G. 3. ch 55. § |^|.[215]

To exhibit the comparative eligibility as between the two plans—(the one here proposed for the future, and the one pursued in time past by M^R PELHAM) I will consider them together under the several heads of *expence*—*celerity of operation*—*previous assurance of success*—and *gentleness of operation*: not forgetting, on the occasion of M^r Pelham's, the application that may be made of it to *present* times, with their almost *eightfold* mass of debt.

I. *As to* expence*:—viz. as compared with* profit.

In M^r Pelham's time, the profit consisted in reducing to 3 per cents the whole amount of the existing quantity of 4 per cents: that is, reducing the quantum of interest paid on the nominal capital of about £57,703,475, from about £2,308,136 to about £1,731,102. When the operation was first mentioned by him in Parliament, it is a sign that *then* at least the state of the money-market was ripe for it: otherwise he could not have obtained the requisite assurances of the money for paying off in case of refractoriness:—how much longer it might already have been ripe, it would be in vain to attempt to calculate. This being assumed, whatever respite be allowed—whether as to the whole, or as to a part of the interest proposed to be struck off—is to be considered as a price or *bonus*, which, under the plan pursued, it was looked upon as advisable, in point of *prudence*, to allow to the Stock-holders, in order to purchase their acquiescence and insure the plan against the hazard of failure. I say *prudence*: for, as to [BL Add. MS 31235_28] sympathy for the sufferings of the individuals damnified, the professedly *vindictive* measures pursued afterwards against the repugnants, are a sufficient proof that no such motive was consulted in the arrangement

[214] Bentham's autograph draft of this chapter is at UC ii. 284–94.

[215] See p. 000 & n. above. [To note to UC ii. 256, Ch. XIII, this file]

of the terms.[b]

> [b] See[216] the Debates of that time.[217]

1. A year's interest was allowed in the first [plan][218] without reduction: i:e: the amount of the one per cent, that was to be afterwards struck off by the reduction (= £577,034) was allowed for the first year.[c]

> [c] This (it may be thought) should not be considered as constituting part of the *bonus*, inasmuch as in some of the Acts, and probably in all the Acts prior to that date, it will be found that a year's notice previous to redemption, was among the stipulated terms. On the other hand, if, instead of waiting for meditations, and negotiations, and observations to be taken of the times, a plan had been adopted in the first instance, such as (like the proposed plan) would have given the public the benefit of the reduction, from the instant that the rise, in the rate of interest in general, and of money in the funds in particular, had rendered the commencement of it practicable, the probability seems to be—that the extra interest, not only of the year in question, but of one or more preceding years might have been saved.

NOTE TO TYPESETTERS: Please note the fraction $^{1}/_{27}$ (one-twenty-seventh) in the following paragraph.

2. Half, of the one per cent, ultimately struck off, was allowed for seven years more. This, for one year, was £288,517: for the seven years, £2,016,119. Adding the one per cent for the first year, makes [the] total price paid for consent, £2,593,158. Deducting discount for the several years to come (£426,980) leaves the amount of the price paid for the £577,034 a year thus saved, £2,166,178. This £2,166,178[219] thus paid for a consent to the

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[216] This note does not appear in Bentham's draft at UC ii. 28.

[217] On 19 March 1750, Pelham asserted in the House of Commons asserted that the public creditors who had failed to subscribe to his terms by the initial deadline set, 'had forfeited the favour designed them by parliament', but that many of them 'had been misled by evil advisers, who perhaps designed, by the advice they gave, to distress the government rather than to help their friends'. He then proposed to reduce the benefits of subscription by one half, and extend the deadline for subscription to 30 May 1750, 'which he thought, was the least resentment the parliament could shew against those who had not embraced their first proposals'. See *The London Magazine: or Gentleman's Monthly Intelligencer*, vol. xx (1750). 311–12.

[218] MS 'place'. The text follows Bentham's draft at UC ii. 285.

[219] In his draft at UC ii. 286 Bentham has marked the following eight words (thus .^.^. reduction) for deletion.

reduction amounts to a little more than $^{1}/_{27}$th of the amount of the capital of £57,703,475, upon which the reduction of the 4 per cent per annum to 3 per cent was thus effected: a little less than £2,308,136, which would be the exact amount of four years' purchase of the perpetual annuity thus struck off. Such, then, is the price that, on Mr Pelham's plan, would be to be given, for a consent which, upon the proposed plan, would be obtained *gratis*.

On the proposed plan, the quantum of interest that would be struck off by the first reduction, (meaning the reduction effected in the course of the two first Periods, by conversion of 4 and 5 and 3 per cents into Capitals bearing £2. 19s. 0d. per cent) by means of the paper of the first issue, would be £1,212,608.[220]

That, upon any proposed reduction, to be effected at this time of day, the same terms precisely should be offered, as were offered at that time of day, would, under the vast difference of circumstances, be a supposition altogether untenable: but, as it would be a fruitless attempt to determine what would be the terms now offered, the only terms on which any argument can be grounded are the above.

On that supposition, the price to be paid for a consent to the striking off a mass of perpetual Annuities, to the above amount of £1,440,259 a year, would be a little less than 4 times that sum:—it would be £5,406,713:[d] exactly four times would be £5,744,000.

