

NOTE TO TYPESETTERS: Please begin new recto.

[001\_610] [30 October 1800]

Thoughts on Paper Money. Shewing the mischiefs flowing  
from it—including its share in the present pressure—  
together with an indication of the remedy.\*<sup>1</sup>

NOTE TO TYPESETTERS: Please begin new recto.

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\* [Editor's Note: This work, for which Bentham's short title was 'Paper Mischief', grew out of Bentham's efforts to discuss the effects of increase in the quantity of paper money for inclusion in 'Circulating Annuities'. He never completed the text, which he in turn abandoned to begin work on 'The True Alarm' early in 1801. The ordering of the first six chapters is largely based on Bentham's Ordo and Brouillon at UC i. 610 (30 October 1800), and marginal contents from that Ordo are reproduced, once as a Bentham note and once as text, in order to shed light on gaps in the draft. There is no text for Ch. VII. Measures, and in its absence the corresponding marginal contents at UC iii. 88 (14 December 1800) are reproduced as text.]

<sup>1</sup> The following variant title is given in a brouillon at UC i. 616 (13 January 1801), headed 'Paper Mischief. Brouillon V. Remedies—Enquiry': 'Thoughts on Paper Money, its mischiefs and their remedies'.

[003\_089]

## PREFACE

The position here submitted to the judgment of the public is the accidental and collateral result of a train of investigation I was led into by different views.<sup>2</sup> In the course of that enquiry, I soon saw that prices were raised by paper money, and that the rise of prices was an evil—but seeing at the same time that the addition made to wealth by paper was not less real—sum for sum, casual and temporary shocks apart—than if made by gold, I was led to regard the evil as among those which are to be regretted without being combated, as being inseparably attached to masses of greater good. Under this notion, with Sir W. Pulteney and so many other distinguished statesmen,<sup>3</sup> whose example may afford an ample screen against any imputation of temerity, I was actually occupying myself with contrivances for adding to the existing mass of the circulating medium,<sup>4</sup> when, as the enquiry advanced, the time came to examine into the supposed connection, and taking measure of the evil, great was my surprize to find the appearance of connection fallacious, and the evil swelling to a most enormous magnitude, swelling to such a magnitude as to eclipse those which, among evils of the same kind, have ever hitherto sat heaviest on mankind.

I had thus recognized my error, and spread out before me the mass of argument that had led me to conviction, when, on seeing in an advertisement a pamphlet bearing for its title the ‘Iniquity of Banking’,<sup>5</sup> I was curious to observe the train of reflections that had been brought forward by another on the same side.

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<sup>2</sup> Bentham is referring to his Annuity Note scheme, for which see the provisional text of *Writings on Political Economy: IV (CW)*, ed. M. Quinn, [Bentham Project, 2019],

[https://rdr.ucl.ac.uk/articles/Writings\\_on\\_Political\\_Economy\\_Volume\\_IV\\_Preliminaries\\_and\\_Text\\_files\\_1-5/9897596/2](https://rdr.ucl.ac.uk/articles/Writings_on_Political_Economy_Volume_IV_Preliminaries_and_Text_files_1-5/9897596/2)

<sup>3</sup> Sir William Pulteney (formerly Johnstone) (1729–1805), politician and property developer, MP for Cromartyshire 1768–74 and Shrewsbury 1775–1805, had on 7 April 1797 dismissed the argument that the suspension of cash payments by the Bank of England on 27 February 1797 had been caused by the failure of government to repay loans to the Bank, and countered that ‘the present difficulties have evidently arisen, from a deficiency of the total necessary quantity of circulating medium’, and that ‘whatever part of the repayment the Bank does not re-issue, it will be so much withdrawn from the present scanty and deficient quantity of circulating medium’: see *Parliamentary History* (1797–8) xxxiii. 370–93, at 385, 386. The speech was subsequently published as *Substance of the Speech of Sir William Pulteney Bart., on his motion 7th April, 1797, for shortening the time during which the Bank of England should be retrained from issuing cash for its debts and demands*, London, 1797.

<sup>4</sup> Bentham is referring to his Annuity Note scheme: see previous note but one.

<sup>5</sup> [William Anderson], *The Iniquity of Banking: or, Bank Notes proved to be an Injury to the Public, and the Real Cause of the present exorbitant Price of Provisions. Part I*, 4th edn., London, 1800. Bentham’s annotated copy of the work is in the British library, shelf mark Cup.407.ff.34.(4.).

[003\_090]

What led me to this anonymous pamphlet was another pamphlet, ‘The cause of the present threatened Famine’,<sup>6</sup> which I saw advertised at the same time, and as issuing from the same shop, as M<sup>r</sup> Fox’s speech of the 10 Oct. 1800.<sup>7</sup> In this pamphlet, what share of reason presented itself to my view seemed to be included in the compass of the title, mixed up and confounded with a larger quantity of matter to which the same approving term could not, as it seemed, without great impropriety be applied.

In the course of the speech thus ascribed to M<sup>r</sup> Fox, that illustrious statesman is made to speak of the ‘increase in the amount of the *circulating medium*’ as what ‘must, of necessity have greatly depreciated the value of money’:<sup>8</sup> and to the words *circulating medium* is subjoined in form of a note a reference saying *Vide Iniquity of Banking—Parts I and II*. Published by J.S. Jordan. Sending accordingly for the two pamphlets, I found that so far as the title page may be believed, Part I had arrived at the 4<sup>th</sup> edition, and Part 2<sup>d</sup> at the second.<sup>9</sup>

[003\_091]

Turning to Part I and hastening to the practical conclusion, the remedy proposed for the indicated grievance, I found it consisted in an universal refusal of ‘Bank Notes’. The system of the Bank of England is there accused of being a bubble, and as being ‘in every respect as great an imposition, and resting upon as sandy a foundation’ as ‘the South-Sea Bubble’.<sup>10</sup> The mischief of a Bubble consists in its bursting: and the Author, forgetting that his object was to prevent mischief,

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<sup>6</sup> i.e. *The Cause of the present Threatened Famine traced to its real source, viz. An Actual Depreciation on our Circulating Medium, occasioned by The Paper Currency, with which the War, the shock given to public credit in 1794, the stoppage of the Bank in 1797, and the bankruptcies of Hamburgh in 1799, inundated the country, to accommodate government, and enable the merchants to keep up the price of their merchandize*, London, 1800. The author was identified only as ‘Common Sense’.

<sup>7</sup> Charles James Fox (1749–1806), Foreign Secretary 1782, 1783, 1806, was leader of the Whig opposition to the administration of William Pitt the Younger (1759–1806), First Lord of the Treasury and Chancellor of the Exchequer 1783–1801, 1804–6. See *The Celebrated Speech, of the honourable C.J. Fox, with the Proceedings of the Meeting at the Shakespeare Tavern, on Friday, October, 10, 1800, being the Anniversary of his first election for Westminster. Wherein he shows the improper conduct of Ministers, in continuing an Unjust War, that has spilt our blood; squandered our treasure; contracted a load of national debt, we are unable to bear; and reduced the people to their present Deplorable Situation!!!*, 4th edn., London, 1800. Bentham’s annotated copy of the work is in the British library, shelf mark 21.g.31/11.

<sup>8</sup> *Celebrated Speech, of the honourable C.J. Fox*, p. 12. There are minor inaccuracies in the rendering of the passage.

<sup>9</sup> See the title pages of *The Iniquity of Banking. Part I*, and *The Iniquity of Banking. Part II*, 2nd edn., London, 1800.

<sup>10</sup> *The Iniquity of Banking. Part I*, p. 45. There are minor inaccuracies in the rendering of the passages from this work.

recommends measures for the express and declared purpose of bringing about the mischief—of causing this bubble of a hundred and six years standing to burst.<sup>11</sup>

In the course of it I also found that in regard to the Country Bankers, one of the classes thus endeavoured to be consigned to perdition—not only their mode of traffick produced the joint effect of oppression, fabrication of counterfeit and robbery ‘by force of arms’<sup>12</sup> (a proposition the truth of which, as to a certain part but no further, it is the object of these pages likewise to bring to view), but that the conscience of all these people, his Majesty’s subjects, harbours moreover the whole mass of guilt attached to that congeries of crimes. For not only the terms *combination*, *depredation*, *robbery*—and, lest that should not be precise and plain enough, robbery by force of arms, are all along applied to their conduct and persons without reserve—without a word any where to cover them from any part of the [003\_092] odium attached to these crimes, but with unremitting endeavours to fix it upon them in its utmost force: and as to the ‘depriving the labourer of a part of his wages’, it not only is observed that such is the effect of their conduct, but we are desired to believe, though in terms of not inconvenient ambiguity, that such is their very object and end in view. ‘What words for example’ (says he) ‘could we find sufficient to express our indignation at the conduct of a set of men who should deprive the labourer of a part of his wages?—Yet this the Bankers have positively done’<sup>13</sup>—i.e: simply produced that effect, or combined in the view of producing that effect, as it suits you.—‘For’ &c.—‘therefore the Bankers, by issuing their notes, have as effectually robbed him of one third of his wages as if they had put their hands into his pocket and stolen it, or formed a combination in order to reduce his wages.’<sup>14</sup>

[003\_093]

With all this I found not only a considerable part of the arguments which had then already occurred to me, and which the reader will here see employ’d in substance, but the main proposition, the same which is also the object of these pages, made out in such a manner as I make no doubt would have made a convert of me had they come across me at a time when my leaning towards the opposite opinion was at the strongest.

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<sup>11</sup> i.e. since the incorporation of the Bank of England by royal charter in 1694. In his own copy of the pamphlet, Bentham has noted with reference to a list of circumstances which might prompt a general run on all banks at p. 45: ‘he might have added, or from the measure I am with all my might thus urging men to adopt, and which it is the object of this publication to excite them to.’

<sup>12</sup> See *Iniquity of Banking. Part I*, p. 18. Bentham has misquoted pamphlet: the original reads ‘force and arms’.

<sup>13</sup> *Iniquity of Banking. Part I*, p. 40. Bentham has omitted the phrase ‘combine to’ which appears before ‘deprive the labourer’.

<sup>14</sup> *Ibid.*

Finding the cause in such able hands, for the clearness of statement and clearness as well as strength of argument were such as seemed capable of doing honour to any cause, I felt myself much inclined at first to trust it there and withdraw from it. Several considerations, however, concurred in producing a contrary result. Though the arguments that had occurred were in part anticipated, this was by no means the case as to the whole: though the quantum of argument therein contained was sufficient to my own apprehension to prove the point—and that in a sufficient degree for practice, yet to the apprehension of others that might not be the case. The prejudice to be surmounted was such that the utmost force capable of being brought against it by human reason might still prove insufficient after all, and different modes of reasoning are suited to the [003\_094] conception of different minds. The school of politics from which this publication appeared, from different circumstances, to emanate, was such to which a numerous class of readers—and those not among the least respectable—might never be able to persuade themselves to look for any useful truth:<sup>15</sup> and since, as to the main question, the view I had taken was similar in so many points to that which had been given [by him] whose declared object in writing was to bring on a state of things which I knew not how to distinguish from universal Bankruptcy, (immediate Bankruptcy as a remedy against the distant possibility of it) it seemed to present a means of removing some degree of prepossession, and smoothing the way for the reception of what appeared to me in the character of useful truth, to let it be seen that the same opinion could be entertained, and manifested and maintained, by an individual who had no end in view but what was diametrically the reverse of the one just-mentioned, and who feared not to make himself responsible for it by his name.

[003\_095]

NOTE TO TYPESETTERS: The fractions  $\frac{1}{2}$ ,  $\frac{3}{8}$ , and  $\frac{1}{3}$  appear in the editorial footnotes to the following paragraph.

