

## APPENDIX B\*

PARTIAL REDRAFTS (DECEMBER 1799)<sup>1</sup>

[001\_668]

§ *Currency of this paper*<sup>2</sup>

Persons considered with reference to their capacity of becoming purchasers (whether in the way of issue or in the way of circulation) of the proposed Annuity Notes, may be distinguished into |^| classes. viz:

1. Possessors of sums, which, though permanent, are not large enough to buy Stock with to advantage—these may be termed Possessors of Petty Hoards, *Petty Hoarders*, or Hoarders upon a small scale.<sup>3</sup>

2. Persons who though at present they lay up nothing at least nothing in the shape of hard cash, and accordingly can not be ranked amongst the Petty Hoarders, are however so circumstanced that with the help of the encouragement and the incentive that would be held out to them by the proposed Annuity Notes might, it is supposed, be induced to become Petty Hoarders. These may be termed *Persons capable of being Hoarders upon a small scale*.

---

\* [Editor's Note: This Appendix reproduces three sections, namely 'Currency of this paper', 'Extent, to which the proposed plan is capable of being pursued, and to which it may be eligible to pursue it:—and of the effects which the money thus flowing in may be productive of in its course', and 'Disadvantages', the second and third of which were drafted in December 1799, and the first almost certainly at the same period. Marginal contents sheets corresponding to 'Currency of this paper' and 'Extent, to which the proposed plan is capable of being pursued .^.^ productive of in its course', are at UC iii. 41 (n.d.) and 39 (19 December 1799), 38 (19 December 1799), respectively. At this stage, Bentham was still assuming that his standard note would bear a face value of either £6 6s., or, for ease of calculation, £6 8s., the latter being exactly half of the £12 6s. on which he would eventually settle.]

<sup>1</sup> This Appendix reproduces three proposed sections, two of which were definitely drafted in December 1799, while the third was probably drafted at almost the same period. For further details see the Editorial Introduction, pp. 000–000 above.

<sup>2</sup> This section reproduces Bentham's draft of a discussion which covers much the same ground as 'Circulating Annuities', Ch. IV. Grounds: see pp. 000–000 above. [To UC ii. 541–84, 156–7, 585] Neither text nor the corresponding marginal contents sheet at UC iii. 41 are dated, but it seems almost certain that it was drafted before the end of 1799. For further details see the Editorial Introduction, p. 000 above.

<sup>3</sup> In the margin, Bentham has noted against the following paragraph: 'Quere'.

3. Possessors of temporary sums on a scale large enough to buy stock with, but which being under an obligatory engagement, a man is deterred from laying out in the purchase of Stock, by the apprehension of a fall to such an amount as might incapacitate him from fulfilling the engagement. These may be distinguished more shortly by the appellation of Possessors of temporary sums under engagement.

4. Possessors of sums which, being allotted by the proprietor in his own mind to some particular destination, such as that of being invested in the purchase of land or other property yielding a fixed income, or of being thrown into trade, and being kept [001\_669] in reserve till such an opportunity as shall meet the wishes of the proprietor shall happen to present itself, may also be regarded as temporary sums: and which, though subject to any obligatory engagement a man is deterred from laying out in the purchase of Stock, under the apprehension that when the time comes for applying the money to its permanent destination, such a fall may take place as, when added to the expences of buying-in and selling-out, may counterbalance or over-balance any advantage that would otherwise be derived on the score of interest from the principal so invested. These may be termed Possessors of temporary sums not under engagement.

5. Possessors of temporary sums, the produce of income derived from permanent property which, how considerable soever, can not be invested in the purchase of Stock, being allotted to the defraying of current and regularly recurring expences—in other words, Possessors of independent income appropriated to expenditure derived from the property, thence coming in in large masses at once and destined for expenditure.

6. Possessors of extra sums set apart for contingent and unforeseen expences.

7. Possessors of precarious income, depending on income derived from trade, profession or other lucrative occupation (therein coming in in driblets) and destined for expenditure, current or contingent.

8. Possessors and hoarders of income in masses not yet large enough to buy Stock with to advantage, but in a way to acquire the requisite magnitude. Hoarders of petty sums, accumulating into large ones.

[001\_670]

Besides the Funds and the other branches of the public money market, individuals of all these classes see the private money market constantly open to them, but on comparing it

with the public market a man will be apt to find it rendered comparatively ineligible to [him]<sup>4</sup> by a variety of circumstances and considerations:—

Among them are,

1. The difficulty of meeting with a borrower of whose trustworthiness, as well in point of property as of moral character, a man can obtain an adequate assurance.
2. The difficulty of meeting with a borrower or set of borrowers in whose hands the exact sum which it is most convenient for a man to dispose of in this way can be placed.
3. The difficulty of meeting with a borrower or set of borrowers by whom it will be received at the exact time of its being ready, and replaced at the exact time when the return of it may be desired.
4. The trouble and expence attending the enquiry after such a borrower or set of borrowers.
5. The trouble, expence and loss of time, and thence of interest, attendant on the operations necessary to the formation of the legal security competent to the case.
6. The unpleasant sensation resulting from the necessity of applying for payment—whether of interest or of principal.
7. The danger and apprehension of the eventual necessity of engaging in litigation, for the recovery of the sum due.
8. Danger of loss and inconvenience by delay of payment.

[001\_671]

9. The unwillingness to deal in this way with any but acquaintances, coupled with the unwillingness to press an acquaintance either for principal or interest, or even, in the case of particular acquaintance, the unwillingness to demand or so much as to accept of interest, especially on a small sum or for a short time.
10. The prospect of the eventual death of the borrower before repayment: an event which in every case can not but render the replacement of the money more or less precarious.

---

<sup>4</sup> MS 'them'.

From all these disadvantageous circumstances (not to mention many others that might be indicated as being attached to the private market), a man finds himself clear on carrying his money to any one of the branches belonging to the public market. All these, if circumstances admitt of his carrying it to the Funds, he avoids by carrying it accordingly to the Funds:—all these, if circumstances do not admitt of his carrying it to the Funds, he will equally avoid supposing the proposed currency to be established, by throwing it into the shape of Annuity notes.

[001\_672]

To fulfill its intended purpose, the first thing requisite to the proposed Paper is that it shall meet with purchasers in the way of issue—the next thing is that [it] be received in the way of circulation—that it shall be received as universally and with as little difficulty as the most accredited paper—Bank of England paper—is at present:—and lastly that, if possible, as often as it passes from hand to hand in the course of circulation it shall be steady and invariable in its price—that it shall circulate constantly at par—never bearing a discount nor even bearing a premium, lest it should thence come to bear a discount: or, if at any time at a discount, at a rate of discount so small as never to leave a man who takes it in a worse plight than if he had Bank paper to that amount, or any other paper not carrying interest.

Whether the expectation entertained of the proposed paper is liable [to be] deficient in point of assurance in any of these three several points of view, will appear from the following considerations.

[001\_673]

1. First as to its saleability.—To find a sale among the possessors of petty hoards—the hoarders upon a small scale, it can need nothing but to be known. The man who, in the view of making provision for futurity, has the perseverance to add guinea to guinea and shilling to shilling without a hope of deriving any profit by the money in the way of interest, will jump for joy when a means thus secure is offered him of making three per cent upon whatever he can amass. The same considerations which have given birth to purchases of the existing Stock Annuities to the amount of near 400,000,000, will produce purchases of the proposed new annuities to the amount of the aggregate of whatever sums, being too small to be invested in the purchase of stock with advantage, shall be found in hands which the institution shall either have found already inspired with the requisite

degree of frugality, or shall have had the effect of inspiring them with it.

In the instance of persons thus circumstanced, the appearance of receiving the promised interest as it becomes due will be sufficient to procure as many purchasers as there are individuals duly apprized of the nature of the bargain offered to them, and possessing wherewithal to make the purchase. Interest is the object they look to: and feeling, as they can not but feel, secure of the receiving of this interest, a man thus circumstanced would be ready [001\_674] to lay out his six guineas in the purchase of a six guinea Annuity note, although in the event of his wanting the principal again, the replacing it were to be attended with a difficulty, trouble, expence and even hazard proportioned to that with which the replacing a sum to the amount of six hundred guineas is attended with when vested in the purchase of any of the existing Stock Annuities. At present, it is true, had he the six hundred guineas at command, and were he to invest in the purchase of Stock Annuities, he would make five per cent of his money;<sup>5</sup> whereas what the proposed institution holds out to him is but three per cent: but if five per cent (which can not always be made, nor, were the proposed institution set on foot, would long be to be made) is superior to three per cent, three per cent is still more considerably superior to nothing.

[001\_675]

2. Next in regard to *currency*, i:e.—transfer in the way of *circulation*. Were the reacquisition of the principal in this way impossible (a supposition purely ideal and put only for the purpose of illustration) such an impossibility would, it is evident, be sufficient to keep this paper altogether out of the hands of all the other classes above brought to view: to all these, the recovery of the principal absolutely or eventually—sooner or later—to some of them almost instantaneously—is an indispensable object, not to be foregone; to some of them, the possession of this paper would not be eligible, to others it would not, consistently with their obligations, be so much as practicable, were the recovery of the principal attended with difficulties &c., I do not say equal merely, but even proportionable to what are at present inseparably attached to the recovery of a principal sum after its investment in the purchase of Stock Annuities. In the instance of all or at least of some of these classes, before a man could venture in prudence to accept of the proffered paper—to take it out in the way of issue, or to receive it in the course of circulation—it would be necessary for him to stand assured that so soon as the need for the principal shall present

<sup>5</sup> See p. 000 n. above. [To note to UC ii. 398, 'Circulating Annuities', Ch. I]

itself, it will be in his power to regain it, as surely as it is at present in his power to receive in hard cash, or in whatsoever other shape it may be wanted, the amount of a Bank note. Looking onwards, it will be found that an assurance to this effect, sufficient in point of extent as [001\_676] well as in point of intensity and confidence, is little in danger of not being entertained, or, when entertained, of being disappointed.

To begin with the case of the possessor of a temporary sum not under engagement. The individuals whose circumstances this paper suits, even though it were not saleable, are numerous, and, taken together, the quantity of it they are capable of purchasing, and likely to be willing to purchase, can not but be large. Multitudes will accordingly become purchasers of it: large is the quantity of it that will be purchased: but, as information, even of the most interesting kind, requires time to spread—and even the plainest proposition on a ground thus abstruse and exposed to error and suspicion requires time to be generally apprehended by individuals of all ranks, the very lowest not excepted (for among these is the great market for this paper)—in an accurate point of view, the purchase of the paper in any such large quantity can not but be a work of time. ‘Were I to take, then, say six hundred guineas’ worth of this paper—what risk do I run? from the present time to a very distant period, should the occasion for replacing the principal happen to me in that time, there will be always people enough of this description [001\_677] ready to give me cash for it: they would be ready although it were attended with the same trouble and expence to take it of me in the way of circulation, as to take it out in the way of issue: much more when, by taking it of me in the way of circulation, the trouble and expence annexed to the taking it out in the way of issue will be saved to them.—By the terms of its constitution it is made transferable from hand to hand without delay or ceremony, as much as a guinea or a Bank note: and in that character, while there are such multitudes whom the article would suit, can there be a danger of its lying in my hands?’

In this way might an individual of the class in question reason with himself and determine with himself to receive this paper. But for the same reason that any one may be expected so to reason and so to act, so may any or every other: and thus, even without looking any farther, the architecture of this paper seems pretty well established among two classes of customers, neither of them a scanty one.

[001\_678]

Even were these all, a certain quantity of this paper would be taken out and would circulate: it would be seen to do so: the quantity of it thus brought into circulation, the

progress of it in the career of circulation, would (for so it is proposed) be made public by authority: the information of it universally and regularly diffused.<sup>6</sup>

The possessors of sums kept in reserve for unforeseen expences constitute another class that would be very apt to afford customers for this paper at the outset.

So far as any priority took place as between class and class, these three of the [eight]<sup>7</sup> classes would be the first to resort to the market:—but they would not be the only ones. A man with a couple of hundred guineas allotted for the expences of the half-year in his purse would say to himself, ‘At the beginning of the half-year, what should hinder my putting in for my share of the new[?]-proffered benefit? were I to now to buy Annuity Notes with it, and disburse it in equal proportions day after day to the end of the half-year, by the end of that time I should be a gainer to the amount of interest upon the half of it (100 guineas), supposing it laid out in this way and kept unbroken the whole time: interest upon a hundred guineas for half a year at three per cent is a guinea and a half: the profit is not great, but it is always something: and what is it that I risk by putting in for it? The paper has already got footing: it is become a circulating paper: there [001\_679] is no loss upon it: it proves to be worth the value ascribed to it upon the face of it: it passes for the amount of the principal, and, like an Exchequer Bill or an India Bond, with the interest to boot.’

In this way it is that the paper acquires a [fourth]<sup>8</sup> class of customers: and among these [four]<sup>9</sup> classes, supposing a priority, such is the natural order of priority as between class and class. But, in this case as in most others, what some men learn by experience, waiting for experience to teach it them, others anticipate by reflection: nor, therefore, would it be at all wonderful or out of course if one man of the class of Petty Hoarders, who look[s] for nothing but interest and would be content to wait all his life long without endeavouring to get back the principal, was considering whether he should venture on the purchase of a note, another man, who could not afford to keep it by him for more than a week, would boldly put in for it for the sake of the interest for that week.

<sup>6</sup> See pp. 000 and 000 above. [To UC ii. 383, ‘Circulating Annuities’, Ch. I, and to UC i. 604, Appendix A]

<sup>7</sup> MS ‘seven’. Bentham had in fact listed eight classes: see p. 000–000 above. [To UC i. 668–9, this file]

<sup>8</sup> MS ‘third’. Having already discussed classes 1 (‘Petty Hoarders’), 4 (‘Possessors of temporary sums not under engagement’) and 6 (‘Possessors of extra sums set apart for contingent and unforeseen expences’), in the previous paragraph Bentham had added class 5 (‘Possessors of independent income .^^. destined for expiendure’).

<sup>9</sup> MS ‘three’.