[d] As £577,034 is to £2,166,178, so is £1,440,259 to £5,406,713.

[BL Add. MS 31235_29]

[3.][221] A *sacrifice* which may be added to the expence attending the reduction of *interest*, as above, is—that of the faculty of going on with the redemption of the principal of the Debt. By Mr Pelham's plan this latter mode of liberation was given up:—even in point of *right*, for *eight* years, and in *intention*, perhaps, for ever. Since the Establishment of the existing Sinking Funds, it could not *now* be given up, upon *any* terms: and, supposing it possible, and deemed eligible, to adopt the principle of Mr Pelham's *reduction* plan to a certain extent, it could not be adopted without such modifications, as would be necessary to render it compatible with the institution of these *Redemption* funds.

On the proposed plan, reduction of interest, and redemption of principal, afford assistance to each other: reduction to redemption, by the supplies it pours into the fund:

[220] Bentham added the following note at this point in his draft of this chapter at UC ii. 286: 'See Ch. VI. Period II.' See p. 000 above. [To UC ii. 196, this file]

[221] MS '2.'

redemption to reduction, by the sums, which by expelling them out of the *Old* Annuities it drives into the *New*.

[4.][222] Another sacrifice, that would be to be made upon *M*r. *Pelham's* plan is—that of the eventual advantage of *ulterior* reductions: the very *right* given up for eight years, as before: and, for any subsequent period, no foundation laid, nor prospect opened, for any thing that appears.

On the *proposed* plan, issue follows issue, reduction, reduction, as wave follows wave, *execution* treading, without respite, upon the heels of *possibility*.—What [span][223] of time each reduction would occupy, is scarce open to conjecture: thus much is certain, that there is not a moment's interval between the completion of one reduction, and the commencement of the next.

II. *Celerity of operation*

Celerity of operation constitutes a head of comparison, different in name but in effect carried to account already, under the head of *expence*. A given sum is worth the less, as the time for receiving it is more distant. *Acceleration* is *profit*—*retardation*, *loss*.

NOTE TO TYPESETTER: Please note the fraction ¼ (one-fourth) in the following paragraph.

III. *Previous assurance of success*

That Mr Pelham's plan was practicable, was proved by the event. But, for a long time it '*was likely to have failed*' (Sinclair, II. 112):[224]—and had it failed, it would have failed *in toto*: since, if the reduction had not been submitted to in respect of nearly the *whole* mass, it could not have taken place as to any *part*. Had not the quantity of *unsubscribed* Stock (about 3¼ millions) been small enough to admitt of its being paid off, the submission, testified in respect of the *subscribed* Stock, could hardly have been accepted: nor could the plan have taken place, in any degree, without a joint and simultaneous operation, on the part of one or other of two numerous sets of parties; viz: the *Stock*-holders, who were called upon to submitt to the reduction, or the money'd men, from whom, as far as the expected submission failed of taking place, the money was to come, for paying off the *repugnants*.

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[222] MS '3.'

[223] MS 'space'. The text follows Bentham's draft at UC ii. 288.

[224] i.e. Sinclair, *History of the Public Revenue*, ii. 112.

But though practicable *then*, in respect of the 57 or 58 millions then in question, it does not follow that it would be practicable *now*, in regard to the £444 million in question now: not even although by the time of the arrival of Stock at par, some such sum as the odd £44,000,000 were to have been redeemed and struck off. The reduction of the 73 millions or thereabouts of 4 and 5 per cents is (I should suppose) the last, as well as the first object, to which the views of government could well be directed,[225] but for some such assistance as that which is held out by the proposed measure. Redemption of principal being left to operate on the remaining mass of 3 per cents, redemption and reduction would be thus conciliated.

In regard to reduction on the proposed plan, success (as we have seen) is independent of all contingencies.[226] In each *year*—*month*—*day*—the process has gone on to the utmost extent consistent with the state of the money-market at that time. By the proposed *subscription* plan—by the [BL Add. MS 31235_30] consequent competition for respite from further deductions—the first reduction might be rendered in a manner instantaneous:—and a very short [span][227] of time would be sufficient for the accomplishment of it, even without any such aid:—the 5 or [£]6,000,000, (which would, by that time, be the amount of a year's produce of the Sinking Funds)—this (call it) 5 million, thus vibrating without ceasing, between the Stock-market and the Annuity-Note market, would be sufficient to dispatch the reduction, and with prodigious rapidity, although the subscription plan were untried or tried without effect. In the machinery thus put in motion, no part is liable to stop of itself, for want of the assistance of any other: and, as it is at the beginning, so it is at the end.[228] During the *first* issue, every note *then* issued pays off, by the money it produces, and thus converts into Note Annuities, a corresponding portion of Stock Annuities; and contributes so far to the extinction of the 25 millions of 3 or 4 per cents, which must be paid off before the 5 per cents can be begun upon.[229] During the *second* issue, every note then issued converts in the same way, into paper bearing the reduced rate of interest of that second issue, a correspondent portion of the paper of the first issue: and a single note, thus taken out in the way of issue, would bring about the

[225] In his draft of this chapter at UC ii. 291 Bentham has marked the remainder of this sentence for deletion.