M<sup>r</sup> Fox (I mean always the M<sup>r</sup> Fox of the real or pretended speech), M<sup>r</sup> Fox, in speaking of the astonishing encrease of the circulating medium as having of necessity greatly depreiated the value of money, speaks of the vast addition to our national debt as the cause, or at least a cause (I will not take upon me to say which) of that astonishing encrease—‘the vast addition .^.^ and the consequent astonishing encrease’.<sup>16</sup>—To the M<sup>r</sup> Fox of the pamphlet this, it appears, must be

<sup>15</sup> Bentham may have in mind the fact that Jeremiah Samuel Jordan (1764?–1828), publisher of *Iniquity of Banking*, had been successfully prosecuted for publishing radical works such as Thomas Paine, *Rights of Man. Part the Second. Combining Principle and Practice*, London, 1792, and Gilbert Wakefield, *A reply to some parts of the Bishop of Landaff’s address to the people of Great Britain*, London, 1798.

<sup>16</sup> *Celebrated Speech, of the honourable C.J. Fox*, p. 12.

evident to every one: to me I must confess the contrary seems evident—as evident as, in such a case, a negative can be. Taxes are one pressure, rise of prices another: two pressures, connected or unconnected, are felt more than one: there is the only connection I can see. Taking, as the custom is—and without further enquiry—concomitance for causality, with much more colour of reason might it be advanced that the effect of the war has been to diminish the amount of the other grievance. Just before the war, it was at the highest pitch of which we have any account, viz at 90.<sup>17</sup> Came the war, with the commencement of the really consequent encrease of the debt, and the amount sank to 40:<sup>18</sup> which fall is thus universally regarded, and indeed felt, as a grievance, of which grievance the war, we may venture to assert without enquiring, the war [003\_096] had the credit of in the minds of the bulk of those by whom the war was ascribed to government as matter of guilt, as well as to the country as a misfortune. During the war it got up again as far as 78:<sup>19</sup> then sank again to [63]:<sup>20</sup> at which it was by the last determinate accounts, though of its having risen much higher since is as generally known as it is unknown to what pitch.<sup>21</sup> So much for the M<sup>r</sup> Fox of the pamphlet: to whom that consequence appears evident to every one, in support of which not the shadow of an argument is adduced, and of which the contrary is in proof, on an occasion too memorable, one should have thought, to have escaped notice.<sup>22</sup>

[003\_097] [18 January 1801]

In the mere idea—the idea simply taken—that the universally acknowledged rise of prices has [paper currency] for one of its causes, or even for its principal cause (such part of the effect as is not accounted for by the state of the agriculture of the country), there is nothing new. It is an idea that has been long ago started, and from quarters too numerous to be counted has been repeatedly held up to view.

<sup>17</sup> The *London Chronicle* reported that at the end of September 1792 the price of 3% consolidated government annuities was  $90\frac{1}{3}$  against a par of 100, but had fallen to  $75\frac{1}{2}$  by the time of France's declaration of war on 1 February 1793: see the *London Chronicle*, 29 September–2 October 1792, and 31 January–2 February 1793.

<sup>18</sup> MS alt. '63'. According to the *London Chronicle*, the lowest price reached by 3% consolidated annuities between the outbreak of war and October 1800 was  $47\frac{3}{4}$  in September 1797: see the *London Chronicle*, 19–21 September 1797. Bentham's revised the figures in this paragraph inconsistently and his final intentions are unclear. For further details see Editorial Introduction, pp. 000–000 above.

<sup>19</sup> According to the *London Chronicle*, 23–25 April 1793, the price of 3% consolidated government annuities was  $78\frac{1}{4}$ .

<sup>20</sup> MS '40', see previous footnote but one.

<sup>21</sup> According to the *London Chronicle*, price of 3% consolidated government annuities for the final quarter of 1800 ranged from a low of 62 to a high of  $67\frac{3}{8}$ : see the *London Chronicle*, 27–30 September, 29 November–2 December, and 18–20 December, 1800.

<sup>22</sup> [Annotation to be finalized]

What there is new in the following pages is confined to what regards such questions as the following, viz:—in what proportion this cause has contributed to the effect. Of the evil which can not be denied to be attendant on it, what the magnitude may be—in what, if any, degree the evil may be attended with a degree of good capable of being considered as affording a compensation for it—accompanied with any good effects flowing from the same cause—whether the ballance, if on the side of evil, be of a magnitude considerable enough to call for legislative interference—what may be the measures, and the most eligible measures, to be adopted in the view of applying a remedy to the evil—and what the course of proceeding best adapted to that purpose.

[003\_098]

## CHAPTER I.

### INTRODUCTION

We are now at a crisis which seems to call for contributions of all sorts, and for the sacrifice of personal considerations of all sorts, from the well-wishers to mankind: contributions in wealth, where there is wealth to spare: contributions in time and intellectual effort, where the habits of reflection and study have been formed and directed, either to the particular subject on the carpet, or in any other track so near to that particular ground as to be capable of being made to bear upon it with any degree of advantage.

Had reputation been my object—or even that sort of personal satisfaction which results from the persuasion, in the pursuit of important truths, of a successful exertion of intellectual powers—I should either have turned aside from the field of this inquiry altogether, or delay'd the completion of it and publication of [the] result to I know not how much more distant [a] period. But, besides that the chance of being useful depends in so great a degree upon time, there is another circumstance that may help to encrease the utility of an even precipitated effort. In a work that contains a certain degree of useful truth, an error or two may help to generate a degree of attention which a work of more uniform perfection would have missed. Among the interests thwarted by the enquiry, errors, real or apparent, may serve to engage antagonists, by presenting to their view the matter of triumph and the means of refutation.

[003\_099]

Connection with the grievances of the day will sometimes procure for a political inconvenience of a permanent nature a degree of public attention which its intrinsic and permanent importance, how real soever, would not have been sufficient to excite. The case of *paper money* may be mentioned as an example.

To me it presents itself as the principal of the permanent causes of that *rise of prices* which, now that the amount happens to have been swelled by temporary and accidental causes, has made up that accumulation of inconvenience which is become the cause of suffering, and subject of complaint and lamentation, to all classes.

To the opposite opinion I can not consistently annex any very considerable degree of contempt: since till within these few months it was that to which I felt myself most inclined, so far as a man could be said to entertain an opinion on a point to which he had never had occasion to apply the powers of his mind.

Much less can I attach any moral blame in my own, to the exercise of that commercial and professional practice from which the mischief, if such it really be, flows, as from its immediate and undisputed efficient cause.

[003\_100]

I denounce the Country Bankers (in number, or at least in number of partnerships, between 2 and 300)<sup>23</sup> as a set of men who, without the smallest particle of guilt, have for such a length of years been levying for their own benefit a tax upon many numerous classes of the community, and upon that part of all others which is least able to endure such pressure—the aged—the infirm—the fatherless, and the widow: upon those on whom, in respect of their ranks in life, and habits and sentiments assorted to those ranks, the demand for expence presses with a degree of urgency unknown to others: a set of men who, from the exuberance of their opulence, have derived the means of imposing a tax on indigence: and whose profit, abundant as it is, bears yet but a small proportion even to the pecuniary amount of the loss by which it has been purchased—the loss to those already but too severely pinched and distressed classes.

I denounce them—still without the smallest particle of blame—as usurpers in effect of another attribute of sovereignty—the right of coining money: as practising on a superior scale—and

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<sup>23</sup> According to George Ellison, Secretary to the Association of Country Bankers, who gave evidence on 30 March and 1 April 1797 to the Committees of the House of Commons and the House of Lords on the suspension of payments in specie by the Bank of England, the total number of country banks had declined from 280 to 230 since 1793: see *Lords Journals* (1796–8) xli. 215–16, at 215 (*Lords Sessional Papers* (1796–7) ii. 237–40, at 237), and *House of Commons Sessional Papers of the Eighteenth Century*, ed. S. Lambert, 145 vols., Wilmington, Delaware, 1975, cv. 227–30, at 227, respectively. According to *A Correct Alphabetical List; containing all the Country Bankers residing in England, Scotland, & Wales, with the Names of the Bankers in London upon whom they draw*, 2nd edn., London, 1799 (The National Archives, Chatham Papers, PRO/30/8/274), the number of country banks in England, Wales, and Scotland, was 366.



with perfect impunity and security, and even universal respect and applause—that sort of practice which in them is not High Treason—but which produces to the actors a profit, and to the rest of the community a loss, superior in degree, but similar in effect and mode of operation, to what is produced by a species of forgery inaptly included in that formidable name.<sup>24</sup>

[003\_101]

The rise of prices so universally felt and complained of has for its source a variety of causes, some temporary, others permanent—some affecting vendible commodities in general, some attaching in a particular degree on certain species of vendible commodities, some prominent and universally acknowledged—others deep-seated and generally unperceived.

It affects *vendible commodities* in general—it affects in a particular and superior degree those particular classes of vendible commodities which are comprized under the denomination of *provisions*: and, among provisions, it affects, in a degree still superior, those species of grain which, in proportion to the poverty of the individual, constitute the larger share in the composition of his food and maintenance.

What is confined to Grain in general, and Wheat in particular, belongs not to the purpose of the present enquiry. So far as confined to these articles, the pressure is sufficiently understood to be the result of the joint influence of two causes: the one *occasional*, the unfavourableness of two successive seasons: the other *habitual*, a deficiency in the quantity of land employ'd in the production of the article in question, regard being had to the continually encreasing numbers of the mouths that call for it.<sup>25</sup>

[003\_102]

I should not have thought of speaking of the grievance, existing or supposed to exist, of *engrossers, forestallers, regraters, &c*—of a grievance supposed to be encreased, and with a degree of unprecedented success—I mean the exertions made by dealers in these necessary articles, to augment the rate of their own profits. This cause, in whatsoever degree it may have operated, is but of a secondary nature—deriving itself from the real or supposed scarcity of the article, as resulting from those other primary and independent causes.

Among the causes to which the rise of prices in the article of provisions, and more

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<sup>24</sup> The Treason Act of 1351 (25 Edw. III, stat. 5, c. 2) had declared counterfeit of the King's money to be a treasonable act.

<sup>25</sup> Bentham considered presenting the following two paragraphs in the form of a note.

particularly in the article of bread corn, has been ascribed is one, however, which bears an unquestionable relation to the subject of the present enquiry: and that is the assistance supposed by some to be derived from Country Bankers.<sup>26</sup> The allegation is—that by money, and, of course, more or less of it paper money, supplied by the Country Bankers, the growers of corn and other provisions obtain a respite from that necessity by which they would otherwise have been obliged to send in their commodities to market for sale, while the Dealers in these same commodities are not only assisted in the same way, but enabled at the same time to extend the amount of their purchases. What ground there may be for reckoning this among the mischievous effects produced by paper money will be considered in its place.<sup>27</sup>

[003\_103] [24 January 1801]

## CHAPTER II.

### AMOUNT OF THE MISCHIEF BY RISE OF PRICES<sup>28</sup>

#### *Introduction*

The value of money is now (in the beginning of the year 1801) no more than half what it was 40 years ago: 40 years hence (in the beginning of the year 1841) it will be no more than half what it is at present.

Such are the two propositions which constitute the basis of the ensuing pages: and of the proposed measures to which they lead. Such are the propositions which, in a form more commodious for discussion than any that would be more accurate, and with a degree of accuracy sufficient for practice, express the estimate I have seen reason to form of the amount of that depreciation, the existence of which, in a considerable degree, is not a matter of doubt with any

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<sup>26</sup> Bentham may have had in mind [John Symmons], *Thoughts on the present prices of provisions, their causes and remedies; addressed to all ranks of people*, London, 1800, p. 26: ‘To limit the pernicious and extensive effects of too large a paper currency, by country banks in particular, who should be restrained from making too large advances to farmers, whilst they have a stock in hand, more than sufficient for seed, and the support of their families’. See also William Young, *Corn Trade. An Examination of Certain Commercial Principles, in their Application to Agriculture and the Corn Trade, as Laid Down in the Fourth Book of Mr. Adam Smith’s Treatise on the Wealth of Nations, with Proposals for Revival of the Statutes Against Forestalling &c.*, London, 1800, pp. 24–5: ‘the spirit and means of monopolizing [corn] will rise up, and increase together: for as the adventure is excited by the less hazard, so is it sustained by greater money-credits; which extend and increase in proportion as the risk of advance diminishes: and to this our banking system, and specially our country banks, may contribute further than is safe and proper.’