The progress thus made by the proposed paper may be more or less rapid: neither on this ground nor on any other can a man answer to a day for the course that will be taken by the public mind: but that in the course of a very few years—not to say months—nor weeks—a progress will thus be made—and that to the amount of several millions—seems hardly exposed to doubt.<sup>a</sup>

[001\_680]

<sup>a</sup> To judge the better whether the proposed Government paper bearing interest at the rate of 3 per Cent would be likely to wait long for customers, let us bestow a glance upon the Country Banks. In no instance is the rate higher than 3 per Cent, and that, as will be seen immediately, but a nominal 3 per Cent: in some instances it is as low as 2½ per Cent, with the same difference between nominal and real. In no instance where interest is allowed, is either principal or interest payable on demand. In some instances it is not payable till 20 or 21 days after sight: twice, therefore, in this case must a man be at the trouble of going with his note or sending it to one certain place, nor can he receive either interest or principal upon it till 20 or 21 days after the first time of his going with it or sending it. In other instances the interest—this nominal 3 per Cent interest—does not commence till six months after the note has been issued: so that before this nominal 3 per Cent per annum can be made upon the loan by a year's forbearance the note must have run without interest for half the term, which reduces the interest to 1½ per cent: and if the note be sent in for payment before the 6 months are at an end, the interest vanishes altogether.<sup>10</sup>

It is for a profit thus clogged with conditions and defeasances that men are all over the country in the habit of trusting their money to securities which are every now and then falling to pieces before their eyes. Can there be a doubt whether or no the preference that will be given to a security which has never yet been known to fail, and by which, without any such conditions or defeasances, a man makes three per cent of his money—of his whole stock, be it great or small, or any part of it, at all times, and for every day he has kept it, and this without any more trouble than it costs him at present to expend it?

Not many years ago a Banking House opened in the Metropolis upon terms the same or nearly so as some of the above. But the quantity of money offered to be lent to the House on such terms so much outstripped the quantity capable of being employ'd on

<sup>10</sup> For the sources of Bentham's assertions in this paragraph see p. 000 n. above. [To note to UC ii. 545, 'Circulating Annuities', Ch. IV]



the same terms with profit and security, that the plan was soon obliged to be abandoned.<sup>11</sup>

[001\_682]

3. Lastly, as to its circulating steadily, and at par: either absolutely and for ever without any discount at all, or at any rate without any discount worth regarding.

Not only the eventual *steadiness* in this respect is essential to its fulfilling what is aimed at by it, but the preconception and assurance of its proving to be possessed of this property will be essential, if not to its entering into circulation, at any rate to the extent and rapidity of its progress. The Petty Hoarder, the possessor of a small sum for which he has been laying to make interest, and for which in the way of interest-making he has no other market open to him, will become a customer for this paper, whether it be depreciation-proof or not: but this, it is evident, will not be the case with any of the other classes. Agreeing all of them thus far, that they are all looking to the recovery of the principal, they will many of them shrink from the purchase, unless they see sufficient cause to be persuaded that the principal, when it comes back into their hands, [will] come back entire at least, if not with the whole of the interest to boot. Ground for this assurance will not be found deficient.

[001\_683]

Not a guinea's worth of this paper is ever brought to market that is not first demanded, and demanded at a par price. Thence a point of distinction between the proposed Note Annuities and the existing Stock Annuities (not to mention all other paper bearing interest) and that a most essential one. Every species of Government Annuities as yet known is destined to depreciation, and devoted to it. A mass of ready money must be raised and purchased, and for the raising of that mass of present money, such a mass of Annuities—such a quantity of future money in the shape of future income—must be promised and secured as is found necessary to make the purchase. If ten, if fifteen, if twenty millions in ready money are to be raised in this way, the whole mass of annuities

---

<sup>11</sup> Bentham may have had in mind the banking company of Edwards, Smith, Templer, Middleton, Johnson and Wedgwood, also known as the London and Middlesex Bank, which announced on 12 October 1792 that it would open for business at 18 Stratford Place, Oxford St, five days later, and that from 1 November 1792 it would issue 'interest Notes, payable ten days after notice given, bearing an Interest Three per Cent. per Annum': see *The World*, 12, 15, 16, 19 October 1792, and the *Morning Chronicle*, 13 October 1792. No further details of the scheme or its withdrawal have been traced, while the Bank itself was wound up in 1816.

necessary to purchase it must be forced into the market, and forced at once. Of the proposed Note Annuities, just so much is at all times brought into the market as is called for, and no more. Stock Annuities must be sold at any rate for the best, or rather least bad, price that can be got for them. For Note Annuities, the price is fixed by the terms of their creation; for less than that price, not a guinea's worth can ever be sold. In the case of Stock Annuities, this firmness could not be manifested: in the case of these proposed new Annuities it is capable of being manifested, and is for ever to be persevered in, by a fundamental law.<sup>12</sup>

[001\_684]

To be susceptible of this fixity, it required the previous existence of a pre-established species of Annuities which should continue, as it was wont, to be forced into the market as heretofore, which should by itself bear the whole brunt of depreciation—the whole brunt of every future depreciation—and upon which the force of the depreciation should be spent. Had there been no other Annuities than the proposed Note Annuities—had the Annuities sold and granted by Government assumed at first, and from the first continued to wear, this shape, they would have all along remained and must have continued to remain exposed to depreciation, as Stock all along has been and must continue to be.

The demand for ready money, and thence for the creation of that by which alone ready money is to be bought, being in itself unlimited, a fund adapted in its extent to that demand, one equally unlimited, must be had: but that manufactory being provided and already in existence, you are enabled to have another manufactory by which the article produced by it being never to be furnished unless bespoke—or to be bespoke under a fixed price—is not exposed to lose any thing of its price:—at least in virtue of any excess existing at any given time on the part of any quantity actually in the act of being issued, compared with the quantity for which, *in that way*, there is a demand.

[001\_685]

By a law of the institution, the quantity issued being made public and the intelligence circulated through every part of the kingdom with whatever degree of rapidity the post can

---

<sup>12</sup> See pp. 000 and 000 above. [To UC ii. 381, 'Circulating Annuities', Ch. I, and to UC i. 604, Appendix A]

give,<sup>13</sup> what is impossible is that this paper should continue to be issued and *at the same time* bearing a discount *at the same part* of the great national market place. What is possible is that it should be issuing, i:e: sold at *par* at one place, while it is circulating at a small discount in *another*. This is possible: and this is what to some inconsiderable amount or other may every now and then be taking place. But, though it may be difficult to assign the precise limit, certain it is that the limits within which such an agio can have to range can not but be very narrow. Knowing that by the last advices there was this or that place in which Annuity Notes were purchased in the way of issue, and therefore not only without discount but at a greater price than the circulation price, (greater by the amount of the issuing fee) it must be an extraordinary pressure indeed that will engage a man to accept of a price inferior to that price.<sup>b</sup>

<sup>b</sup> Persons putting-off[?] at a discount might be admitted to advertise gratis.

[001\_686]

True—(it may be said on the other side) this paper, so long as it continues to be issued, will not be under par—at least will not bear any discount worth regarding—but may not the issue of it be altogether stopt, and may not the price of it sink, and sink like that of Annuities, and other paper, in the course of the circulation?—I answer, no:—because the causes of depretiation which apply in other instances do not extend to this.

This issue, having once been set on foot, will keep going on: it will keep going on at no inconsiderable rate, and without end. It will be kept going on by the progress of society in the career of prosperity—it will be kept going on by the same causes that tillage and manufactories—exports and imports—consumption and accumulation—are kept going on, even in the midst of war, at a continually increasing rate.

The influence of the causes by which the price of Stocks is lowered and raised will be found not to extend to this new species of Government Annuities.

Two causes, and but two, produce a fall in the price of Stock:—the making or apprehension [of] an extraordinary addition made to the mass of those Annuities usually brought into the market to be sold for ready money, and the observation or apprehension of the withdrawing a part of the quantity of ready money usually brought into the market for

<sup>13</sup> See p. 000 above. [To UC ii. 383, 'Circulating Annuities', Ch. I, and to UC i. 604, Appendix A]

the purchase of those Annuities.

[001\_687]

1. In the case of Stock Annuities, every addition made or offered to be made by Government to the mass of that commodity existing at a given period, contributes of course in a proportionable degree to sink, or at least keep down, the price: because, in the case of this article as of every other article, the greater the quantity there is of it to sell (the quantity of the article which it is bought by remaining unaugmented) the less is the price which a customer will think it necessary for him to give for it. And not only an encrease of this kind actually made or offered to be made, but the apprehension of such an encrease will, of course, be productive of the same effect.<sup>c</sup> To this cause of depretiation Stock Annuities continue essentially exposed.—But the proposed Note Annuities stand essentially exempt from it: because, by a fundamental article of the plan, no such Note is ever to be issued but on the application of the purchaser, to whom it can never be sold by government at a farthing less than the original price.<sup>14</sup> Fresh and fresh parcels to any amount may, without being applied for, come at any time to be poured in to the aggregate mass of Stock Annuities: not a single note can, at any time, be added unless applied for—and paid for in hard cash and that cash appropriated—to the mass of Note Annuities. No such accession, therefore, can ever be apprehended.

<sup>c</sup> And it is in this way, and this way alone, that in a time of war, bad news is productive of this effect. The worse the news, the longer in general the probable duration of the war: for if the effect of the news, howsoever bad in other respects, were to be bringing of the prospect of peace more near, the effect would be the reverse: and the longer the probable duration of the war, the greater the mass of fresh Stock Annuities which it will be necessary to bring to the market.

[001\_688]

2. In comparison of the diminution which the price of Stock Annuities is so apt to suffer by the influx, or the apprehension of the influx, of fresh supplies of the article into the market, the diminution these same Annuities is liable to suffer by the withdrawing of a part of the mass of money usually brought within a given space of time to the same market for the purchase of the article is seldom or never found to be large enough or durable enough to produce any visible effect, even in the instance of these Annuities. But if in that

instance the effect it were apt to produce were ever so great, it would not be liable to apply itself to the case of the Note Annuities.

A sudden demand for a large mass of capital at once in the shape of ready money, as in the case of a new and extensive line of canal, a new harbour or set of docks—the settlement of a new Colony, or filling up a gap made in the circulation by a large Bankruptcy or knot of Bankruptcies, may for a time be found, perhaps, to produce a depression of one or two per cent in the price of Stock Annuities, independently of any addition or apprehension of an addition to the mass. Out of a hundred thousand that may be wanted to lay out and distribute in the course of half a year in the purchase of labour and materials on any such account, let £25,000 be what, had it not been for this counter-demand, would have [001\_689] been invested in the purchase of Stock Annuities: by this £25,000 thus deducted from what would otherwise have been the quantity of money brought into the Stock Annuity market within that time, a proportionable depression will have been made in the price, because, being employ'd in being paid away by driblets to a multitude of different people in payment for labour and materials for the work in question, it can not at the same time be invested in the purchase of Stock Annuities. But though it can not be employ'd in the purchase of Stock Annuities and employ'd at the same time and by the same persons in the making of the several payments above spoken of, it may and will exercise that double function if invested in the purchase of the proposed Note Annuities. In the case of the Stock Annuities, the money paid for the purchase of the mass in question *may*, but the Stock, or ideal capital or principal sum for which the money is paid can *not*, be circulated in driblets of a minuteness adapted to these small payments: whereas in the case where the money is invested in the purchase of the Note Annuities, not only the money they are bought with, but the Notes themselves, to an amount equal to that money, are as capable of being employ'd in the making of those payments as well as the money itself would be.

[001\_690]

A man who has small payments to make with a large sum of money can not buy Stock Annuities with it: the amount of their sums is therefore so much money, which, (whatever might otherwise have been his intentions) he stands precluded from investing in the Funds, in the purchase of Stock Annuities: but a man so circumstanced is not precluded

---

<sup>14</sup> See pp. 000 and 000 above. [To UC ii. 381, 'Circulating Annuities', Ch. I, and to UC i. 604, Appendix A]

from investing that money in the purchase of these Note Annuities: he is not precluded either from taking them in the course of circulation or taking them out in the way of issue: on the contrary, compared with cash, he finds a considerable advantage in having his money in this shape, because every note he has in his possession, every parcel he has of this paper money, is continually yielding him an interest, down to the very day of its being passed off in payment.

In the same way it will appear that among the causes which can operate so as to keep back a certain quantity of that proportion of money which was in the habit of being carried to the Stock-Market for the purchase of Stock Annuities, as contradistinguished from those which tend to keep it back no otherwise than by affording or indicating an augmentation of the quantity of these Annuities brought, or to be brought, for sale to the same market, there is not one that could operate so as to prevent any portion of that money from being thrown into, or retained in, the shape of the proposed Note Annuities.

[001\_691]

On the other hand, it may be said, admitting that though on ordinary occasions where the demand is for ready money of all kinds in contradistinction to future money, in the shape of income or otherwise, the proposed species of paper may be competent to answer *that* demand, yet this competency will not hold good in any of the cases in which the demand is for hard cash in contradistinction to paper money, that is, to a species of money which is of no value but in proportion as it secures to a man, at whatever time he may want it, an equal amount of hard cash.

Of this observation the truth and justness must be admitted, supposing that in the natural order of things the demand for hard cash were capable of rising, or even likely to rise, to any such pitch as that a species of paper money such as that proposed should not be capable of satisfying it. But no such event can justly be regarded as being probable to a degree capable of sinking the price current of this paper in exchange with, and contradistinction to, hard cash.

The following are the only cases in which a demand to such an amount can so much as be conceived to exist: and not one of them, judging from the past, will be found to possess a degree of probability worth regarding for this purpose.

[001\_692]

These are:

1. A failure of public credit, or (to speak more distinctly) a failure in regard to the confidence reposed in government, in respect either of its power or its disposition to fulfill its pecuniary engagements.

On this head it may be answered,

i. That in point of experience, since the institution of government credit, as concerned in the payment of Government Annuities, not a single incident has ever happened by which any reasonable ground has ever been afforded for the apprehension of such a failure.

ii. That if any such ground of apprehension were to arise, it would attach, and in a manner spend itself, upon the mass of current and present pecuniary obligations, before it reached these remote and gradual ones.

iii. That, were the ground for such apprehension to become ever so reasonable, whatever objection it might constitute to the steadiness of this paper, supposing it instituted, still it would not afford an objection to the institution of it, unless in as far as the institution of it possessed a tendency to weaken the ground for reposing in government the sort of confidence in question. But the effect of such paper, as hath been seen, so far from *detracting*, is to *add*, and that in a prodigious degree, to the sufficiency of government in regard to the fulfillment of all its obligations.

[001\_693]

2. As[?] to extraordinary encrease in the demand for bullion for home use. This cause, however, the preceding one being supposed to be out of the question, can not operate so as to be productive of any such effect. The currency is, by the supposition, already fully established: among the possessors of bullion, (Britons resident in Great Britain) as well as among every other class of individuals. They will, therefore, have the same reasons that all others have for taking Annuity Note paper in payment for their bullion, and that not only upon a footing with, but in preference to, hard cash. The demand for bullion being by the supposition greater than ordinary, the price they require and will receive for it will be in proportion greater than the ordinary price: the quantity of money they will require for a given quantity of their bullion will be greater: but this it will equally be, in whichever of the two shapes it be received, whether in that of Annuity Note paper, or

in that of hard cash.