[226] See p. 000 above. [To earlier in this folio, BL Add. MS 31,235, fo. 29]

[227] MS 'space'. The text follows Bentham's draft at UC ii. 291.

[228] UC ii. 291: 'to the end'. An echo of the Christian prayer 'Glory be'.

[229] See p. 000 & n. above. [To note to UC i. 104, 'Circulating Annuities', Ch. VI, § II]

reduction [upon][230] that *portion* of capital, and, in a determinable time, even upon the *whole* capital, although not another note were ever to be issued on the same terms.—Once put in motion, the machine keeps going of itself, without any fresh winding up, so long as there remains a particle of the debt, for it to act upon and cut down.—Nothing left to depend on the circumstances of the moment: nothing on the humours of individuals. No interval between reduction and reduction: no pausing, deliberating, negotiating, debating, fumbling. Nor yet is the process exposed to the charge of precipitation or excess: Government having it in its power to stop or retard the operation at any time, by stopping or retarding the influx of the *primum mobile* from the Sinking Fund.[e]

[e] The being so perfectly *opposition-proof,* is a feature by which the proposed mode of reduction stands distinguished in a very striking point of view from every other. Though this consequence of the proposed conversion were ever so clearly foreseen by those who, either from factious motives, or on the honest ground of personal interest, were disposed to thwart it, though it were even expressly announced by Government (as indeed, virtually, it could not but be) it would not be in the power, even of conspiracy, so much as to impede it. By refusing the paper, each conspirator would make a compleat and certain sacrifice of his own personal advantage, without the smallest chance of affording any sensible help to the common object of the conspiracy.—*Limitation* only, not *prevention*—limitation to a degree, altogether without effect—would be the utmost possible result of the most unanimous and most persevering opposition on this ground.

IV. *Lastly as to gentleness of operation*

Of M[r] Pelham's plan it is upon record that it experienced much opposition and excited much dissatisfaction. It was in the nature of it so to do. It brought forward the Minister in an obnoxious attitude: calling upon men to submit to a loss to the amount of a perpetual tax of 25 per cent upon Income, subject only to an abatement to the amount of about 4 years' purchase, on condition of their lending their hands to a sacrifice, of which they were the sole victims.—Accordingly, though, on the ground of justice, nothing could be more unimpeachable, ill humour on one side appears to have begot ill humour on the other: on the part of the authors of the suffering, as well as on the part of the sufferers themselves. On those who stood out at first, harder terms were afterwards imposed: and, to judge from

[230] MS 'of'. The text follows Bentham's draft at UC ii. 291.

the Debates, the professed motive was—not merely economy, but vengeance.[f]

[f] In the case of the *second* set of Subscribers two years were struck off from the ½ per cent for seven years that had been allowed to the *first* set. First Act, 23 G. 2. c. 1. Second Act, 23 G. 2. c. 22.[231]

By the proposed plan, no such invidious task is put into the hands of any one.—Before any thing of hardship shews itself—(at least to the great class of individuals here in question—the Stockholders) the measure has been known—known for years—as a measure of universal accommodation. Every man's money has been breeding money in his pocket:—every man who has sold out, has sold out to an advantage. When hardship comes at last, it is at the end of a long chain of causes and effects, the first link of which has been removed by time, almost out of the reach of observation. The immediate cause,[g] being every body's act, is nobody's. No new act—none at least that carries[232] compulsion on the face of it—is required at this (or indeed at *any* time) on the part of Government. On M[r] Pelham's plan, every thing turning upon *subscription*, a man knew not but that he was subscribing to his own *loss*. On the proposed plan, the loss takes place at any rate, and the effect of a man's subscription is all gain to him. The quantity of this gain, depends upon his own exertions: and the bustle of competition serves to call off the mind from the suffering which is to come.

[g] The quantity of paper taken out.

NOTE TO TYPESETTER: Please begin new page.

[231] See p. 000 & n. above. [To UC ii. 458 & n. 'Circulating Annuities, Ch. I]

[232] Bentham's draft at UC ii. 294 continues 'any thing of'.

[002_314][233]

CHAP. XVI.

MORAL ADVANTAGES

To the head of *moral advantages* may be referred two very distinct results: *prevention of improbity*, and *promotion of frugality*:—*prevention of improbity*, by furnishing (as we shall see) a new *means* or *instrument* of *prevention*: promotion of frugality, by the offer of a new species of property, which, by annexing an unprecedented *remuneration* to the exercise of that virtue, operates at once as an *incentive* and as a *means*.

1. As to *prevention of improbity*.—The class of persons in whose instance it may operate to this effect, consists of *Trustees* of every description, to whom it belongs to *receive money* on account of their principals:—*Executors* and *Administrators*—*Guardians*—*Stewards* and *Receivers*—*Assignees of Bankrupts*—*Prize Agents*—*Factors*, and the like.

