

## APPENDIX C\*

Draft of August–October 1801<sup>1</sup>§ *Analysis*<sup>2</sup>

[017\_207] [22 August 1801]

Political Economy is at once a *science* and an *art*. The *value* of the *science* has for its *efficient cause* and *measure* its *subserviency* to the *art*.<sup>a</sup>

<sup>a</sup> To Adam Smith, the *science* alone has been the direct and constant object in view: the art, the collateral and occasional one.<sup>3</sup>

According to the principle of utility, in every branch of the art of legislation the object or end in view is the production of the maximum of happiness in a given time in the community in question.

In the instance of this branch of the art, the object or end in view is the producing that maximum of happiness in so far as the other more general end is promoted by the production of the maximum of population and the maximum of wealth.

Opulence, though so nearly of kin to wealth, or rather for that very reason, requires to be distinguished from it. Opulence is *relative* wealth, relation being had to population: it is the ratio of

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\* [Editor's Note: With a limited caveat in relation to the opening folio, this Appendix effectively reproduces the text of Chapter II of 'Method and Leading Features of an Institute of Political Economy' as envisaged by Bentham in October 1801, and thus follows on from Ch. I as drafted at the same time, that is before the addition of the notes and text passages added by Bentham in 1804, for which see the Editor's Note to text file 7. The text of this Appendix is excluded from the work in the present volume on the ground that Bentham completely rewrote Ch. II in March 1804, and gave no indications of an intention to retain the earlier text in addition to the later one.]

<sup>1</sup> This Appendix reproduces the text drafted for 'Method and Leading Features of an Institute of Political Economy' in parallel with the text of Ch. I, pp. 000–000 above. In substantive terms therefore, it might accurately be described as a draft of Ch. II, although none of Bentham's headings and subheadings make explicit reference to Ch. II. Since Bentham redrafted Ch. II almost in its entirety in March 1804, and gave no indication of any intention to retain this earlier text in addition to that later one, the text of this Appendix is excluded from the work in the present volume. For further details see the Editorial Introduction, pp. 000–000 above.

<sup>2</sup> In August 1801 Bentham drafted a series of numbered notes under this head indicating an intention to undertake a survey more wide-ranging survey than that contained in surviving text. These notes are reproduced as Appendix D, pp. 000 below. [To UC xcix. 186–8, Appendix D]

<sup>3</sup> See p. 000 n. above. [To note to UC xvii. 153, 'Method and Leading Features of an Institute of Political Economy']

wealth to population. Quantity of wealth being given, the degree of opulence is, therefore, not directly but inversely as the population—i:e: as the degree of populousness:—as the number of those who are to share in it: the fewer the sharers, the larger is each one's share.

[017\_237] [22 August 1801]

The<sup>4</sup> quantity of wealth or matter of wealth existing in a community at the end of a given span of time (say 40 years) will be as the quantity of wealth existing therein at the commencement of the period—*plus* the quantity of wealth that has come into it, *minus* the quantity that has gone out of it.

Hence two modes of encreasing the quantity of wealth: 1. the direct and positive mode—encreasing the quantity that comes in: 2. the indirect and negative mode—diminishing the quantity that goes out.

Wealth has two sources, to which correspond two modes of coming in to a community: 1. home-production; 2. importation.

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<sup>4</sup> Above this paragraph Bentham has noted in red ink: 'I. How far the measures regularly suggested by these two branches of the common end agree—how far they differ—and which requires the preference.

'II. Matter of wealth divided into 1. Articles of subsistence: 2. Instruments of Security or defence: 3. Instruments of mere enjoyment.'

The two branches of the common end were the maximization of population and of wealth, both branches of abundance. On the same day as drafting this text sheet, Bentham returned to the text sheet at UC xvii. 178, headed 'Ch. [^] Of Opulence and Populousness', originally drafted in October 1800, and added a new date (22 August 1801). The text is as follows: 'Abundance may be used with reference either to men—the possessors of the matter of wealth—or the matter of wealth itself. Abundance in respect of wealth—[or] Opulence; Abundance in respect of population—or populousness.

'These two branches of the common end run in direct opposition to one another.—Given the quantity of wealth, the degree of abundance is inversely as the number of the sharers.