The existing Bank paper is no fitter for being put into the melting pot in order to produce bullion than the proposed Annuity Note paper would be: but when the price of bullion rises, the price of it is at present no higher when paid for in Bank paper, than when paid for in hard cash.<sup>15</sup>

[001\_694]

3. If, by any such cause as that in question, any degree of inferiority could be produced in the price of any sort of paper, as compared with that of hard cash, it would be in the price of Bank and Banker's paper; and it is accordingly upon this barren and unproductive paper that the influence of the depreciation would spend itself—would spend itself altogether, without reaching the proposed profit-yielding paper here proposed. But this supposes the continuance of the existing barren and unprofitable Bank and Banker's paper, a state of things which, after the birth of the proposed profitable paper, could not, as we shall soon see, be of long continuance.<sup>16</sup>

[001\_695]

4. The only sort of probable incident, by which it could be supposed upon any plausible ground that the price of the proposed Annuity Note paper in comparison with hard cash could be at all lowered, is that of an extraordinary demand for bullion or hard cash for the purpose of exportation.

A demand for hard cash as such, meaning our own King's coin, in contradistinction to bullion, could not take place but in such places out of England in which that coin was current at the time, whether within his Majesty's dominions or elsewhere. But wherever his Majesty's coin would be current, especially if it be in a place within his Majesty's dominions, the proposed productive paper, carrying along with it, wherever it goes, its superiority in that respect over every other sort of currency, metallic as well as paper, may well be supposed to be as competent as in Great Britain to answer such demand. That this will be the case will be more particularly manifest in the instance of places situate within the limits of his Majesty's government: but neither does it seem probable that the case will

---

<sup>15</sup> Bentham has marked the following paragraph for deletion, and noted in relation to it '*Vide contrà*'.

<sup>16</sup> See pp. 000–000 below. [Presumably this file for assertion that barren paper will be expelled]



be materially [different],<sup>17</sup> even in foreign countries, so as they be such as the question supposes, in which hard cash with the British stamp upon it, has introduced itself into circulation.

[001\_696]

But hard cash, (it may be said) besides the property it has of being passed from hand to hand as the representative of value in general in the way of circulation, has another property but for which it never could have put itself in possession of the former, viz: the being converted into bullion in its own proper substance, and without any change of hands. Wherever, therefore, the purpose for which money is wanted is that of being actually put into the melting pot, in order to be converted into bullion, or into coin with a foreign stamp upon it, it is hard cash alone, it is evident, that can perform any thing towards answering any such demand. Here then, at any rate, is a case, which as often as it comes to be realized, (supposing that it ever does come to be realized) can not but be apt to produce a sensible depression in the value and price of the proposed paper money, as compared with hard money. Wherever, therefore, it happens that a quantity of bullion is wanted, and that so great that the quantity of the pretious metal existing in the shape of bullion is not sufficient of itself to answer the demand, but requires to be supplied more or less out of that stock of it which exists in the shape of coin, paper not being capable in itself of answering any such demand, the price of hard cash as compared with the paper in question will rise, and (what is the same effect, only regarded in the opposite point of view) the [001\_697] price of the paper in question will be depressed, and the paper will be at a discount.

That such would necessarily be the result supposing that demand, if indeed the demand for bullion were to rise to any such pitch as that supposed, seems not to be contested: but that it ever should rise to any such pitch does not by any means appear probable.

The incidents capable of operating as causes productive of demand for an extra[?] quantity of the pretious metals to be delivered in foreign countries may be enumerated as follows.

I. For the use of government.

---

<sup>17</sup> MS 'indifferent'.

1. Pay of troops serving on the continent of Europe or elsewhere on foreign ground.
2. Pay of foreign troops serving on foreign ground, or subsidies to foreign powers.
3. Loans to foreign powers.
4. Sums paid on the score of indemnity or compensation to foreign powers.

II. For the use of individuals.

5. Danger of failure on the part of Merchants resident on foreign ground, and being partners or correspondents of British Merchants resident at home.

[001\_698]

In the course of the present war, and within the compass of the last seven years, the four first mentioned causes of extra demand (the public causes) have been existing together, and, upon the whole, taking them together, in a quantity never before equalled, and not likely to be exceeded.—Yet it may be averred, and upon the credit of the very best authority,<sup>d</sup> that the effect of all this mass of demand upon the quantity of hard cash in the country has on any occasion not been great enough to be worth considering in this point of view. It was answered, as to by far the greater part, by other merchandize besides bullion: and what was answered in bullion was not in all that time in any such quantity as to raise the price of bullion to such a pitch as to bring to the melting pot or to subject to exportation hard cash to a greater amount than about £70,000.

<sup>d</sup> See Mr Rose's Financial pamphlet of 1799. p. |^^^| 5<sup>th</sup> edition.<sup>18</sup>

[001\_699]

In all this trying period, these causes taken together have not been productive of any such effect as to depretiate even the paper of private Bankers, a paper essentially brittle and exposed to a perpetual cause of depretiation from which the proposed paper would in its nature stand perpetually exempted.<sup>e</sup>

<sup>e</sup> See *supra*.<sup>19</sup>

To judge of the future by the past, it, therefore, does not seem much to be apprehended that, were even the same course to be pursued which has of late been pursued in relation to the above objects, the proposed paper would in consequence be subjected to any the smallest degree of depretiation.

But even if it were, need the probability of such a result be considered as affording an objection to the present measure: for,

1. In the first place the above causes of extra demand being in a considerable degree voluntary, the practical inference might be rather to keep them down within the requisite bounds, rather than to forego the benefits of the proposed measure.

2. In the very plan and constitution of the proposed currency a cash fund (as will be seen)<sup>20</sup> is afforded, as a collateral result, such as would afford a species and degree of security hitherto unexampled against such accidents: a fund which, by measures taken on purpose if it were deemed worth while, would be susceptible of a much more considerable encrease

[001\_700]

3. Supposing that, notwithstanding this peculiar safeguard, and contrary to all probability deducible from experience, it were ever to happen that the proposed paper should share the common lot of all paper money as yet known, and became subjected to a temporary discount (for it could be but temporary) by the operation of the above or any other causes, the experience of such a result would not to constitute a peremptory objection to the measure, but only a deduction more or less considerable from the amount of the advantages that would be derived from it.

Nor in the mean time ought it to pass unnoticed, that, besides the security just mentioned, it has another security against depretiation, such as no paper currency could ever yet possess: I mean the natural cessation of the issue, which must take place before any depretiation in the value of circulation could take place, and the being exempted from

---

<sup>18</sup> '5<sup>th</sup> edition' is almost certainly a slip: elsewhere Bentham referred to the 6th edition. For the figures for the exportation of British coin given by Rose see p. 000 n. above. [To note to UC ii. 570, 'Circulating Annuities', Ch. IV]

<sup>19</sup> See pp. 000–000 above. [To UC ii. 586–91, Appendix A]

<sup>20</sup> See pp. 000–000 below. [To UC i. 508–13, this file]

those runs, to which paper payable on demand is essentially exposed.

A degree of security and steadiness equal to that which has been the lot of the Bank of England paper might surely be sufficient to satisfy the anxieties of the most cautious traveller in the paths of in finance: and we have seen how much it has the advantage of that essentially brittle as well as unprofitable paper in both these respects.

[001\_701]

The three results thus considered with reference to this paper, though they could not be spoken of but in succession, would scarcely be to be found separate, either in point of fact, or in the mind of an individual concerned. If none of it were to be taken out in the way of issue, none could be received in the course of circulation: if none were to be received in the course of circulation, none could be circulated at all, much less always without discount. On the other hand, the quantity taken out in the way of issue will depend, as to by far the greatest part of it, on the assurance of its being received in the way of circulation: and the assurance of its being received in the way of circulation at all, will depend in no small degree upon the assurance of its being received in the way of circulation, and that constantly, without discount.

[001\_702]

Were it by its constitution incapable of being circulated, it would still be capable of being brought into existence and taken out in the way of issue, and thus a certain degree of benefit to the community, and that by no means inconsiderable in itself, how inconsiderable soever in comparison of the rest, might be produced. The demand for it would then be confined to the class of Hoarders upon a small scale, and the class of Persons capable of becoming Hoarders on a small scale. The institution would then be a sort of Frugality Bank, with Government for the Banker. It would then be an institution producing, with still less trouble, and with still greater advantage in point of profit, and upon a still wider scale, the sort of benefit producible by the system of Banks already proposed under that name as an appendage to a proposed system of provision for the burthensome Poor, by the Author of these pages:<sup>21</sup> and under that same name is attempting to be carried on, but upon a comparatively minute and scarcely extendible scale, along with

---

<sup>21</sup> See 'Outline of a work entitled "Pauper Management Improved"', Bk. III, Ch. V, 'Frugality Assisted', in *Annals of Agriculture*, vol. xxx (1798), 414–24, 457–88, and in particular 420–4, 457–60 (*Writings on the Poor Laws: II (CW)*, 582–606, at 585–9).

other branches of money traffick, by a Company lately created by Parliamentary authority, under the name of the Globe Insurance Company.<sup>22</sup>

[001\_384] [6 December 1799]

*§ Extent, to which the proposed plan is capable of being pursued, and to which it may be eligible to pursue it:—and of the effects which the money thus flowing in may be productive of in its course*

Enough has already been seen of the plan, it is presumed, to shew that it will be productive of advantage to government, and that the amount of the advantage promises to be considerable. After this, to what precise extent it may be capable of being carried, before the powers of it are exhausted, is a question which it would be comparatively immaterial, and extremely difficult, to solve. To form any tolerable conjecture on this head, it will be necessary to follow out the plan in its progress, and observe the results as they arise.

On a first view, there seem no bounds to the extent to which the quantity of this species of currency seems capable of being carried: nor thence, to the quantity of wealth capable of being poured into the country through this channel. In conclusion, bounds distinct enough will be discovered, though not till after the extent of it has taken a very ample range.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: In the following paragraph please note the fraction  $\frac{33}{x}$  (thirty-three divided by x)

[001\_385]

On the issue of each hundred pound worth of Annuity Note paper, the paper goes into the pocket of the *taker-out*, the gold and guineas go, through the medium of the Exchequer, into the hands of the Broker of the Commissioners, by whom Stock to that value<sup>23</sup> is sold. This cash, being all of it so much more than would have been brought into the market otherwise, will have a proportionable effect upon the price: produce a rise, if the price be stationary, diminish the fall, if it be on the decline, encrease the ascent, if it be

<sup>22</sup> See the local statute, Globe Insurance Company Act of 1799 (39 Geo. III, c. lxxxiii).

<sup>23</sup> MS continues ‘whatever may be the nominal amount of it’. At the beginning of this sentence, Bentham replaced ‘note’ with ‘hundred pound worth’, thus rendering the qualification superfluous.

on the rise. Suppose it stationary, at 60: and suppose the quantity of extra money thus brought to market on the 1<sup>st</sup> of Jan.<sup>y</sup> 1801 (say £10,000), being the first parcel of the produce of the operation thus employ'd, to raise the price two per Cent, and thus bring it to 62: and suppose at the same time that the sum thus brought to market is exactly equal to the total of all other sums brought to the same market on the same day: and let the rise to that amount have affected the whole quantity purchased on that day. Had it not been for this rise, the £10,000 Annuity Note money would have purchased £16,666. 13<sup>s.</sup> [4<sup>d.</sup>]<sup>24</sup> of [001\_386] Stock: in consequence of the rise, it produces no more than £16,666. 13<sup>s.</sup> 4<sup>d.</sup> *minus x*. Of this £16,666. 13. 4. *minus x*, £10,000 is extinguished—that is, Stock Annuities to the amount £300 a year, are extinguished—to compensate, by their being so extinguished, for the charge to that amount created by the sale of the £10,000, or £300 a year, Note Annuities, with the purchase-money of which this Stock was thus bought: the remaining £6,666 13<sup>s.</sup> 4<sup>d.</sup> *minus x* (£200 – <sup>33</sup>/<sub>x</sub> a year) is kept alive, and invested in the name of the Commissioners, that the mass of Annuity thereon receivable may be employ'd, as they come to be received, in the buying up of fresh masses of Annuity, as at present.<sup>f</sup>

[001\_387]

<sup>f</sup> Though in as far as the £10,000 (parcel of the £16,666 *minus x*) was concerned, no exoneration would take place in respect of the mass of Annuity in question (since for every £300 a year Annuity thus extinguished there would be an equal sum of £300 a year already created), yet, as far as concerned the quantity of Stock remaining capable of being brought to market, the extinguishment would be pure and simple: and the influence of the operation in respect to the raising the price of Stock Annuities in the market would be as great, as if no mass of Annuity had been created in lieu of the mass extinguished: since the hands into which these Note Annuities come are a different set of hands from any in which Stock Annuities could be to be found, as hath been already indicated.<sup>25</sup> At another and more advanced stage of the plan, the case will alter in this respect: but of this afterwards: see below, paragraph |^^^|. <sup>26</sup>

As to the £10,000 in gold, it distributes itself among the several Sellers-out of the

<sup>24</sup> MS '8d.'

<sup>25</sup> See pp. 000 above. [To UC i. 668–9, this file]

<sup>26</sup> In the corresponding marginal contents sheet at UC iii. 39 (19 December 1799), Bentham has noted in relation to this note: 'See 35', i.e. the marginal content corresponding to p. 000 below. [To UC i. 420, this file]

£16,666. 13. 4. *minus x* of Stock: and it will be employ'd just as any other equal portion of capital taken at random will be employ'd—a small part in the way of dissipation, in such manner as to operate a diminution in the mass of national wealth,<sup>§</sup> but a much larger part beyond all comparison, in the way of thrift—that is, in keeping up the amount of that mass, and with encrease to boot.

[001\_387]

<sup>§</sup> It will make no difference to this purpose what class of hands it may have found its way into in the first instance, the thrifty or the unthrifty—those who can keep it [by]<sup>27</sup> them for some time, or those by whom it is destined to be paid away immediately, nor does it signify how often in the course of the day it pass from hand to hand, so long as, at the end of the day, or at the end of any small number of days, it has, previous to its dispersion, found its way into hands who will have found the requisite inducement to send it back to the market for Annuity Notes.

[001\_388]

In whatever proportion the money divides itself as between these two classes of hands, one part of it will find itself [in]<sup>28</sup> hands out of which it will be to be distributed immediately, meaning within a compass of time so short as not to make it worth while to invest it in the purchase of Note Annuities:—that is, to take it or send it to the next Post Office to change it into Annuity Notes. On the other hand, at the same time, another part will find itself in hands in which it will have presented itself as capable of being retained in them for such a length of time as will afford payment for that trouble. It seems difficult, and would perhaps be impossible, to frame any rational estimate of this proportion: by a random cast, for the purpose of illustration, suppose the part which thus in the course of a week comes to be sent back to the Annuity Note Market, one half of the whole. By the end of the first week then, £5,000 out of the original £10,000 performs the vibration in the same manner: by the end of the second week, £2,500 of that £5,000: and so on to the end of the year, in a decreasing series having 2 or ½ for its common measure.

[001\_389]

This distinction however, the distinction into money worth changing into Notes and money not worth changing into Notes, applies equally, it will be seen, not only to the

---

<sup>27</sup> MS 'buy'.

produce of the first day's sale of Annuity Notes as coupled with the result of the first day's purchase of Stock Annuity Note money, but also to the produce of every subsequent day's sale, and to the result of every subsequent day's purchase.