To cause *trust-monies*, as often as a suitable case presents itself, to be laid out in the purchase of Government Annuities, for the benefit of the principals, is, in the Court of Chancery, matter of long established practice: a practice which by an Act of very recent date has received express support from Parliament.[234] The credit of the proposed new [002_315] Government Annuities having been previously established by sufficient experience, let a similar investment of all trust-moneys as they come in be rendered a matter of general obligation by an Act of the legislature.—A trust *receipt-book* to be kept with a trust *till*.—In the *book*, an entry to be made of each sum received with the day on which it was received: the statement of the day to be indispensable. The money, if not received in the shape of Annuity Notes, to be sent to the office on that day or the next, to be changed into Annuity Notes:—the Notes received to be entered by their N^{os}:—if the day be not entered, the first day of the year to be presumed, for the purpose of charging the Trustee with the interest. The trust paper, as received, to be deposited in the trust *till*, to save it from being confounded with money of his own.—This not to prevent the disposal of the

[233] Less intensively corrected copies of this chapter are at UC ii. 309–12 and 669–71. Bentham's autograph draft is at UC ii. 295–301.

[234] In his autograph draft of this Chapter at UC ii. 296, Bentham added the following note at this point: '39 & 40 G. 3. c. 36. 1 May 1800', i.e. the Transfer of Stock Act of 1800, § 2. [Annotation to be finalized]

amount to superior advantage (i:e: at a higher rate of interest than what is afforded by Annuity Notes) in as far as the nature of the trust admitts of it.[a]

[a] [002_315] Since the above was written, a passage has been discovered in *Pinto*, whereby it appears that at the date of his book (1771) a law to this effect existed in Holland in respect of the interest bearing paper of that Country, termed Obligations {*De la Circulation, et du Credit*, p. 81}.[235] There is a great deal of good and a great deal of evil (he says) in the effects of this law, but the good appears to consist in the mode of employing the money, as above: the evil to the hands in which the management is reposed, or in some other such collateral circumstance, as the forced sale of property, in whatever other shape it may be in, besides money, for the purpose of converting it into *this*.[236]

What is thus proposed to be rendered OBLIGATORY, for the benefit of the principal, is no more than what a *careful* Trustee would do *spontaneously*, either for the benefit of the principal or for his own, according to the texture of his conscience. Should a precaution thus simple and unexceptionable be neglected, the institution of Annuity Notes will be but too apt to operate as a premium for *vice* as well as *virtue*;—a premium for *improbity* in the one situation, as well as for *frugality* in the other.

2. Lastly as to *promotion of Frugality*.—We have seen the peculiar advantages which

[235] See Isaac de Pinto, *Traité de la circulation et du credit*, Amsterdam, 1771, p. 81: ‘il y a une Loi en Hollande qu’un Tuteur ou Administrateur des biens des Mineurs ne peut employer ses fonds qu’en Obligations à la charge de l’État.’ *Obligatie*, developed in the Dutch provinces in sixteenth century, were interest-bearing short term public bonds, payable to the bearer, formally redeemable after six months but usually renewable, issued by local receivers of taxes in the Dutch provinces to supply current expenditure, which had become the dominant form of public debt in those provinces. The rate of interest payable on the bonds varied, as did the denominations in which they were issued, although in the province of Holland by the later eighteenth century the smallest appear to have been for 1000 guilders (*c*. £100): see M. t’ Hart, ‘Mobilizing Resources for War. The Dutch and British Financial Revolutions Compared’, in *War, State and Development. Fiscal Military States in the Eighteenth Century*, ed. R.T. Sanchez, Pamplona, 2007, pp. 179–200, at 184–8.

[236] Pinto’s comment appears to apply to the treatment of the goods of intestates rather than to Obligations in general. See ibid., p. 81–2: ‘Il y a à Amsterdam et dans les autres villes .^.^. une chambre qu’on appelle d’Orphelins, à la tête de laquelle sont les principaux Magistrats; et dès que quelqu’un meurt *ab intestat*, ils s’emparent de la direction de cette succession, dont tous les biens sont placés en obligations; cette pratique a beaucoup de bon, et beaucoup de mauvais: mais c’est toujours un levain qui contribue à soutenir le prix et le credit de ce papier’.

the proposed new species of property holds out to the acquirer. Within a trifling and unavoidable fraction, 2[d] a day; £3 for every £100 by the year:—not for risk of lending, but for mere self-denial in not spending. Income, receivable without *expence*, and without *stirring* from his home.—No *attendance*—no *Agency* fees—no *Brokerage* fees —no *Stamp* duty, either on *purchase* or on *sale*.—No loss, on either occasion, by fluctuation of price.—Not a day without its profit:—profit by keeping, for the *minutest* as well as for the *largest* portions of time:—Conveyance obtainable for it by *post*, in the *minutest portions* as well as to the most *distant parts* of the island. Security afforded by division against misadventures of all sorts;—against accidents and against crimes:—in the *house* or on the *road*:—by fire, water, or forgetfulness:—from theft, robbery, burglary, or breach of trust.—*Compound interest*, bought within the reach of *individuals* for the first time.[237]

In proportion to the degree in which it presents these several accommodations, in that same proportion does it act as an incentive to frugality:—in *all* classes, in a *certain degree*, and in as far as current expenditure is concerned: but in a more [002_314] especial degree, in those humble, and at the same time most *numerous* walks of life, in which it is of most importance, to prudence, probity, and happiness.[b]