'The encrease of abundance in point of the multitude of numbers is an object of the community in two points of view: to encrease the mass of comfort, by encreasing the numbers of those who enjoy comfort—and to encrease security as against aggression from without, by encreasing the number of men, considered as instruments of defence.

'Encrease of abundance in point of wealth is an object in the same double point of view. The matter of wealth is an instrument of defence: some modifications of it in themselves, and without conversion: others by conversion without exchange:—all by exchange.

'Abundance is the seed of populousness. Abundance is the means of procreation: for the work of generation men want not any incitements, but the means.

'Security is the means of opulence. For the work of opulence, what men want principally of government is—not incitements to produce it, but the means: the means are security—which is in the work of the protection afforded by government to men in respect of the different possessions in respect of which security is exposed to defalcations and shocks.'

It has in like manner two correspondent modes of going out: consumption and exportation.

In the case of importation the increase is only *relative*, relation being had to the community in question: importation alone being considered, by so much as the wealth of this community is increased, by so much is the wealth of some other community decreased.

[017\_238] [22 August 1801]

In like manner in the case of exportation the decrease is only relative: exportation alone being considered, by so much as the wealth of this community is decreased, that of some other is [increased]<sup>5</sup>: in relation to the world at large the quantity suffers not in either case any change.

In general, import in respect of one portion of wealth does not take place, but *export* in respect to another and correspondent portion—a portion generally regarded as being of equal value—takes place at nearly the same time: the transfer or self-deprivation having the acquisition for what, in the language of English law, is called its consideration,<sup>6</sup> and in the language of general logic its final cause:<sup>7</sup> but between community and community, as between individual and individual, from motives of fear, amity, or remote personal interest, it will sometimes happen that export from this community shall take place without a correspondent import into this from that: import into this, without export from this into that: though import into this can not take place (unless it be from spots occupied in common by the two, such as the greater part of the sea, and some unappropriated parts of the land) without export from that.

Consumption again takes place in either of two ways: purposely in the way of use—or undesignedly, in the way of *deperition*, without use.

[017\_208] [24[?] August 1801]

### § I. *SPONTE ACTA*<sup>8</sup>

*SPONTE ACTA*.—Cases in which, and measures or operations by which, the end is promoted, by individuals acting for themselves; and without any *special* interference exercised with this special view on the part of government; any beyond the distribution made and maintained, and the

<sup>5</sup> MS ‘decreased’, contradicts the sense of the passage.

<sup>6</sup> See Blackstone, *Commentaries on the Laws of England*, ii. 443–4.

<sup>7</sup> In Aristotelian logic the ‘final cause’ of a phenomenon was constituted by its end (τέλος), for the sake of which it existed: see Aristotle, *Physics* II. III; *Metaphysics* II. II.

<sup>8</sup> The heading is taken from the corresponding marginal contents sheets at UC xvii. 345–6, and appears as the marginal heading on the text sheets.

protection afforded, by the civil and penal branches of the Law. What the legislator and the Minister of the Interior have it in their power to do towards encrease either of wealth or population is as nothing in comparison with what is done of course, and without thinking of it, by the Judge, and his assistant the Minister of Police.

Inclination, power, knowledge—all concurring in the requisite degree, the effect takes place—the end in view is accomplished; any one failing, it fails of being accomplished.

In a general point of view, *inclination* equal to the production of an unlimited quantity of wealth can not be wanting: *knowledge* (a branch of power), as little, being the fruit of inclination: *power*—what is requisite of it beside knowledge—chiefly pecuniary capital—has its limits in the instance of each individual—is of course wanting as to every thing beyond those limits, but can not be created by government as inclination and knowledge may, as it were out of nothing: it can not be given to any one individual without having been first taken to equal, or rather greater, amount from others.

[017\_221] [30[?] August 1801]

I. *Sponte Acta*.—Here follow the first steps in an analytical survey, shewing how to draw a circle round the subject, and how to invent or discover what remains to be invented or discovered in this quarter of the field of human knowledge.

Causes of Wealth, or say matter of wealth, are:

1. Final—Well-being.

2. Material—Matter—considered in respect of its possessing, or being capable of possessing, *value*: viz: subserviency to *well-being*—the *final* cause.