But neither does it apply exclusively to such cash as comes to the Stock market after having passed through it before. It applies, and with equal reason, to the whole mass of hard cash existing in the country.

Take the whole mass of currency, hard cash and paper, composed as it is at present. One part of this mass will always be in hands through which it passes without dwelling there, that is without dwelling any such length of time as shall make it worth while to send it to the Annuity Note market to be changed for notes. Another part will be money kept in reserve: by which I mean money that will stay, or be expected to stay, in the same hands, long enough to pay for the trouble of changing it for notes: and in this part [001\_390] will be included not only *capital*, money kept in in reserve till the occasion comes which will call for its being employ'd in disbursements of a productive tendency, but *maintenance money*, money kept in hand for the purpose of being disbursed from day to day in the course of the half-year or year, in payment for the subsistence of the owner, and for the other branches of his unproductive expenditure.

Still at random, and for illustration sake merely, call the quantity of ready money thus circumstanced one fourth-part of the whole:<sup>h</sup> and call the amount of that fourth-part 15 million: and of this 15 million's worth of money, let the hard cash compose two-thirds. Ten millions, upon these suppositions, will be the amount of the hard cash constantly kept in reserve and constantly capable of being sent to perform its vibrations in this way between the Annuity Note market and the Stock market, and what is more, constantly in the act of performing these vibrations (for any thing at [001\_391] least that yet appears to hinder it): time employ'd in performing each vibration, say 3, 4, 5, or 6 days.

[001\_390]

<sup>h</sup> Composed thus: Hard cash, exclusive of silver	.	.	.	.
40,000,000 Bank of England paper	.	.	.	.
10,000,000 Country Bankers' paper	.	.	.	.
10,000,000				

<sup>28</sup> MS 'into'.



Of the 10 million thus employ'd, a very uncertain and perhaps very small part will preserve, for any considerable length of time, such as a year, its supposed state of money kept in reserve as above distinguished (I speak of the individual guineas &c. of which it is composed): but this, in relation to the point in question, makes no difference. The amount being by supposition constantly the same, while the pieces are perpetually changing, as fast as any individual piece is drawn out of this fund, its place will be supplied by another piece, which immediately before had constituted part of the fund for immediate expenditure. Notwithstanding, therefore, any efflux and influx that may take place in regard to the individual pieces of which the supposed mass of 10 millions is composed, that mass, considered in regard to its amount, will remain as to this purpose undiminished, and ten millions may be set down as the quantity of hard cash which will throughout the year be repeating its vibrations, at each vibration taking out ten millions' worth of Annuity Notes at the fixed price, and buying up ten millions' worth of Stock at the current price, unless any circumstance can be pointed out that seems of a nature to put a stop to it.

[001\_392]

Sooner or later, thus much seems highly probable, not to say certain, viz: that the price of 3 per Cent Stock will thus be brought up to par, and this, not only in the event of a peace,<sup>i</sup> but even in time of war, and in the very height of a war carried on upon a scale of expence equal to that on which the existing war has been carried on up to this time. Supposing the whole quantity of existing hard cash in the country were thus to vibrate, a single vibration would be enough to take from the existing mass of Stock Annuities as much as two years of war would be likely to add to it. Such would be the result of the plan if the whole force of it were spent in the course of a single vibration, and if the forty millions of hard cash that have bought up such or such a quantity of Stock were to be sent out of the country or thrown into the sea, each guinea of it, as soon as it had performed this its office. Whereas the truth is, that after they have bought up this quantity of Stock in the Stock Annuity market, they still continue in the country, and, for ought that has yet appeared, in undiminished quantity, ready to perform the same operation a second time, and so on without end.

[001\_393]

<sup>i</sup> Were the war to terminate at present, or within one, two or three years (suppose) of the present time, peace of itself, it seems probable, in the course of a very few years indeed, would without any such aid as that proposed, be sufficient to produce the same

effect. Without any such aid as that of M<sup>r</sup> Pitt's Sinking Fund,<sup>29</sup> peace of itself raised the 3 per Cent Stock from [^^], almost immediately as high as to 95.<sup>30</sup> After the war which ended in 1783, with the aid of that same[?] sinking fund, but acting only during a part of the period, and at the end of the period, peace, in the course of 9 years, or rather of 8 or 7 years (the year 1784 being in respect of funding tantamount to a year of war), raised the price of those Annuities from 53 to 96.<sup>31</sup> In the height of the war, by an operation of no greater effect than the taking out of the market such a portion of Annuities as have been bought up by individuals and delivered up to government to be cancelled as the price paid for the perpetuity of an exemption [from]<sup>32</sup> the Land Tax, we have seen them raised from 47 to 68.<sup>33</sup>

The prodigious encrease made, or that may come to be made, in the amount of these annuities may, it may seem, render the operation of any cause of rise more slow at such an advanced period as that in contemplation than at these former periods. The price, whatever it be, is at all periods, an index equally accurate of the ratio between

<sup>29</sup> For Pitt's sinking fund see p. 000 n. above. [To note to UC cvii. 172 'Political Prospects']

<sup>30</sup> Bentham had in mind the end of the Seven Years War by the Treaty of Paris in February 1763, as indicated by his comment in the corresponding marginal contents sheet at UC iii. 39: 'Considering that the prodigious encrease that has been made since 1763 and 1783 has not prevented the price from rising even in War time, and little as hath as yet been taken out of the Market by the new sinking Fund.' According to Sinclair, *History of the Public Revenues*, Appendix No. III, p. 59, 3% annuities had been at 70 in April 1762 and were at 90 in January 1767, rising to 93 in February and 96 in March 1767.

<sup>31</sup> In relation to 1783, see Sinclair, *History of the Public Revenue*, ii. 49–68, at 65, where the price of 3% is recorded as standing at 64 in January 1783, had risen to 66 at the time of the Treaty of Paris in September, which ended the American war of independence, and had fallen to 58 by December. According to Sinclair, the stock stood at 55 in November 1784. Bentham may have had in mind Sinclair's statement in *ibid.*, p. 68, that 3% stocks had reached their lowest price of 53½ on 27 February 1782, that is after major hostilities in America had ceased, but well before the conclusion of the peace negotiations. In relation to 1792, the year before the outbreak of war with France, see 'Prices of Stock for the Year 1792', in 'Appendix to the Chronicle', *Annual Register*, vol. xxxiv (1792), 62–155, at 152, for confirmation that the price of 3% consolidated stock in 1792 reached a high of 97½ in March, before falling to a high of 90¾ and a low of 77½ in November, and a low of 74 in December, as apprehensions of approaching war mounted.

<sup>32</sup> MS 'of'.

<sup>33</sup> For the redemption of the land tax see p. 000 n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old Sinking Fund in War-time*'] The price of 3% consolidated stock had ranged between a high of 49¾ and a low of 47¼ in January 1798: see *Annual Register*, vol. xl (1798), 199. The Land Tax Perpetuation Act of 1798 (38 Geo. III, c. 60) received Royal Assent on 21 June 1798, in which month the price of 3% consolidated stock ranged between a high of 49½ and a low of 49¾: see *Annual Register*, vol. xl (1798), 199. By September 1799, the price had risen to a high of 69 and a low of 60¾, and in December 1799 ranged between a high of 63¾ and a low of 62¾: see *Annual Register*, vol. xli (1799), 188.

the amount of the demand, and of the power of the fund of national wealth in respect [001\_394] to the supply of that demand. That price being *given*, if the amount of the existing Annuities were twice as great as present, it would not be much more difficult for such a cause of rise as peace is to raise it from that price to a given higher price.

The astonishing consideration is that after the mass of annuities has been doubled, the price of them should be no lower than before. What it shews is, that in the course of that period, a part, and a part only, of the wealth that has been added to the national stock of wealth in the course of it, has been sufficient to the making of such enormous purchases.

What would have been the price of Stocks, and what the rate of interest, if it had not been for that demand for wealth to be consumed in war expences, by which the price of these Annuities has been thus kept down!

[001\_395]

What the real limits, natural or artificial, are to this apparently endless series of vibrations, and thence to the apparently endless accumulation of factitious wealth (nominal wealth at least), and what the effects will be upon the real wealth of the country and of the world, are questions that will be considered afterwards:<sup>34</sup>—mean time, let us consider the face that will have been assumed by the Public Finance at the time and in consequence of this elevation, and what new features it may be proper that the plan itself should assume in consequence.

As the mass of Stock Annuities thus bought in increases, the price of course receives a proportionable encrease, and the profit made by Government upon each £100 worth of Note Annuities sold, and £100 worth of Stock Annuities bought, diminishes in proportion. Suppose the price of Annuities to have thus been raised to par, the profit of the operation, so far as concerns the mere difference between the price of what is sold and the price of what is bought with the money, vanishes altogether.

[001\_396]

But the operation of the plan does not stop here: for both parties: individuals considered as possessors of hard cash, and Government, considered as possessor of the means of granting out more Annuities in the shape of Annuity notes—both parties may find their account in the continuance of it.

As to the individuals, possessors of hard cash, their situation, their interests [have]<sup>35</sup> undergone no change. Whatever inducement a man had any time for the changing his barren cash for interest-bearing paper, he possesses it still.

As to Government, though the profit derived from the difference between the amount of the mass of annuities assumed and that of the mass thrown off is at an end, the transaction still remains as capable as at first of affording the sundry following sources of profit, which have not as yet been noticed, but are by no means to be despised. These are:

1. Profit by the difference between half-yearly interest<sup>j</sup> and yearly interest:<sup>k</sup>

<sup>j</sup> The time of payment for Stock Annuities.

<sup>k</sup> The time of payment for the proposed Note Annuities.<sup>36</sup>

2. Profit by Non-claim of interest; viz: during the month in each year allotted for that purpose by a condition in the grant.
3. Profit by the lost notes mislaid or destroy'd.<sup>37</sup>

[001\_397]

1. As to the first mentioned source, in point of standing profit it may be no great object—upon every million a year of these Annuities, the interest of half a year at 3 per Cent, viz: £15,000. But at particular times, the advantage in point of occasional accommodation may be considerable. See further on.<sup>38</sup>

---

<sup>34</sup> See Appendix D, pp. 000–000 below.

<sup>35</sup> MS 'has'.

<sup>36</sup> Bentham would later change his mind on this point: see p. 000 n. above and p. 000 below. [To note to UC ii. 392, 'Circulating Annuities', Ch. I, and 1800, pp. 9–10, 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'] For further details see the Editorial Introduction, p. 000 above.

<sup>37</sup> In the corresponding marginal contents sheet at UC iii. 39, Bentham has noted at this point: 'Afterwards, Profit by Dividend on Stock forborne to be received.' For a related discussion see pp. 000–000 above. [To UC ii. 167–72, 'Circulating Annuities', Ch. VI]

<sup>38</sup> Bentham may have had in mind the discussion(s) in 'Circulating Annuities', Chs. I and VI: see pp. 000–000 and 000–000 above. [UC ii. 392–5, 'Circulating Annuities', note {10} to Ch. I; and UC ii. 162, *ibid.*, Ch. VI]

2. As to the second source it depends, it is true, altogether upon the will of each individual. But it is not on that account to be regarded as a scanty one. There are occasions on which the result of human choice may be conjectured, and the conjecture acted upon with little risk of disappointment.

An object which a man may accomplish without trouble he will not bestow trouble in accomplishing. To receive the interest on an Annuity note from Government is a business of some trouble. The trouble has been reduced to as small an amount as possible, but still it is some trouble: a call or two to make at a Post Office, and a word or two to write. To pass that same note in the way of circulation, and so obtain the interest from the individual to whom it is passed, is a business not attended with any trouble at all distinct from that of the business—the purchase, the payment—which, were the receipt of the interest out of the question, would be equally to be performed.

[001\_398]

Even the difference between the trouble of *counting* in the two cases is a matter of some account, and of account sufficient to give determination to human conduct, as experience indicates.<sup>1</sup> If the interest upon a given Annuity Note, say a six guinea Note,<sup>39</sup> is received from Government, it can only be received within no other than a certain time of the year, the first month in every year, and after that (suppose three months after), if a man has occasion to make a payment or a purchase, to the amount of the principal and interest which would be due upon that note supposing the year's interest unreceived, then, in case of his having received the interest, it will be necessary for him to add, upon that occasion, to the amount of the principal united to the unreceived interest of the fraction of the year, a further sum equal to the interest he has been receiving:—in the other case the note of itself, without addition, will do the business. In a word, a sum which, if a man were to receive the interest upon his note, he could not make up without the addition of odd money, nor then without the trouble of counting the pieces, and the risk of taking bad ones in the number, he might, by taking principal and interest together in the way of circulation, receive from an individual, and thus, by so doing, save himself from that trouble and that risk.

[001\_399]

<sup>39</sup> At the time of drafting this discussion Bentham envisaged that the standard annuity note would have a face value of £6 6s. or £6. 8s.: see p. 000 below. [To UC i. 406, this file]

<sup>1</sup> What is it that has engaged the public to accept of Banker's paper in preference to hard cash? Clearly the two circumstances above mentioned—the avoiding the risk of bad money and the trouble of counting: for these advantages people are content to run the risk of failure on the part of the individual, the Banker by whom each note is issued. In the present case, both these inducements apply, at the same time that the counter-consideration, the risk of failure, is out of the question.

[001\_399]

Thus much, as to the possessor of the notes. As to the case of an individual to whom the note may come to be tendered in the course of circulation, and who accordingly has to determine with himself whether he shall receive it, sum for sum, whether it be a note on which interest has been received, or a note on which the interest has not been received, can not in his situation make the smallest difference: saving always the difference between having so much more or so much less money to count and run the risk upon, in respect of which he has the same motive for giving preference to the note which remains undischarged of interest, as takes place in the case of the individual first supposed.

[001\_400]

Whatever may be the causes (of which a little further on) which will operate in limitation of the quantity of Annuity Note paper, and whatever may be the effective force with which they act, the great probability seems to be, that long before they become productive of that effect, the event of raising 3 per Cent Stocks Annuities to par, even in war time, will have taken place. At that conjuncture, there will of course be no more buying up of Stock, and the plan of paying-off, as far as the cash fund extends, will come into action in its stead.

But before things are actually arrived at this state, and as soon as any near prospect of it is brought to view, several conflicting causes of elevation on the one hand, and of depression on the other, will come into play: forming, with the causes of elevation we have seen, a sort of conflict, the duration and issue of which does not appear very easy to determine. These are:

1. On the part of persons not yet possessed of Stock, inducements to refrain from the purchase of Stock. Apprehension of being paid off, or, by the fear of being paid off, seeing one's self obliged to consent to a reduction of the rate of interest.

