

Marginal Contents for

[003_156] [16 August 1801]

The True Alarm;

or,

View of Paper money—its good effects, bad effects, and their remedies, and its connection with real wealth^{* 1}

* [Editor's Note: In the absence of the lost text of this work, only isolated fragments of Bentham's draft of which survive, the present volume reproduces the twelve marginal contents sheets compiled by Bentham during its drafting, between March and October 1801. Simply put, the contents constitute the closest approach it is now possible to make to Bentham's text, Dumont's recension of which is reproduced in 'Sur les prix', pp. 000–000, and 'Balance de commerce', pp. 000–000 below. The marginal contents sheets do not constitute a continuous contents for the work, since Bentham clearly developed his ideas about its organization, and almost certainly viewed parts of the contents as superseded. The 'work' concludes with the text of three folios which form a sequence and which are not properly speaking marginal contents sheets, since they bear no page references, but rather an attempt to summarize Bentham's arguments on the balance of trade. With the exception of these folios, the material is presented in chronological order.]

¹ The title is taken from the marginal contents sheet at UC iii. 156 (16 August 1801), headed 'Alarm. Contents II.' Although only isolated fragments of Bentham's draft of this work survive, twelve marginal contents sheets compiled during the process of drafting, written between March and October 1801, have been identified and are reproduced at this point in the present volume on the ground that they constitute an invaluable resource in making the closest approach it is now possible to make to the lost text, Dumont's recension of which is reproduced in 'Sur les prix', pp. 000–000, and 'Balance de commerce', pp. 000–000 below. Pierre Étienne Louis Dumont (1759–1829), Genevan political writer, produced five recensions of Bentham's works between 1802 and 1829. The marginal contents sheets for 'The True Alarm', which are presented in chronological order of compilation, are followed by the text from three folios which form a sequence and which are not properly speaking marginal contents sheets since they bear no page references, but rather an attempt to summarize Bentham's arguments on the balance of trade. The marginal contents sheets do not constitute a continuous contents for Bentham's lost text, since he clearly developed his ideas about how to organize the work, and almost certainly viewed parts of these contents as superseded. The internal organization of the contents sheets is also to some extent conjectural, since Bentham repeatedly added new contents and often failed to renumber the existing contents to accommodate the insertions. To facilitate reading, errors and duplications in the enumeration have been silently corrected. The contents and passages which Bentham has marked for deletion are indicated in editorial notes. For further details see the Editorial Introduction, pp. 000–000 above.

NOTE TO TYPESETTERS: Please begin new recto.

[003_149] [16 March 1801]

I. *Beginning*²

1. Extent of pecuniary credit, its magnitude in modern times.

2.—is honourable in its causes, and beneficial in its effects.

3. But has its attendant disadvantages—³

1. Inconveniencies. Rise of prices.

2. Danger—risk of General Bankruptcy.

4. The undesirable effects are frequently ascribed to this or that particular branch of pecuniary credit—while the desirable are ascribed to other branches:—as if all branches did not contribute *pro tanto* to all effects, good and bad together.

5. Or credit itself is reprobated, as if its effects were mischievous upon the whole.

6. By false alarms thus injuriously reprobating the whole or particular branches, as productive of no good, the public is prejudiced against any true alarm, which, acknowledging the good, should point out the bad, for the purpose of a remedy—suggesting that remedy.

7. Detection of the errors the subject has given rise to will be an useful prelude to the remedial measures recommended.

II. *Old Positions*

1. Preliminary statement of the conclusions deduced from the succeeding enquiries.

2. I. 1. Existing wealth is owing in great measure to encrease of the *Means of purchase* by the encreases of money and the powers of money.

3. I. 2. Industry and frugality without these additional means of purchase and additional powers would not have produced an equal encrease of wealth.

4. Pecuniary credit has added to the means of purchase and thence to wealth partly by

² The folio is headed 'Alarm. Contents I.'

³ Bentham has marked the following six paragraphs ('Inconveniencies. .^.^ measures recommended. '), for deletion.

quicken the circulation of money—partly by adding to its quantity—viz. by paper money.

5. It would not add to real wealth, but that, being employ'd, as it naturally is at its first coming out, whether by *fabrication* or *import*, in the character of *productive* capital, it gives rise to the production of *things*—the materials of real wealth—more than would have been produced without it.

5a. *Secus* Spanish money.⁴

6. Disadvantageous results.

1. Inconvenience—Rise &c.

2. Danger—Insolvency.

7. 1. Inconvenience.—Rise of prices—thence lessening the real value of incomes—50 per Cent nearly in last 40 years.

8. This inconvenience is not altogether remediless: but the utmost possible remedy will be but partial and inadequate.

9. The *danger* is that of General Bankruptcy. This is of the essence of pecuniary credit.

10. This is not altogether unsupportable of a remedy. *Ex. gr.* Associations.⁵ But to complete the security requires other measures.

11. Pecuniary credit is the Tree of Good and Evil.⁶

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

⁴ Bentham probably had in mind Smith's discussion of the failure of the influx of precious metals to Spain to promote economic development: 'Spain and Portugal were manufacturing countries before they had any considerable colonies. Since they had the richest and most fertile in the world, they have both ceased to be so.' Smith went on to ascribe the failure to 'improper taxes' on exportation and transportation of goods, 'but above all, that irregular and partial administration of justice, which often protects the rich and powerful debtor from the pursuit of his injured creditor'. See Smith, *Wealth of Nations* (Glasgow Edition), (Bk. IV, Ch. VII), ii. 609–10.

⁵ See pp. 000–000 above. [To UC iii. 128–9, 'Thoughts on Paper Money']

⁶ See Genesis 2: 9.

1. Excess regards—

1. The *inconvenience*—encrease of prices.

2. The *danger*—risk of Bankruptcy.

2. The maximum of excess is when every addition to wealth by *money*, prevents an equal one by frugality.

3. Difficulty of determining at what point in the line of progression the advantage and disadvantage are *in equilibrio*.

4. The danger, though it can not be annihilated but by the annihilation of credit itself, is greater and greater as credit is extended.

5. Whatever lessens the inconvenience lessens the danger.

6. To judge of the probability of an excess in the quantity of paper, look to the situation of both parties: 1. the issuer. 2. the first acceptor.

7. The Banker, it may seem, will not issue it, without reasonable expectation of a return with profit, either in the way of *repayment*, or sale, and so long as such return is made, there can be no loss nor excess.

8. Casual losses by bankruptcy and prodigality tend not to do away the equivalent, unless in as far as they are encreased by the facility of obtaining paper money.

9. Paper money taken out and spent in prodigality, instead of affording to the issuer a full equivalent, affords only (to the community)⁷ a small per centage reposit[?]: viz: the savings made by the dealers out of their profits.

10. Fresh paper-money employ'd in the purchase of an aggregate *source of income* makes no addition to the prices of *goods* any further than as the price thus given is greater than it would have been otherwise, and goes besides to supply *prodigal* expenditure: otherwise it is only so much more added to productive capital in the first instance.

11. In this view, it would seem, that paper-money, so long as there was any employable capacity for labour unemploy'd, could not exist in excess, unless by being employ'd in prodigality, or in quest of returns too distant.

[003_150] [16 March 1801]

III. *Precognita*⁸

1. Momentum of money—its effect on *wealth* and *prices* is as the quantity multiplied by the velocity.⁹

1a. This¹⁰ expression, tho' metaphorical, is clear from the confusion and error that have flowed from other metaphors on this ground.

1. Wheels, Circulators.¹¹

2. Absorption and digestion.¹²

2. The *momentum* of a mass of money being given, *species* makes no difference.

Auction.

1. Unwritten engagem^t.

2. Bill.

3. Country Note.

4. Bank Note.

⁷ MS orig. 'the furnishers of the goods'.

⁸ The folio is headed: 'Alarm. Contents II.'

⁹ Alongside this content Bentham has noted: 'In a dear year Farmers having stock of corn will get *Notes* to a great amount (to keep back their corn) which when *once* out will stay out.' See pp. 000–000 above [To UC iii. 123–9]

¹⁰ Bentham has marked this content for deletion.

¹¹ See Smith, *Wealth of Nations* (*Glasgow Edition*), (Bk. II, Ch. II) i. 289: 'The great wheel of circulation of circulation is altogether different from the goods which are circulated by means of it.' The metaphor of money as a wheel is repeated at *ibid.*, 291–2, 296.

¹² See *ibid.*, 293–4, in discussion of the addition of £1m. in paper to a supply of 'circulating money' of £1m. in metal currency 'sufficient for circulating the whole annual produce of their land and labour', £200,000 of which was retained by banks as a security fund, leaving £1.8m of circulating money. According to Smith, since £1m. is a sufficient channel of circulation for the whole produce, whatever 'is poured into it beyond this sum, cannot run in it, but must overflow'. In consequence of the addition, £800,000 will be sent abroad 'in order to seek that profitable employment which it cannot find at home. But paper cannot go abroad: because at a distance from the banks which issue it, and from the country where payment can be extracted by law, it will not be received in common payments. Gold and silver, therefore, to the

5. Cash.
6. Barter.
7. Exchequer Bill—Irish Debenture—or India Bond.

NOTE TO TYPESETTERS: Please add two sets of braces joining taking and having as shown in hard copy attached, and please print [.^.^ ?] aligned vertically between taking and having.

1. Guineas { taking }
 Half gu^s { having } [.^.^ ?]

3. But *quantity* only being *given*, specie[s] is material—since velocity may depend upon it.

1. Unwritten engagem^t at the bottom.

4. Scale of natural velocity, as between species and species.

5. Magnitude of the sum convey'd by the piece of metal or paper—is a circumstance on which velocity depends—and by which the different velocity as between species and species will be influenced.