3. Efficient—viz: Motion.

1. Well-being—its modification[s] ranged in the order of their importance—

i. Subsistence (present).

ii. Security in respect of defence: viz: against the evils to which human nature is exposed: particularly from the action of agents exterior to a man's own body. Security in respect of future

subsistence: see *Subsistence*.<sup>9</sup>

iii. Enjoyment—viz: *mere* enjoyment, distinct from the maintenance of subsistence, and the contemplation of security.

[017\_222] [30 August 1801]

[2.] *Matter*. This, considered with reference to the final cause, well-being, may be termed (such parts of it as by the use made of them become subservient to well-being, the final cause) matter of wealth.

The term matter of wealth is applicable in common to:

1. Articles or instruments of subsistence.
2. Instruments of defence.
3. Instruments of enjoyment.

Articles of subsistence are either of constant use, or occasional use.

Articles of constant use:

1. Articles of nourishment: viz: food and drink: i:e: liquid or solid, the distinction between which is, at their point of nearest approach, undeterminable.

2. Articles serving for the regulation of temperature and state of the air in respect of moisture. These, if carried by a man about his person at the time of his using them, belong to the head of apparel; if not, to that of lodging, whether fixed or moveable. See *Receptacles*.<sup>10</sup>

Articles of occasional use are articles of medicine.

[017\_223] [30 August 1801]

Evils to which defence bears reference may be considered as having their source in the agency of irrational agents or rational agents.

Defence against evil apprehended from the agency of irrational agents, is defence against

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<sup>9</sup> Bentham may have had in mind the discussion of security in regard to subsistence at p. 000 below. [To UC xvii. 209–10, this file]

<sup>10</sup> For Bentham's notes on the subject of receptacles see Appendix D, p. 000 below. [To UC xcix. 186, Appendix D]

calamities.

Among rational agents those from whose agency evil is apprehended are either considered as members of the community in question, or not: in the first case, the defence is against delinquency: in the other case, against hostility.

A modification of the matter of wealth may be referred to that one of the above three heads to which it is conducive in the greatest degree: for the same article that is principally subservient to one may occasionally be subservient to either or both of the two others.

Thirty years after the conclusion of the seven years war, some ammunition bread that had been baked for the Prussian army at the time of that war was found in such a state as to have been eaten, a piece of it, for curiosity, by a person whom I know. In default of stones, which have sometimes, for want of iron, been shot out of cannon, this ammunition bread might have been applied to the purpose of defence.

[017\_224] [30 August 1801]

Iron is the best material for knives and hatchets, though[h] in Otaheite and elsewhere stone is employ'd for that purpose.<sup>11</sup> A person whom I knew cut his finger once (as he told me) with a piece of Suffolk cheese.

On ship board at the time of an engagement, hammocks, articles of subsistence (or rather of customary luxury not indispensably necessary to subsistence, for a Russian tar sleeps upon a bunk or upon the floor), articles of subsistence of a middle nature between cloathing and lodging, are frequently applied to the purpose of defence—being stowed in such manner as to deaden the stroke of the shot.

Enjoyment being in a manner inseparable from the application of articles of subsistence to their use, all articles of subsistence are instruments of enjoyment likewise. The distinction, therefore, is not between articles of subsistence and instruments of enjoyment, but between articles of subsistence and instruments of mere enjoyment: viz: that by their application to use contribute nothing to *subsistence* any more than to *defence*. Instances of instruments of mere enjoyment are

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<sup>11</sup> When H.M. frigate *Dolphin*, under the command of Captain Samuel Wallis (1728–95), first reached Tahiti (Otaheite, or, as Wallis named it, King George the Third's Island) in 1767, Second Lieutenant Tobias Furneaux 'observed that all [the inhabitants'] tools were made of stone, shells, and bone, and very justly inferred, that they had no metal of any kind'. See *An Account of the Voyages undertaken by the Order of His Present Majesty for making Discoveries in the Southern*

abundant: *tobacco* (the great luxury of the great body of the people) and *perfumes* may be sufficient for illustration.

[017\_225a] [30 August 1801]

The practice of exchange being established, each modification of the matter of wealth, to which soever of the abovementioned three divisions it belongs, is, in virtue of that practice, convertible with more or less facility and certainty into every other.

The richer a community, the better secured it is thereby against hostility and famine.