<sup>27</sup> See pp. 000–000 below. [To UC iii. 123–9, this file]

<sup>28</sup> The title of this chapter is taken from Bentham’s draft composed on 8 November 1800, which is reproduced at pp. 000–000 below. [To UC iii. 131–3, this file]

body.

I say sufficient for practice: for although, for argument sake, the depretiation, instead of amounting as above to 50 per Cent, should not prove to amount to more than 25 per Cent, the demand for remedial measures would not, by an aberration even of this magnitude, be found, I conceive, to be done away, nor the propriety of the measures recommended in that view disproved.

But it will appear, I am inclined to think, that the depretiation, if it be not quite so much as 50 per Cent, is at any rate much nearer the 50 per Cent than the 25.

[003\_104]

I speak of the *past* depretiation. But what is past has no value but curiosity, but with reference to the future. It is with a view of forming an estimate of what the depretiation is likely to amount to in an equal future period—it is for that purpose, and that only, that I should have thought it worth the enquiry what it has amounted to in the period last past: and if my view of the matter be right, then, whatsoever the amount of the depretiation may want of amounting to 50 per Cent with reference to the state of things at the commencement of the past period of 40 years, ending with the end of the year 1800, I believe it will appear but too probable that, at the end of the current period of 40 years, ending at the end of the year [1840],<sup>29</sup> it will be more likely to exceed than to fall short of the same rate of 50 per Cent with reference to the state of things at the commencement of the current period: insomuch that, though with reference to the end of the year 1760 it should not be found to have amounted at the end of 1800 to quite so much as 50 per Cent, yet at the end of 1840 it will be found to amount, with reference to that same year 1760, to not less than 75 per Cent.<sup>30</sup>

[003\_105]

*Prices have risen* to such a degree as to be double to what they were 40 years ago: or, even though this should not be exactly true, they will at the end of another 40 years be at least quadruple what they were 40 years ago, and thereby either exactly double, or more than double, what they are at present.

These propositions, which are but the same as the two former, come nearer the mark of clear and explicit language than they do: but still not, as yet, near enough for the purpose. Familiar as they are, the texture of them is general in the extreme, and proportionably vague and inexplicit: nor will any sufficiently accurate conception of the import of them be obtainable, without unfolding

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<sup>29</sup> MS '1841'.

<sup>30</sup> Bentham has noted in the margin at this point: 'Intimation of *acceleration* here or further on.'

them, and displaying one by one the more particular propositions of which they are composed.

[003\_106]

In the developping of these propositions, and the first of them in particular, two things will require to be brought to view: the nature of the matter of fact announced by it: and the nature of the evidence from which the existence of the matter of fact so announced is inferred.

*Prices* being a general term (meaning the sums of money given for vendible things in general), and no words importing restriction being added to it, by saying *Prices have risen so much in such a time*—is meant, in strictness of speech, that this same ratio of encrease has taken place in regard to vendible articles of all sorts without exception: but, the degree of uniformity thus indicated being contrary to all experience, the utmost that can ever be really understood by it is—that supposing the quantities and qualities of the vendible articles sold at the two periods had been the same, it would have been found that the sum total of the moneys with which they were purchased in the later period was in the ratio in question (the ratio of 2 to 1) to the sum total of the moneys with which they were purchased in the earlier period: and accordingly, that if, in some instances, the encrease was to less than to that amount, in others it was as much greater.

[003\_107]

*Prices were in this country (meaning Great Britain) in 1800 double what they were in 1760.* In this extremely general proposition, the following subordinate and less general propositions are virtually included.

1. That supposing the total aggregate mass of vendible articles sold in the whole island in 1800 to have been exactly equal (in quality as well as quantity) to the total mass of vendible articles sold in 1760, the sum total of the sums of money employ'd in the several purchases made in 1800<sup>31</sup> was exactly double the sum total of the sums of money employ'd in the several purchases made in 1760: and that, accordingly, if in 1760 the amount of that sum total was 100 millions, in 1800 it was 200 millions.

[003\_108]

2. That, supposing the total mass of vendible articles sold in the whole island in 1800 was double the total mass of vendible articles sold in the year 1760, then the sum total of the sums of money employ'd in the several purchases made in 1800 was exactly four times as great as the sum

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<sup>31</sup> Bentham has added in the margin 'after certain exceptions', but cancelled in the text at this point a marker indicating the location for the insertion.

total of the sums of money employ'd in the several purchases made in 1760: and that, accordingly, if in 1760 the amount of that sum total was 100 millions, then in 1800, on this latter supposition, it was 400 millions.

Or if, instead of being double—i:e: as 4 to 2—the total mass of vendible articles sold in 1800 was to the total mass of vendible articles sold in 1760 as 3 only to 2, then, if in 1760 the amount of the sum total of the sums of money employ'd in the purchases made in 1760 was 100 millions, then in 1800 it was 300 millions.

A consequence respecting the value of incomes, is—that supposing the sums of money employ'd in purchases made out of income to have been in the two different years in the same ratio to the sums employ'd in all other purchases, the sums of money employ'd in purchases made out of income for a given quantity of goods of the same quality must have been double in 1800 to what they were in 1760: consequently, that after allowance made for accidental variation of price as between day and day, article and article, place and place, and customer and customer, [003\_109] the utmost quantity of goods [that] could have been purchased with an income of £100 a year in the year 1800, was no more than half the quantity of goods of the same sort that could have been purchased with an income of £100 a year in the year 1760, unless in as far as an abatement *in quality* was submitted to, for the purpose of escaping a proportional deficiency in quantity.

By the total of the sums employ'd in purchases made in the years 1800 and 1760 respectively is to be understood the total of the sums employ'd in the purchases made, meaning the *ultimate* purchases of all the several *individual* articles of all the several *sorts* in all the *days* of the year in all the *places* in Great Britain.

On the present occasion, the object of inquiry being such purchases and such purchases alone, by the terms of which the effective value of the sums of money received on the score of income is affected—i:e:—such purchases alone as, if made, are made in the way of current expenditure out of income, it follows that all other purchases may be, and ought to be, thrown out of the account: and so ought to be, if and as far as such deduction may have the effect of varying the influence, which any addition to, or deduction from the amount of the money in circulation, that is the total mass employ'd in transfers of all sorts, may have upon its effective value, in respect of such purchases as are made (as above) in the way of current expenditure out of income.<sup>32</sup>

[003\_110]

The total number of transfers of all sorts remaining the same, as also the proportion between

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<sup>32</sup> In the margin, Bentham has noted with reference to this paragraph: 'Make this clearer afterwards'.

the number of transfers affecting the real value of income and the number of transfers not affecting the real value of income—as also the quantities and qualities of vendible articles transferred at each of the respective transfers—it is evident that by any addition made to the sum total of the money employ'd in the making of such transfers as are made in the way of purchase within the year, the respective amounts of the several sums employ'd in such respective purchases, some or all of them, can not but be augmented: and if the distribution of [the] mass of money thus added be in any other than the exact proportion of the several incomes, it follows that by any expenditure made of the totals of the respective incomes after such addition, the proportion between the real *value*—quantity and quality included—of the articles respectively purchased by the possessors of those incomes, can not have been the same as it was before such addition: but that in some instances it must be greater, in others less: and that, accordingly, in proportion as the effective power of the incomes so augmented—incomes taken together—has been encreased by the augmentation, that of the unaugmented incomes taken together must have been diminished.

[003\_131] [8 November 1800]

In looking for a point of time from whence commencement of so much of the mischief as can be conveniently subjected to calculation shall take its date, I fix with pleasure on the commencement of the present reign.<sup>33</sup> It is on every point of view entitled to be considered in one unbroken and uncompounded mass, as well as in preference to all preceding ones. It presents of itself a portion of time of sufficient magnitude for the purpose. It presents a reign of almost unexampled length, and, in point of prosperity as well as copiousness of political lights, altogether without example. On the one hand, we know the exported surplus of our wealth, and the wealth imported in other shapes in return for it. On the other hand, we know the amount of the mass of debt charged upon that wealth—the amount of the annual burthens imposed for the discharge of it—the produce of the different branches of revenue appropriated to the purpose—all with a degree of precision and minuteness and publicity without example in the history of this or any other state.<sup>34</sup>

[003\_132] [8 November 1800]

In looking for the amount of the rise—in casting about for the least incorrect as well as easiest-formed approximation that can be made use of for the purpose, I have been fortunate enough to meet with an estimate already formed as if it had been on purpose. I mean the Table of the Rise of prices computed and digested by Sir George Shuckburgh Evelyn, printed in the *Philosophical*

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<sup>33</sup> i.e. 1760, the year of the accession of George III (1738–1820), King of Great Britain and Ireland.

<sup>34</sup> In the margin, Bentham has noted at this point: '*Infrà*. A mass of injury entire[?], and falling with all its weight on one sacred yet devoted head.' He had in mind the effect of inflation upon the income of the King.

*Transactions of the Royal Society* for 1798, and reprinted in *Nicholson's Philosophical Journal* for the month of September in that same year.<sup>35</sup> Framed without suspicion of the application now made of it, it is, on the score of impartiality at least, altogether above reproach. Another circumstance of peculiar felicity attending it is—that being framed at and for a time when the existing century wanted a few years of its completion, it is carried down notwithstanding—carried down by analogy and proportions—to the end.<sup>36</sup> It by that means presents the result of the gradual and regular encrease, cleared from those casual causes of disturbance which concurred to swell beyond all proportion the actual amount of the encrease for this last and the preceding year.<sup>37</sup>

[003\_133]

Another circumstance of remarkable felicity is that the rate of encrease or rise exhibited by it quadrates with a degree of apparent correctness—as singular as it is convenient for calculation—with what, in the irremediable darkness in which the subject is involved, seems to present pretensions as just as any that could have been named, to be received as the amount of paper money at present in circulation.<sup>38</sup> By this means the addition made to the total mass of money by money in this form presents itself as exactly adequate to the production of the obnoxious effect. I make no scruple of confessing that the assumed amount of paper money has, in the midst of this darkness, been fixed with a special view to the attainment of the accommodation afforded by this coincidence. But this affords no objection to the choice. The assumption has been adapted but not perverted to this purpose. No sacrifice of supposed accuracy was made for the attainment of it: in point of chance of accuracy, it presented itself as being at least upon a par with any other that could have been substituted to it: and after this confession, and the declaration that illustration and facility of conception are the points principally aimed at by it, it may be allowed to be employ'd for that

<sup>35</sup> i.e. Sir George Shuckburgh Evelyn, 'A Table exhibiting the Prices of various Necessaries of Life, together with that of Day Labour, in sterling Money, and also in Decimals, at different Periods, from the Conquest to the present Time, derived from respectable Authorities', in 'An Account of some Endeavours to ascertain a Standard of Weight and Measure', *Philosophical Transactions of the Royal Society of London*, vol. lxxxviii (1798), 133–82, facing p. 175–6. The table, without the article, was reprinted in *A Journal of Natural Philosophy, Chemistry, and the Arts: Illustrated with Engravings*. By William Nicholson, vol. ii. (1798–9), facing p. 284.

<sup>36</sup> Although the historical entries in Shuckburgh's table ended in 1795, he provided an estimate in terms of his own price index for the year 1800.

<sup>37</sup> i.e. the steep rise in the price of food in consequence of the poor harvests of 1799 and 1800.

<sup>38</sup> According to 'An Account of the Amount of Bank of England Notes in Circulation, on an Average of every Three Months .^.^ in the Years 1797, 1798, 1799, and 1800', the total value of paper money in circulation for the final quarter of 1800 was £15,450,970. See *Commons Sessional Papers of the Eighteenth Century*, cxxx. 585. Bentham's annotated copy of the account is at UC i. 628.

purpose without the imputation of any deceptive tendency.

## CHAPTER III.

### ADVANTAGES [OF PAPER-MONEY], REAL OR SUPPOSED, ANNOUNCED<sup>39</sup>

NOTE TO TYPESETTER: Please insert a space of two lines before the following Chapter heading.