1. Bank Note [for] £20 slower than guineas.

2. D^o [for] £1 as quick as guineas.

3. But not as ½ g^s, 7^s pieces, &c.

5a. A. Smith applies this to *cash*, but not to *paper*.¹³

6. But the velocity of the whole mass would not be increased by reducing the magnitude of the pieces to the smallest sizes.

As between hands competent to possess sums as large as paper, paper has more natural velocity than cash.

It is only as *change* is wanted, that *velocity* is gained by lessening *magnitude*.

7. The velocity of the mass of metallic money, as compared with *paper*, is *less* than in proportion to its quantity, a part being wanted for a security fund.

8. Necessity of a Security-Fund.—Impossibility of fulfilling the engagements taken by paper money to the utmost possible extent of the demand.

1. Security-fund must be equal to the greatest probable demand—therefore greater than the *average* demand.

2. Cash 20 Mill^s.

Paper 20 Millions.

Security Fund 10 Millions.

Velocity of Paper double.

9.¹⁴ Paper money, of different degrees of local credit, serve as *basis's* to each other.

1. Bank the basis of other paper.

2. Cash, of Bank paper.

3. Story upon story.

10. The money that has least *credit*, has most velocity—thence most immediate effect—quantity for quantity—in encreasing wealth and prices.

Climax—

1. Cash.

2. Bank paper.

3. Exchequer Bills &c.

4. Bills and Notes.

10a. Exchequer Bills hoarded for a security fund—why.

¹³ See Smith, *Wealth of Nations (Glasgow Edition)*, (Bk. II. Ch. II), i. 322: 'But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling.'

¹⁴ Bentham has noted at this point 'v. [i.e. *vide*, 'see'] 16', i.e. see marginal content 16, p. 000 below.

11. The Banking trade augments the means of purchase by increase of velocity— independently of any encrease of *quantity*.

History of Banking trade deferred.

12. Every fresh Bank getting a fresh set of depositing customers (the natural consequence of setting up in a fresh neighbourhood) adds to the means of purchase by *velocity* independently of what it may add to quantity. i:e: whether it be an *emitting* Bank or no.

13. A *non-emitting* Bank can not add as much to the means of purchase as if it were an *emitting* Bank.

Reason.—A disposable mass of deposited money will serve as a basis to paper to a greater amount than its own—the disbursement being *actual* in one case, contingent only in the other.

Illustration.

NOTE TO TYPESETTERS: Please insert the following two tables without the grid lines, and with the title of each centred.

I. Non-emission plan.

	Thousands
1. Ballance of deposit	40
2. Portion employ'd	<u>20</u>
3. Security-fund	20

II. Emission plan.

1. Ballance	40
2. Notes	20
3. Security-fund for notes	<u>10</u>
4. Remains for more notes	10

14. A given quantity of specie may be made to add more to the means of purchase by being kept as a security fund for the support of paper, than by being lent out (a part of it) in specie.

15. Accordingly Country Banks *do emitt*, as far as they find it practicable and safe.

16.¹⁵ Extension of paper credit. Bankers papers are employed reciprocally as basis's to each other: each comprizing his security-fund in part of other Bankers' paper.

17. One Banker may thus employ another's paper, with views of *enmity*—*amity*—or indifference.

18. Danger attending a plan of *hostility* carried on by such means.

19. In proportion as each Banker's security fund is thus composed, the mass of the means of purchase is increased, because though so much *paper* is *impounded*, yet so much *cash* is set free to form a *basis* for paper to a *greater* amount.

20. If, in this or any other way, a Bank can keep its paper out a certain *time*, it may afford to bear losses to a certain amount, and may therefore be the less scrupulous in the choice, and thence in *limiting* the *numbers*, of its borrowing customers.

21. Occasions on which an emitting Bank will be called upon for *cash*—

1. General want of small money.
2. General distrust of paper.
3. Distrust of the paper of this *particular* Bank.
4. Hostility of other Banks.

22. 1. The demand for change for want of *small* money in proportion to *large*—where that want exists—is the only *constant* source of demand for cash.

23. Cash could not have been generally wanted for change till after money of the size of paper had been in circulation to a large amount.

24. But *then* could not *but* be wanted till paper as small as cash had been introduced.

25. When *large* paper-money has swelled to that *full* proportion, demand for cash for *change* can not be distinguished from demand for cash through *distrust* of paper.

26. Unless there be paper as small as cash, and then it appears immediately which is the cause.

27. 2. The demand for paper of the Bank sent in by other Bankers will not be regularly very

¹⁵ Bentham has noted at this point 'v. [i.e. *vide*, 'see'] 9', i.e. see content 9, p. 000 above.

considerable—*self-preservation* being but a *casual* cause, and *enmity* a *dangerous* one.

1. Loss by insolvency.

2. d° by retaliation.

28. Hence, barring casual causes of *distrust* (general and particular), paper money may go on encreasing without bounds, and to any degree of *excess*.

29.¹⁶ *Stopping small notes* is no competent check—tending to produce the *appearance*, thence the *reality* of general *distrust*—besides being uncertain in regard to the check it applies to the quantity of *large* notes.

[003_151] [16 March 1801]

30.¹⁷ Disposition to accept paper in excess (on the first issue of it)—persons in whom it may be expected.

1. Rash Traders.

2. Traders without capital.

3. Tottering or reduced Traders.

4. Traders for too distant returns.

5. Bankers manufacturing their own paper.

D° trading—employing agents to buy goods with this paper and sell them again.

D° buying Estates.

6. Prodigals.

7. Depositing customers another vent if depositing cash they take paper.¹⁸

31. When paper may be *issued* with little apparent risk to the issuer, the consequent facility of obtaining it, will be continually encreasing the number of adventurers who borrow it.—Facility with

¹⁶ Bentham has headed this content ‘Remedies’, for further contents under the same head see pp. 000–000 and 000–000 below. [To UC iii. 156; and iii. 160, 163, 161, 162, this file]

¹⁷ The folio is headed ‘Alarm. Contents III.’

¹⁸ This class was added to the list in red ink by Bentham some time after its first composition.

which a capital purely *fictitious* may be created by these means.

32.¹⁹ A. Tendency of the excess of paper money to grow greater and greater, the more the public are accustomed to it.

33. B. *Bills* are not so liable to excess, as *Cash-Notes*—being regularly returned and cancelled.

34. C.—and, where a fictitious capital is there to be raised, as in *drawing* and *redrawing*, cost more in the way of *interest*.

35. Probabilities must *here* be recurred to in default of positive evidence—the facts being such as the parties find it for their *interest* and in their power to conceal.

Such²⁰ theory is better than even *fact*: facts being controvertible and only shewing what *has* been—this shews what *will* be.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_152] [5 May 1801]

Alarm. Supplem^{t.21}

Posit. Rise Amount

1. Amount of the Rise of prices. Sources of information in regard to it.

¹⁹ The following four contents have been re-ordered in accordance with Bentham's alphabetical ordering of them.

²⁰ This paragraph was added in pencil by Bentham some time after the folio's first composition.

²¹ This folio was originally headed 'Contents', which Bentham has crossed through and replaced with 'Brouillon', perhaps in recognition that he had only provided page references for the numbered marginal contents 1–20. Bentham has also crossed through all the numbered contents excepting 7a and 10, while the failure to cross through these contents appears explicable rather by oversight than design.

1. *Direct* evidence of actual *prices* (wherein of *samples*).

2. *Argumentative* evidence—from ratio of additions to money compared with d^0 to things vendible.

These arguments are *a* } 2. *priori*
 } 1. *posteriori*

Deficiency yet necessity of the information.

2. Information from actual prices depends on the doctrine of *samples*.

3. To be always of the same value, a particular mass of income must always be the same *part* of the aggregate.

4. If the aggregate mass *is* encreased, and a particular mass *not*, it will become less in value.

5. viz. as much less as the *part* it is is less.

6. The aggregate mass is distinguishable into five parts, employed in five ways.

1. Money *spent* in making *ultimate* prices.

2. d^0 in *preliminary* prices.

3. d^0 in *taxes* not comprized in prices.

4. in prices of *sources of* income.

5. d^0 kept in hand.

7. Money is kept in hand by:

1. Hoarding on purpose.

2. *Casual* hoarding.

3. Banking.—*Security Fund*.

7a. The quantity of money is not the less *kept in hand*, because the pieces change.

8. Each year's addition to money distributes itself among these five employments.

NOTE TO TYPESETTERS: Please note the fractions $\frac{1}{10}^{\text{th}}$ (one-tenth) and $\frac{1}{50}^{\text{th}}$ (one-fiftieth) in the following paragraph.

9. Supposing the quantities of these parts were equal, the addition of $\frac{1}{10}^{\text{th}}$ to the whole mass will be $\frac{1}{10}^{\text{th}}$ to each—not $\frac{1}{50}^{\text{th}}$ only.

10. Their proportions are not known, but the addition to each such part must be presumed (*nisi contrà*)²² proportioned to that part.

The parts of the added mass must be presumed to be not equal to each other—but proportional to the corresponding parts of the original mass.

11. The power of a piece making 3 purchases in the year will be equal to that of 3 such pieces making one purchase in the time.

12. The power of a piece of money is as its value multiplied by the number of purchases made with it.

13. That number is the measure of its *velocity*.

13a. Velocity *here* has no reference to *local distance*—nor to time of sojournment in each hand.²³

14. Such power is like *momentum* in physics.²⁴

15. The Banking Trade is the only efficient cause of acceleration in regard to the velocity of money.

16. The part of a Banker's receipts that operates in addition to the velocity and momentum of the mass of money is the aggregate of his *deposit ballances minus* his *Security-Fund*.

17. The major part of the income of the year is *spent* in the year; i:e: employ'd in constituting *ultimate* prices.

NOTE TO TYPESETTERS: Please note the fraction $\frac{1}{20}^{\text{th}}$ (one-twentieth) in the following paragraph.