2. On the part of Stockholders themselves, apprehensions of the same sort[?].

[001\_401]

3. As the price of Stock Annuities advances, the advantage which at present is gained in regard to the rate of interest by holding Stock Annuities (purchased at present at near 40 per cent under par) as compared with Note Annuities (which can never be had but at par) will have ceased: while the advantages that belong to Note Annuities will remain undiminished: by which means, little by little, Note Annuities will have been brought to lie within the reach of the possessors of large and permanent sums; and those who but for this rise in the price of Stock would have put their property into that shape, will keep aloof from that market, and betake themselves to the Note Annuity market in preference, leaving the Stock Annuity market in so far deserted.

At the present price of Stock Annuities (between 60 and 70) there could be no competition between the two markets: money that went into the one could be such only as could not have gone to the other. As the state of things just mentioned advanced, such a competition would advance: as the price of Stock Annuities rose, the attraction to that market would act with less and less force upon the money that now goes to no other than the Stock Annuity market, till at last the Stock Annuity market may come to have scarce any other customers than the Commissioners of the Sinking Fund.<sup>m</sup>

[001\_402]

<sup>m</sup> In this state of things, the price [of] Stock Annuities will have derived from the institution of the proposed Note Annuities a degree of steadiness at present unknown, and such as it seems scarcely possible it should have derived from any other cause.

[001\_402]

Whatever be the pitch at which it has been fixed by the joint action of the above antagonizing causes, when once it has been brought to that pitch or within a near view of it, insomuch that it is become clear, that it is only by the superior attraction of the Note Annuity market that the price of Stock is kept from rising, and rising to such a pitch as would afford Government the means of effecting a reduction of the rate of interest by holding up to the holders of Stock Annuities the apprehension of being paid off, then would be the time when Government would, perhaps, have the *faculty* at least of performing another operation, by means of which a reduction might be effected in the rate

of interest on a considerable portion of the existing debt, [which] might experience a still further depression, depressing it from 3 per cent to some considerably lower rate. Whether it would be eligible on the whole, is another question: but a question, the answer to which, judging from common notions and the past operations to which they have given birth, would not be difficult to devine.

[001\_403]

This is, to put a stop to the issue of Annuity Notes. Sooner or later, in consequence of this operation, the price of the then existing Note Annuities would rise, that is, the existing mass of Note Annuities would come to bear a premium, which premium would from the same cause keep gradually on the encrease.

When the amount of the premium has risen to such a pitch as that the acquisition of an advance to that amount on the price received for each Annuity Note would be deemed an object to Government, *then* would be the time for opening the Note Annuity market, and establishing a *fresh* issue at an *encreased* price, so regulated as to reduce the rate of interest upon this fresh issue to the pitch to which the rate of interest upon the original issue had been reduced (as far as concerned the takers in the course of circulation) by the premium that had taken place.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fractions  $\frac{1}{12}$  (one-twelfth),  $\frac{1}{13}$  (one-thirteenth)  $\frac{1}{6}$  (one-sixth),  $\frac{1}{7}$  (one-seventh), and  $\frac{3}{4}$  (three-quarters) in the following paragraph.

A halfpenny added to every sixpence in the denominated value of each Annuity Note would, in that way, for every twelve hundred pound (in such fresh issue) for which interest at 3 per cent was paid by Government, add one hundred pound for which no interest would be paid, and thus strike off  $\frac{1}{12}$  or  $\frac{1}{13}$  from the rate of interest, making it a little more than  $2\frac{3}{4}$  per cent;<sup>n</sup> a penny for every sixpence would add the like sum of £100 for every £600, striking off  $\frac{1}{6}$  or  $\frac{1}{7}$  from the rate of interest, making it a little more than  $2\frac{1}{2}$  per cent.

<sup>n</sup> See the Table.<sup>40</sup>

<sup>40</sup> No Table of Annuity Note Currency in which the standard note had a face value of £6 6s. has been located. As Bentham goes on to explain at p. 000 below [To UC i. 406, this file] however, for the purposes of making



[001\_404]

Long before the arrival of the price of Stock Annuities at par, it will probably have been found expedient, not to say necessary, to issue Annuity Notes of smaller and smaller dimensions than the original or standard size, in fractions having 2 for their common divisor, according to a series represented in the Table.<sup>41</sup> The three next fractions—viz. the half note, or £3. 3. 0 Note—the quarter note, or £1. 11. 6 Note, and the half-quarter note or £0. 15. 9, or if not all together, the lower-most at least, will be indispensably necessary in the first place to open the market [to] the proprietors of savings to these respective amounts, to take the benefit of the proposed interest; in the next place, to put this paper, considered as currency, upon a footing with gold in point of circulation, and find admission for it into the same hands and to enable it to find its way into the same hands, and as many hands, as gold finds its way into at present: though, to produce this effect compleatly, the division should descend a step lower, and add to the above list of fractional notes the quarter-quarter-note or sixteenth-part of the standard note, value £0. 7<sup>s</sup>. 10<sup>d</sup>. ½.

[001\_405]

At the next step it would descend into the level of the silver currency, and by this means might be enabled to apply a cure, or at least a very powerful palliative, to an inconvenience of long standing as well as of great magnitude. In as far as it extended, it would take the place of the bad silver coin, for of that which is good, that is, that is neither light nor counterfeit, there is scarce a specimen to be found, and give to the false coining trade a blow at least as severe as that which was given by the Commutation Act to the Smuggling Trade.<sup>42</sup>

---

‘even money’, he now proposed to increase that face value to £6. 8s., which is exactly one-half of the value for the standard note on which he finally settled in January 1800. In consequence, the comparisons Bentham draws in this discussion do relate to the figures given in ‘Table I. Table of a Proposed Annuity Note Currency’, between pp. 000 and 000 below, [To text file 14] making allowance for the change in the value of the standard note. In the corresponding marginal contents sheets at UC iii. 39 (19 December 1799), 38 (19 December 1799), Bentham indicated that the following ten paragraphs and associated notes might be used in ‘Notes to Plan’, i.e. ‘Circulating Annuities’, Ch. I, pp. 000–000 above. He did not, however, incorporate them into his draft of that discussion.

<sup>41</sup> See the previous note.

<sup>42</sup> The Commutation Act of 1784 (24 Geo. III, sess. 2, c. 38) reduced the rate of duty on imported tea from 119% to 12½%. The measure was introduced by Pitt on the advice of Richard Twining (1749–1824), tea and coffee merchant and Director of the East India Company, who argued that it would both remove the incentive

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note many and varied fractions in the following paragraphs.

In the lowest part of the series, to carry down this paper currency to the lowest level of the silver currency, there would be four degrees of magnitude—viz: the  $\frac{1}{32}^d$  part of the Standard Note,  $3^s$   $11^d \frac{1}{4}$ , in an even sum  $4^s$ ; the  $\frac{1}{64}^{\text{th}}$  part of a Note,  $1^s$   $11^d \frac{5}{8}$ , or  $1^s$   $11^d$   $2\frac{1}{2}^f$ , in even sum,  $2^s$ ; the  $\frac{1}{128}^{\text{th}}$  part of a note,  $11^d \frac{13}{16}$ , or  $0$ .  $11^d$   $3\frac{1}{4}^f$ , in an even sum,  $1^s$ ; and the  $\frac{1}{256}^{\text{th}}$  part of a Note,  $5^d \frac{31}{32}$ , or  $0$ .  $5^d$   $3\frac{7}{8}^{\text{f.}}$ <sup>[1]</sup>

[001\_406]

It is for the sake of getting rid of the extremely broken sums respectively constituting the exact aliquot parts of the Standard Note, that I would propose the substituting the four corresponding even sums just mentioned. But, as it would be necessary that the proportion between the several terms of the series should by all means be kept inviolate, on pain of introducing an endless intricacy of calculation into an intercourse the terms of which can not be too simple, it would thus be necessary that a corresponding addition should be made to the denominative value of each note, to whatever length the series be carried, whether in the descending or the ascending line. On this plan, the denominative value of the Standard Note would be to be raised from £6.  $6^s$  to £6.  $8^s$ , that is, for every sixty-three shillings, another shilling, or  $\frac{1}{63}^d$  of the exact value which the note ought to have to yield precisely 3 per cent per annum at the proposed rate of a farthing every two days, will be to be added to the denominative value of the Note: and the precise rate of interest allowed, instead of being precisely 3 per Cent per annum, will be only 2 per Cent and  $\frac{20}{21}$  or thereabouts. It may be asserted [001\_407] without much danger of contradiction, that a defalcation thus minute will not be productive of any sensible diminution in the probable demand for the species of currency thus proposed: or that any person who would have accepted it at 3 per cent would refuse it at  $2\frac{21}{22}$  per cent. To the individual, therefore, by whom this paper is brought in retail, the diminution of advantage, such as it is, would be insensible: while to Government, by whom it is sold in the wholesale way, and upon so immense a scale, it would afford an advantage not to be despised: since for every £6,300,000 of this paper for

---

for smuggling and stimulate an increase in consumption, so that total revenue from this source would not decline in proportion to the reduction in duty, while the shortfall in revenue which did eventuate might be compensated by an increase in the window tax. See Richard Twining, *Observations on the Tea and Window Act, and on the Tea Trade*, London, 1784, pp. 4–10.

which it would have to pay interest, it would circulate £100,000 worth without interest, or, in other words, save a mass of perpetual Annuity equal to [£3,333. 6<sup>s</sup>. 8<sup>d</sup>]<sup>43</sup> a year.

[001\_408]

At every step thus taken in the descending line, this interest-bearing government currency would, of course, expel, and that in no [long]<sup>44</sup> space of time, all barren paper (as well that of the Bank of England as that of private Ba[n]kers) of the denominative value immediately above it.<sup>o</sup>

[001\_408]

<sup>o</sup> As for example a £1. 11. 6 or £1. 12. 0 Annuity Note currency would be enough to expel all Bank notes of £2 and upwards, but would not absolutely expel the £1 Bank Notes, because there would be individuals whose ready money might rise as high as £1 at a time, without rising as high as £1. 11. 6: but when a 15<sup>s</sup>. 9<sup>d</sup>. or 16<sup>s</sup>. Annuity Note currency came to be issued, it would then be still easier to find wherewithal to purchase an Annuity Note, than wherewithal to purchase a £1 Bank Note: and then the lowest tier of Bank Notes would share the fate of the higher ones.

Six guineas, or six pound eight shillings, being the proposed Standard or first issued Annuity Note currency, this currency alone would, before it had yet assumed its utmost extent, have probably had the effect of expelling all Bank notes of a greater magnitude than the three sizes introduced within these few years, viz: the £1, £2, and £5 Notes:<sup>45</sup> in a word, all Bank notes of £10 and [001\_409] upwards. In this state of things, the same considerations of convenience which, in the instance of the existing Bank paper, have given birth to the £20, £50, £100 Bank notes, and to others of still greater magnitude, will have suggested the giving some sort of encrease, if not an exactly corresponding encrease, to the magnitude of the proposed Annuity Notes. In this ascending line of the series, the

<sup>43</sup> MS '£33,333. 6<sup>s</sup>. 8<sup>d</sup>' is a slip.

<sup>44</sup> MS 'short', contradicts the sense of the passage.

<sup>45</sup> The Bank of England first issued £5 notes in February 1793 at the start of the war against Revolutionary France, and first issued £2 and £1 notes in March 1797: see p. 000 n. above. [To UC xvii. 108, 'On the Stock Note Plan']

double-octuple Annuity Note—£100. 16<sup>s</sup>.<sup>46</sup> or £102. 8<sup>s</sup>, would perform the function of the £100 Bank Note, and with little difference correspond with the £100 Exchequer Bill, being the magnitude most prevalent in the currency last mentioned. Whether the line of ascent should stop at that point in the scale, or whether it should rise higher, is a question open at any time to be decided upon by considerations of convenience such may have [been] furnished by experience. In the Table, for uniformity sake, the ascending line has been continued to the same length as the descending line: highest multiple note, 256 times the amount of the standard, making, according to this scale composed of exact but broken sums £1,612. 16<sup>s</sup>.<sup>47</sup> in the scale having in the lowest degrees less exact but even sums adapted to the state of the silver coinage, £1638. 8<sup>s</sup>.

[001\_410]

It is the saving the time of counting, together with the labour, expence and risk of carriage, that constitutes a material part of the convenience derived to government from the employment of the existing Bank in its pecuniary transactions or in its receipts and payments, especially in the receipts derived from the most productive Offices of Revenue and the distributions made to the most voracious offices of expenditure. Of these heads of convenience, that which regards expence, and labour and risk of carriage, would find the Standard note of £6. 6<sup>s</sup> or £6. 8<sup>s</sup> competent enough for the purpose: but, to save the trouble of counting, an adequate demand would probably be thought to be afforded for some of the higher magnitudes.

This single consideration might of itself be regarded, in process of time, as an adequate reason for giving currency to the Annuity Note paper in the government offices. The extension which would thus be given to the demand for it would afford another advantage of still superior importance.<sup>p</sup> The advantages it it holds out are such as can never stand in need of any additional recommendation, and the effect of any such aid, given as an aid, and known to be so, would rather be to weaken the credit of this paper, than to give strength to it.

<sup>46</sup> In 'Table I. Table of a Proposed Annuity Note Currency', between pp. 000 and 000 below, this figure is given as £101 7s. 9½d., reflecting Bentham's correction of the amount of the standard note from £6 6s. to £6 6s. 8¾d. [To text file 14]

<sup>47</sup> In 'Table I. Table of a Proposed Annuity Note Currency', between pp. 000 and 000 below, this figure is given as £1622 4s. 5d. 1f. For explanation of the difference, see previous note.

<sup>p</sup> Always understand, that it is not till at an advanced period of the existence of this currency, nor till after it had been seen to have established itself of itself, on the natural ground, as it were, and without forcing, that this stimulus to its growth ought to be applied.

[001\_411]

A great part of the cash received as Dividend money on the existing Stock Annuities, would naturally be carried forthwith to the Note Annuity market to purchase Annuity Notes. But a man who would be at the trouble to send his cash to another place for the purchase of Annuity Note paper in the way of issue would be still be more ready to receive his money in that shape in the first instance, and without any such trouble. If, then, the Annuity Note paper were to be received and circulated by Government in other ways—received at the offices of receipt, distributed and imprested at the offices of expenditure, there seems no reason why it should not be employ'd in payment of the Dividends as they became due on the several existing masses of Stock Annuities, indiscriminately with Cash, as Bank paper is at present, in as far as the persons intitled to such Dividends thought proper to accept it.<sup>q</sup>

<sup>q</sup> This is to be understood of Annuity Note paper regularly taken out in the way of issue, and brought into circulation by individuals, before it comes into the hands of Government. It is an essential part of this plan that none be issued in any other mode:—that is, that none be issued by any other Office, such as Government Offices of expenditure.