[b] [002_314] *Frugality*, itself a virtue, is an *auxiliary* to all the other virtues: to none more than to *generosity*, to which by the unthinking it is so apt to be regarded as an *adversary*. *The sacrifice of the present to the future* is the common basis of all the virtues:—frugality is among the most difficult and persevering exemplifications of that sacrifice.—Important in all classes, it is more particularly so in those which most abound in uncultivated minds. In these, to promote frugality is to promote *sobriety*:—to curb that raging vice which in peaceful times outstrips all other moral causes of unhappiness put together. In the prospects opened by frugality, the wife and [002_316] children have a principal share:—they derive nothing but vexation and distress, from the money spent at the *Gin-shop* or the *Alehouse*. Compared with the *prodigal*, the hardest of *misers* is a man of virtue.

In the *'Outline of a plan of provision for the poor'*, as printed in Young's Annals of Agriculture, among the *collateral uses* there mentioned, as derivable from the system of *Industry-Houses* there proposed, is that of their affording, each of them to its Neighbourhood, a *bank*, for the reception and improvement of the produce of frugality

[237] In his autograph draft of this Chapter at UC ii. 297, Bentham added the following note at this point: 'Ch. IV. *Grounds* &c.' See p. 000 above. [To 1800, p. 46, this file]

on a *small scale*, under the name of a *Frugality Bank*.[238] In the plan that was handed about of the then proposed *Globe Insurance Company*, since established by Act of Parliament,[239] among the uses mentioned as proposed to be made of the Stock of such Company, is that of carrying on the business of such a *Frugality-Bank*: with a reference to the suggestion given in relation to it in the above papers.

Were the proposed Annuity-Note Paper to be emitted, '*Every* poor *man might be his own Banker*':—every poor man might, by throwing his little hoards into this shape, make Banker's profit of his *own* money. Every Country Cottage—every little town Tenement—might, with this degree of profit, and with a degree of security till now unknown, be a *Frugality Bank*.

In the existing state of the money-market, the hoards of the *opulent* are prolific and accumulating: the hoards of the *poor* alone are dead and unproductive.[240] By the proposed measure, the condition of the *poor* in this respect would be raised to a level—in the first instance *not much below*—and in process of time (as the price of Stock Annuities rose, and the rate of interest obtainable by the purchase of them diminished) *altogether upon a par with*—the condition of the *rich*.

[002_316]

A result not to be viewed without regret is—that, in every *period* after the *second*, and, in proportion as the rate of Interest afforded by Government-Annuities [002_313] comes to be reduced, the encouragement thus given to frugality will thus be reduced likewise: for though, after the reduction, the *remainder* will be *gain*, as compared with the *present* period, yet the *difference* will be *loss*, in comparison of the period then *last in experience*. But, in the mean time, the condition of the Poor in this respect at any rate, will have been raised to a level with that of the rich; and will so continue. The habit of frugality will have taken root: and, having so done, may derive strength rather than weakness from the encreased exertions it will have been called upon to make.

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[238] See p. 000 n. above. [To note to UC i. 702, 'Appendix B]

[239] In his autograph draft of this Chapter at UC ii. 300, Bentham added the following note at this point: '39 G. 3. c. |^^^|.' Bentham had in mind the local statute, Globe Insurance Company Act of 1799 (39 Geo. III, c. lxxxiii).

[240] In his autograph draft of this Chapter at UC ii. 298, Bentham added the following note at this point: 'Ch. IV. *Grounds* &c.' See p. 000 n. above. [To 1800, pp. 43–4 n., this file]

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[002_302] [11[?] October 1800]

CHAP. XVII.

CONSTITUTIONAL *Advantages*

Among the effects resulting from the National debt, in the *early* stages of its existence, was the security it afforded to the old-established Constitution, by engaging the *purses* and *affections* of the *money'd* interest, in the service and support of the new-established Government. *That* was the *great* money'd interest. In *other* points of view, the institution of that Debt has found *many* disapprovers: in *this*, it has found *none*:—among those, at least, by whom the existing constitution is regarded as fit to be preserved.[241]—An advantage resulting from the transmutation of that Debt, into the proposed form, would be—the securing, to the constitution and government, now[?] grown into one, the support, of what may be called the *little money'd* interest, by the same powerful tie.

[002_303]

The body *politic*, not less than the body *natural*, is subject to its constitutional diseases. *Tyranny* was the grand disease in prospect *then*; *anarchy*, *now*. The danger *then was*, from a single person;[242] in respect of the sentiments of submission pointed to that person, and carried to excess:—the danger *now is*, from the great multitude: in respect of the disposition to unruliness which has been, and continues to be, propagated, with but too much success, among the lower orders—among those (let it never be out of mind) of whom is composed the vast majority of the people.

If the name of *great monied interest* employ'd above for distinction sake be well applied, it is with reference to *money*, and by reason of the greatness of the *shares*: but with reference to *men*, meaning multitudes of men—and even with reference to money, if the magnitude of the total be the object of consideration, it is the *little* money'd interest that should be termed *great*.