²² i.e. 'in the absence of evidence to the contrary'.

²³ Bentham wrote 'Note' above the following paragraph.

²⁴ [Annotation to be finalized]

18. The part 'saved' or 'laid up' is the lesser, say $\frac{1}{20}$ th.

19. Money *spent does not lessen* the aggregate mass of wealth: since, though the goods purchased with it are consumed, yet the very *purchase* causes the defalcation to be replaced.

It only *does not add* to the mass of wealth, as money *laid up and employ'd in expenditure of the productive kind*, does.

20. Money *laid up* and employ'd is equally *spent* with money *spent*: viz: if it adds any thing to wealth:—the difference lies in the species of employment given to the labour purchased in each case.

Money laid up by being employ'd in purchase of sources of income without trouble of management does not *add* any thing to wealth by income or otherwise: it transferrs income, without adding to it.

—nor take from wealth, since it does not encrease the ratio of prodigality to thrift.

Sources of *non-commercial* income (viz. without management) are:

I. Private

1. Land Rents, including Mines and Fisheries.

2. House Rents.

3. Annuities charged on d^o.

4. Joint Stock Company shares.

5. Interest of money lent.

a. to non-commercial borrowers.

b. to commercial borrowers.

II. Public—viz. Government Annuities.

When a given sum is *laid up*, it makes no difference whether it is lent to a *non-commercial* or even prodigal hand, or to a commercial hand, or employ'd in the purchase of non-commercial income, or deposited with a Banker—so it be not kept in hand by the individual owner. For as it does not encrease the ratio of [the] aggregate of consumptive to d^o of productive expenditure, so

much as it adds to productive, so much it prevents from being added to it from other sources.

1. Money belonging to a Land-owner and kept in his own hands adds nothing to powers of the aggregate mass of money, or to the aggregate mass of wealth.

2. Money deposited by him with a Banker adds, as above, by its amount, minus the portion added on account of it to the Security Fund.

3. Money expended by him in a commercial way, i:e: in the improvement of his land, adds, as above, by the *entire* amount of it, there being no deduction on account of the Security Fund.

Does the rise of the prices of the sources of non-commercial income contribute to encrease the aggregate of non-commercial expenditure?

Answer.—No. For it can not take place but in consequence of an encrease of the aggregate of money laid up in proportion to the aggregate of non-commercial sources of income:—that is, it presupposes an addition to *productive* expenditure and wealth to a greater amount.

When the price of Land and Government Annuities [rises], *sellers* of those articles for the purposes of prodigality get so much more money to spend, and so much more labour is withdrawn from productive to consumptive expenditure.

But it is only because so much money and labour has been already withdrawn from consumptive to productive expenditure that that *rise* has taken place in consequence of which the prodigals in question have got so much more money to spend.

The maximum of addition to productive expenditure in this way, at the expence of consumption, would be if the Estates and Annuities sold by prodigals to raise money for the purpose of prodigality fetched at the same time a less price than is fetched by d^o sold by commercial hands to raise money for commercial purposes. This inequality can not be effected by any specific arrangement, but has a natural tendency to take place in general from the nature of things.

The prodigal seller[?] being a distressed man, and the purchaser a man at his ease, it is natural that prodigals should in general get but an under price—whereby they have so much the less to spend in the way of prodigality—and their purchasers, being men of thrift, have so much the more to spend in the way of thrift.

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

Effects of money borrowed and spent by Governm^t in War &c.

1. It attracts so much money (money *laid up* by the individual as capital) from all other sources of income, commercial and non-commercial put together, and by the war expenditure of it increases the aggregate of consumptive expenditure and its ratio to d^o of productive in the year.

2. By so much as it attracts from commercial expenditure, it lessens the encrease of wealth and the diminution of the profits of stock.

3. By so much as it attracts from the aggregate of capital money, capable of being employ'd in the purchase of non-commercial sources of income—i.e. land and existing Government Annuities, it decreases the money price of those sources.

[003_153] [20 May 1801]

I.²⁵ Rate of this indirect Income Tax.

II. Classes particularly *subjected* to it.

III. Bankers &c (Taxers[?]) profit.

Per Contrà Profit.

1. by Encrease of National Wealth.

2.—by saving on War Loans.

3.—by keeping up price of Land.

I. 1. Instances shewing the effect of this indirect tax upon fixed incomes.

2. Assumed amount of the addition to money by the issues of A^o 1800:

Bank paper (from the Returns)	1,500,000 ²⁶
Country d ^o (assumed)	<u>1,500,000</u>

²⁵ The folio is headed: 'Alarm. Supplem^t Contents II'.

²⁶ According 'An Account of the Amount of Bank of England Notes in Circulation .^.^ in the Years 1797, 1798, 1799 and 1800', in *Commons Sessional Papers of the Eighteenth Century*, cxxx. 585, in the final quarter of 1799 the total value of Bank of England notes in circulation was £14,006,960, which had risen to £15,450,970 in the final quarter of 1800. Bentham's annotated copy of the account, where he continues the calculations into 1801, is at UC i. 628.

Together	3,000,000
Deduct Security Fund	<u>1,000,000</u>
Remains	2,000,000

NOTE TO TYPESETTERS: Please note the multiplication sign in the following line.

× 3 for velocity =	6,000,000
Income of 1799	<u>216,000,000</u> ²⁷
Together	222,000,000

2a. Security Fund supposed to be over-rated.

NOTE TO TYPESETTERS: Please note the multiplicity of fractions in this and the following nine paragraphs.

3. £6,000,000 being the $\frac{1}{36}$ th of 216,000,000, each particular fixed income will, for want of such encrease of $\frac{1}{36}$ in quantity, lose each year $\frac{1}{72}$ in value.

4. In 36 years, the indirect tax on it will thus amount to 50 per Cent.

5. In 7 years (A^o 1807) to 10 per Cent = the maximum of the Income Tax.²⁸

6. The first year to $\frac{1}{72}$, being more than the Minimum of D^o, viz: $\frac{1}{120}$ th.²⁹

7.³⁰ There are single Banks by each of whose accumulated Issues (£150,000 neat) the indirect tax thus levied will be nearly equal to $\frac{1}{10}$ th of the whole year's tax imposed by paper issues (Bank and Country together) as above.

8.—and to nearly $\frac{1}{3}$ of the direct Income Tax at its minimum rate.

$$\frac{1}{360} = \frac{1}{120} \div 3$$

²⁷ See p. 000 n. above. [To note to UC iii. 114, 'Thoughts on Paper Money']

²⁸ See p. 000 n. above. [To note to UC iii. 114, 'Thoughts on Paper Money']

²⁹ See *ibid.*

³⁰ Bentham has noted on relation to this paragraph: 'Postpone'.

$$\frac{1}{360} = \frac{1}{36} \div 10.$$

9. The aggregate of Country Bankers issues for personal expences, at £500 a year per Bank, come to exactly a tax of $\frac{1}{360}$ per Cent upon Income.

10. Further topics for consideration.³¹

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_154] [2 June 1801]

General Observations

1. Wealth is increased, though disadvantageously, by increase of *money*.³²

2.³³—whether *metallic* or *paper*.

3. The only difference in point of advantage or disadvantage consists in danger of Bankruptcy—which is exclusively attached to paper.

4. The addition made to money by even the first emission of Bank paper was disadvantageous—if the money necessary for the defense of the country and the constitution, could then have been got out of the old stock upon any terms.

5. The advantages attached to paper as a *substitute* for metal might be compassed without the disadvantages by a *Bank of Deposit*.

6. Encrease of gold and silver *is* an advantage, while not in *money*.

³¹ No continuation of these contents has been identified.

³² MS alt. ‘paper’.

7.³⁴ Except the above overbalanced advantage (the small addition to wealth), increase of money (gold or silver) is but an incumbrance.

8. Gold and Silver may increase without increase of gold and silver *money*.

9. Silver *money* can not increase till *silver is more cheap*: i:e: till the price of it, compared with gold, is less than the mint price of silver money as compared with the mint price of gold money.

10. Where, as in England, *none* of the additionally imported silver goes to *money*, it shews that *all* of it goes to *use*.

From scarcity of gold and silver money under abundance of paper, no disadvantage arises other than increased danger of Bankruptcy—and that is [as] much increased by the necessary hoarding of cash (for Security Funds) as by exportation of the same quantity.

Converting silver and gold into money is the least advantageous employment that can be made of it.

A *man* is the richer the more money he has—that of all others in the community taken together remaining the same. But the nation, the community, not.

No need of addition paper money for the purpose of increasing the ratio of pecuniary *capital*, to pecuniary means of unproductive expenditure:—because the redemption of debt will do this abundantly.

11. Encrease of gold and silver *money* in contradistinction to *bullion*, is of no use even in transactions of government with foreign governments.

But, as the market can not hold any great quantity of *bullion* over and above the current (as the cheapness of it will drive it to the Mint), hence no *great* additional quantity, ready for exportation, can be had without addition to the *coin*.

12.—and in transactions of individual nations with foreigners, it is of less or no use—as not being legally exportable.³⁵

³³ Bentham has crossed through the following three words in pencil.

³⁴ Bentham has crossed through the following twelve words ('Except .^.^ of money') in pencil.

³⁵ The export of English coin of the realm had been prohibited by a series of medieval statutes, including 9 Edw, III, stat. 2, c. 1 (1335), and the Exportation of Gold or Silver Act of 1423 (2 Hen. VI, c. 6). The Encouragement of Trade

13. Setting aside danger of Bankruptcy, exportation of gold and silver is no disadvantage, except in as far as the demand for it for that purpose occasions an encrease of price, and thence in the quantity to be exported in performance of a given engagement.