[001\_412]

The applications for Dividend money would, it is true, be naturally much more prompt, upon the whole, were the Dividends to be paid in this interest yielding paper, than they are at present, now that the only option lies between the barren paper of the Bank and equally barren cash. But cases are not wanting, nor taken together will their range be unextensive, which induce[?] a necessity of such forbearance for different lengths of time: death, sickness, absence of the Stock-holder—marriage of a female—hesitation about the choice of a proper agent where the residence of the principal is at a distance—Death, sickness or absence of such agent—title to the Stock in dispute, and so forth.<sup>r</sup>

'Hence another stroke upon the Bank, in the event of their continuing in the management of the business of paying Dividends: and this whether such Dividends were made payable in Annuity Note paper or not. In the former case, the inducement to promptitude would be rather the more striking: but in the other, the advantage would be the same, deducting only the trouble of sending to the next General or Penny Post Office to change the cash into Annuity Notes.

[001\_413]

Should the disposition to prefer this paper to hard cash on the occasion in question prevail and become general, (of which there appears no room to doubt any more than on any other occasion) hence would arise another very considerable source of profit to somewhere—to the Bank of England, supposing the business of paying the Dividends to continue in the hands of that corporation, or if not, to Government. By each day of the several days in which Dividends become due, Government would provide itself with a stock of Annuity Note paper competent to the purpose. But Dividends are applied for—not always on the very first day of their becoming due, but on every other day of that half a year, and in many instances, especially where the amount is small, not for several half years afterwards. But, for every day during which such forbearance in respect of any portion of Dividend continued, a portion of profit, viz: the interest upon the quantity of Annuity Note paper representing that portion, would thus accrue to Government. At present, determined by long usage and other considerations, Government contracts with the Bank at an expence of no less than <sup>||</sup> a year for conducting this most simple of all businesses.<sup>48</sup> In the case just supposed, it might not only save that large annual disbursement, but reap a net profit to a very large amount besides.

[001\_414]

The case of him who keeps this paper in pursuit of a plan of accumulation, is somewhat different in this respect. By keeping by him any such note he may [make] simple interest upon it for as many years as he keeps it by him, and that without ever receiving the dividends upon it, as well as if he received them ever so regularly. But in this way, the interest he received would never be any thing more than simple interest: since the interest

---

<sup>48</sup> The Bank of England charged government £450 per million for managing the national debt, while Allardyce estimated that the annual payment to the Bank arising from the charge amounted to £180,000: see *Address to the Proprietors of the Bank of England*, p. 14.

due upon any such note the first year after issue would not carry any interest the second or any other year, and so on. To make interest upon interest, it would be necessary a man should, immediately as the interest upon any Annuity Note or parcel of Annuity Notes became due, receive such interest, and receive it in the shape [of] a separate Annuity Note or parcel of Annuity Notes, which accordingly, in proportion to the magnitude of this amount, would respectively yield him a separate mass of interest.

[001\_415]

But neither, to give himself this advantage, would it be necessary that a man should send his Annuity Note paper to the Exchequer, and so receive the interest on it from Government. The same advantage might equally be obtained in the course of circulation. The receipt for obtaining it is simply this. As soon as the year's interest becomes due upon your note, change it for two notes, or any parcel of notes no matter how composed, so as the total value shall be equal to the value of the note in question, with the interest to boot.<sup>s</sup>

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fractions  $\frac{1}{4}$  (one-fourth),  $\frac{3}{4}$  (three-fourths) and  $\frac{1}{3}$  (one-third) in the following footnote.

[001\_416]

<sup>s</sup> To view this method of obtaining interest upon interest in the clearer point of view, it may worth while to bestow a glance upon the annexed Table, in which is exhibited the proposed system of Annuity Notes, in a decreasing series composed of 17 terms, having 2 for their common measure, the Standard Note £6. 6<sup>s</sup> or £6. 8<sup>s</sup> constituting the middle term, of which the higher notes are multiples, and the lower notes fractions.<sup>49</sup> At the opening of the Annuity Market, a man begins with taking out in the way of issue an Annuity Note of the highest denomination, viz: a £1612. 16<sup>s</sup> note, or £1638. 8<sup>s</sup> Note. He keeps it by him till the time for payment of interest at the commencement of the second year, by which period the interest due upon it amounts to £48. 13. 4.<sup>50</sup> This £48. 13<sup>s</sup>. 4<sup>d</sup>. will, with the addition of £1. [14<sup>s</sup>.]<sup>51</sup> 8<sup>d</sup>., amount to £50. 8<sup>s</sup>. which,

<sup>49</sup> See 'Table I. Table of a Proposed Annuity Note Currency', between pp. 000 and 000 below. where the value of the standard note assumed is exactly twice that assumed in the present discussion and the series extends to nineteen terms. [To text file 14]

<sup>50</sup> In 'Table I. Table of a Proposed Annuity Note Currency', between pp. 000 and 000 below, Bentham indicated that the annual interest on a note of this size would be £48 10s. 8d. [To text file 14]

<sup>51</sup> MS '4'.

will be the exact purchase money of another note, viz: the note called an Octuple, if the sums run in the mathematically correct series: or, with the addition of £2. 10<sup>s</sup>. 8<sup>d</sup>, it will amount to £51. 4<sup>s</sup>, which will be the exact purchase money of such a note if the sums run in the practically convenient series. This Note, purchased at the beginning of the 2<sup>d</sup> year, and [001\_417] kept to the end of it, will by that time have yielded interest to the amount of £1. 10<sup>s</sup>. 5<sup>d</sup>, which sum, with the addition of 1<sup>s</sup>. 1<sup>d</sup>, or 1<sup>s</sup>. 7<sup>d</sup>, will serve for the purchase of a quarter-note, value £1. 11. 6 in the mathematical scale, or £1. 12 in the practical scale, as before distinguished.

This quarter-note, purchased at the beginning of the 3<sup>d</sup> year, and kept to the end of that year, will by that time have yielded interest to the amount of 11<sup>d</sup>.<sup>1</sup>/<sub>4</sub>, which sum, with the addition of <sup>3</sup>/<sub>4</sub><sup>d</sup>, will serve for the purchase of a 1<sup>s</sup>. note, yielding interest to the amount of three farthings in two years.

It is evident that without any such additions as the above compound interest might, in some instances, equally be made, supposing the scale to be carried down to the degree of minuteness exhibited by the Table, that is to the bottom of the existing silver currency. But in that case, it would have required in each instance a multitude of small Notes, whereas by the means of those additions, made for instance in cash, the object might equally be accomplished with a shorter scale of Annuity Note paper, and in each instance by adding to the note constituting the principal sum in each case, one single note for the purpose of yielding [001\_418] the fresh mass of interest. This separation of principal and interest can not, it is true, be effected in this mode but upon the supposition of the circulation's affording Notes on which the interest has been received: it could not, therefore, be effected if the forbearance to receive interest at the Exchequer were to obtain universally. But that any such universal forbearance should take place seems too much to expect, unless it be in relation to the very small notes: but though it were, this would not prevent the making of interest upon interest by the help of a competent assortment of small notes, by means of which any sum could be made up then, by Annuity Note paper, that, with the help of the gold and silver currency together, can be made up at present.

Another use of the above supposed additions is to show how little the scale wants to the affording a series of notes which, at the proposed rate of 3 per Cent per annum, shall be as principal and interest to one another. Each note is 32 times the amount of the note standing in the 6<sup>th</sup> place inclusive beneath it in the scale. For the greater note to be to the less as principal at 3 per cent is to interest precisely, the greater should be to the less as 33<sup>1</sup>/<sub>3</sub> to 1.



As soon as Annuity Notes (already in circulation) come to be received in payment of the Dividends on Annuity Notes,<sup>52</sup> the profit derivable by Government from non-claim of interest may be realized in a very secure way, and without hazarding the slightest shock to public credit. Government will keep itself constantly provided with Annuity Note paper to the whole amount of the interest and dividends due, as well upon the Note Annuities as upon the Stock Annuities. Upon this, there will be no loss nor diminution of gain: since for whatever length of time it thus keeps up a quantity of Annuity Note paper to a given amount, such is the time for which it gains the interest upon that amount upon the several notes, which interest it will receive upon each note at whatsoever time such note may come to be passed by Government in the way of circulation. If this revenue were kept in hard cash instead of notes, nothing would be to be gained by it: because hard cash, so long as it is kept by a man, does not yield him any interest.<sup>53</sup>

[001\_420]

I have spoken above of the case in which, by stopping the issue of Annuity Note paper at the original rate of interest, the price of this paper in the course of circulation might come to be raised, in such sort as to enable Government to make a second emission at a reduced rate of interest. A rise of this sort might be found to take effect sooner than at first sight might be supposed. [Considerably]<sup>54</sup> before this time, even before the time when the quantity of Stock Annuities bought in with the produce of the sale of Annuity Note paper had raised the price of Stock Annuities quite up to par, Note Annuities would have become as well adapted as Stock Annuities to the situation and demand afforded by the customers for permanent Annuities in large masses. It would, therefore, be bought and kept as Stock is bought and kept at present, in thousand pounds' worths, and ten thousand pounds' worths at a time, by persons whose object it would be to keep it as long by them and make it as productive to them as they could, who would hoard it, just as Stock Annuities are at present hoarded, and into whose plans, it would [001\_421] not enter, unless in the event of some unforeseen exigency, to put it in circulation. But as far as those

---

<sup>52</sup> MS orig. 'Stock Annuities'.

<sup>53</sup> In the corresponding marginal contents sheet at UC iii. 38 (19 December 1799), nine contents (26–34) concerning losses to the Bank of England appear at this point, in relation to which Bentham has noted: 'Disadvant./Objections. Bank Revenue lost.' In the text, he renumbered the remaining marginal contents to take account of the omission of the text at UC i. 505—13 to which these contents relate, which he transferred to the section 'Disadvantages': see pp. 000–000 below.

<sup>54</sup> MS 'Considerable'.

plans were adhered to—in other words, in as far as it were hoarded, and kept in the coffers of a proprietor without passing from his hands into others, in so far it would fail of adding to the currency, and would not contribute any thing to the answering the demand for it (whatever it might be) that might take place in the money market, nor, therefore, would it do any thing towards keeping down the premium that would take place in consequence of the insufficiency of the supply of this species of paper in the market as compared with the demand.

No part of that portion of Note Annuities which takes the place of Stock Annuities will add any thing to the currency, nor, after the issue has been closed, can the demand for such portion supply itself out of the currency without producing a proportionable rising in the price.

[001\_422]

About this period, Stock Annuities, being at or above par, will be paying-off: for the money periodically produced by the existing Fund will not in any other way be able to find employment. But in so far as it is employ'd in paying-off the holders of Stock Annuities, it is employ'd in taking them from hands that are unwilling[?] to part with them. All these discharged Stock Annuitants will, of course, come in with their money to the Annuity Note market. Here then, will be so many persons who come with their money into the market for Annuity Note paper, but who, when they have got it, keep it as they would have done their Stock, without bringing it to market again: and who, therefore, in proportion as they lay hold of it in the course of circulation, contribute to encrease the scarcity, and to raise the price of it more and more, now that the issue of it has been stopped.

[001\_423]

Things being come to this pass, the conversion of the Stock Annuities into Note Annuities, and into Note Annuities of a reduced rate of interest, appears to be carrying on with a degree of rapidity to which no end can be assigned till the conversion is compleated—till the whole of the existing mass of Stock Annuities is converted into Note Annuities, bearing interest at some reduced rate, inferior to 3 per Cent. The Stock holder A, in payment for his £100 Stock, receives, from the Sinking fund receives per force, his £100 worth of guineas: these guineas he immediately goes to market with, and takes out in the way of issue £100 worth of Annuity Notes. With these same guineas, now brought back already into the Sinking fund, Government pays off a second Stockholder B, who

again takes them back to the same market, and takes out *his* £100 worth of Annuity Notes; in the same manner, a third Stock-holder C is paid off with the same identical parcel of Guineas, and so on to a fourth and a fifth, and so on without end. No one of these Stockholders can supply the demand for Annuity Note paper existing on the part of any other of them: since, by the supposition, all of them buy it to keep, none of them have it to dispose of.

[001\_424]

Mortified by this reduction in their incomes, there are none of these Stock-holders but would be glad, if he knew how, to carry his money to some more productive market, rather than to see it thus forced, as it were, into the Note Annuity Market. But to this they will find such difficulties as by many of them will never be to be surmounted, nor by any of them till after a considerable length of time. It is the Government market, and that alone, that affords a man the faculty of placing out his money at interest in any sum, and at a minute's warning. Other channels are not to be met with without research, nor are capable of being employ'd by every body. So that whatsoever might happen in the long run, in the first instance the Annuitants thus expelled from the Stock Annuity market would find themselves forced in crowds into the Note Annuity market, and before they had time to withdraw from it any sum worth regarding, the whole conversion will have taken place. The finding another market would be a waste of time to them, were they even driven out of the Stock Annuity market ever so sparingly: but being driven out, as they will be, in such crowds, the faculty of finding any such other distant market, becomes, in proportion to the thickness of the crowd, more and more unattainable.

[001\_492] [26 December 1799]

### *§ Disadvantages*

After such a mass of advantage,<sup>55</sup> it would be strange indeed, if the measure furnished nothing in the shape of disadvantage to set on the other side of the account.

In regard to what belongs to the head of disadvantage, two opposite errors are apt to

---

<sup>55</sup> Bentham is presumably assuming that the reader will by this stage have read not only the material in this appendix but possibly elements of that presented in the sections of Appendix A dealing with the 'Advantageous Properties' of Annuity Notes: see pp. 000–000 above. [To UC i. 586–98, 533–9; and 440–4, 460–72, 447–52, 455–9, 473–91, 425–39, Appendix A]

manifest themselves: one consists in dissembling the disadvantage altogether: the other consists in considering it at once as affording a peremptory objection: without stopping to enquire whether it be or be not capable of being obviated, nor whether the amount of disadvantage taken together be greater or less than the amount of advantage.

The heads of disadvantage seem all of them reducible to the following:

1. The loss that will befall the Bank of England by the expulsion of its paper.
2. The loss that will befall the Country Bankers by the expulsion of their paper.
3. The loss that will befall Bankers in general by the reduction, if not the total abolition, of their trade.
4. The loss that will befall such individuals as are at present in the habit of borrowing of Bankers, by getting them to discount Bills or otherwise.
5. The reduction that will take place in the incomes of money'd men, as the reduction of the debt by which that income is constituted goes on.

[001\_493]

That loss will accrue on each of those accounts, and that on each account the amount of it will be very great, is not to be dissembled: but in no instance was loss ever more pure from injury.

Instead of loss, exaggeration will of course employ the words bankruptcy and ruin.

In this there would be no exaggeration, were the paper to be issued, and the circulation become universal, without warning. But as nothing in this way either will be done or can be done without the most ample warning,<sup>t</sup> no man without his own wilful default will suffer otherwise than by the cessation of his gain.