As the disease changes its form, so should the remedy. *Stock* in its large doses served for the disorder of *that* time: *paper* in its small doses, is the specific for the *present*.[a]

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[241] [Annotation to be finalized]

[242] i.e. James II (1633–1701), King of England and Ireland, and as James VII King of Scotland, 1685–8.

[a] [002_304] To judge of the *steadiment* which an engine of this nature is capable of applying to established order, turn to France, and see the support it lends to *subversion*. The affections of the people ebbing fast into the old channel: but the revolution in property operating as a barrier against the return of *antient* monarchy, and as sheet-anchor to the *name* of a commonwealth.[243]

[002_305]

Admirable are the remedies that have already been applied: admirable, not more for their efficiency than for their gentleness. There remains this one, (and perhaps another that might be named)[244] remedies not less efficient, and still more gentle.

[002_306] [1 September 1800]

2. Turning to Ireland, the demand for the remedy will be found the same in kind, but much more urgent in degree.[245] The proportion of petty to great money-holders much greater: the bias to turbulence and anarchy (not to speak of idleness and drunkenness) beyond comparison more prone.[b] [246]

[243] See p. 000 n. above. [To note to UC i. 14, 'Circulating Annuities', Ch. |^|. Rise of Prices—how to be obviated]

[244] In the corresponding marginal contents sheet at UC iii. 55, Bentham noted at this point: 'Police Gazette hinted at.' For discussion of the role of the 'Police Gazette' in Bentham's writings on preventive police of 1798–9 see 'Notes to the Police Bill: Containing Reasons, Precedents, and other Elucidations', in *Writings on Political Economy, Volume III: Preventive Police* (*CW*), pp. 000–000, at 000–000.

[245] On 22 August 1798 some 1,000 French troops landed at Kilcummin, County Mayo, in support of the rebellion which has broken out in May 1798. The incursion ended in defeat at the battle of Ballinamuck on 8 September 1798.

[246] In the text, Bentham has marked for deletion and then cancelled the following paragraph, which appears at this point: 'As Britain has her *Exchequer Bills*, so has Ireland her *Debentures*. Annuities, principal and purchase money not less than a £100—Annuities evidenced by a sort instrument, in respect of its physical properties susceptible of circulation—Susceptible even as Pitt's and Piggot's diamonds are susceptible, but to the four million pair of Irish hands, with the exception of perhaps 3 or 4,000, not more accessible than the most inaccessible of those jewels.'

Thomas Pitt (1653–1726), merchant and politician, MP for Old Sarum 1689, 1695–8, 1710, 1713–16, and 1722–6, Salisbury 1689–1695, and Thirsk 1717–22, President of Madras 1698–1709, purchased a notoriously large diamond in India in 1702 for £20,400, sent it home for cutting, and eventually sold it to the Philippe II (1674–1723), Duke of Orléans, regent of France 1715–23, for £135,000. George Pigot (1719–77), Baron Pigot from 1766, President of Madras 1755–63, 1775–6, acquired another large diamond, probably as a gift, during his first tenure as President, and had it cut in England: on his death it passed to his heirs, who in

[b] *Irish Debentures*, price and value not less than £100—paper or parchment instruments, as much out of reach of the body of the people as Exchequer Bills—have, to this purpose, as little application as so much Stock.[247]

[002_307]

3. Turn lastly to British India—What a sheet-anchor to British dominion—to the mildest—the most upright—the steadiest of all governents—if, by insensible and voluntary steps, the population of that remote, most expanded, and most expansive branch of the British empire, should be led to repose the bulk of their fortunes and their hopes on a paper bearing the image and superscription of a British Governor!—What a reduction in the rate of *interest* paid *there* by Government![248]—What a remedy to the risks and embarassments attendant on the interchange of so many debaseable and incommensurable modifications of metallic currency!—What an augmentation to the general mass of currency, capital and wealth!

But all these are trifles, in comparison of the additional pledge of popular attachment, and the encreased assurance of internal peace. From the Zamindar to the Ryot,[249] every Hindoo, every Mussulman, who possessed *this* money—every individual in a word who possessed money—might thus, by his own money—and to a great part of the amount of his own money—might thus—and without impeachment of probity—be converted into a pensioner of the British Government.[c] For a premium equal to the interest the paper yields, he would be underwriting—perpetually underwriting—to the amount of the principal, the security of the empire.

[c] Though the debt is in *loose* paper, it is in *large* paper, and in that respect on a footing with Stock.[250] There seems, therefore, no bar to the introduction of the proposed plan, unless it be from local circumstances, such as, without particular investigation and opportunities, it lies not in a man's way to be informed of.

[002_308] [4 January 1801] Who can say but that the circulation of this paper might

1800 secured the passage of a private Act of Parliament (39 & 40, Geo. III, c. cii) to authorise its disposal by lottery, the sale of 11,428 tickets potentially realising a sum of £23,998 16s.

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

[248] [Annotation to be finalized]

[249] i.e. effectively the noble and the peasant.

[250] [Annotation to be finalized]

come to extend itself even beyond the sphere of British dominion, the value of this paper in exchange having been once established and certified by experience?