—but which can not go beyond the expence of conveyance.—Yet it may when the demand is great and sudden.³⁶

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_155] [16 July 1801]

General notions[?]³⁷

§ 2. Opinions answered[?]

1. Current opinions relative to paper money and prices.

1. Prices have risen—over and above the rise by bad seasons.

2. 2. Money has encreased.

3. 3.—chiefly by paper.

4. 4. Danger of Bankruptcy has more or less encreased.

5. 5. *E contrà*—According to the most respectable authorities, an encrease of money has been

Act of 1663 (15 Car. II, c. 7, § 9) authorized the export of gold and silver bullion and of foreign coin, but not of British coin. The export of English coin to Ireland had been prohibited under the Coin Act of 1503 (19 Hen. VII, c. 5, § 4), but this provision was rescinded by the Trade with Ireland Act of 1780 (20 Geo. III, c. 18, § 1).

³⁶ Bentham has noted and then cancelled: ‘Wealth depends not upon *absolute* but *relative* quantity of money.’

³⁷ The folio is headed: ‘Alarm 2^{do}. Contents II.’

‘required’ by the encrease of trade.³⁸

6. The term is ambiguous. It means either that—

1. The encrease of trade could not have taken place without the encrease of money—or that

7. 2. Under the encrease of trade, without the encrease of money, mercantile distress, rising perhaps to Bankruptcy, would have taken place.

8. My Opinions. 1. Encrease of metal money does not does not contribute any thing to encrease of real wealth.

8a. Encrease of real wealth the proper expression—encrease of *trade* the common one.

9. 2. Encrease of paper money, *has* contributed to encrease of real wealth, but is attended with evils more than equivalent to the advantage.

9a. Paradox explained. *Paper* the only money that adds to real capital—see *infra*.³⁹

10.—viz: 1, *actual* pressure by rise of prices. 2. Encreasing *danger* of Bankruptcy.

11. 3. The evil by rise of prices is of itself more than equivalent to the benefit by encrease of wealth.

11a. Medium of proof—No Government would produce the same advantage by direct grants of pecuniary capital to the same amount—levied by direct taxes.

12. The danger in respect of Bankruptcy is altogether uncompensated.

13. As to *requiring*. 1. *Admitted*, that the encrease of trade has required the encrease of money as a *condition precedent* to its existence.

14. 2. *Denied*, that any encrease of money is necessary to the prevention of mercantile distress.

15. Conclusion—Encrease of paper money ought to be stopped.

16.—The rather, because the efficacy of paper money in encreasing wealth has its limits.

³⁸ See p. 000 n. above. [To note to UC iii. 87, ‘Thoughts on Paper Money’]

³⁹ See p. 000 below. [To this folio, § 3, marginal contents 4–15]

§ 3. *Prepossessions obviated*

1. To obviate prepossessions, here follows a brief indication of the grounds of the above opinions.—Apparent incongruities in them, with their solutions.

2. 1. Encrease of (paper) money proposed to be stopped, tho' recognized as productive of encrease of wealth.

3. Answers.

1. The suffering is greater than the benefit.

2. The benefit is continually on the decrease.

4. 2. Wealth encreased, by encrease of *paper*—and *not* of gold.

5. Answer. Encrease of wealth depends upon encrease of that part alone of the money that is employ'd as pecuniary *capital*; which is not encreased by imports of *money* more than of other wealth.

Profit being the same, the money, if not drawn from abroad and added to the home stock, would be drawn out of the home stock.

6. Paper money, borrowed at its creation, and employ'd as capital, is so much added to capital over and above profit of trade.

7. Sources of the pre-possession, that imported metallic money adds to real wealth.

1. *Money* is employ'd indiscriminately, to denote pecuniary and real wealth in all cases.

8. 2. In the case of an *individual*, encrease of pecuniary, *is* encrease of real wealth—but not in the case of the whole community.

If his money is doubled, the share which he is enabled to obtain of the real wealth of the community is doubled likewise.

But if the money of the community is doubled, its portion[?] of real wealth is not encreased at all: the unaugmented mass of money was worth the whole of it, and the augmented mass can be worth no more.

9. In the case of an individual, when money is encreased, its ratio to the real wealth of the community is encreased, not so in the case of the community.

10. The value of the pecuniary wealth of an individual depends on the *ratio* of its quantity to that of the aggregate mass of which it forms a part.—To be of the same value it must be the same *part*.

11. *For*—in the case of the community, all the pecuniary wealth at market will be always worth all the real wealth at market—be this more or less.

12. Every addition to pecuniary wealth, over and above what is ballanced by addition to real wealth, sinks the value of the old stock, by the whole amount of it.

13. What part of the addition to pecuniary wealth is *unballanced* by addition to real wealth, will appear from *prices*.

14. Inconsistency of the notions entertained—even by the same person—on this subject.

15. To shew compleatly, that encrease of money is *not* (except as above) a cause of increase of wealth, it will be shewn what *is*.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_156] [16 August 1801]

§ Remedies True [or] Definitive Measures⁴⁰

Remedies in the way of: 1. Prevention. 2. Compensation.

1. Conclusion—Stoppage of the encrease of cash-paper is necessary.

2. It will not produce mercantile pressure, or other loss than that of the disadvantageous

⁴⁰ The folio is headed: 'Alarm. Contents II.'

increase of wealth, as per art. 22.⁴¹

3. II. Compensation. Compensation for the past, or rather *continuing* loss, may be proper, in the case of certain classes.

4. Fund. The properest fund will be a direct tax on the profit by the indirect one.

5. 1. Quantum. Compensation to be the addition—not of the whole of the amount defalcated, reckoning from the beginning of the reign—but the half of it.

Because—it will in some measure [be]⁴² a *gain*.

6. Mode of stopping the encrease—No Bank to emitt more of its paper than was outstanding on a certain day.

No new Bank.

Emitting Banks—the different species of their paper to be collected and classed. Line to be drawn between cash-paper and negotiable paper.

6a. Memento against fraudulent exceeding of the amount before the day.

7. Each existing Bank to take out a *licence*, authorising the emission of a quantity not greater than such existing amount:—and to find security in proportion to that amount.

7a. Carenda⁴³—

1. Excluding trustworthy Banks.

2. Restraining alienation of land.

8. Each licensed Bank to be numbered and taxed *ad valorem*.

9. No restraint on the situation or number of the Banks maintainable under the same licence.

9a. Reason—that each may be where most wanted.

10. Vacant Licences to be let by Auction.

⁴¹ No ‘article 22’ appears in the surviving marginal contents for ‘The True Alarm’. Bentham may have had in mind the passages at UC iii. 154, contents 1–5, p. 000 above, or iii. 155, § 3, pp. 000–000 above. [Both in this file]

⁴² MS ‘is’.

11. Power to licence further emissions in case of [.^.^.?] &c.

Preliminary Measures

1. Committee to obtain a List of Country Banks.

2. Each to give in:

1. Samples of his paper (if any).

2. Quantities of his paper outstanding at a fixed day.

3. Terms of dealing with Depositing Customers.

4. Amount of his Security Fund on that day in

i. Cash.

ii. Bank Notes.

iii. Exchequer Bills if any, or India Bonds.

iv. Credit on[?] London-Banker.

v. Bills discounted with their respective times when due.

vi. *Per contrà*, Debts due to depositing customers for deposit moneys received.

vii. Year and Day of opening of each Bank as an emitting Bank.

3. Species of each paper to be ascertained for the purpose of drawing the line between that and negotiable paper.

4. No note to be issued to have currency beyond a space of time to be limited reckoning from the day of the [issue].⁴⁴

5.⁴⁵ Power to Licenced Bankers to *call in* their paper: for fear of Forgery &c.

6. Committee to be a Secret one; to make known the general results—but not the particulars

⁴³ i.e. 'Things to be avoided'.

⁴⁴ MS 'date'.

⁴⁵ Bentham has marked this content for deletion.

of each Banker's accounts.

7. Bank Account not a sufficient precedent.⁴⁶

8. Accounts to be given in to a Sub-Committee (say of *three*) chosen by Ballot out of the Committee.

Observation. Vacancies may probably happen *ab initio* for want of Sureties.

Country Banks' Security Fund will be very indeterminate, by reason of their reliance on their London Correspondents, who receive from them all their cash except what is necessary till remittances can be had from London.

The only determinate Security Fund is that of the *Bank*, that having no ulterior support as the others have. The Security Fund will consist more of Bullion than of cash: because they lose the extra price by converting Bullion into Cash.

Remedies False

1. Remedies ineligible—as being:

1. Repugnant to the end.
2. Inoperative.
3. Plainly inadequate.
4. Inadequate because of uncertain efficacy.

2. 1. Suppression of Country Bank Paper by law.⁴⁷

1. Repugnant.

3. 2—d^o by association.

1. Repugnant.

4. Suppression of the superfluous part by Public Prudence—without association.

5. Support by Association.

⁴⁶ [Annotation to be finalized.]

6. Reducing all cash notes to the model of those which take time[?] after demand.

7. Suffering the restriction small notes to revive.

1. Uncertain.

2. Repugnant.

8. Repealing the prohibition of the issue of cash by the Bank.

1. Inoperative.

2. Uncertain.

3. If operative Repugnant—as to Bankruptcy.

9. Taxation alone.

1. Inadequate.

2. Uncertain.

9a. Inadequate, why.

10. Requiring Security alone.

1. Inadequate. viz: against encrease of prices.

11. Taxation with requisition of Security.

1. Inadequate.

12. Peace.

1. Inadequate.

2. Repugnant rather than conducive to the end.

13. Augmenting the quantity of cash in the country, by increasing the import or decreasing the export of it.

⁴⁷ Bentham repeated this and the following content, and the first, presumably superseded iteration is excluded.