[003\_111] [1 November 1800]

## CHAPTER IV.

### MISCHIEF PROVED

#### *Mischief 1. First as to the rise of prices.*

In an aggregate view, the alledged evil may appear an imaginary one.<sup>40</sup> But an aggregate view is an indiscriminate one: and an indiscriminate view is liable to be a false one. It would be found particularly so in the present instance.

*Vendible commodities, since the rise, require now an additional quantity of money to pay for them: true—this would indeed be an evil, if the additional quantity of money did not exist. But it does exist, it existed already before the rise: for it was the sole cause of the rise: then where is the mischief? The remedy, instead of treading tardily, as usual, upon the steps of the disease, precedes it: or rather precedes the result which otherwise would be a disease, and prevents it from becoming so.*

*First, then, comes the encrease of wealth—for is not money wealth? It is not indeed the only species of wealth: a man can neither be fed, cloathed, lodged, convey'd nor warmed by it. But it is not the less a species of wealth: were it not, it would not be received, as it is, in exchange for every other. An encrease of wealth upon the whole is, therefore, not only a necessary concomitant but the very cause of the supposed alleged evil. Admitt it to be attended with diminution of wealth in the instance of individuals, still, being attended with encrease of wealth upon the whole, the loss is*

<sup>39</sup> The title is taken from the ‘Ordo and Brouillon’ for ‘Paper Mischief’ at UC i. 610 (30 October 1800). No material drafted for such a chapter has been identified.

<sup>40</sup> In the margin, Bentham has noted at this point: ‘N.B. This, being a *false* view, should not precede the true one.’



*more than covered by the profit, and any conclusion that should be formed, by dwelling upon particular instances of loss, would be no otherwise than a wrong one.*

[003\_112] [1 November 1800]

To this I answer:

1. Although it were an inseparable result of an encrease of wealth, it would not follow that it might not be an evil. Wealth is but a means: comfort is the end: shew but a loss in comfort, all encrease in wealth, be it what it may, loses all its value. Follow it up, apply it to the several classes of parties interested, in point of comfort we shall find it productive of an indisputable loss.

Three such classes may be distinguished.

1. The first is composed of those whose incomes are commonly called *fixed*—more aptly *unaugmentable*.

2. The second is composed of those whose incomes are not in their nature unencreasable, but in point of fact do not receive an encrease in quantity of money proportionable, or more than proportionable, to the decrease in the marketable value of it.

3. The third is composed of those who, whether as proprietors of the supposed extra influx of money or on any other account, do receive by means of it an encrease in money more than proportionable to the rise of prices—to the decrease in the marketable value of it, as above.

[003\_113] [1 November 1800]

To those comprized in the first class, the rise in question is, as to the whole amount of it, a *tax*. Understand as far as hardship is concerned: for the benefit of a tax—that benefit the obtainment of which is the final cause and the pursuit the sole justification of this eminently burthensome class of measures—is altogether wanting. It is a tax of which the produce is squandered and lost, no part of it coming into the Exchequer.

From a very instructive document in my possession,<sup>41</sup> I am inclined to look upon £50 per Cent as being, in round numbers, as likely to fall short of as to exceed the average addition that has

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<sup>41</sup> The document in question has not been identified. In the margin, Bentham has noted at this point: ‘See 3’, but the object of the reference is unclear. A ‘Table shewing the prices of sundry articles of Cloathing as furnished to the Poor belonging to Work Houses and Charity Schools in and about London and Westminster in the under mentioned years [1760–1800] from the Charity School Warehouse in Little Britain established for that purpose’ is at UC i. 631, but is unlikely to be the document in question since it contains only sporadic entries, and none at all for 1800.

accrued to the expence of living—the average depretiation of the value of money—the average amount of the rise of prices—that has taken place within the compass of what has already elapsed of the present reign. This, at any rate, is what I will assume, for simplicity of conception and calculation: in whatever degree it may, upon an accurate examination, be found erroneous, and requiring correction, it will serve at any rate as a standard of comparison to which the corrections may be applied.<sup>42</sup>

NOTE TO TYPESETTERS: Please note that in the next paragraph, and in the corresponding editorial footnote,  $1/120^{\text{th}}$  is to be presented as a fraction.

How grievous the burthen of a tax on income, to no more than 10 per cent, is but too universally felt: a tax not to be endured without abatement, it was supposed, by an income less than £200 a year, and therefore softened down as low as  $1/120^{\text{th}}$  till it comes to income of £60 a year, at which mark it stops [003\_114] altogether.<sup>43</sup> Of this indirect and altogether unproductive tax by *rise of prices*, the burthen stops absolutely no where: though on the very lowest class in point of pecuniary circumstances—those whose food consists of little besides corn—the burthen is happily not quite so heavy as on the meat-eating classes. On those included in the income tax, it amounts to five times the amount of the tax where it falls [heaviest], and no less than 60 times the amount where it falls [lightest].<sup>44</sup>

Comparing the aggregate of its effect on the aggregate of income, with the aggregate of income (£217 millions)<sup>a</sup> we shall find it amount to £72 millions: while the total annual amount of the taxes drawn down upon us on account of the National Debt—payment of interest and redemption of principal together—but just exceeds 20 millions: and the total of all taxes to no more than about 27 millions.<sup>45</sup>

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<sup>42</sup> In the margin, Bentham has noted at this point: ‘Give afterwards a plan for an exact estimate.’

<sup>43</sup> The Duties on Income Act of 1799 (39 Geo. III, c. 13, § 2) imposed taxes upon income and property in Great Britain in order to finance the war against France, including progressive taxes on earnings ranging from 0.833% ( $1/120$ ) on annual incomes of between £60 and £65 to 10% on annual incomes of £200 and above.

<sup>44</sup> Bentham’s point is that since a 50% rise in the price of food was broadly equivalent to a tax on incomes of 50%, it would inflict on those with incomes of between £60 and £65, who were liable to pay income tax at the lowest rate of 0.833%, a proportional burden sixty times greater than that imposed by the income tax. By contrast, the burden of the tax imposed by the 50% rise in prices would only be five times greater than the 10% rate to which those with annual incomes over £200 were made liable by the income tax.

<sup>45</sup> According to the financial resolutions moved by Pitt and agreed by the House of Commons on 28 July 1800, the ‘total nett produce of the permanent taxes in the year ending the 5th of July 1800’, amounted to £23,909,354, while the total of interest on the public funded debt stood at £19,307,000: see *Parliamentary History* (1800) xxxv. 488–90.

<sup>a</sup> Beeke.<sup>46</sup>

Yet the pressure of the debt is matter of universal and continual lamentation: while the pressure from rise of prices, unless when increased as at present by accidental and temporary causes, scarce provokes a word!

Nor yet is the reason difficult to find. In the case of debt and taxes, the efficient cause is known—the hand of government—human government—is visible. Lamentation has not only one cause to look back to, but one rational end in view to look forward to: since though it can not remove the evil, it may help to keep it within bounds. In the case of rise of prices, the root of the evil is in a great measure out of sight: it is supposed to be in the nature of things: it is referred to causes over which the hand of man is supposed to have no power.

[003\_115] [1 November 1800]

NOTE TO TYPESETTERS: In the editorial footnote to the following paragraph, please supply braces as indicated in hard copy attached.

This, it is true, only concerns the rate of its pressure on those on whom it presses altogether without relief. But who are these?—At the head of the list stand those who by way of distinction may be termed the distressed classes—the widow—the orphan—the aged—the infirm. But let us take a nearer view of them.<sup>47</sup>

<sup>46</sup> i.e. Henry Beeke, *Observations on the Produce of the Income Tax, and on its proportion to the whole Income of Great Britain*, 2nd edn., London 1800 (first published 1799), p. 136, where Beeke estimated aggregate national income as £217,500,000. Henry Beeke (1751–1837), writer on taxation and finance, Regius Professor of Modern History at the University of Oxford 1801–13, Dean of Bristol from 1813.

<sup>47</sup> In the text at this point Bentham has noted ‘No separate syllable[?] necessary on each score of Reward[?]’, while in the margin he has noted ‘Go on with the parties damnified.’

‘Duration of Landlord’s sufferings before indemnity averaged at 10<sup>1</sup>/<sub>2</sub> years.

‘King and other placemen.

irremediable.

‘Cases

remediable Placemen.

‘The amount of the tax on the King’s income levied by Country Bankers susceptible of calculation? ‘Landlords restrained by sympathy and shame. This an apparent encrease with proportionate demands when in reality but an indemnification.’

For Bentham’s notes on ‘Classes damnified’ see UC i. 614 (10 December 1800), headed ‘Paper Mischief. Brouillon IV’.

[003\_116] [1 November 1800]

II. If, then, the rise of prices were a result inseparably connected with the encrease of wealth, and although it were no more than in proportion to that encrease, it would, notwithstanding, be an evil, and an evil of the first magnitude.—What shall we say then if, as far as the influence of the assigned cause is concerned, we find the undesirable result connected only by mere accident with the desirable—and therefore, which is the point of real importance—that a check may be given to the undesirable result, without any diminution in the amount of the desirable one?

In the production of this kind of mischief, it is true, [we]<sup>48</sup> shall not find the instrument here particularly in question (paper money) the only agent, the operation of metallic money in the same line being powerful and indubitable. But in the case of metallic money, though the amount of the mischievous agency may, in this particular point of view, [be] as great or greater, yet the mischief, if remediable in any degree, admits not of so sure or safe a remedy.

[003\_117] [1 November 1800]

Call the gold coin, with M<sup>r</sup> Secretary Rose, about £44 millions: or with D<sup>r</sup> Beeke, but about £40 millions:<sup>49</sup> call the Silver and Copper Coin<sup>b</sup> two or three millions more: but for simplicity of calculation raise the amount too high (the excess being in prejudice of the position contended for) and call the whole amount of metallic money in the country £50 millions.—Call the whole amount of paper money 25 millions:<sup>c</sup>

<sup>b</sup> According to the value it passes for, which is the true value to this purpose, how inferior soever to its intrinsic value if melted.

<sup>c</sup> Of which assign half to the Bank of England, the other half to the Country Banks.

On this statement, in a gross view the proportion of addition to the mass of money by paper money to the mass of metallic money to which it is added will be exactly equal to that of the addition made to the price of goods: and the amount of the assigned cause in question is exactly

<sup>48</sup> MS 'which'.

<sup>49</sup> George Rose (1744–1818), Secretary to the Treasury 1782–3, 1783–1801, Vice-President of the Board of Trade 1804–6, 1807–12, Treasurer of the Navy 1807–18, estimated in *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures, of Great Britain, from 1792 to 1799*, 6th edn., London, 1799, unpaginated Appendix, No. 4, that the total value of gold coinage in circulation was £43,950,042. Beeke estimated the value of specie in Great Britain at 'about' £40m.: see *Observations on the Produce of the Income Tax*, p. 184.

equal to the whole amount of the effect.

Such, then, is the mischief considered as to this branch: and such the quantity and proportion of the thing pointed to as the cause of it. But the same cause has been supposed to have been, and probably in proportion to the amount of it, the cause of the undisputed addition that has been made in the same interval to the mass of wealth.

[003\_118]

The very fact of a rise of prices, when rightly considered, furnishes a proof—a summary but sufficiently conclusive proof—that it is not the encrease of money that has been productive of any encrease in the quantity of other wealth. Prices have risen 50 per cent: that is, the same quantity of wealth that before the rise would have been sold for no more than £150 million, now sells for £225 million: take away, then, the nominal addition produced to the nominal amount of the mass of other wealth by the encrease of money, there remains the real amount, the same and no more as if the money had never come into the circulation.

[003\_119] [1 November 1800]

In the course of my enquiry into the truths of this supposition, I shall exhibit the reasons that present themselves for thinking—

1. That a different cause is the true cause of the addition to the mass of wealth.
2. That the cause in question contributes little or nothing to the same end.
3. Supposing the error to exist—supposing the opinion to be entertained—and supposing it to be erroneous, I shall endeavour to find out to what source it is to be ascribed.