<sup>t</sup> Publication of the Progress of the issue.<sup>56</sup>

As to the Bank and Bankers in general, the loss will admitt of this general description: they will find themselves debarred from the exercise of this trade, either in

<sup>56</sup> See pp. 000 and 000 above. [To UC ii. 383, 'Circulating Annuities', Ch. I, and to UC i. 604, Appendix A]

part or, what seems not<sup>57</sup> probable, altogether, and by that means find themselves obliged to transferr their respective capitals to other branches of trade.<sup>u</sup> The real loss will be—not the whole of the annual profit made at present in the Banking trade—but the difference between that and what will come to be respectively made in those several other trades.

<sup>u</sup> From whence such other branches, by the bye, will receive a proportionable extension.

[001\_494]

The trade of the Banker consists in the lending to his own profit, the money of other people, at the risk of the proprietors. Whatsoever loss may accrue to Bankers, it can never be seriously stated as a wrong thing that a man should be enabled to make whatever lawful profit is to be made from the use of his own money, or that he should be exempted from that risk.<sup>58</sup>

The loss to which the public stands exposed by the Banking trade is a very serious evil: it is stated as such by the most respectable authorities.<sup>v</sup> It is a perpetually impending one: the trade, by the very essence of it, consisting in the continual emission of promises, the performance of which, taking them all together continually, is perpetually impossible.

<sup>v</sup> Loss by Bankers Trade: see Baring and Rose.<sup>59</sup>

The trade, moreover, stands accused of another abuse, which through collateral to it, seems as if it were little less than inseparable. This consists in speculation: in plain English

---

<sup>57</sup> MS orig. ‘most’.

<sup>58</sup> The sentence appears contradictory, in that Bentham maintains that allowing individuals to make profit at their own risk and the exempting them from that risk obviously not ‘wrong things’.

<sup>59</sup> According to Baring, the circulation of the country banks ‘was founded on the most insecure principle, and liable to almost instantaneous convulsion, by unforeseen and even trifling circumstances’; and ‘a law should pass, to prevent Country Banks from issuing Notes payable on demand, as they can never be in a situation to pay without some notice; and the country ought to be protected against those calamities which have arisen, and will continue to arise, from such a practice’: see Baring, *Observations on the Establishment of the Bank of England*, pp. 17, 18–19. According to Rose, during the ‘stagnation of mercantile credit in 1793’ ‘there were many merchants and manufacturers, who had warehouses filled with goods which they could neither sell nor raise money upon’, but ‘many considerable commercial houses’ and ‘a variety of eminent manufacturers’ were prevented only by the emergency issue of commercial exchequer bills: see Rose, *Brief Examination*, pp. 62–6, at 63, 65.

the creation of artificial scarcities, for the purpose of profiting by the extra price.<sup>60</sup>

The evil, were it much greater than it seems likely to be, would probably be found to bear but a small proportion to the good that has accrued to Bankers, and thence to the public (for Bankers are as much a part of the public as any body else), by the past periods of the Banking trade. But by the proposed currency the same good would be produced, without any of the evil.

[001\_495]

The loss to Bankers could not be made up:—it could not be liquidated. The loss to the Bank of England might. Ought it, and how? These are discussions which might appear premature, and would be too bulky for this place.<sup>61</sup>

The loss to individuals who are at present in the habit of borrowing other people's money of Bankers is altogether irremediable. In that loose and superficial way of arguing which is but too general, there will indeed be no loss: since Bank and Banker's paper will not be going out, but in proportion as Annuity Note paper flows in. Were the amount of Annuity Note paper introduced to do no more than equal the amount of Bank and Banker's paper expelled, Trade and improvements of every kind would be going on at the same rate. But the hands into which Banker's paper is now in the habit of conveying itself, and the hands into which the guineas that will be pouring into the hands of persons selling their Stock Annuities at an advanced rate, are not, unless by accident, the same. Among the hands by whom the profit of the measure is reaped, are those of the selling out Stockholders, who, by the introduction of this new influx of money through the medium of the Sinking Fund, will obtain so much the better prices than they could have obtained otherwise.

[001\_496]

The only remaining head of loss (which is generally passed over as if no amount), surmounts all the preceding ones all together. The *summum bonum* of politics on all sides is the discharge of the national debt. In this *summum bonum* a most grievous burthen is

---

<sup>60</sup> Bentham returns to this subject at p. 000 below. [To UC i. 501, this file]

<sup>61</sup> For discussion of the effects of annuity notes on the Bank of England and of possible compensation see pp. 000–000 and 000–000 below. [To UC i. 503–4, this file; and 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. XIII]

involved, and that inextricably:—a reduction of income, twice or thrice as great as that which is effected by the income tax. The classes affected by it are two vast classes—Stockholders, and the possessors of unincreasable incomes. As to Stockholders, so long as the buying-up plan continues, it is all profit: nobody parts with his Stock but by his own choice. But when the paying-off plan takes place of the buying-up plan, then comes profit and loss together: the ratio of loss to profit increasing every day: [to] the willing, as before, but with them the unwilling in a continually increasing multitude. Not long after comes the *reduction*: the reduction of the rate of interest allowed by Government to its creditors: a reduction effected by the consent of the Creditors to submit to this [great]<sup>62</sup> evil to save themselves from a still greater evil: viz: that of being paid-off. But before this prominent evil comes to be embraced by one set of Creditors, viz: those who stay in, another evil, still greater though less prominent, must have been sustained by another set of Creditors, viz: those who have been [001\_497] paid-off: for if the reduction of income resulting from the being paid off were not the greater evil of the two, the other would not be embraced in preference.

The loss to persons of unincreasable incomes is that which results from the enhancement of prices (meaning nominal or money prices) that will take place from the influx of money into the market in a proportion beyond what the *fund of possible labour* can carry off. Both these losses will fall together upon the paid-off, or reduced creditor: his income will be curtailed, and the value of the remainder will be growing every day less and less.

All this evil is overlooked, as it is natural enough it should be overlooked, in the still larger mass of good, in which the sufferers by this evil will not be without their share. But in comparison of this wide-extending evil (an evil inseparably attendant on general prosperity), what is the particular evil that falls upon *Bankers* and their *borrowers*?<sup>w</sup>

<sup>w</sup> And how light in comparison is the evil, and that but a temporary one, of the Income tax, even at its heaviest rate?<sup>63</sup>

[001\_505]

---

<sup>62</sup> MS 'greater'.

<sup>63</sup> See p. 000 n. above. [To note to UC i. 469, Appendix A]

§ *Disadvantages.—Bank Reserve Cash Fund*<sup>64</sup>

By the expulsion of the Bank of England paper, the circulating capital of that corporation will be lessened to that amount, the faculty it at present possesses of supplying Government with large sums would be reduced in a very considerable degree, if not extinguished, and a resource of which Government has been so much in the habit of availing itself, to the amount of ten millions and upwards at a time, will thus be diminished, if not cut off altogether.—This, it must be confessed, is among the disadvantageous results which will come to be set off with the advantageous results of the proposed measure—is one of the items which will have to stand on this side of loss in the account of profit and loss by the proposed measure. But,

1. In the first place, in whatsoever degree the resource in question may thus come to be diminished, it does not follow that it will be cut off altogether. The Bank of England, though it will no longer have any of its own Notes to lend, will have money of other people's to keep (Cash and Annuity Notes together) and will therefore have money to lend.

[001\_506]

2. This accommodation, like every other pecuniary accommodation, has limits to its value, and government would, on certain terms, have it in its power to keep itself for ever above the reach of the necessity of recurring to it. If the resource in question were cut off altogether, and if no other corporation or assemblage of individuals could be to be found that would be at once able and willing to afford an equal and similar resource, Government, by borrowing ten millions more than it would do otherwise, which in the state of things supposed it would have been enabled to at 3 per cent, that is by granting Annuities to the amount of £300,000 a year extra, might have this resource perpetually at its own command and in its own coffers, without being beholden to any such, or any other such, set of men, or in any degree dependent on their interest, their humour or their prudence.

3. The operation of the proposed measure could scarcely have got to the length of expelling the [paper of] Bank of England, but that the profit reaped by Government from

---

<sup>64</sup> The text which constitutes the first seventeen paragraphs of this subsection ('By the expulsion .^.^ the surest ground.') was originally drafted for inclusion in Bentham's discussion of 'Extent' (see p. 000 n. above), before being repaginated and transferred to this section. [To note to UC i. 419, this file] For further details see the Editorial Introduction, p. 000 & n. above.



the measure in respect of Annuities extinguished, over and above the branch of profit made by the portion of Annuities bought-in, as under the existing sinking fund, [001\_507] will have exceeded the expence of keeping up this supposed necessary resource.

4. Nobody, however, it is supposed, would seriously speak of the resource in question as being really a necessary piece in the mechanism of finance. Money, it has been found by experience, is to be obtained in less time, and with less exertion, from the Directors of this Corporation than from Parliament. Under these circumstances, the sense of duty, concurring with personal convenience, has brought this accommodation into use. But sooner or later, and always in the compass of a few months, Parliament, which pays for all, must always be applied to. Nor is any thing ever done by means of this resource which could not be done without it. The Directors would know their duty and their interest better than to lend their money in this way at any time, if any doubt existed with respect to utility any more than in respect to inclination on the part of Parliament to repay it. The only difference made by the extinction of this resource, were it to be extinguished altogether, would be that on some occasions it might be necessary to come to Parliament somewhat earlier than at present. The [001\_508] demand for forecast on the part of Ministers would be a little more urgent, and their dependence on Parliament a little stricter, than at present.

Be that as it may, the place of that resource and of all other such resources might, under favour of the proposed measure, be supplied, and that to great advantage, by what might be called a Cash Fund. I mean a mass of ready money which in the present case might be in the shape of hard cash, not to be employ'd but in such cases in which the resource of borrowing from the Bank of England is employ'd at present, and under the declared condition of being by the earliest opportunity replaced by Parliament.

[001\_509]

For the formation of the proposed Cash Fund ways and means are already, as hath been seen, provided by the Annuity Note plan itself: viz:<sup>65</sup>

1. Profit by difference between half-yearly and yearly interest.
2. D<sup>o</sup> by forbearance of application for dividends on Note Annuities.

---

<sup>65</sup> Bentham does not detail any ways and means in his text. The following ways and means are reproduced from the corresponding marginal summary, headed 'How and of what such Cash Fund may be formed'.

3. D° by forbearance of application for dividends on Stock Annuities.

4. D° by lost notes.<sup>66</sup>

To these might be added a portion which for this purpose might be set apart out of the cash supplied by the sale of Annuity Notes: to be applied to this use instead of being employ'd in the buying in of Annuities: for, after the aid which the existing Sinking Fund will by this time have received from the proposed Annuity Note measure, it need not grudge sparing a part of that aid for the purchase of the security afforded by the proposed Cash Fund.

[001\_510]

All this treasure need not lie dead and unemploy'd. To set up any such trade as that of a Banker, would in this country (howsoever in use or other countries) be a measure very ill adapted to a situation such as that of Government. The choice of the persons whose applications for having their Notes discounted should be complied with would, at such a Bank, be more or less exposed to the danger of becoming a job, [a] means of undue influence, and would at the very first mention be voted such by the voice of public jealousy. But if Government were confined in its dealings in this way to a single customer such as the Bank of England, there seems no objection to its supplying such a customer from time to time on pre-ascertained conditions, for short terms, with sums of money by which the Bank might be enabled to give a proportionable extension to its discounts. The Bank, for example, discounting as at present at 5 per Cent, and for the money thus borrowed paying to Government 2½ or 3 per cent: or rather (for, as will be seen farther on, among the effects of the proposed measure a reduction in the market rate of interest would unquestionably be one)<sup>67</sup> the Bank discounting at 4 per cent, and allowing for the money thus borrowed of government, 2 or 2½ per cent.

[001\_511]

I have started already the supposition of a temporary demand for hard cash in

---

<sup>66</sup> The marginal content continues with '5. A portion to be set apart for the purpose out of the money produced by the sale of the Annuity Notes', which has been omitted on the ground that Bentham makes the same point in the immediately following sentence.

<sup>67</sup> Bentham may have had in mind the discussion in 'Circulating Annuities', Ch. V: see pp. 000–000 above. [To UC i. 251–4, 295–300, 71–87]

contradistinction to the proposed Annuity Note currency,<sup>68</sup> and such as consequently could not be supplied by that currency but would, to the extent of such demand, require to be supplied by hard cash. The arrival of any such exigency did not present itself as an event ever likely to take place: but, for argument sake, suppose it to take place. Another use of the proposed Cash Fund might be either the buying-in on Government account, at some such small rate of discount as shall have been determined, a quantity of Annuity Note paper to a limited amount, or the lending cash upon it on the footing of a pledge.

As these notes gain value by keeping, yielding to him who keeps them an interest at the rate of 3 per Cent per annum for every day they are kept, they would of themselves yield a portion of the profit proposed to be made on the loan, and a small supplement to be taken out of the cash advanced upon them, say 2 per Cent, would be sufficient to [001\_512] compleat it. Thus, suppose, for example, the sum thus lent by government were £500,000, and the time it was lent for six months. By the end of the 6 months, supposing the paper kept so long by Government, it would have increased in value to the amount of [£7,500],<sup>69</sup> and, if reissued at that time, would pass for [£507,500]:<sup>70</sup> if, then, £10,000 in hard cash were to be deducted out of the £500,000 in cash thus lent on the security of the £500,000 worth of Annuity Note Paper, the interest made by Government would be [£17,500],<sup>71</sup> that is [3½ per Cent];<sup>72</sup> and yet the pledger of the paper would pay but £2 per Cent for the accommodation, since on paying to Government the [£7,500]<sup>73</sup> cash along with the £500,000 on taking back his paper, the paper would have acquired in the mean time the additional value given to it by 6 months interest, and when restored to the circulation by the pledger, would pass current for the whole [£507,500].<sup>74</sup>

This £500,000 worth of paper being all this while locked up in the Exchequer, and withdrawn from the circulation, will have kept up all that time in the paper currency a gap to that amount: in the mean time, [001\_513] as long as any such extra demand for hard cash in preference to Annuity Note paper continues—so long as the comparative security

<sup>68</sup> See pp. 000–000 above. [To UC i. 691–702, this file]

<sup>69</sup> MS ‘£15,000’.

<sup>70</sup> MS ‘£515,000’.

<sup>71</sup> MS ‘£25,000’.

<sup>72</sup> MS ‘5 per Cent’. Since the money had been loaned for six months, the equivalent annual government earning in interest would amount to 7%.

<sup>73</sup> MS ‘£15,000’.

<sup>74</sup> MS ‘£515,000’.

which produced the application for hard cash upon the security of the pledged Annuity Note paper continues, it is impossible but that the emission of it in the way of issue must remain suspended: those who otherwise would have taken it out of the way of issue will be reduced to hunt for it as it presents itself in the course of circulation, and so soon as the difficulty of obtaining it in this latter way shall have produced application for it in the way of issue, it will be a sure sign that the extra demand for hard cash in preference to this paper, and the correspondent stagnation or depression of this paper, has already ceased.