Insert here what is said in IV. Metal money: its influence on Wealth.⁴⁸

14. Plenty.⁴⁹

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

[Classes of individuals are]

1. Not affected
2. Affected but capable of compensating themselves *ex parte*.
3. Affected *in toto* and uncompensable.
4. d^o and compensable.

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

I. Not affected?

1. Merchants.
2. Manufacturers.
3. Shop-keepers.

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

II. Uncompensables *Ex[?] parte[?]*

1. Landlords of Land.
2. Landlords of Houses.
3. Professional Men
 - i. Bishops &c.

⁴⁸ See p. 000 below. [To UC iii. 160, this file]

⁴⁹ The organization of the remainder of this marginal contents sheet is conjectural, in that Bentham repeated revised his enumerations, and the text as presented contains internal inconsistencies. For further details see the Editorial Introduction, p. 000 & n. above.

- ii. Parsons.
- iii. Curates. Attempted.⁵⁰
- iv. Barristers
- v. Attorneys?—not least?
- vi. Stewards of Manors.
- vii. Physicians.
- viii. Apothecaries and Surgeon Apothecaries not hurt.
- ix. Teachers of Arts not affected. N^o of lessons being moveable.

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

III. Uncompensables *In toto*

- 1. Landlords of Lands &c. out upon lives—with rents or *finēs*.
 - i. Fee Farm Rent.
 - ii. Quit Rents.
 - iii. Rent Charges.
 - iv. Mort[g]ages.

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

*Compensables*⁵¹

- 1. The King.
- 2. Antient Titled Pensioners for eminent service.

⁵⁰ Bentham perhaps had in mind the Curates etc. Act of 1796 (36 Geo. III, c. 83, § 1) which raised the maximum annual stipends appointable by a Bishop or Ordinary for curates caring for parishes in the absence of the Rector, from £50 to £75, on the ground that ‘the Provision made .^.^ for the Support and Maintenance of such Curate, is now become insufficient’.

⁵¹ Bentham appears to have used the Italian word meaning ‘compensables’.

3. Placemen in general.
4. Half-pay Officers of old date.
5. Superannuated Privates, of old date.
6. Officers' Widows.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_160] [12 October 1801]

§ Remedies Definitive⁵²

1. Inveteracy of the prevailing errors on this subject.

Art. 1. Encrease of metallic money to be stopped if sufficient of itself to encrease prices.

Observations

2. 1. As to Expediency.

As far as *Encrease of prices* is concerned, there is even more reason for stopping metal than paper, metal encreasing them by its *whole* amount; paper only by a *part*.

3. 2^d. As to General Bankruptcy, encrease of cash will not decrease the danger in respect of *probability*—rather encrease it—though it may retard it in point of time.

4. 3. Against *particular* Bankruptcies it will do nothing: because a Banker will not keep cash dead to a loss, merely because he *could* get it easier.

5. As to increase of prices, the increase of cash is of itself considerable enough to be productive of increase of prices to a pernicious degree.

6. In 30 years from 1777 (viz: in 1807) the quantity of 1777 may be expected to be doubled.

The increase would be much more rapid if d^o of gold and silver were as rapid as supposed by Rose.

Observe that the increase of coin has not kept pace with *his*[?] *supposed* increase of cash.⁵³

7. If the stoppage of an unproductive income-tax be worth effecting, the stoppage of the increase of money will be worth effecting, even if it extend to metal money.

Remedies II. Mode of Stoppage

1. Possible modes of checking the increase of metal money.

1. Shutting the Mint.

2. Opening it on payment of a tax, weight returned the same.

3. d^o—by weight diminished.

2. 1. Shutting the Mint simply, is effectual and unexceptionable.

3. 2. Taxing without reduction of weight leaves the excess *pro tanto* unrepressed, and for a small direct productive tax imposes a large indirect and unproductive one.

4. Taxing by reduction of weight is liable to the same objection, and besides introduces confusion into money: by money of the same denomination with two values.

5. In France, where coinage was taxed by reduction, the object was opposite:—viz. to get the tax, without stopping the coinage.⁵⁴

6. A greater tax might be levied than was in France without increasing false coinage:⁵⁵ though

⁵² The title is supplied from the heading of the marginal contents sheet; Bentham headed the columns containing the first seven contents 'Remedies'.

⁵³ According to Rose, *Brief Examination*, unpaginated Appendix No. 4, the value of the gold coin circulating in Britain had risen from £25,447,002 at the end of 1777 to £43,950,042 in December 1799.

⁵⁴ [Annotation to be finalized]

⁵⁵ Bentham marked the remainder of this sentence for deletion.

not perhaps without the *two values*.

7. If it were eligible on any account to make a new coinage of a reduced weight, it would only be to save the *private* remelting of the overweight pieces.

8. Though almost half the coinage from 1773 to 1798 be a recoinage, it seems not likely that the recoinage should have fallen in *such* considerable degree upon the overweight pieces.

9. The loss by overweight pieces might surely be corrected, partly by improved exactness in the operations, partly by remelting those pieces before issuing them.

Loss from this source should naturally have been corrected by improvements in machinery—or rather prevented, by previous examinations at the Bank.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_163] [13 October 1801].

§ *Remedies or Ballance*⁵⁶

1. Objection.—This runs counter to the received principles respecting the Ballance of Trade.

2. Answer.—This is the notion already refuted, about the subserviency of the encrease of *money* to that of wealth—only in other words.

3. The force of the argument lies in the weight of authority convey'd by the *language*—and the language is too absurd, when placed in a clear point of view, to be thought capable of being employ'd, if governing authorities were not quoted for it.

⁵⁶ The folio is headed: 'Alarm. Remedies or Ballance. Contents.'

4. No personal imputation attaches upon any who employ language thus consecrated by authoritative and inveterate use.

5. Favourable ballance of trade, what—an excess of outgoings above comings-in—apparent upon the face of the Accounts—the[?] Entries.

6. Stiling such a ballance *favourable*, is, upon the face of it, contrary to universal usage, as well as common sense.

7.⁵⁷ If in this way, (viz: by sending out more than we have received) *we* have been carrying on a favourable, a *profitable* trade, those we have been dealing with must, for this century past, have been carrying on an *unfavourable*, a losing one—which is impossible.

The word[s] favourable and unfavourable, being words of a *good sense*, involve a proposition, and that a false one. Reference to manufacturers' trade as an example of a losing trade—so far as they impede the growth of a sufficiency of corn.

8. Foreigners, who according to this system, should have been carrying on a *losing* trade, have been carrying on, as to *rate of profit*, a *more* gainful one than ours—their capitals being less abundant.

9. The way in which it is made out to be *favourable* is by taking for granted that a sum equal to the deficiency is received in gold and silver.

10. In this case, the supposition is self-repugnant—importing that a million's worth of gold and silver is worth more than a million.

Whatever advantages gold and silver possess over other things, are allowed for in their price.

No trade without a gain to each trader on an average.

Gain to each can not but be gain to all: deducting the case where from A.'s gaining so much, B.'s gain is less.

11. According to this theory, the extra-value of gold and silver is not ascribed to them in any form in which they can have a value in the way of use: only to that in which the encrease of them is an unproductive income-tax.

12. Were the *Mint shut*, the import of gold would be lessened by what would otherwise be the

average amount of Coinage—and be lessened for other countries.

12a. There would be no glut—this commodity can not spoil—it would not *come in* and depretiate, but *keep out*.

13. There would be so much the more *real* wealth, in the commercial world, the labour otherwise employ'd in producing the coined gold and silver would produce d^o for use, or other things.

14. Inconsistency in the preference given to cash or gold and silver above other things, when it is only for the sake of getting the other things that it is so highly valued.

15. Influence of this theory on political conduct—*Trinidad*.⁵⁸

16. Alleged use of the system—increasing coin for encreasing the means of influencing foreign nations: yet it will not suffer coin to be exported.⁵⁹

Midas⁶⁰—Bacon's Wisdom of the Antients.⁶¹

17. Nor could it be exported in that shape without leaving a dangerous gap in the means of fulfilling the mass of precontracted pecuniary engagements.

18. This gap is particularly dangerous where there is a full paper currency: since the insolvency thus produced may extend to so much paper money as the cash exported served for the support of, in the character of an aggregate *Security-Fund*.

19. A Treasure is the only mode of possessing the advantage by means of money.

⁵⁷ Bentham has noted in pencil above this content: 'Postpone'.

⁵⁸ [Annotation to be finalized]

⁵⁹ See p. 000 n. above. [To note to UC iii. 154, this file]

⁶⁰ In classical mythology the gods granted the request of Midas, King of Phrygia, that all he touched would be turned to gold.

⁶¹ The passage Bentham had in mind has not been identified. Midas makes only a fleeting appearance in Francis Bacon, *De Sapientia Veterum Liber, Ad Inclutam Academiam Cantabrigiensem*, London, 1609, p. 16 ('The Wisdom of the Ancients' in *The Works of Francis Bacon*, ed. J. Spedding, R.L. Ellis, and D.D. Heath, 14 vols., London, 1857–74, vi. 687–764, at 708) where Bacon recounts the fable, derived from Ovid, *Metamorphoses*, xi. 153–79, that in judging a contest of musical aptitude between the gods Pan and Apollo, Midas favoured Pan and was punished by Apollo for his audacity by being given a pair of asses' ears. Bentham perhaps had in mind rather the story of the race between Atalanta and Hippomenes, in which the later gained victory by distracting his much faster rival into pursuing golden apples which he rolled across her path: see 'Wisdom of the Ancients', 743–4.

20. The notion of an advantage as resulting from the increase of money (such as to produce increase of price) is no nearer the truth than *this*: viz. that there would be a disadvantage in the positive *decrease* of it in a certain case.