Meantime, before I speak of that which is the true cause, [the] efficient cause of any encrease in the quantity [of] non-pecuniary wealth, I can not [forbear] indicating a source of illusion by which, untill the illusion be dissipated, or at least a clue given to the deception, any statement that might be made for the purpose of pointing out the true cause and measure [of]<sup>50</sup> progress would remain exposed to suspicion, and be rejected as theoretical and fanciful.

Money is the instrument from the operation of which every addition that is made to the mass of non-pecuniary wealth is seen manifestly to flow. The effect being (according to the familiar but obscure and frequently questionable maxim) proportionable to the cause, hence the more money,

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<sup>50</sup> MS ‘and’.

the greater the quantity of other kinds of wealth. No wealth that is not produced by labour: no [003\_120] labour (to any amount worth considering for the present purpose), but what is produced by money: what is more—the more money a man has, the more labour he commands. What argument at first view more conclusive, [to] prove[?] that the quantity of wealth existing in any community at any given time will be in proportion to the quantity of money that has been employed in the production of it? All this is true: yet after all, it will be no less so, that the quantity of labour produced is not, unless by accident, in proportion to—does not depend upon—the quantity of money employd in producing it.

Any quantity of wealth may be produced without any addition to the quantity of money.

Any addition may be made to the quantity of money in a country without making any addition to the quantity of other wealth.

In that one of two periods which has most money, true it is that in general there will be most wealth, and that independently of any mines of the pretious metals contained in either: and so as between country and country in the same time. But in this case, it is not the encrease in the quantity of money that is the cause of the encrease in the quantity of other wealth; but it is the encrease in the quantity of other wealth that is the cause of the encrease in the quantity of money. As a country without mines encreases its wealth, it encreases the amount of those masses of wealth which, being collected each in[?] a[?] single hand, afford the owner a surplus by the exportation of which he is enabled to procure foreign commodities, together [with] masses of foreign money wherewith to procure more.

[003\_121] [1 November 1800]

First, then, an encrease in the quantity of wealth to any amount may be made at any time without any addition to the quantity of money.<sup>51</sup>

This, when applied to the whole commercial world taken together, will be understood, or at least assented to more readily, than if confined in its application to any one country in particular.

In the case of each individual article, Wealth is produced by Labour—labour by money. But the quantity of wealth produced—the quantity of labour bestowed—has no fixed nor necessary dependence on the quantity of money given for it. Now, in 1800, a day's labour is hardly likely to be had for 1<sup>s</sup>–6<sup>d</sup>. 650 years ago it was to be had for 2<sup>d</sup>.<sup>d</sup> Upon quantity of provisions and other necessaries it does depend in this sort, viz. that without provisions &c. sufficient to keep a man

<sup>51</sup> In the margin, Bentham has noted 'Quere?' with reference to the following paragraph.

throughout the year, the labour of a man for a year is never to be obtained. But the same quantity of provisions for which a given sum of money has been to be paid at a later period, has been to be had for less than a tenth part of the money at an earlier.

<sup>d</sup> See Table of prices by Sir George Shuckburgh Evelyn—reprinted in *Nicholson's Journal* for Sept 1798 from *Philosoph. Transactions* for 1798. p. 176.<sup>52</sup>

A given quantity of labour, and thence of wealth, is produced at all times by any quantity of money, however great or small, for which the quantity of recompense in provisions which the labouring hand finds himself enabled to require happens at that time to be exchanged.

[003\_122] [6 November 1800]

### *Mischief 2. Undue enhancement of prices, viz. of particular commodities by engrossing*

My business here is with general tendencies—not particular facts. In the Country Bankers, I have heard it observed—and from the purest sources as far as calumny through personal interest or antipathy is concerned—that in fact it has been a common practice among the trade to engage in what is called *speculation* for the purpose of raising prices to an undue pitch for their own emolument. Of this practice, considered as a matter of fact, I must acknowledge myself not to have the smallest proof, beyond the opinion of impartial and respectable men well acquainted with trade. Not a single instance in proof of such an opinion has ever come within my own cognizance. If any had, it would not be competent to my situation to mention them. Imputed to any individual in particular, it would be a libel upon that individual: attributed to the trade in general, i.e. to the 2 or 300 partnerships engaged in it, it would be a libel on the individuals composing those 2 or 300 partnerships. But to point out tendencies as arising from situations is competent to every one, and is open [to] any individual without fear of incurring any imputation on the score of calumny or injustice.<sup>53</sup>

[003\_123] [6 November 1800]

<sup>52</sup> See pp. 000 n. above. [To UC iii. 132 & n., this file]

<sup>53</sup> In the margin, Bentham has noted at this point: ‘Uncertain as to corn &c. Certain as to other articles, *ex gr. Alum.*’ Bentham may have had in mind Sir George Colebrooke (1729–1809), banker, who failed in his speculative attempt to corner the supply of alum through the purchase of mines in Lancashire and Yorkshire in the early 1770s. See *A Complete Digest of the Theory, Laws, and Practice of Insurance*, London, 1781, p. 35. See also L.S. Sutherland, ‘Sir George Colebrooke’s World Corner in Alum, 1771–73’, *The Economic Journal*, vol. xlvi (1936), Issue Supplement 1, 237–58.

The situation of a Country Banker leads him to give into this track of profit in any one of three ways—1. By affording to farmers, manufacturers and other persons concerned in the production of commodities such pecuniary supplies as shall enable them to keep back goods from market longer than is necessary or had been customary, and by that means to make, to their own profit, an undue enhancement to the price paid by the consumer.

2. By enabling dealers to buy up commodities, each of them in larger proportion than he could have done otherwise, and by that means, when the quantity of the commodity within a certain extent of space favours the project, to combine together in numbers rendered by their smallness susceptible of such a combination, and by agreement with one another impose an exorbitant price upon the consumer.

3. By engaging on their own bottom in transactions of the one sort or the other, more particularly the latter, which is the case to which the nature of their funds is best adapted.

[003\_124] [6 November 1800]

As to this point, what seems plain enough at first sight is—that the facilities for engaging in a plan of extortion of this kind are the greater in a country, the greater its degree of opulence. On a second glance, the point does not appear quite so clear. If, on the [one]<sup>54</sup> hand, in a more wealthy country there is more capital to buy and keep up goods than in a less wealthy one, on the other hand there are more goods to be bought up with the money. On the other hand again, in proportion as the country is more and more wealthy, the proportion of the quantity of capital capable of being employed in the buying up of goods to the quantity of goods will be great and encreasing: for such encreasing ratio is the characteristic and test, and the indication of it the definition, of growing opulence.

If the danger from enterprizes of this sort on the part of the Banking trade depended merely on the quantity of wealth embarked in that trade, it would scarcely form ground for any article of charge: it would be a charge against wealth itself: and would involve the absurdity of bringing into view a retail evil for the purpose of engaging men to quarrel with a wholesale good.

But the true gi[s]t of the charge is—that the Banking trade stands peculiarly exposed to the temptation of injuring the public in this way by their wealth, in a degree more than proportioned to the quantity of that wealth: because it enables them, for this particular purpose, to create a species of wealth which to them is real, to the rest of the community imaginary, and would not have been created but for this purpose, and which has not the effect of wealth when applied to any other

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<sup>54</sup> MS ‘other’.



purpose.

[003\_125] [6 November 1800]

The notes are issued—they are distributed in payment of the goods meant to be engrossed, they are distributed among the Farmers or Manufacturers by whom they were produced—the goods are got up into the confederated knot[?] of hands—the price to the consumer or under-dealer is raised in consequence, according to the discretion of his confederates—the money is received, the first-hand price replaced in the shape of notes issued as above, or in the shape of cash, and the profit pocketed—and immediately, with the addition of such profit, the Banking house is in readiness for another cash adventure on a still more extended scale.

Here then comes a tax upon a tax: the tax by the *creation* of the money, and the tax by the application of it: the tax upon uncommercial men in particular by the reduction in the value of their incomes: and the tax upon the community in general in respect of the part each person may happen to take in the consumption of the particular sorts of goods engrossed.<sup>e</sup>

[001\_610] [30 October 1800]

e

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

### Mischiefs and Advantages of Banking<sup>55</sup>

#### I. Mischiefs

1. Rise of prices thence taxation of the distressed classes. A. Smith censured for his indifference.<sup>56</sup>
2. Commercial insecurity by excess.

<sup>55</sup> This note reproduces a related passage from Bentham's 'Ordo and Brouillon' for 'Paper Mischief' at UC i. 610 (30 October 1800) which, strictly speaking, might have been more appropriately presented in an editorial footnote. However, given the need for annotation, the passage is presented as a Bentham footnote. For further details see the Editorial Introduction, p. 000 above.

<sup>56</sup> In a related brouillon at UC i. 607, headed 'Polit. Economy. Paper Mischief. Rise of Prices', Bentham noted: 'Adam Smith with every body else exhibits the encrease in quantity of gold as the cause of the rise of prices. But he mentions not that rise as an evil: only the acquisition of the *plate* as a matter of indifference. So the quantity of wealth in the country be the same, it never occurs to him to enquire into the state of *feelings*.'

3.—by occasional defects.<sup>57</sup>

4. Support to monopoly by enabling Growers with-holding from sale.

5.—by enabling dealers to buy up.

6. By speculating themselves by engrossing articles of inferior importance and quantity.<sup>a</sup>

<sup>a</sup> The whole community is thus taxed by the issuing of the paper for the purpose of taxing them another way by the application made of it.

7. Diminution quantity of exports and thence of profit by exports and imports. True the fact—  
But *quare* as to the evil? So much less capital employ'd in foreign trade—so much the more in  
*home* production and improvement.

8. No good—no real addition to wealth.

9. Stoppage would produce no evil as the fall of prices would be gradual—Picture &c.<sup>58</sup>

10. Error Sources.

11. Rise—amount of.

12. Adam Smith.

<sup>57</sup> The following related fragment is at UC iii. 136 (30 November 1800), headed 'Paper Mischief', and subheaded 'Ch. [^] Excess': 'There is no certain proportion—there can not in the nature of things be any certain proportion—between the quantity of paper and the quantity of cash capable of supporting it: it all depends upon opinion—and opinion is liable to be turned against it at any time by all sorts of apprehensions—well or ill founded.

'The only standard for the supposed natural proportion is experience—the natural proportion is then the habitual the experienced proportion.—But inasmuch as this experienced proportion has during the whole course of the experience been dependent on opinion, so it must ever continue to be.

'The natural and habitual proportion may be considered as the proportion that has generally obtained—bating particular cause of discredit. But, though these particular causes of discredit should not run again, yet a general and permanent cause of discredit—a prevailing suspicion of the solidity of this sort of money, may obtain at any time—and if so might be mortal to it. Particular causes of discredit are like diseases, in the intervals of which the patient is restor'd to health: but this general discredit could be death.

'The credit of paper money in some parts of the kingdom may have derived occasional support from the *cash* in other parts of the kingdom where paper money had not introduced itself in equal quantity: when, therefore, it has introduced itself into *these*, that support fails.'

<sup>58</sup> Bentham had in mind his proposed work 'National Prospects in the Field of Political Economy, or Picture of Futurity', on which he worked in October 1800, but later abandoned. A series of brouillons for the work are reproduced in *Writings on Political Economy*: IV, Appendix E, pp. 000–000.

## II. Advantages

1. Increase of the general mass of wealth—by the advantage attending to management on a large scale.

The advantage is real—but quere as to the share of Bankers in producing it.

Their trade is ill-suited to the slowness of *production*.

Better suited to the quickness of *exchange*.

The additions made by paper money to *real* wealth are seen[?].

The defalcations (by defalcations from income and thence from *savings*), though not less real, are indiscernible.