'The Narrainee is a base silver coin,[251] struck in Cooch Bahar, of the value of about ten pence, or one third of a Sicca rupee. The commodiousness of this small piece, the profits the people of Bootan derive from their commerce with Cooch Bahar, and some local prejudices against the establishment of a Mint, have given the narrainee in these regions, as well as in those where it is struck, a common currency, though both countries are perfectly independent of each other, and totally different in their language and manner.' Turner's *Thibet*, 1800 4to p. 143.[252]

The seal or other mark of the East India Company on their packages (I remember hearing once from authority that appeared unquestionable) is received in CHINA, at vast distances from the factory, as satisfactory evidence of the quantities and qualities of the contents, to the value perhaps of some hundreds of pounds. Is it a supposition altogether chimerical, that a similar confidence might be brought in process of time to extend itself to the exchangeable value of a piece of paper, value a few pounds or a few shillings? In Africa, in more places than one, Park (as he tells us) made a paper money out the Lord's Prayer.[253] Might not commercial *experience* give *at length* a value, which was thus given by mere superstition without experience?

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[251] The remainder of this quote is in the hand of a copyist.

[252] i.e. Samuel Turner, *An Account of an Embassy at the Court of the Teshoo Lama, in Tibet; containing a Narrative of a Journey Through Bootan, and part of Tibet*, London, 1800, p. 143. There are minor inaccuracies in the rendering of the passage.

[253] Mungo Park (1771–1806), Scottish explorer of the Niger, reported that 'saphies' were 'prayers, or rather sentences, from the Koran, which the Mahomedan priests write on scraps of paper, and sell to the simple natives, who consider them to possess very extraordinary virtues': see *Travels in the Interior Districts of Africa: performed under the Direction and Patronage of the African Society, in the Years 1795, 1796, and 1797*, London, 1799, p. 38. Food was often exchanged in return for saphies, and Bentham had in mind an occasion on which Park's host, having provided him with dinner, asked him to write a saphie, and Park provided one, 'possessed of all the virtues I could concentrate; for it contained the Lord's Prayer': see ibid. 206.

[002_323] [2 September 1800]

CHAP. XVIII.[254]

RECAPITULATION and CONCLUSION

Upon the whole, the proposed measure, it is believed, will be found to promise with some degree of assurance the following connected but perfectly distinct advantages:

1. The financial profit, by contributing in so many various [ways] and to such considerable amounts to the redemption of the principal of the debt, as well as to the reduction of the rate of interest, and for affording an instrument more advantageous than any other for the applying to that end such means as are or may be provided from other sources.

2. The moral advantage—the encouragement to frugality and thence to temperance among the inferior and most numerous ranks of the community.

3. The constitutional advantage—the safeguard given to internal tranquillity.

4. The politico-economical advantage—the addition made to the mass of national productive Capital, and thence to the mass of growing wealth.

Success, the greater, the earlier: but sooner or later, and to a certain degree, infallible:[a] even failure unattended with any loss.

[a] See Ch. |^^^| p. |^^^|.[255]

Few measures presented [themselves][256] as pregnant with such high advantages: none in which, in case of success, the degree of success has been so precisely ascertainable: [none][257] in which the deviation from the path of safety, as indicated by experience, has been so slight.

[002_324] [2 September 1800]

The portions of Government currency less than brought into the market heretofore. This is the only feature which, separately taken, can be called new: portions less than have yet [been] issued by government in this country, but not less than what have been issued by

[254] This Chapter does not appear in the printed ‘Contents’: see p. 000 above. [To 1800, p. 8]

[255] Bentham perhaps had in mind Chapter XV: see pp. 000 above. [To BL Add. MS 31,235, fos. 29–30]

[256] MS ‘itself’.

government in other countries, and in this country by individuals.[258] The other leading features collected altogether from established institutions: the annuity engaged for perpetual but redeemable: the paper containing the evidence of sale, light and transferable:—the produce of the sale appropriated to the extinction of the National Debt.

Were the proposal to be expressed in these words—make your Exchequer Bills for small sums—this, though not correctly expressive of the measure, would express all the innovation of it.[259]

[002_325]

Supposing the general plan of the proposed Annuity Note currency to be discarded, an advantage upon a smaller scale might still be derivable from it, by applying some of the features of it to the improvement of the existing species of Government currency called an Exchequer Bill, in such manner as to cause it to be accepted of at a lower rate of interest than it would otherwise be.

1. It might be made out for much smaller sums, say £10 or £5: that is to say, a part of the whole mass might be broken down with a view to general circulation, a competent portion being reserved in the present large sums for operations on a large scale.

2. It might be furnished with the proposed aids to computation, by proper Tables printed on the front or back of it.

3. It might be made to receive those facilities for general circulation, which depend upon the physical qualities of the paper—viz: upon the size, form, texture and thinness, and which are possessed by the notes which compose the currency of the Bank of England.

4. It might be put in possession of the new securities against forgery, which are here proposed.[260]

5. Markets for the purchase of it might be opened all over the country, by the simple

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[257] MS ‘never’.

[258] [Annotation to be finalized]

[259] Smith, Bowring, iii. 147–8n., presented the following ten paragraphs (Supposing .^.^. scarcity of cash) as a note, but there is no indication in Bentham’s draft that such was his intention.