21. But such decrease can not produce any decrease of growing wealth, but in as far as it produces a decrease in the proportion of the quantity of money employ'd in the shape of capital to the quantity employ'd in other shapes: which has never happened in England since the broaching of this theory.

22. The losses of wealth that have happened at different periods (in old England and France) by exports of money, [have]⁶² been by sudden exports of money that would otherwise have been employ'd as capital—in augmentation of real capital.

23. No habitual decrease of the proportion of money employ'd as capital can take place without the predominance of prodigality over thrift—which is repugnant to human nature, and without example. Notwithstanding what A. Smith says of Poland and Portugal.⁶³

24. This theory is supposed science, *vice* antient simple ignorance: but also[?] irrational.⁶⁴

[003_161] [1801 October 14]

25. The nation which has paid most labour for a given mass of real-wealth may in that sense, by comparison, be said to carry on a *losing* trade.

26. But even in this sense, nothing but error and false policy can result from the use of the epithet *losing* as applied to any branch of trade.

27. The truly *losing* trade is so much of the manufacturing trade as is carried on with labour

⁶² MS 'has'.

⁶³ See Smith, *Wealth of Nations (Glasgow Edition)*, (Bk. I, Ch. IX) i. 256: 'Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America. .^.. This increase in the quantity of those metals [i.e. the precious metals], however, has .^.. neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. .^.. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.' At *ibid.*, (Bk. II, Ch. III) i. 342, Smith had made the same generalization concerning the predominance of thrift over prodigality as Bentham: 'Though the principle of expence, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly.'

⁶⁴ The following folio is headed 'Alarm. Remedies or Ballance Contents.'

which should have been employ'd in producing corn, where enough is not produced for the maintenance of the inhabitants.

28. But in this case, it is not by his own trade that each or any man *loses*, or rather *suffers*, but by another's.

The manufacturer here taxes the fixed incomists as the Emitting Banker does.

29. This system has been as erroneous in calculations of *fact*, as in principles of *expediency*.

30. To an estimate of Irving's, of £6,500,000 for 4 years ending 1795 or 1796⁶⁵—there[?] substitute, for 4 years ending 1798, £14,800,000.⁶⁶

31. This calculation is not high enough by 15 per Cent: because as gold and silver yield no profit on importation and sale, there must be so much the more of these imported to constitute the ordinary profit.

32. Bad as this theory is, it is thus far connected with a good one, with the truth of things—Encrease of gold and silver, though not causes of encrease of rich wealth, are *concomitants*, and thence *indications* &c.[?]*—*and thence matter of *felicitation*.

33. Adam Smith. He did not consider encrease of prices as an evil—it not having been rapid enough in his time.

34. Good criticism of A. Smith.

35. Bad criticism of A. Smith.

1. Real value of gold and silver is[?] undervalued.

36. David Hume—Good and bad criticism of his.⁶⁷

⁶⁵ See the 'Report of the House of Lords Committee appointed to enquire into the Causes which produced the Order in Council of 26th February last' [i.e. 1797], in *Lords Journals* (1796–8) xli. 186–262, at 201, 243, 259 (*Lords Sessional Papers* (1796–7) ii. 197, 229). Thomas Irving (1738?–1800), civil servant, Inspector-General of the Imports and Exports of Great Britain, and of the British Colonies 1786–1800.

⁶⁶ See Rose, *Brief Examination*, p. 41*.

⁶⁷ David Hume (1711–76), philosopher and historian. Bentham had in mind 'Of the Balance of Trade', (first published in *Political Discourses*, Edinburgh, 1752, pp. 79–100), in *Essays, Moral, Political, and Literary*, ed. E.F. Miller, Indianapolis, 1985, pp. 308–26, at 316: 'We fancy, because an individual would be much richer, were his stock of

Good: 1. Sudden duplication of money would not encrease wealth.

Bad: |.^.^.|.

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

Lords Report

1. Good sense of the premise[?] disfigured by the jargon of the theory.
2. Assumption made by this theory—Value equal to the deficiency of imported goods has been received in gold and silver.
3. This is mere supposition: the quantity of gold or silver imported not being registered.
4. Positions of this system according to Irving.
 1. Exports = Imports.

NOTE TO TYPESETTERS: Please note the minus sign in the next line.

2. Gold and Silver = Exports - Imports.
3. Entries good, as to *proportions* at least.
4. Import of Gold and Silver is[?] not *entered*.⁶⁸
5. £100 deficiency of imported goods proves £100 import of gold and silver.
6. £100 [of] imported goods prevents import of £100 [of] gold and silver.
7. Excepting imported goods not received in return for exported goods.
 5. Imports excepted by Irving out of those which go to constitute an unfavourable ballance.
 1. British caught fish.

money doubled, that the same good effect would follow were the money of every one encreased; not considering, that this would raise as much the price of every commodity, and reduce every man, in time, to the same condition as before.’

⁶⁸The Encouragement of Trade Act of 1663 (15 Car. II, c. 7, § 12) exempted foreign coin and bullion from custom house declarations.

2. E. India goods imported *gratis* by fortunes made.

3. W. India goods imported *gratis* by income received.

6. In regard to the *fish*, the exception is inconsistent as to the question of expediency. The labour employ'd in catching the fish adds no more to gold and silver than if it had made goods, and the goods been exported to buy the fish.

7. In regard to gratuitous imports (2 and 3), not.

8. In its application to the question of *fact*, the omission of all those articles out of the list of imports disproving the import of gold and silver, is right.

9. Improper expressions of Irving's. 1. Calling each *item* of the Account, a '*ballance*'.

9.* Inconsistency.⁶⁹ In the case of fish, the same article is represented as favourable or unfavourable, according as it was produced directly by British Labour or for goods produced by British Labour.⁷⁰

10. Positions tacitly assumed by this theory.

1. The value of all articles but gold and silver is negative in one case, though positive in the others.

11. Whether, if the other goods had not come in, it were possible for gold and silver to the value to have come in, the theory stays not to enquire.

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

Ordo Novus 14 Oct.

⁶⁹ Bentham has noted of this and the following content: 'Superseded'.

⁷⁰ See *Lords Journals* (1796–8) xli. 200 (*Lords Sessional Papers* (1796–7) ii. 195: 'The produce of the Greenland and South Sea Fishery are stated as an Importation in the Ledger of the Inspector General, and consequently as a Balance unfavourable to this Country. These Fisheries being carried on by British Subjects, in British Vessels, and with British Capital, stand in reality upon much the same footing as Herrings caught in the British seas .^.^ . It would, I believe, be held as an absurdity to state the Value of Herrings .^.^ caught on our own Coasts as constituting an unfavourable Balance; and a Parity of Reasoning applies to the more distant Fisheries. For these Reasons, in striking the National Balance of Commerce, I should reject the Produce of the Greenland and Southward Fisheries as an Import, and only take the Produce of those Fisheries into Account when exported.'

Repugnancy of Irving's opinion to A. Smith's.

Preference given to Irving's without reason.

Stronger reason given by me against the ballance of trade.

Yet, A. Smith's reasons were sufficient.

Irving has given no reason at all, but thickened the clouds in which he found the subject envelopped.

He assumed the *expediency* in spite of the proof given to the contrary by A. Smith.

But he ran into extravagant errors as to the matter of fact—the question of the encrease of Gold and silver.

Moral cause of the preference given to Irving:

1. Served as evidence of the prosperity of the country.
2. Prejudice in favour of A. Smith had not [led]⁷¹ him to get the better of so inveterate a prejudice.
3. Prejudice in favour of office aided the inveterate.
4. Force of words used in a good sense—'*favourable*'.

All that Irving has said on the subject has proceeded on the assumption of the truth of the principle exploded by A. Smith.

The argument *ab autoritate* is very indirect in its application here: for the evidence given by Irving went only to the matter of fact—and not to the question of expediency—and the approbation bestowed upon him applied only to the matter of fact.

Irving's opinion is as ill-grounded even as to the matter of fact: and his judgment much impeached by his assuming the question of expediency contrary to A. Smith.

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

1. Whatever *exports* are not paid for in goods, must be paid for in gold and silver.⁷²

2. *Goods*, imported in return for exports, disprove the import of so much gold and silver.

3. *Goods* imported *otherwise* than in return for exports, do not disprove the import of so much gold and silver as is called for by the deficiency of goods imported in return for exported goods.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_162] [17 October 1801]

*Remedies. Ballance*⁷³

1. Points to be distinguished—1. *Expediency*, and *fact*.

The current language never speaks to fact, without speaking to expediency.⁷⁴

2. Distinction between the *favourable ballance of trade*, and the *profit of trade* in the plain sense of the words, in the instance of every person engaged in trade.⁷⁵

3. Use of thus noting this distinction—Shewing that those who have confounded it, have lost themselves, and talked down-right nonsense.

⁷¹ MS 'lead'.

⁷² Bentham marked the following content which appears at this point, for deletion, and renumbered the remaining contents: 'But goods that are imported otherwise than in return for exports do not belong to the account of those imports the receipt of which operates in diminution of the quantity which must have been imported in the shape of gold and silver.'

⁷³ The folio is headed 'Alarm. Remedies. Ballance 2^{do} Contents.'

⁷⁴ Bentham has noted at this point: 'To Col. VIII. 26', i.e. content marginal content 27 which, he has marked for deletion. See p. 000 & n. below. [To content 27, this folio]

4. The opinion as to expediency is referable *now* to a determinate text—(Irving—Lords' Report—Rose)⁷⁶—an advantage wanting to Adam Smith.

5. I. Expediency.

As to this point, Irving's opinions are as follows.

1. Gold and Silver have a transcendent value over and above their value in use or in exchange.

6. 2. The value of all other things is in comparison as nothing.

7. 3. Wealth is therefore to be estimated solely by gold and silver.

8. 4. In particular, on the occasion of its importation.