[003\_126]

It is the tendency and property of what may be called naturally formed capital, when on the encrease, to lower prices in a variety of ways in proportion to its encrease: to lower the cost of production in respect of labour by division of labour, introduction of machinery and so forth, as per Adam Smith—to lower the rate of profit in stock, to wit by competition, as again per Adam Smith.<sup>59</sup> If this beneficial property were shared in an equal degree by this artificial species of capital, as it may be called, if it were equally well adapted to the good purpose as to the bad one, the regret occasioned by the view of this unobserved tax, and blameless usurpation, would be the less considerable. Unfortunately, the mischief has not that palliative. This *forced*, this fabricated species of capital is particularly ill adapted to the encrease of real wealth—to the encrease of the efficient cause of wealth—productive labour. Capital invested in the shape [of] productive stock must be capable of abiding, by the duration of its investment, the slowness of return to which investment in that shape is doomed by the nature of things. The capital thus employed in enriching the community—the whole community without any exception—must wait, according to the computation, full six years before it is returned without encrease—and more than twice that time before it is returned with a *profitable* encrease—with such an encrease as is equal to the ordinary rate of profit on capital embarked in trade.

[003\_127]

The capital thus created and employed in the impoverishment of the community—of the

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<sup>59</sup> See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (first published 1776), ed. R.H. Campbell, A.S. Skinner, and W.B. Todd, 2 vols., Oxford, 1976 (*The Glasgow Edition of the Works and Correspondence of Adam Smith*), (Bk. I, Ch. I) i. 19–22 and (Bk. I, Ch. IX) 105.

whole community together, with the single exception of the creators and their associates—need not wait so much as six months—and I am inclined to think would not, upon enquiry, turn out in general by a good deal to wait a period of that length. But to wait any such period as is adequate to the replacing of capital embarked in the improvement of land or establishment of manufactures—in a word to the giving birth to produce—has been proved by fatal and notorious experience to be incompatible with the nature of the capital created by the issuing of promissory notes. It is a capital, therefore, fit for nothing so much as mischief. Mischief attends the beginning of it and the end: mischief in one shape attends the creation of it, mischief in another shape, the application of it: not to speak at present—it being what the enquiry is not yet come to—[of] the mischief attendant on a but too frequent result—the annihilation of it.

[003\_128] [6 November 1800]

In speaking of association, I have hitherto confined myself to those associations which in a trade of that nature may naturally be supposed to take place between individual Banking Houses and certain[?] particular individuals or trusts among their respective customers. But [there is] another species or degree of association the trade lies open to, which places the mischief from this source in a still more extensive point of view—I mean the associations of those houses one with another. The associations now in view are not the associations as between tens of thousands and tens of thousands—but associations as between millions and millions.

I speak not now of tendencies and probabilities. I speak of established and undisputed facts. In one vast and almost universal association by far the greatest part of these 2, 3, or 400 houses<sup>60</sup>—of these 10, or 15, or 20, or 25 millions<sup>61</sup>—are already linked, and have been so for some years. In March and April 1797, the Gentleman who manages their affairs declares as much to the Committee of the House of Lords—the declared object, and for ought I ever heard or suspected, the sole object, such as no set of men need scruple to avow: such [as]<sup>62</sup> touches not [the]<sup>63</sup> probity of the association, and does honour to their class.<sup>64</sup> In a subordinate and less conglomerated, but

<sup>60</sup> Bentham had in mind the estimate of George Ellison: see p. 000 n. above. [To note to UC iii. 100, this file]

<sup>61</sup> Ellison had declined to estimate the quantity of country bank notes in circulation, but reported his opinion that their circulation had declined by one-third after the commercial crisis of since 1793. See *Lords Journals* (1796–8) xli. 216 (*Lords Sessional Papers* (1796–7) ii. 240), and *Commons Sessional Papers of the Eighteenth Century*, cv. 227, respectively.

<sup>62</sup> MS ‘has’.

<sup>63</sup> MS ‘their’.

<sup>64</sup> According to Ellison, the professed object of the Association of Country Bankers was ‘to protect the Members of it from Forgeries and Frauds of every species’: see *Lords Journals* (1796–8) xli. 215 (*Lords Sessional Papers* (1796–7) ii. 237).

perhaps not much less extensive system of association they are known to coalesce in masses for the extent [003\_129 [6 November 1800]] and composition of which no public voucher can be produced. Here, if the groupes are few, the number of millions collected in any one groupe can not be very large. As to the object of these particular associations, I mean the known and only known, and certainly the only universal and constant object, it is no less irreproachable, no less laudable than the other. It is the preserving one another, and thereby the community at large, against those dangers to which it is of the essence of the trade to be everlastingly (as there will be a more particular occasion to observe) exposed. Whether, with this main and constant object, *speculation* as above described attaches itself as an accidental and collateral object, is a question the answer to which must be left to rest on the same ground of inference and general probability as before: but, be the case as it may in regard to associations directed avowedly and by the declared consent of all the several parties, what is not open to dispute is—that without any such express consent an association of this nature affords the means [to] an enterprize of that kind, embarked in by any one such member of such an association.

To support an enterprize that depends on money, it is not by any means necessary that the nature of the enterprize should be known by those by whom the money is supplied. In proportion to the mass of associated capital by which he feels himself backed is the confidence with which, and the abundance in which, a speculator of this kind issues his notes.<sup>65</sup>

[003\_130] [6 November 1800]

### *3. Third kind of Mischief—Occasional shocks given to Commercial security by this species of money, by reason of superabundance*

By excess it is well enough understood by this time that I can not mean excess with reference to the interests of the community at large. In that point of view every penny of it is superabundant, any the smallest quantity of it is excessive.—I mean that portion of the mass which from time to time proves excessive with reference to the interest of the issuers themselves.

NOTE TO TYPESETTERS: Please insert a short rule.

<sup>65</sup> In his brouillon at UC i. 607, headed 'Polit. Economy. Paper Mischief. Rise of Prices', Bentham noted: 'May not the Country Banks be mischievous in this way—Lending their Notes to Farmers and Dealers in Corn &c., whereby they are enabled to keep up the Corn &c. without selling it, does not this afford an encreased vent for their paper? especially as there is so much more money to pay for corn &c. in the year.—How can the prices of all things rise on a sudden to all people for the whole year unless either quantities of things decrease in proportion, or quantity of money encreases?'

[003\_087] [29 November 1800]

## CHAPTER V.

### ADVANTAGES [OF PAPER-MONEY] DISPROVED OR ADMITTED<sup>66</sup>

1. No good can have come, but in the shape of wealth:—but i. Money can have added nothing to wealth. ii.—not *Paper Money* at least. iii. An equal addition might have been made, at a less expence *in evil*, by an equal tax.
2. Money can have added nothing to wealth—for i. The immediate efficient cause of wealth is—not money, but labour.
3. The quantity and effect of labour may be encreased to the same pitch by a smaller quantity of money, as by a greater.
- 3a.—or even to a greater—by the amount of the expence of luggage—*ex. gr.* by gold money than by copper money.
4. So even as between money of the same sort at different times. Ten times as much labour was produced by the same quantity of silver 650 years ago, as now.
5. The quantity of metallic money in the commercial world, at least of the *materials* of metallic money, depends on the fertility of the mines.—The quantity or effect of the labour capable of being employ'd in the encrease of wealth is not dependent on such fertility.
6. The quantity of wealth produced depends—not on the quantity of money, but on the application of it.
7. *Land* being given in quantity and situation, quantity of wealth produced *in* a given time, depends jointly on the *quantity* of labour employ'd in adding to wealth, and on the effect of such labour in that respect.
8. The quantity of wealth *at the end* of a given time, will be as the quantity *come in* by produce or exchange, deducting the quantity *gone out* by consumption or destruction.

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<sup>66</sup> The title is taken from Bentham's 'Ordo and Brouillon' at UC i. 610 (30 October 1800). He drafted a chapter of twenty-five pages from which he compiled a marginal contents sheet headed 'No Good', at UC iii. 87 (29 November 1800). No text for the draft has been identified, and in its absence the corresponding marginal contents, which, strictly speaking, might have been more appropriately presented in an editorial note, are reproduced as text. For further details see the Editorial Introduction, pp. 000–000 above.

9. As to the quantum, modifications of which the condition of a man in respect of capacity for labour, and application or direction of the capacity, is susceptible.

I. Not adding to Capital.

1. No capacity.

2. Capacity unemploy'd.

3. Capacity imperfectly employ'd.

4. Capacity employ'd unproductively.

5.—employ'd in production of unproductive articles of quick consumption.

II. Adding to unproductive *Capital*.

6.—in d° of slow consumption.

The application depends on the disposition to frugality on the part of those who have to spare.

That disposition is not increased by the quantity of money.

III. Add<sup>s</sup> to productive Capital.

7. Producing necessaries to subsistence of man.

8. Drawing rude produce in the shape of necessaries or stock: Fish[?]<sup>s</sup>—Minerals[?].

9. Improving Land, the source of such necessaries.

10. Augmenting and *Improving* stock of land so employ'd.

11. Maintaining, augmenting or improving manufacturing Stock.

12. Maintaining &c., Roads &c.—diminishing thereby expence of conveyance.

10. Modes of adding to the *effect* of labour.

11. When addition is made to wealth, it is either by addition to the quantity or effect of labour, or by addition made to the quantity of money and labour employ'd in the way of *enriching* expenditure at the expence of d° employ'd in *unenriching*.

12. This is what is meant by *saving money*.

13. Case in which the *application* might be influenced—and made more enriching—by addition to the quantity of money, viz: if the expenditure of each fresh parcel, took in the first instance an enriching turn—by adding to intrinsically productive capital.
14. Admission that money, at its first introduction, is mostly employ'd in adding to intrinsically productive capital—and thence to national income.
15. Answer—the real addition to intrinsically productive capital is no greater in this case than if the import had been in any other shape than the material of money—because the rate of profit and saving is not in this instance greater.

Without the addition to money, the addition to wealth would have been as great—only money would have been more valuable.

If, in exchange for the quantity of wealth exported, the material of money had not been to be had, the merchant would have imported wealth of some other sort to equal value—affording him an equal profit—which profit, so long as there was money in the country, would have been convertible into, i:e: exchangeable for, an equal quantity of money—only taken from the existing stock, instead of being added to that stock.

Difference in that case between metallic money and paper.—Addition to metallic money can not go beyond the superflux of bullion—nor outstrip in quantity the amount of the *savings* that would have been made in other shapes. *Secus*<sup>67</sup> paper money, which can be pour'd in in any quantity.

The wealth would have been the same—and without the virtual tax.

16. No addition can be made to the mass of income, but by addition to the quantity or effect of the mass of intrinsically productive stock.

Money itself constitutes no such addition.

17. In a *mine* Country, such as Spanish and Portuguese America, money may be—and in a certain proportion is—introduced, without being employ'd as capital—i:e: without being employ'd in the purchase of labour bestowed in making addition to the mass of intrinsically productive capital—viz: the portion paid as *rent* to the King &c.

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<sup>67</sup> i.e. 'otherwise'.



18. This, as being an article of slow consumption, adds by its whole amount to capital, but not, by any part of it, to intrinsically productive capital *in the first instance*—and thence to income.
19. By additions made to the *quantity* of the mass of money, the amount of its influence in respect of the giving birth to addition to the quantity and effect of labour employ'd in augmentation of the mass of physically productive capital—and thus of income—is not increased: hence[?], by so much as the number of pieces of money of a given size is increased—by so much is the value of each piece diminished.
20. That *the value of money is inversely as the quantity* would not have been less *true*, had money increased in a less degree than wealth—though it would have been less perceptible.
21. Ambiguity and error of the phrase—*more wealth* REQUIRED more money to circulate it.<sup>68</sup>
22. State of things that *would have been*—had the encrease of money been *less* than that of wealth.

NOTE TO TYPESETTERS: Please insert a short rule.