A stock of instruments of mere enjoyment presupposes on the part of each individual a pre-assured stock of the articles of subsistence. The stock of articles of subsistence capable of being produced and kept up in a country in any other view than that of exchange has its limits: it can never extend much beyond the stock necessary for the subsistence of the inhabitants: the stock of instruments of mere enjoyment is without limit.

NOTE TO TYPESETTER: In the editorial note to the following paragraph Bentham's sign for 'as opposed to' or 'in contradistinction to' appears. The template struggles with this symbol, ☒ which is reproduced here as an image. For its intended appearance see *Writings on Political Economy: I*, p. 7 n. (p. 000 of the hard copy) attached.

It is only in respect and in virtue of the quantity of the stock of instruments of mere enjoyment that one country can exceed another country in wealth. The quantity of wealth in every country is as the quantity of its instruments of enjoyment.<sup>12</sup>

[017\_226] [30 August 1801]

In cases where two articles of subsistence contributing in one equal degree to that end, one contributes in a greater degree to enjoyment (as is testified by the greater price given for it), the value may be considered as a sort of compound article, and by analysis may be resolved, as it were, into two values belonging to it, the one in its capacity of an article of subsistence, the other in its capacity of an article of mere enjoyment. In the character of an article of subsistence, a pound of

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*Hemisphere, And successively performed by Commodore Byron, Captain Wallis, Captain Carteret, and Captain Cook, In the Dolphin, the Swallow, and the Endeavour*, ed. John Hawkesworth, 3 vols., London, 1773, i. 466.

<sup>12</sup> In the margin, Bentham has noted at this point: 'A pine-apple contains, for one particle of subsistence, a hundred of mere enjoyment ☒ potatoe.' For other renditions of this point see *Writings on the Poor Laws: II (CW)*, pp. 315–17, and 'Sur les prix', pp. 000–000 above. [To Ms. Dumont 50, fos. 85–7, 'Sur les prix']

potatoes and a pound of pine-apples may stand pretty near upon the same level. But a single pound of pine-apples may sell for the same price as about a hundred pound of potatoes: the pound of potatoes selling at a halfpenny, and the pound of pine-apples at about a hundred half-pence—i:e: 4<sup>s</sup> 2<sup>d</sup>. This being the case, out of the 4<sup>s</sup> 2<sup>d</sup> which is the price and value of the pound of pine-apples, a ½<sup>[d]</sup> goes to subsistence, and the remaining 4<sup>[s]</sup> 1<sup>[d]</sup>½ to mere enjoyment: and in respect to [subsistence],<sup>13</sup> it is the same thing as if the halfpenny had been employ'd in the purchase of another pound of potatoes, and the 4<sup>[s]</sup> 1<sup>[d]</sup>½ in buying a quarter of a pound, more or less, of Marechal powder to be put into the hair for a perfume instead of being introduced into the mouth for nourishment.

[017\_227] [30 August 1801]

It is out of the fund for enjoyment that the portion of wealth allotted to *defence*, and the portion, if any, allotted to security in respect of subsistence, must be taken: for of the portion allotted to subsistence there is none to spare.

But though security increases in proportion as opulence increases, and inequality is an inseparable accompaniment of opulence, security does not increase in proportion as inequality increases. Take away all ranks in respect of opulence between the highest, and the lowest, the degree of inequality will be increased, but the degree of [security]<sup>14</sup> will be diminished.

Luxury is not only an inseparable accompaniment to opulence, but increases in proportion to it. As men rise one above another in the scale of opulence, the one above will, without excess, give into expences into which those below, without prodigality, can not give. It is, therefore, no more desirable that luxury should be repressed than it is that opulence should be repressed, that is that security should be diminished. Luxury, if it were desirable that it should be repressed, could no otherwise be repressed than either by depriving the more opulent classes of a part of their property in this view, or coercing them in the use of it. It would be less unreasonable to restrain prodigality, wherever it is to be found, than to restrain the highest imaginable pitch of luxury on the part of a man whose expence does not exceed his income.

[017\_183] [31 August 1801]

In the case of Opulence derived from trade, large fortunes rise one above another naturally in gentle and almost insensible gradations, that is with very [little] inequality between any two

<sup>13</sup> MS ‘[^^^]’.