9. 5. The value of other wealth is equal to 0, or, more properly, is *negative*.

By keeping out gold and silver to the amount.

10. Example. Corn &c.

11. 6. There is no quantity of gold and silver, beyond which its superiority in value over corn and other things ceases or lessens.

12. 7. The largest quantity of corn &c. ought not to be refused to be given to getting [the] smallest quantity of gold and silver that can not be got without it.

13. 8. Much less ought any gold and silver be sent out to get corn &c. in any emergency.⁷⁷

14. 9. Every thing that, on being exported, does not send home gold and silver in return, is so much loss:—all corn imported is so much loss.

15. 10. Corn &c. imported *gratis* may, however, be denominated[?] *gain*, not having been

⁷⁵ Bentham has also noted, presumably in relation to this point, a distinction between 'Keep on trading to a loss' and 'without profit'.

⁷⁶ See Irving's evidence to the House of Lords Committee appointed to enquire into the Causes which produced the Order in Council of 26th February last', in *Lords Journals* (1796–8) xli. 197–201, 227–8, (*Lords Sessional Papers* (1796–7) ii. 193–8, 229) and Rose, *Brief Examination*.

⁷⁷ Bentham may have had in mind the statement by the Committee of the House of Lords that the 'Balance of Commerce .^^. would have been still greater .^^. but from the unusual Scarcity of Grain, which made it necessary both for Government and Individuals to import large Quantities of Grain, for the Relief of the Inhabitants', to a total of £7,466,012: see *Lords Journals* (1796–8) xli. 259 (*Lords Sessional Papers* (1796–7) ii. 417–18).

taken in lieu of gold and silver; nor, therefore, being evidence of so much loss.

16. The above positions, though not consistent with the truth of things, are tolerably consistent with the system.

17. A proposition of Irving's, consistent with truth, but not with the system, is—that *fish* imported are not a cause of so much loss, in respect of so much gold and silver *kept out*. This is inconsistent, because the catching them *prevents* the employment of so much labour in the production of things for which, if exported, gold and silver might have been imported in return—prevents the import of so much gold and silver, as much as if it had been employ'd in producing goods exported for a return in fish.

Fact.

18. All these positions are virtually included in the expressions *favourable* and *unfavourable* ballance of trade. By *favourable*, is meant the excess of exports above imports.

Unfavourable = losing trade.

19. It is concluded that gold and silver to the amount of this deficiency must have been imported: apparently because otherwise importers would have been giving their goods for nothing.

20. Assumptions included in this inference:

1. Accounts perfectly correct—Negative. They state more gold and silver received than could be received.

20. 2. No returns in goods left in arrear, by increased length of credit.—Neg^{ve}.

21. 3. No gold and silver re-exported.—Neg^{ve}.

22. 4. Neither gold and silver nor goods exported without return.—Neg.^{ve}. Witness—for War-expenses. See [29.]⁷⁸

23. 5. In gold and silver imported no more than £1,000 received for goods that cost the exporter £1,000.

Hence 15 per Cent should be added in this system to the gold and silver supposed to be imported.

⁷⁸ MS '26'.

23.* Neither gold and silver nor goods imported without return.—Neg^{ve}. Witness Purchases by Foreigners in English Funds.

24. All these assumptions are erroneous: and these errors form the basis of Irving's estimate of imports in gold and silver amounting to:

1. For 4 years ending 1795, £6,500,000.⁷⁹

2. For 4 years end^s 1798, £14,800,000.⁸⁰

25. This gives, for 3 years ending 1798, £17,566,666.

26. And adding the omitted 15 per Cent for profit of trade, as above, for 3 years ending 1798, £20,201,665.

27.⁸¹ In the current expression, the question of fact and the question of expediency are inextricably interwoven and confounded.—You cannot speak to either without speaking to the other.

28. The matter of fact—the increase of gold and silver—would, to the amount of the increase proved, have proved the proposition of expediency, that being involved in the increase of wealth in all shapes: for increase of gold and silver, though not a cause, is one effect, and thence an indication of an increase of all other wealth.

29. 3. Assumption 3. Neither gold and silver nor goods exported without return.—Neg^{ve}. Witness War expences.

Inadvertence of this assumption enough to destroy Irving's credit.

30. All these[?] assumptions being false, hence so many constant sources of error by means of which the ballance will appear by the rule to be on the side opposite to that which it is on in reality.

31. All these instances of export without return are noticed by Irving and the Lords, without

⁷⁹ See p. 000 n. above. [To note to UC iii. 161, this file]

⁸⁰ See p. 000 n. above. [To note to UC iii. 161, this file]

⁸¹ Bentham has marked this and the following content for deletion.

prejudice to the rule, though repugnant to the rule.⁸²

32. The quantity of gold and silver added since 1697, according to this rule, makes the total quantity existing in this country more than $|\wedge|$ times the probable amount.

33. It makes the quantity imported into the country a great deal more than the whole probable produce of the mines, as distributed among all the countries in Europe.

As per Necker, III. 73.⁸³

33.* Irving's Ballances make the total of the neat addition to gold and silver, in the 7 years including 1798, £90,505,000.

34. No such quantity can have been imported, because no proportionally augmented quantity of gold has been coined—(and silver.).

35. No credit is due to Irving's calculations. Instead of *particulars* he gives self-commending professions, and *general* remarks.

NOTE TO TYPESETTERS: Please leave a space of two lines, followed by a short rule centred, and another space of two lines.

[003_157] [11 October 1801]

Ballance

⁸² For recognition in the Report of the Committee of the House of Lords of the export of money and, to some extent of bullion, in the form of loans and subsidies to allies and other war expenses, see *Lords Journals* (1796–8) xli. 242–51, 258 (*Lords Sessional Papers* (1796–7) ii. 335–81, 418).

⁸³ According to the estimate of Jacques Necker, *De l'administration des finances de France*, 3 vols., Paris, 1784, iii. 67–73, at 73, the net increase in precious metals in Europe between 1763 and 1777 must have amounted to 1,550m. livres, roughly equivalent to £70m.

*Recapitulation*⁸⁴

Upon the whole, the truth of the following propositions, some old, some new, will, I am inclined to think, be found pretty well established.

1. That the value in the way of use of the mass of pretious metals possessed by a nation *does* encrease with the quantity.
2. That the value of it in the way of exchange as between individual and individual within the nation does *not* encrease with the quantity.
3. That the value in the way of exchange of the mass of the pretious⁸⁵
4. That in acquiring a fresh value in the way of exchange by being converted into *money* (into a form given it for the purpose of adapting it in a special manner to the business of exchange), a mass of the pretious metals loses, for so long as it continues in the shape of money, its value in the way of use.
5. That a government which endeavours to perpetuate the existence of a mass of money in the shape of coin, and to perpetuate its continuance within the country in that shape, in proportion as it succeeds in such endeavours, *destroys* utterly the value [in use] of so much of the pretious metals.
6. That in the case of an individual, true it is, that even in the shape of money, the value of the mass he possesses of the pretious metals does encrease in exact proportion with the quantity: because as the quantity of his particular share in the mass encreases, so does its proportion to the whole of the general or aggregate mass of money, the value of which, or of so much as is employ'd in a given time in buying and selling things, is always *exactly* equal to the aggregate [value] of the things bought and sold within that time.
7. But that this equality as between encrease of quantity and encrease of value in exchange, depends upon the non-encrease in value on the part of the masses respectively possessed by other individuals, members of the same community: for if the quantity of each man's mass encreases in the same proportion in the same time, neither his mass nor theirs will experience any encrease in

⁸⁴ The folio is headed: 'Recapitulation'. The folios containing the remainder of this work are presented out of strict chronological order. They do not bear page references, and are thus not properly marginal contents sheets, compiled to organize an existing draft, but rather an attempt to summarize the argument. For further details see the Editorial Introduction, p. 000 above.

⁸⁵ The content is abandoned at this point.

value

8. That the inference that because the share of each individual increases in value as it increases in magnitude, so must that of the nation is a natural, but a completely erroneous one: because in the case of an individual, as his particular share increases in magnitude, so it does in its proportion to the whole. This is not the case with the aggregate mass belonging to the whole nation (composed of the several particular masses belonging to the several individuals) because its proportion is at all times the whole, and can never be either less or greater.

9. Be the quantity of the whole mass of money employ'd in buying and selling things ever so small, the value of it will always be equal to the buying of all the things, and, be the quantity of it ever so large, it can never buy more than all.

10. The overplus could buy other things from other nations, if it could be reserved and exclusively appropriated to that use: but that can never be: as it spreads in the nation, it spreads among the vendible things offered to sale within the nation, and employs itself in increasing the powers of the national stock of things that are within reach: there is little or none of the overplus left for the purchase of foreign things. It is the care of governments, by their taxes and prohibitions, that it shall not be so employ'd.

11. That it is by the increase in the mass of real *capital*, and not by an increase in the mass of money, that an increase is produced in the mass of real, serviceable wealth, and that by the increase of the mass of money taken together, the mass of real capital does not receive any increase.

12. That as far as money is increased, the increase of real wealth depends upon the increase of the proportion of the money employ'd in the shape of capital: but that the increase of this proportion depends not upon the absolute quantity of money so employ'd, but upon the proportion between the quantity of money employ'd in that shape, and the quantity employ'd in other shapes.

13. That a decrease in the national stock of money would—if it were rapid enough to deprive, in any sensible degree, persons under pecuniary engagements for terms of years of the means of fulfilling those engagements—in that respect be productive of inconvenience, and a sense of loss not compensated for by any attendant gain.

14. But that no such sudden decrease can obtain in the course of trade.

15. That if the quantity of money in a country were so fixed as to be prevented from increase, while the quantity of things vendible—not being prevented from increase—would increase of course, a decrease to a proportionable amount would take place in respect of the faculty of fulfilling

pecuniary engagements for terms of years, but that no such decrease arising from such cause *could* be rapid enough to produce any sensible degree of inconvenience.