[003\_138] [18 December 1800]

<sup>68</sup>Bentham has noted in relation to this point, at UC i. 612 (22 November 1800), headed 'Paper Mischief. II Broullion. No Good': 'Erroneousness[?] of the notion—that a certain quantity of wealth requires a certain quantity of money to circulate it, as per Thornton. Times 28 Nov<sup>r</sup> 1800'. On 27 November 1800, Henry Thornton (1760–1815), banker and political economist, MP for Southwark 1782–1815, told the House of Commons that 'When it was considered that the interest of the National Debt payable at the Bank [of England] was more than doubled within the period alluded to [i.e. between 1799 and 1800], and that the Exports and Imports were increased more than one-third, he was sure the House would think this augmentation [i.e. the issue of bank notes] no more than was absolutely necessary for the circulation of the Country': see *The Times*, 28 November 1800, p. 3. See also Francis Baring, *Observations on the Establishment of the Bank of England, and on the Paper Circulation of the Country*, 2nd edn., London, 1797, pp. 4–5: 'It would be desirable .^.^ to ascertain what proportion the issue of Bank Notes has borne to the gradual increase of the Commerce of the Country, although the disclosure would not be prudent in other respects:—but I cannot think it possible for the one to require an augmentation of the other; and it remains to be proved that the amount of Bank Notes, before the war, did increase in proportion to the increased trade of the country, before the necessity can be admitted for an augmentation to the circulating medium'. In Bentham's annotated copy of the work in the British Library, shelf mark (DRT Digital Store) 08218.bb.33.(1.), he has noted in the margin at this point: 'Encrease of trade produces no demand for encrease of money. .^.^ A Strange absurdity.' Adam Smith himself had noted, *Wealth of Nations (Glasgow Edition)*, (Bk. I, Ch. XI) i. 220: 'The increasing produce of the agriculture and manufactures of Europe must necessarily have required a gradual increase in the quantity of silver coin to circulate it; and the increasing number of wealthy individuals must have required the like increase in the quantity of their plate and other ornaments of silver.'

CHAPTER VI.<sup>69</sup>

## OF THE MONEY-HOARDING SYSTEM

Things are illustrated by their contraries.—To take the benefit of this observation, let us bestow a glance upon what may be termed the system of *thesaurization*: the system of laying up hoards of money on the part of government, in reserve for casual exigencies. As the introduction of paper money makes, in the first instance at least, an addition to the mass of money in circulation, so does the hoarding system produce, in the first instance at least, a defalcation from that same mass.

If by paper money no addition is made to the mass of other wealth, by the hoarding system no defalcation (it may be said) will be made from it. The advantages resulting from the hoarding system are great and obvious: they have hitherto been looked upon as not clear, but bought at the expence of the addition that might otherwise have been made to the mass of national wealth. If that addition is illusory, the policy of the hoarding system will shew in added lustre.

[003\_139] [19 December 1800]

Defalcation, like addition—defalcation from the source in question, defalcation as well as addition—may be considered, as before, with reference to addition to wealth—addition to prices—and influence on commercial credit. Let us begin with wealth.

1. That a defalcation made in this or any other way from the mass of money in circulation should in any case be productive of any addition to the mass of wealth is seen to be impossible at the first word.

2. If, at the outset of the hoarding plan, the national stock of capacity for labour happens to be fully employed, and employ'd to the best advantage, or, in respect of the encrease of wealth, if, though not employ'd to the best advantage, things are so circumstanced that no addition to the mass of money, or no addition to the mass of money employ'd in the shape of productive capital, could have the effect of causing the stock of capacity for labour to be employ'd to any greater advantage, and if at this time the ratio of money to wealth, and consequently the amount of prices, is on the encrease, a defalcation to any amount not exceeding that of the supposed encrease of the stock of money can not be productive of any defalcation from the growing mass of wealth.

3. In any other than this last-supposed case, the defalcation thus made from the mass of

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<sup>69</sup> MS 'Ch. [^]'. No marginal contents sheet has been identified for this chapter, which does not appear in Bentham's 'Ordo and Brouillon' of 30 October 1800 at UC i. 610, and its numeration is conjectural. For further details see the Editorial Introduction, p. 000 above.

money will be productive of a defalcation to a certain degree from the mass of wealth. Of the amount of this latter defalcation, let us endeavour to form an estimate under the different modifications of which the case is susceptible.

[003\_140] [20 December 1800]

Let us suppose that there exists in the country a quantity of unemploy'd capacity for labour adequate to the whole quantity of money that would have been employ'd in the shape of productive capital, had it not been for the supposed defalcation. In this case, the defalcation from the mass of money is really productive of a correspondent, though not equal, defalcation from the mass of wealth. The money hoarded by government, and thence defalcated from the stock of money in circulation, is parcel of the money raised by taxes: the taxes are imposts assessed for the most part at least, if not exclusively, on expenditure. Of the money taken by the tax, part, and by far the greater part, would have been spent in a way not to make any addition, or not to make an addition to so large a proportionable amount, as that in which it might have been employ'd to make an addition to the mass of wealth: [the] other part would have been spent in the more advantageous way in respect of the making addition to the amount of growing wealth: in a word, part would have been spent in the way of consumption: in the way of present enjoyment—the other part in the way of accumulation: in adding to the amount of the source of future enjoyment and subsistence.

[003\_141] [20 December 1800]

To afford the mind the relief that may be afforded by the use of figures, suppose the account to stand as follows:

NOTE TO TYPESETTERS: In the following table,  $\frac{1}{10}$  should appear as a fraction.

1. Annual amount of money hoarded, and thence taken out of the circulation—say	£1,000,000
Of this, if not taken from individuals by taxes, there would have been employ'd and expended in the way of accumulation, say $\frac{1}{10}$ <sup>th</sup> =	£100,000
Of the remaining £900,000 of labour spent in the way of enjoyment, there would have been expended in the purchase of labour so employ'd as not to leave behind it any produce whatsoever, such as that of domestic servants of all descriptions, actors, dancers, musicians, kept mistresses &c.—say	£100,000
Of d <sup>o</sup> £900,000, there would have been spent in the purchase of labour employ'd in the production of commodities which, when sold, are sold for	

a mass of money a part of which, say 15 per Cent, is returned in the shape of profit by the persons employ'd as cultivators, master manufacturers, merchants or shop-keepers, or Carriers in the production and distribution of them	£800,000
Profit upon the above £800,000, at 15 per Cent	£120,000
Whereof saved up and added to stock, i:e: employ'd in the purchase of such labour and materials—the produce of former labour—whereby additions are made to the mass of productive stock or capital—say 5 per Cent	£40,000

[003\_142]

NOTE TO TYPESETTERS: In the following paragraph,  $\frac{1}{6}$  is to appear as a fraction.

On the face of this account,<sup>70</sup> the result of the hoarding every year a quantity of money to a given amount is a loss to productive capital to the amount of about  $\frac{1}{6}$ <sup>th</sup> part of the money hoarded: to which may be added loss of the addition that would have been [made] in the way of interest, in each succeeding year.

The effects of hoarding metallic have very little resemblance to the effects of these diminutions to which the stock of paper money is subject, though defalcation be the result in both cases. In the case of hoarding, the defalcation is gradual and comparatively inconsiderable: too much so to have any perceptible effect, it may well be supposed, in respect of the lowering of prices. The effects of a shock to paper credit, though the defalcation may be very copious and sudden, may also be incapable of producing any sensible effect in the way of lowering prices. But, in this case, it is from a very different cause. The same state of things which raised the stock of paper money to the height from which it was beaten down by the force of the supposed shock would, in no great length of time, be sufficient to raise it up again to that same level: and as this restitution would naturally take place before the time when prices might have adjusted themselves to the level of the reduced mass of money remaining, any determinate fall of prices does not appear to be among the consequences naturally to be expected from the shocks to which paper money in a country circumstanced like Britain is exposed.

<sup>70</sup> In the margin at this point, Bentham has noted but then crossed through: 'By preventing[?] wealth, the hoarding prevents increase of prices that would have been effected by the addition to the mass of vendible commodities.' He then noted 'See next page', i.e. UC iii. 143, p. 000 below, where he explains that it is the sudden release of the hoarded money at the end of a war which will cause increase in prices.

[003\_143] [21 December 1800]

But though there appears to be no period in which a defalcation from money to any such amount as is likely to be produced by the money hoarding system appears likely to be productive of any very sensible effect in the way of lowering prices, a practice of this [nature] supposes the existence of a period at which a considerable effect will naturally be produced in the way of raising prices. I mean the period, whatever it be, at which the hoarded money may come to be disbursed. This period is that of War. War is that state of things with a view to which, and for the sake of which, hoards of this sort are laid up. When the war comes, then comes the disbursement: and of this disbursement it may naturally be expected that it will be at the same time copious enough, and of sufficiently long continuance, to produce a very perceptible rise of prices.

A circumstance that helps to diminish the effect that the defalcation produced by hoarding would otherwise have in the way of lowering prices, is the defalcation produced by the same cause from what would otherwise have been the amount of the mass of wealth. By intercepting the addition that would otherwise have been made immediately to the mass of productive capital, it intercepts the additions that would otherwise have been made to the growing mass of vendible commodities, in the way of interest upon the principal of which that capital would have been composed.

[003\_144] [19 December 1800]

## II. *Secondly, in regard to prices*

Like the effects of addition, the three effects of defalcation may, in this view, be beneficial, prejudicial or indifferent, according to circumstances.

If the ratio of money to wealth be on the encrease, and to such a degree upon the encrease as to produce a rise of prices, the operation of the defalcation in question will be in that respect beneficial, so far as the effect of it is to check the rise, or stop it altogether, without producing any such fall as shall be productive, as such, of a sensible inconvenience.

If the ratio of money to wealth be not on the encrease, still more if it be on the decrease, the effect of the defalcation in question will be to produce a fall of prices, more or less sensible according to the proportion of the money defalcated to the mass from which it was defalcated.

### III. Commercial credit<sup>71</sup>

In respect of commercial credit, it can have no effect analogous to that with which paper money is apt to be attended by reason of the sudden though temporary defalcations to which the mass of it is exposed. In the case of thesaurization, the defalcation from the mass in circulation is always gradual, nor can ever be otherwise. [003\_145] It has a tendency to bear hard upon those classes whose incomes are subject to deductions to a fixed pecuniary amount—such as persons holding land or houses on long leases—but its real effect in this way can never be very considerable: especially since before the fall of prices, if any, can have had time enough to be very considerable, an occasion for disbursing the hoard may well be expected to take place, and that whatever other effects, good or bad, may result from the overthrow, a proportionally great, and at any rate a sudden, rise of prices will be an inseparable effect.

[003\_146] [19 December 1800]

Of the *money-hoarding* system, the only example worth considering in this view that has been presented in modern times—in times of which the circumstances are at all analogous to those in which our country is now placed—is that which was afforded by the conquering King of Prussia.<sup>72</sup> In his instance—in the circumstances in which he had placed himself—it was a matter rather of necessity than choice. The injustice and violence of his conduct and character had given him, for an irreconcilable enemy, the most powerful of his neighbours.<sup>73</sup> Trampling the laws of justice and good faith, habitually and even without a mask, he had precluded himself from all confidence of seeing them observed by others to his benefit. With the prospect of a demand for money constantly before his eyes—a demand sudden in point of occasion, and unlimited in its amount, he found himself under a constant obligation, on pain of instant destruction, of straining every nerve for the purpose of laying in the largest stock of that instrument of defence which it was in his power to raise. The funding, the borrowing system was not open to his choice. Reputation of probity—apparent solidity of power, were both wanting on the one part: confidence and even money were wanting on the other. Neither in his own dominions, nor even in any other part of the surrounding

<sup>71</sup> The heading reproduces the corresponding marginal content.

<sup>72</sup> The ability of Frederick II (1712–86), King of Prussia from 1740, to accumulate surpluses from his revenues and to stockpile treasure was widely noted. See, for instance, [Honoré Gabriel Riqueti], Comte de Mirabeau, *De la monarchie prussienne, sous Frédéric le Grand; avec un appendice contenant des recherches sur la situation actuelle des principales contrées de l'Allemagne*, 4 vols., [Paris], 1788, i. 133: 'Il sentit qu'il falloit un trésor; il en amassa un très-considérable: quelques-uns assurent que ce trésor monte à quatre cents millions de livres, renfermées en espèces dans les souterrains du château de Berlin.'

<sup>73</sup> Bentham had in mind the bitter rivalry between Frederick II and the Hapsburg empire, which erupted into war in 1740–2, 1744–5, 1756–63 and 1778–9.

states, especially when those parts were excluded which were either under the government or the influence of those whom he had converted into irreconcilable enemies, furnished a [003\_147] stock of lendible money adequate to any such purpose.