[260] See pp. 000–000 above and 000–000 below. [To UC ii. 113–19, 125–6, and 128–9, ‘Circulating Annuities’, Ch. II? and UC iii. 303–40, Appendix F]

expedient of remitting it in such quantities and proportions as should be deemed advisable in the several local offices already in the pay of Government: for example Post Offices, Stamp-Offices, Excise Offices, Custom House Offices.

[002_326]

It is for the sole purpose of illustration that [this] is mentioned. Compared with the proposed general plan, the sacrifice made by thus confining the application of it would be a sacrifice without an object. Limited as it is, in respect of its total amount—limited as it is in respect of the duration of the annuity convey'd by it—the Exchequer Bill currency is radically incapable of meeting the demand of the two classes of *Petty Hoarders*: and thus a proportionable share of the accommodation afforded to individuals would be lost. The utmost it could do would be the going a small part of the way towards meeting the demand for temporary interest on the part of the other great class—the Possessors of temporary sums—Customers for *Flying* Annuities: and even to this portion of the demand it would become less and less suitable, as the time when the Annuity would cease, and the trouble of carrying in the Bill for payment, and receiving the redemption money for it, approached.

The supposed modification and improvement of the Exchequer Bill currency would be productive of but a part, and that a very small part, of the advantages held out by the institution of the proposed Annuity Note currency. But by the institution of the proposed Annuity Note currency the advantages thus derivable from the supposed improvement of the Exchequer Note currency would be obtained in their full extent: obtained in the way of collateral result and without any distinct measures directed to that end.

[002_327]

At an early period of the Exchequer currency, Bills were issued for sums as low as £10 or even £5.[261] How it happened that the practice of issuing such small notes should have ceased, and the *minimum* note raised to and insensibly fixed at its present pitch of £100, is not difficult to conceive. The form of the security would naturally adapt itself to

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[261] Alexander Justice, alluding to the Exchequer bills introduced in 1697, commented, 'A great number of these Notes were only for five or ten Pounds, which answer'd the Necessities of Commerce among the meaner People, for the common conveniencies of Life: see *A General Treatise of Monies and Exchanges; In which those of all Trading Nations are particularly Describ'd and Consider'd*, London, 1707, p. 89. In 1709 the minimum denomination was set at £12 10s., and from 1713 the standard became £100.

the convenience of the *lenders*, more especially as the lenders were individuals acting on their own account, and the borrowers Statesmen acting, without any such personal interest, for the public at large. The lenders on this security have been as on the one part, and that the principal part, the immensely opulent Company the Bank of England—partly the small but prodigiously opulent circle of money'd men, known to each other and meeting one another continually at or in the neighborhood of the Exchange. £100 was a magnitude quite small enough for persons of this class. The faculty of employing in the same way a smaller sum, suppose £50, would have been of no use to him:[262] since even the £100 is not so much as he would be under the necessity of keeping by him or at his Bankers for the purpose of current expences and payments on a small scale. Bills of less magnitude would thus be attended with no advantage, and they would be attended with the disadvantage of making a proportionable addition to the trouble of computation. Another relative disadvantage, and a much more considerable one, is—that the effect of small Bills, £10 and £5 Bills for example, would be to open the market to a greater number of customers, thence to encrease the competition for it—and to raise the price—in other words to lower the rate of interest upon the paper, and thence diminish the profit to be made by purchasing it.

[002_328]

Whether Government was aware of this at the time, is a point which at this time of day it might, perhaps, be difficult to ascertain. They might see it, but not be able to profit by it. If, in times such as those of King William or Queen Anne,[263] the connected circle of London money'd men concurred in insisting upon large sums in preference to small sums, it would be difficult for Ministers to resist:—pressed by the exigencies of the moment, it might have been hazardous and perhaps impracticable, to wait for the success of an experiment, upon the more extended scale. As to the money'd men, some would be aware of this, others not: witness the Bank, who, guided it should seem rather by habit than reflection, forbore, for such a length of time, to give that extension to the circle of customers for their paper, which, when given, at last relieved them from their embarassments, and seems to have proved that the scarcity which had produced these embarassments might as properly be stated a scarcity of small notes, as a scarcity of

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[262] i.e. a 'person of this class'.

[263] William III (1650–1702), King of England, Scotland, and Ireland from 1689. Anne (1665–1714), Queen of England, Scotland, and Ireland 1702–7, Queen of Great Britain and Ireland from 1707.

cash.[264]

Each of the above four masses of advantage appears sufficient to warrant an experiment attended with some risk: shall not all together give birth to an experiment pure from risk?

What if the same administration which witnessed the birth [of] the War debt should witness the compleat extinction of debt to an equal amount? Then would indeed be a day of Jubilee!

NOTE TO TYPESETTER: Please begin new page. then insert folding tables as follows:

TABLE I.

Table *of a Proposed* Annuity Note Currency

TABLE II.

FORM OF A PROPOSED *ANNUITY NOTE*, ON THE SEVERAL PLANS OF HALF YEARLY AND YEARLY INTEREST.

[264] See pp.000–000 above.