[003_158] [11 October 1801]

16.⁸⁶ That the only case in which any increase in the national stock of money could be productive of any *good* is the case [where]⁸⁷ it did not increase to an amount beyond the increase in the mass of real wealth: and that even then, it would not be productive of any increase in the mass of real wealth—since by the supposition, that increase would be produced without it: and that good consists in the prevention of an evil not considerable enough to be worth regarding—an inconvenience scarce sensible.

17. That in all cases, the increase of the quantity of money in a nation is productive of either no effect or a bad one: and that no bad effect can in any case follow from the stoppage of such increase.

19.⁸⁸ That to be able to be employ'd to advantage by government in its intercourse with foreign governments or nations, it ought to be so circumstanced as to be taken out of the circulation in large masses, without taking away from any part of the people the faculty of fulfilling their antecedent pecuniary engagements: and that this can not be done if it be taken from the mass of circulation: it can not be done by any mass of money which has not been hoarded up by government for that purpose in the form of a public treasure.

20. That if all governments were to stop the further increase of money in their respective dominions, they would add thereby to the stock of real wealth in the commercial world: since the labour now employ'd in producing the annual augmentation of the stock of the pretious metals rendered useless by being converted into money, would be employ'd in producing a[n] equal augmentation, either in the stock of those metals in their useful state, or in the stock of other things.

21. That any one such government has it in its power to produce the effect, to the amount of

⁸⁶ Bentham has noted at this point: 'Wealth Encrease.

'True Cause and Measure.

'The *terms* of the *proportion*, upon which the increase of real wealth depends are:

'1. Quantity of labour employ'd in encreasing the sources of wealth.

'2. Quantity of labour employ'd in drawing wealth, in the shape of articles of *quick* consumption, from these sources.'

⁸⁷ MS 'were'.

⁸⁸ No paragraph numbered '18.' appears in the recapitulation.

what would otherwise be the annual augmentation of its coinage, without the co-operation of any other government, and without suffering any prejudice by the pursuit of the opposite policy on the part of the other governments—its friends, enemies or rivals.

22. That it was a mistaken notion on the part of Adam Smith that the institution of paper money was productive of any encrease of real wealth in the commercial world, in virtue of the metallic money expelled by it, if any had been expelled by it.⁸⁹ Supposing it expelled from the country, it must have produced an addition to the money of other countries, unless it were expelled out of the world. But if each country had its paper money, each country would thus expell metallic money into all others, and, even without receiving[?] any from other countries any metallic money expelled from those countries by the paper money of those countries, our own metallic money, supposing it for the moment to have been expelled from [this country]⁹⁰ by our own paper, would in time have flowed back into this from those other countries into which it had been expelled.

23. He who assumes in all cases the encrease of real wealth as a necessary effect of the encrease of money, will in most cases conclude right: because, as we have seen, in all common cases—in the cases that occur in private life—encrease of money is encrease of real wealth.

Having thus a continual confirmation of the truth of the proposition before his eyes, it is not without extreme difficulty that any man, even in the situation of a statesman, will be able to bring himself to make an exception to it in those [cases] in which it requires exceptions to bring it within the bounds of truth.

24. A Minister sees in every pecuniary transaction of his life, a Minister sees that the more money he has, he has the more wealth: the less money, the less wealth. He feels this in his own instance, and sees it in the instances of all his friends. Let him see what he will, he will not see a single individual in whose instance this is not true. Can he bring himself to believe it—so much as to conceive it—to be otherwise than true, in the instance of all individuals put together? And yet it is so: because in the instance[s] of the several individuals, they are taken separately, and on each occasion—the money of the individual in question on this occasion is supposed to experience the encrease—the money of other individuals not experiencing, from the cause in question, any such

⁸⁹ See Smith, *Wealth of Nations (Glasgow Edition)*, (Bk. II. Ch. II), i. 296–7: ‘When, therefore, by the substitution of paper, the gold and silver necessary to the circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four fifths be added to the funds which are destined for the maintenance of industry, it must make a very considerable addition to the quantity of that industry, and, consequently, to the value of the annual produce of land and labour.’

⁹⁰ MS ‘it’.

increase. But if, from that same cause, the money of every other individual received the same increase—an increase in the instance of each mass proportioned to that mass—then he would find that the proposition would not be true.

[003_159] [11 October 1801]

25. Decrease of prices in any considerable and sensible degree is not desirable any more than encrease of prices.

26. The encrease produces loss to one part of the community, the [decrease]⁹¹ to another.

27. But the mischief which the community is exposed to suffer from encrease is beyond comparison greater than that it is exposed to suffer from decrease: for encrease, with the mischief attendant on it, has no limits.

28. The entire stoppage of the encrease of money would be productive, to a certain degree, of a decrease of prices.

29. But the decrease capable of resulting from such a cause would hardly be considerable enough to be productive of a sensible degree of inconvenience.

30. It can no otherwise be produced than by an encrease in the quantity of real wealth. It, therefore, can not outstrip the encrease in the quantity of real wealth. The encrease in the quantity of real wealth can scarcely be quick enough to produce any sensible inconvenience by [decrease]⁹² of prices: that is, to produce in the compass of more than an ordinary term has to run, any such decrease in the prices of the products of agriculture as shall diminish in any sensible degree the faculties of the farmer in respect of the payment of his rent.

31. It does not appear that the quantity of real wealth has more than doubled itself in the course of the last hundred years. But it must double itself before it can have produced a diminution to the amount of 50 per Cent in the quantities of money in the hands of farmers for the payment of their rents.

32. If the encrease in the population of Great Britain and Ireland is to be understood as kindled by the encrease in the quantity of subsistence capable of being raised within the local limits of the two Islands, it is impossible that the real wealth of the two Islands should ever rise to double its

⁹¹ MS 'other'.

⁹² MS 'encrease', contradicting the evident sense of the passage.

present amount in any number of years, much less in another hundred years. For there remains not, of land susceptible of cultivation, double the quantity of land already brought into cultivation.⁹³

33. If, therefore, the quantity of real wealth were to double itself in the hundred years, the virtual income tax thus imposed on the farmers would not, although it were subject to no deductions, exceed the amount of 10 per Cent: for [of]⁹⁴ the three rents which, on the ordinary computation, the farmer must and does produce,⁹⁵ it is one only that he will have to turn into money, for producing the same cash[?] sum of money every year for paying the Landlord's Rent: for the rest, though he will receive less money—a quantity of money decreased in the proportion supposed—yet as the value of it will increase in the same proportion, he will be no loser upon these two parts: that portion of them which is consumed by him and his family in kind included.

34. At the end of such 20 years, it will not, therefore, have amounted to more than £3. 6^s. 8^d. per cent upon his income: and as the encrease of the tax during that time will have been gradual, the average amount of it for each and every year of the term will be no more than £1. 13^s. 4^d.⁹⁶

35. The amount of this tax is no greater than what may be expected to receive in the time a full compensation from the improvements that will have been made in agriculture, and if it should not receive any compensation, the amount of its pressure on the particular class is scarce worth regarding when compared either with that of the pressure to which all classes have been accustomed, or with the encrease in the aggregate of the national wealth—as composed of the wealth of all classes together—which it must have had for its accompaniment, having had that, and nothing else, for its cause.

36. As it has happened, the encrease in the quantity of real wealth has been accompanied with

⁹³ For further discussion see 'Defence of a Maximum, in answer to the arguments on that head in a pamphlet of 1800 attributed to a late Secretary to the Treasury' and 'Discussion sur le papier monnaie à propos une ouvrage d'H Thornton', pp. 000–000 and 000–000 below, respectively. [To UC iii. 264, 282–3, 265–6; and Ms. Dumont 50, fos. 447–50]

⁹⁴ Bentham has crossed through this word, which would destroy the sense.

⁹⁵ See, for instance, A. Wedderburn, *Essay upon the Question What Proportion of the Produce of Arable Land ought to be paid as Rent to the Landlord?*, Edinburgh, 1776, pp. 4–5: 'The vulgar observation, "That every arable farm ought to produce three rents," that is to say, one for the landlord, one for the expence of management, and one for the farmer, has been so long used in common language, as to have become almost proverbial.'

⁹⁶ Although, given Bentham's assumption that the rate of diminution in the farmers income would amount to 10% in total, equivalent to 3⅓% of the third which could not be reduced because of the fixed terms of his lease, and in relation to which he could not benefit from the anticipated fall of prices, the gradual imposition of that diminution equally over a period of twenty years would make the annual diminution 0.167% per annum.

an increase in the quantity of money for some centuries. But this consideration is altogether an accidental one.

37. Neither, if I have been rightly informed, would it, if we were to go back to a certain period, be found a uniform or constant one: for in the history of this country there have been different periods during which prices have been upon the decrease.⁹⁷

38. What the encrease of real wealth really depends upon, as far as money is concerned, is the encrease in the ratio of the quantity of money employ'd in one way, to the quantity of money employ'd in another way: the ratio of the quantity applied in paying labour employed in encreasing the quantity of stock constituting a source of real wealth, to the quantity employ'd in paying labour employ'd in drawing wealth, for the purposes of quick and annual consumption, from those sources.

⁹⁷ See, for instance, Smith, *Wealth of Nations (Glasgow Edition)*, (Bk. I, Ch. XI) i. 197–206, at 197: 'From about the middle of the fourteenth to the beginning of the sixteenth century, what was reckoned the reasonable and moderate, that is the ordinary or average price of [a quarter of] wheat, seems to have sunk gradually to .^.^ about two ounces of silver, Tower-weight, equal to about ten shillings of our present money.'