<sup>14</sup> MS ‘opulence’, contradicts the sense of the passage.

contiguous classes. Large fortunes consisting in land rise one above another in gradations which may be gentle or abrupt, according to the distribution originally made of the land; and according to the disposition of the law favouring or disfavours the condensation of it.

Even in Britain, with all its opulence, the highest degree of opulence constituted by or derived from trade has never yet risen to a level with the highest degree of opulence constituted by or derived from land.

In France, a few of the largest fortunes constituted by land rose considerably higher than the largest constituted in the same way in Britain. At the same time, the largest fortunes constituted by trade fell short in at least as great a degree of the largest fortunes constituted by trade in Britain. Even the most opulent of the French Financiers did not equal the most opulent of the British merchants; and the fortune made by a Financier could not properly be considered as constituted by trade. They were a set of Commissioners of Excise, Customs, Stamp Duties, and Assessed Taxes<sup>15</sup> paid not by Salary, but by Contract.<sup>b</sup>

[017\_184] [31 August 1801]

<sup>b</sup> The rights of man are liberty and equality. Liberty exists where every man is employ'd in governing, and where no man submits to be governed: equality where no man has any thing to spare. Every man's time being employ'd in governing, no man has any time to keep himself from starving. By no man having any thing to spare for any purpose, no man has any thing to spare for the purpose of national defence. By liberty every man is starved a first time: by equality every man is starved a second time.

The rights of man are the right of being starved and conquered.

The Anglo-Americans invented this nonsense, the French copied it with amplifications and exaggerations, propagating it *cum strepitu*,<sup>16</sup> and half pretending, half fancying they had

<sup>15</sup> The collection of public taxes and duties in *ancien régime* France had been leased under six-year contracts to a syndicate of financiers known as the *Ferme générale*, which was established in its final form in 1726. The individual Farmers (whose numbers ranged at different dates from forty to sixty) were able to accrue immense personal wealth, and the system had been heavily criticized by, among others, Victor de Riqueti, Marquis de Mirabeau, in *Théorie de L'Impôt*, Avignon, 1761, pp. 73–91; L.S. Mercier in *Tableau de Paris*, 12 vols., Amsterdam, 1782–3, ii. 123; and Adam Smith in *Wealth of Nations* (*Glasgow Edition*), (Bk. V. Ch. II) ii. 902–5. The *Ferme générale* was dismantled in 1789–91, a commission appointed to enquire into its abuses in 1793, and, on 8 May 1794, twenty-eight former members were guillotined.

<sup>16</sup> i.e. 'with a roaring noise'.

invented it.<sup>17</sup> Propagating it, they challenged the admiration and gratitude of mankind as if they had invented it, not having in fact the merit of invention even for this nonsense.

Yet this is the nation by which Chemistry had already been created: created, at an expence of genius not inferior to that at which Newton discovered the system of the world.<sup>18</sup>

Passion is the necessary spur to action: but when applied to politics, the impulse given is apt to be too strong to confine itself within the track of utility and truth.

[017\_228] [31 August 1801]

The mass of that matter which is the material cause of wealth has for its sources:

1. Land i:e: dry land uncovered with water.
2. Water: i:e: land covered with water.

The matter of wealth, considered in respect of its modifications, may be distinguished in the first place into matter in an unimproved state—in a state in which it comes out of the hands of nature—and matter in an improved state, i:e: modified by human labour for the purpose of its being adapted to whatever *uses* it may be designed for.

Matter in an unimproved state, consists of 1. Mineral substances. 2. Vegetable bodies. 3. Animal bodies.

For the various modifications of matter in an improved state see *Operations* art. Formation.<sup>19</sup>

<sup>17</sup> Bentham's reference is to the Declaration of the Rights of Man and the Citizen, adopted by the French National Constituent Assembly on 26 August 1789: see p. 000 & n. above. [To UC xvii. 169 & n., Appendix A] Thomas Jefferson (1743–1826), principal author of the Declaration of Independence of the United States, adopted on 4 July 1776, was in France in 1789 as a diplomat, and in correspondence with members of the Assembly, while the French Declaration is likely to have been inspired, at least in part, by its American predecessor. It certainly borrowed some of its phraseology from the Virginia Declaration of Rights, drafted by George Mason (1725–92), and adopted on 12 June 1776. The American documents were in turn influenced by the English Bill of Rights of 1689, and by the second of John Locke's *Two Treatises of Government*, first published in 1689.