All this while, the accounts of the quantities taken out in the way of issue from the first establishment of this currency having been regularly kept and published, what the quantity that would have been taken out within the half-year in question, had it not been for the sudden and temporary demand in question for hard cash, is what it will have been easy to prognosticate: and the advance thus supposed to be made of hard cash on the credit of the supposed quantity of this paper will not have been made but upon the surest ground.<sup>75</sup>

[001\_514]

Supposing the eagerness to obtain Annuity Note paper in preference to cash, to be, as it is here supposed to be, universal, it may occur as an inconvenience, that the result will be either the total disappearance, or at least the great and inconvenient scarcity, of hard cash. Every body, it may be said is on the look out for this paper, and nobody that can get it takes hard cash: at the same time that there is nobody who, in virtue of any engagement (such as that which contracted by those who issue Bank and Banker's paper) stands bound to be provided with hard cash.

Such is the difficulty that may present itself: but the difficulty is only in appearance. In this case as in others, without any measures taken on purpose, the supply will adjust itself to the demand of course, and with the utmost nicety.

The interest or dividend upon the mass of Annuity Note paper in circulation is what the Government stands bound to pay in hard cash:—it can not be paid in any other shape.

Annuity Notes can not be taken out in the way of issue without being paid for in hard cash.

Here then, are two parcels of hard cash the preservation of which is, by the plan itself, rendered indispensable to the existence and encrease of the stock of Annuity Note paper.

[001\_515]

No man can ever take out an Annuity Note in the way of issue, without paying hard cash for it. If, having Annuity Note paper already issued and nothing else, he finds any difficulty in obtaining the quantity of hard cash necessary to the purchase of an additional Annuity, he will find himself obliged to give a small premium on the purchase of it. By the supposition, there are but two sorts of money current, viz: the paper money in question and hard cash. Take then, for example, any man at pleasure. If he has not money of some sort or other in his possession, he has no demand for any such thing as an Annuity Note—he has no means of buying one. If he has any money in his possession, what he has must by the supposition consist either of Annuity Note money, or of hard cash: for, by the supposition, there exists no other. Annuity Note money, it can not be; for, by the supposition, this is what he has not so much of as he is able and willing to purchase—this is the very thing he is [in] want of, and wishes to purchase. The money he has to purchase the Annuity Paper in question can not, therefore, be any thing but hard cash.

[001\_516]

But, if this be true in the instance of any one individual, it is equally so in the instance of all. There can not, therefore, be a demand—an efficient demand—for Annuity Note paper, and at the same time a scarcity of hard cash. Whatsoever proportion as between the two is most convenient, in that proportion, therefore, will they always be found to exist, by the very nature of the plan on which the issue of this paper is arranged.

In the supposed state of things, by the very supposition, no demand for Annuity Note paper can exist on the part of any one who has not hard cash to pay for it: therefore, so long as there is any wherewithal in the country to purchase such paper, there can be no deficiency of hard cash.

To a certain degree, it can not but expel and take place of hard cash: but it never can effect any displacement to such a degree as to produce the inconvenience in question, a

---

<sup>75</sup> This point marks the end of the sequence transferred here from Bentham's discussion of 'Extent': see p. 000 n. above. [To note to UC i. 419, this file]

scarcity of hard cash with reference to the demand on the part of those who have property of any kind to give for it.

As between the quantity of Annuity Paper in the country and the quantity of hard cash, there will, at each given period, be a certain proportion more convenient than any other. But this most convenient of all proportions is the very proportion which at each period will establish itself in virtue of the plan itself, without any demand for exertion or attention on the part of Government.

[001\_517]

If any scarcity of hard cash could take place for so much [as] an instant, it could only be in consequence of a sudden demand for hard cash in a large quantity at once, on the part of somebody for a purpose which could not be answered by the Annuity Note paper. But what could be the occasion of such a demand?

[001\_518]

The species of property in question, the species of paper money in question, be it once more remembered, is not capable of existing in excess: the quantity of its correlative, and only correlative, hard money—the quantity of the thing it is exchanged for, and the only thing it is exchanged for, is, therefore, not capable of being found deficient. If the value of the paper were in any respect fictitious and illusion, the marketable value of it—the price current of it in circulation, might, by the detection of the fiction, be at any time diminished or destroy'd. But there is nothing fictitious—nothing of the illusion—in the case. Nothing is promised but what is performed—nothing is received but what is really wanted by the person who receives it, and actually made use of by him, so long as he retains it. The thing promised is an Annuity: it is in the character of an Annuity that it is received by every body, every body knowing that what he receives is a right to an Annuity and nothing more, and that what he will enjoy in virtue of it is that same annuity and nothing more. It is not received by any one who has not a real demand for an Annuity, short as the duration of the Annuity for which he has the demand may be. [001\_519] True it is, that when he accepts of that annuity it is in confidence of the being able to sell it, as soon as he wants the money, which may be that same day: in which case, it is no more than an Annuity for so many hours or so many minutes. But this confidence is not a deceitful one. He can not see a man, who, having money in his possession or money to receive, has not the same demand for such an Annuity that he himself has. Laying out of the case the

possessors of permanent small sums, no such note is taken out in the way of issue by any one whose demand for an Annuity and capacity of retaining it is not confined and limited: no man whose demand and means of purchasing and retaining extend to a permanent annuity becomes a customer for one of these temporary ones: no such person will become a purchaser of a permanent annuity at this dear rate, when he can obtain one in the form of a Stock Annuity at a so much cheaper rate. The demand for these annuities is no more liable to fail than the demand for hard cash is liable to fail.

[001\_520]

All these misgivings vanish on a close survey. The value of this paper, as of all paper that has any value, is built on that of gold and silver: the value of the pretious metals is not liable to fail—nor are they liable to be thrown by, as if they were of no value. That they can not be thrown out altogether is evident enough: in what precise degree, if in any, they will be discarded, is neither among the things that are to be known, nor among those that are worth knowing. Of every guinea in the country it may be said that either it will stay in the country and in the circulation, or be thrown out of either. No man that is master of a guinea will either export it or melt it down, unless he is a gainer by so doing:—and if every man who is master of a guinea were to export it or melt it down, and were to be a gainer by so doing, who is there that would be a loser? and where would be the loss?

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please leave a space of one line, followed by a short rule centred, followed by a further space of one line.

[001\_498]

If it were to be destroyed or reduced,<sup>76</sup> the loss resulting from such destruction or

---

<sup>76</sup> i.e. the trade of the country bankers. The remainder of this Appendix reproduces a sequence originally drafted for Bentham's discussion of 'Effects', before being reheaded for an intended section dealing with 'Objections' to the measure, which remained incomplete, and which he decided to exclude from the work. It is reproduced here on the basis of the close relationship between the themes of disadvantage and objection,

reduction would be to be carried to the account of the disadvantage attached to the proposed measure.

In proportion to the magnitude and extent of the mass of advantage, this disadvantage would not be found heavy. It would difficult to meet with an example of a measure affecting trade in which the damage occasioned by any shifting in the course of trade was so inconsiderable: and this whether the magnitude of the damage in the instance of each person, or the numbers of persons to whom the damage extends itself, be considered.

1. In the case of a manufacture, if, by a sudden diminution in the quantity of business, a number of individuals together are driven out of the trade, a large proportion of the Stock or fixed capital is thus made to lose, if not the whole, at any rate a great part of its value. In the Banker's trade, there is no such appropriate Stock: nothing but a Company House, applicable without any loss of value worth considering to any other branch of trade: unless it be money, an article equally applicable to any branch of trade.

[001\_499]

2. In the case of a manufacture again, upon the expulsion of the Master Manufacturers, labouring hands and other subordinates find their means of livelyhood altogether cut off for a time, and for ever, perhaps, in a considerable degree reduced. In the Banker's trade, a Banker has no such train of dependents. The train of a Banker is composed of a few Clerks, to whom it is as, or nearly so, easy to find employment equally advantageous in any other branch of wholesale trade as to a person bred up in such trade.

3. A manufacturer, by being expelled from his business will in many instances be find himself deprived of his only means of obtaining a livelyhood adequate to his rank in life, and even reduced to indigence. A Banker, even at his first entrance into that trade, always is, or at least ought to be, a man in opulent or at least in easy circumstances. Supposing him even to betake himself to no other branch of trade, mere cessation of gain, unaccompanied with positive loss, is his only damage.

4. That he will experience so much as even this cessation of gain in any degree is not a result to be assumed and argued upon as if it were a certain consequence. He embraced



this branch in preference to every other: therefore, there is a probability that his expulsion from it may be attended with damage. But in his expulsion from it he carries with him a capital as applicable to any branch of trade as any other: therefore, the probability is very inconsiderable: too inconsiderable to be worth setting down in account against so many points of advantage as promise to be attended on this proposed measure.

[001\_500]

5. The number of the persons thus affected is a number known already, or wanting but little of being so, capable of being known at any time in a few days and with the utmost accuracy: and, at the highest, very inconsiderable considering the extent and magnitude of the trade. In the Metropolis, precisely: in the Country, speaking of that part of Great Britain called England, varying in a considerable degree: by the last accounts that have been made public <sup>[^^^]</sup>, or thereabouts.<sup>x</sup>

<sup>x</sup> See Lords Report on the stoppage of the Bank in 1797, M<sup>r</sup> <sup>[^^^]</sup> evidence; Commons d<sup>o</sup>, d<sup>o</sup>.<sup>77</sup>

6. The fluctuation in the number of Country Bankers serves to indicate in a short way how inconsiderable the inconvenience is that results from relinquishment in the instance of this branch of trade. According as the occasions are more or less favourable, a man may quit it and return to it ever so many times without any loss worth mentioning.

[001\_501]

Along with the advantages which by every body must be allowed to have been derived [by]<sup>78</sup> the public at large from this branch of trade, an occasional effect has been ascribed to it which, so far as it obtains, can not but be carried to the account of disadvantage. This is the giving birth to speculations of monopoly for the purpose and with the effect of creating artificial scarcity in regard to this or that commodity, raising the price by that means to an excessive degree, and thus levying, as it were, a tax upon the consumer

---

<sup>77</sup> According to the estimate given on 30 March and 1 April 1797 by George Ellison, Secretary to the Association of Country Bankers, to the Committees of the House of Commons and House of Lords respectively on the Outstanding Demands of the Bank of England, the total of country banking houses had been 280 before the commercial crisis of 1793, and had fallen to 230 in 1797: see ‘Report of the Lords’ Committee of Secrecy’ (1796–7), *Lords Sessional Papers*, ii. 237–40, and ‘Third Report from the Committee of Secrecy’, in *Commons Papers of the Eighteenth Century*, cv. 229–30.

<sup>78</sup> MS ‘from’.

for the benefit of a few individuals, and without any advantage to government or the public at large. That examples practices of this kind are in frequent experience is what I have heard asserted by persons of intelligence in the mercantile. Be the fact as it may, certain it is that from the accumulation of money in large masses not embarked for a permanence in any branch of trade, but ready for a time and for a particular purpose to be applied to any, the species of extortion in question is capable of deriving such facilities as are not to be derived from any other source. What is also certain is, that—by associations amongst Bankers large masses of capital are thus linked together for the useful and unimpeachable purpose of self-preservation, by mutual [001\_502] protection against *runs*. The connection thus formed for a purpose purely useful is capable, at any rate, of being applied to the mischievous object which has been already mentioned, and which, how prejudicial soever to the community at large, are not stamped with a proportionable degree of discredit, nor can easily, if at all, be reached by the rod of penal justice.

Supposing the abolition of the Bankers trade in any degree to be among the consequences of the proposed measure, the drying up of the source of mischief here spoken of will be an advantage to the public at large, operating as far as it goes in compensation for the amount of disadvantage, whatever it may be, that would fall to the account of this particular class of traders.

[001\_503]

Another head of objection may be taken from the influence of the measure on the affairs of the Bank of England.

1. It will be productive of damage to the Company itself.
2. It will go to deprive Government itself in a degree more or less considerable of the occasional assistance which it has been so long and so constantly in the habit of deriving from that great Company.

In reply to the first objection it may be observed—

1. That if Bank Notes are received at the Annuity Note Offices in payment of Annuity Notes, the circulation of Bank Notes will be little if at all affected.
2. That although not thus received in payment of Annuity Notes, it must be admitted to be a probable, not to say a necessary, consequence that they will be banished out of the

circulation, and that in that case whatever part of the profit of the Company is dependent upon that source will be cut off.

Admitting the existence of this mass of damage, several observations will arise. 1. It does not seem to be of the number of those cases of damage which call for compensation. If, after keeping my money at a Banker's for a certain number of years, I alter my mind and betake myself to another Banker, or keep it myself, it is so much a year lost to the Banker, but does it give him any claim to compensation? Government has all along been in the habit of issuing Exchequer Bills, which have all along constituted part of the currency as much as Bank Notes, not to speak of Navy Bills, Victualling, Transport Bills and Ordnance Debentures.

[001\_504]

Twenty years ago, or so, the Bank reduced the lowest of its notes from £10 to £5.<sup>79</sup> and within these 3 or 4 years again from £5, to £2 and £1.<sup>80</sup> What should hinder Government from following the example? N.B. The Charter of this great incorporated Banking Company does not preclude unincorporated Banking Companies from issuing their paper. Why should it preclude Government? There is not a syllable in the Charter to preclude Government from issuing the proposed or any other currency: nor consequently in the Act for the extension of the Charter.<sup>81</sup>

2. Admitting it to be a case for compensation, the damage from the measure can not have gone this length without producing to Government such a mass of profit, as will afford an ample fund for a compensation equal to the utmost amount of such damage, even supposing that the whole of the compensation were to come out of the pocket of government, and by that means came to be deducted from the amount of profit.

3. Although Government were to be looked upon as bound in equity to make good to the Bank the loss resulting from the measure, viz: the neat loss, it does not follow that Government would have to pay out of its own pocket the whole, or so much as any part, of that loss. The Bank would remain in undisturbed possession of its vast capital, together with its corporate powers. Though the particular source of profit in question would be cut

<sup>79</sup> Bentham is mistaken: see p. 000 n. above. [To note to UC i. 408, this file]

<sup>80</sup> See p. 000 n. above. [To UC xvii. 108, 'On the Stock Note Plan']

<sup>81</sup> The Bank of England's Charter had been renewed most recently by the Advance by Bank of England Act of 1781 (Geo. III, c. 60).

off, a multitude of others would remain open to it. Among these others there might be many that would be equally or still more advantageous. But supposing the most advantageous of these remaining sources to fall short of the source thus cut off, still the real loss from the proposed measure would be—not the total loss of the profit from the branch of trade actually exercised, but the difference between the amount of profit upon that and the amount of profit upon the next most advantageous, which, on this supposition, would be substituted to it.