But though, in Frederick's situation, Frederick's line of conduct in this respect was an unavoidable one, it does not altogether follow, it cannot absolutely be inferred from thence, but that, independently of such necessity, it may have been an eligible one—the best that could have been pursued—not only in his circumstances. It is by no means without example—especially in government affairs—that a man has been driven by necessity, into measures into which, had he possessed a just conception of his own interests, he would have been led by choice.

To Great Britain, the adoption of the money hoarding system is not, nor ever has been, a matter of necessity; let us see whether there be any sufficient reason in favour of its becoming an object of choice.<sup>74</sup>

NOTE TO TYPESETTERS: Please insert a short rule.

[003\_088] [14 December 1800]

## CHAPTER VII.

### MEASURES<sup>75</sup>

#### I. *Positions*

<sup>74</sup> No text in continuation of this chapter has been identified. In his brouillon at UC i. 607, headed 'Polit. Economy. Paper Mischief. Rise of Prices', Bentham noted: 'Effect of the hoarding plan pursued by Frederick the great—Hoarding cash?

'Which was the greatest? Loss by interest that might have been made of the money? or,

'Saving by avoidance of the loss from degradation of money and rise of prices?

'Would the hoarded money, if introduced into the circulation, have made a clear and permanent addition *pro tanto* to the mass of money in circulation?

'Answer. Being the produce of taxes—it was taken from consumptive expenditure and added to capital.'

<sup>75</sup> The title is taken from a marginal contents sheet headed 'Paper Mischief. Measures' at UC iii. 88 (14 December 1800), according to which Bentham drafted a chapter consisting of twenty-five pages of which only a single fragment survives, and is included in an editorial note at p. 000 n. below. In the absence of the text, the corresponding marginal contents, which strictly speaking might have been more appropriately presented as an editorial note, are reproduced as text. The numeration of the chapter is conjectural. A related brouillon is at UC i. 613 (10 December 1800), headed 'Paper Mischief. Brouillon III. Measures recommended'. For further details see the Editorial Introduction, pp. 000–000 above.

**1. Mischiefs from Paper-Money—**

- i. Enhancement of prices.
- ii. Danger of insolvencies.

**2. I. Prices. Best, that there be no change.****3.—**Next best, the least possible.**4.** Rise is worse than fall.**5.** Fall is not likely—where there is paper money.**6.—**nor even where there is none.**7.** Quantity of private paper money has no natural limit.**8.** In 50 Years prices have been raised 100 per Cent—chiefly by paper money.**9. II. Insolvencies.** Paper money is essentially exposed to sudden diminutions.**10.—**which diminutions, being but temporary, produce the loss, without alleviating rise of prices.**11. III. No addition to wealth.** By so much as money has raised prices, it has not added to wealth.**12.—**nor by any part of the quantity short of that mark.**13.** No sufficient reason appears for supposing that any addition to money has the effect of adding to other wealth.<sup>76</sup>**14.** The accession to Metallic money has been sufficient to produce whatever addition (if any) can be made to wealth by money: the paper money added can therefore have had no other effect than that of raising prices.**15.** The quantity of Paper Money should, therefore, be made susceptible of regulation.**16.—**and on that account to registration and publication.**17.** Paper money would come best from government alone, if possible.**18.** If not, or till then, government ought to have the largest share possible in the profit of it.

## II. Measures

**1.** Tax to be augmented *ad valorem*.<sup>77</sup>**2.** Magnitudes not already in use to be prohibited.

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<sup>76</sup> In the marginal contents sheet at UC iii. 88 Bentham has cancelled the following paragraph and written over it 'Wrong'.

<sup>77</sup> i.e. 'in proportion to value'.



3. Tax to be made annual instead of once for all.<sup>78</sup>
- 4.—and to extend to the future profits on the Notes it finds already issued.
5. Issuers to account as under the existing option, for their notes in circulation for the purpose of the tax.<sup>79</sup>
6. Issuers to be licenced.
7. To find security and not to issue paper beyond the amount.
8. Stamp paper to be employ'd for security against forgery—but not to be paid for till after the profit has been reaped.
9. Outstanding notes to be exchanged for stamp ones.

### *III. Measures Observations*

#### *Extension*

NOTE TO TYPESETTERS: In the editorial footnote corresponding to the following paragraph,  $\frac{1}{2}$  should appear as a fraction.

1. Art. 1., 2., 3., 4. The existing Act (39 G. 3 c. [107])<sup>80</sup> is the groundwork of the proposed measure.<sup>81</sup>
- 2., 3., 4. If good, so are the proposed extensions in regard to i. Larger Notes. ii. Succeeding years of succeeding issues. iii.—of existing issues.
5. As a definitive measure, it would be imperfect in the above points—as to contribution,
- 6.—and as to registration.

NOTE TO TYPESETTERS: In the editorial footnote corresponding to the following paragraph,  $\frac{1}{75000}$  should

<sup>78</sup> The Stamps Act of 1799 (39 Geo. III, c. 107, §§ 1–2), imposed duties of 2d. on promissory notes for £1 or £1 1s., and  $\frac{1}{2}$ d. on notes for 5s., which duties were doubled insofar as such notes were payable elsewhere than the place where issued. The Act (§ 5) stipulated that, if a note that had been issued at a previous time were to be ‘issued, uttered, or negotiated’ on another occasion, ‘the like Rate or Duty’, which was ‘charged thereon before the first issuing [of] the same’, would be reapplied. By § 3 of the Act, the Bank of England was exempted from its provisions.

<sup>79</sup> The Stamps Act of 1799 (39 Geo. III, c. 107, §§ 19–20) required that accounts were kept of all unstamped notes for £1 and £1 1s., and for all stamped notes for £1 and £1 1s., that were in circulation prior to 1 December 1799, but these provisions applied only to the Bank of Scotland and the Royal Bank of Scotland.

<sup>80</sup> MS ‘108’.

<sup>81</sup> For the duties imposed by the Stamps Act of 1799 (39 Geo. III, c. 107) see the previous note but one.

appear as a fraction.

7. By leaving a portion of the mass out of the tax, it tends to reduce the proportional amount of the magnitudes as[?] taxed.<sup>82</sup>

7a. By an oversight, it exempts from the tax magnitudes not differing substantially from those included.

8. Grounds and reasons of the existing tax.

The small notes were those from which alone, or principally, *excess* was apprehended.<sup>83</sup>

Yet, so much was the market enlarged by the door opened to these magnitudes, that the encouragement thence resulting promised not to receive any perceptible counterpoise from the discouragement resulting from the tax—the burthen of which, being thus coupled with a superior benefit, was thus rendered insensible.

9. Notwithstanding the tax, the proportion of the small notes tends to increase the enlargement of the market, giving to the issuers a direct interest in the reduction of the magnitude, stronger

<sup>82</sup> The Stamps Act of 1799 applied to only three denominations of bank note, namely £1 1s., £1, and 5s. At UC iii. 137 (16 December 1800) Bentham drafted the following related passage headed ‘Ch. | Measures. II. Bills’:

‘At this rate £10,000, in sums of £1 each, pays altogether no less than [£]83. 6s. 8d.

‘And this though it be for an accommodation of no more than 2 Months.

‘For the whole year, if the two months’ accommodation were to be repeated as many times as it may be, and indeed frequently is in the compass of the year, the aggregate of the tax would amount to no less than £500 £500–0–0.

‘For this same accommodation, if given in respect of a sum to the same amount but in one entire sum, the tax is no more than 2<sup>s</sup> 8<sup>d</sup>: for that low stands the highest degree of the scale,  $\frac{1}{75000}$ <sup>th</sup> part only of what it is in the other case!

‘When a man borrows in this way or obtains respite for £10,000, it is because his circumstances are such as enable him to raise his pecuniary transactions to these high magnitudes.

‘When a man obtains accommodation for so small a sum as £1, it is because his circumstances are such as do not enable him to raise his pecuniary transactions higher than that small sum.

‘The man who is thus able to borrow £10,000 is assuredly a rich man:—the man who wants, and yet is not able, to borrow more than £1, is as assuredly a poor man. The rate of taxation on the poor is 75,000 as high as on the rich!’

A duty of 2s. on bills of exchange for over £200 had been introduced by the Stamps Act of 1791 (31, Geo. III, c. 25, § 2) and increased to 2s. 8d. by the Stamps Act of 1797 (37 Geo. III, c. 90, § 1).

<sup>83</sup> On 7 December 1798, the House of Commons, having resolved into Committee in order to debate the English Small Notes Bill, Pitt told William Wilberforce Bird (1758–1836), MP for Coventry 1796–1802, that a ‘great inconvenience took place in the country’ owing to ‘the immense quantity of small notes, of from 3 to 7s. which were given to poor working people who did not understand them’. In response, Bird stated that notes of such small values were ‘unavoidably necessary on account of the scarcity of silver’ coinage. See, for instance, *The Senator: or Parliamentary Chronicle* (1798) xxi. 155–6; *Whitehall Evening Post*, 6–8 December 1798, p. 4.

than the indirect one, that turns on the accommodation of the customers, to whom large notes are most convenient for large sums.

### *Account*

1. Art. 5, 6. The option given to account and take out a licence instead of using stamp paper shews that the former course was regarded by the contributor in the light of an indulgence rather than a hardship.<sup>84</sup>
2. And, supposing it a hardship, by being made subservient to the yielding a greater mass of revenue, its comparative weight in the scale will be the less.
3. It is the most convenient, if not the only means, by which the annual recurrence of the contribution could be effected. Stamp paper alone would not well answer the purpose.
4. A tax confined to the moment of emission is a tax on capital, and as such either excessive, or unnecessarily minute.

### *Recognizance &c. Qualification*

1. The qualification required by the Recognizance is as unexceptionable in all points as it is useful in point of security. It benefits men of competent property, by ridding them of their incompetent competitors.
2. The notoriety of the quantum of capital pledged, is a condition warranted in substance by the example of, i. the Bank of England.<sup>85</sup>
- 3.—and ii. of the quondam Air Bank.<sup>86</sup>

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<sup>84</sup> The Stamps Act of 1799 (39 Geo. III, c. 107, §§ 15–16) provided that a bank might obtain a license to issue unstamped 5s. notes, on condition that the bank specified ‘the Name and Names, and Place or Places of Abode of the Partner or Partners, Agent or Agents, Cashier or Cashiers appointed or employed .^.^ to keep the Book or Books of Account of the Notes, Bills, and Tickets so to be issued and re-issued .^.^ and the Name or Names of the Place or Places where .^.^ Books of Account .^.^ are or shall be kept’.

<sup>85</sup> According to Thomas Fortune, *A Concise and Authentic History of the Bank of England. With Dissertations on Metals and Coin, Bank Notes, and Bills of Exchange*, 2nd edn., London, 1797, p. 29, the capital stock of the Bank of England in 1797 amounted to £11,686,800.

<sup>86</sup> According to Adam Smith, the total capital subscribed and received by Douglas, Heron & Company, a banking company commonly known as the Ayr Bank, established in Ayr, Scotland, in November 1769 ‘for the express purpose of relieving the distress of the country’ amounted to £128,000. When the bank failed in June 1772, ‘upwards of six hundred thousand pounds at five per cent’ had been advanced to its borrowers, and £200,000 of its notes remained in circulation. See *Wealth of Nations (Glasgow Edition)*, (Bk. II, Ch. II) i. 313–14.

4. Capital pledged—what the requisite quantum?—Little more than the greatest probable amount of bad debts.
5. Quantum of the security—how to be composed, as between *principals* and sureties.
6. Qualification, how to be proved—the Income Tax a check upon the *Particular[s]* given in.
7. Calling in the Notes to be changed for stamp ones no hardship so as time enough be allowed.<sup>87</sup>

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<sup>87</sup> A final related marginal contents sheet, headed ‘Paper and Results’, is at UC iii. 148 (2 March 1801). This folio, which Bentham attempted to reorganize twice, marks a final transition between ‘Thoughts on Paper Money’ and ‘The True Alarm’. For further details see the Editorial Introduction, pp. 000–000 above.