<sup>18</sup> Bentham's first allusion is presumably to Antoine-Laurent de Lavoisier (1743–94), chemist and author of the influential *Traité élémentaire de chimie, présenté dans un ordre nouveau et d'après les découvertes modernes*, Paris, 1789, who was widely regarded as the father of modern chemistry. His second is to Sir Isaac Newton (1642–1727), natural philosopher and mathematician, and author of *Philosophiæ Naturalis Principia Mathematica*, London, 1687.

<sup>19</sup> No text relating to this topic has been located. However, for Bentham's notes under the head 'Operations' see Appendix D, pp. 000–00 below. [To UC xcix. 186, Appendix D]

[017\_229] [31 August 1801]

Any distinguishable portion of the matter of wealth may be termed an article of wealth. An article of wealth being of use, which it must be, since otherwise it would not be an article of wealth, is either an article of immediate use or of subservient use.

It is an article of immediate use where it is itself applicable to any one of the three ends abovementioned, viz: subsistence, security or enjoyment.

[It is] an article of subservient use where, though it contributes to some one or more of those ends, it does so not by any immediate application of its powers to any one of the above three ends, but by the instrumentality of some other article which is of immediate use, and which it renders, or contributes or tends to render, subservient to that use.<sup>20</sup>

[017\_186] [31 August 1801]

[3. Motion.]<sup>21</sup> Modifications of motion considered with reference to the source of the motion in each case may be distinguished in the first place into those which take place without actual contact, and those that do not take place without actual contact, between the body or particle in which the motion originates and that to which it is communicated in the first instance. To the first head belong Gravitation, [and] Attractions and repulsions that belong [to] Magnetism and Electricity: to the other, Animal motion, i:e: motion produced by volition, Attraction of cohesion, the motions in which *vegetation* consists, and the attractions and repulsions called elective, the investigation of which belongs to the province of chemistry:<sup>22</sup> to one or the other, as further examination may determine, Galvanism.<sup>23</sup>

Expansion is encrease of repulsion as between particle and particle in a mass of expansible

<sup>20</sup> In the margin, Bentham has noted in red ink at this point: 'Go on with *Receptacles* or else postpone till after *Operations*.' For Bentham's notes under these heads see Appendix D, pp. 000–000 below. [To UC xcix. 186, Appendix D]

<sup>21</sup> 'Motion' appears as the subheading on the text sheet. This is the third cause of wealth as enumerated by Bentham at p. 000 above. [To UC xvii. 221, this file]

<sup>22</sup> In chemistry, the terms elective attraction (or affinity) and elective repulsion refer to the tendencies of particular substances to combine with, or to repel, certain other substances.

<sup>23</sup> Galvanism, meaning electricity generated by chemical action, was a term coined in the 1790s by Alessandro Volta (1745–1827), physicist, from the name of Luigi Galvani (1737–98), the biologist who had first observed that an electrical charge could induce muscular spasms in a dissected frog. In Bentham's day, the science was still at a highly experimental stage, and its principal applications were perceived to be therapeutic: see, for instance, J.C. Carpue, *An Introduction to Electricity and Galvanism; with cases, shewing their effects in the cure of diseases*, London, 1803.

matter.

Contraction is diminution of such repulsion.

Expansion and contraction are phenomena accompanying or constituting the passage of bodies from the state of solidity to the state of liquidity, and from either into the state of gas and *vice versâ*, by the encrease and diminution of the quantity of caloric or heat.

[017\_187] [31 August 1801]

The only sources of motion or *primum mobiles* as yet employed, or capable as supposed of being employ'd to advantage with reference to encrease of wealth are:

1. Masses of solid matter by their descent. The sphere of action in this case is extremely limited. By the descent of masses of earth or other bodies that are already at a heighth from which, by the descent, they might be made to acquire a value, others might [be] raised, in cases in which any others happened to be at hand the value of which would be encreased by a corresponding ascent.<sup>c</sup>

<sup>c</sup> Practical rule in economicks. Wherever you have bodies that are to be lowered and others to be raised, employ the higher as far as this will go for the raising of the lower.

2. Masses of liquid matter (water) by its descent. Water has the advantage of serving over again for this purpose *ad infinitum*: being raised by chemical solution in atmospheric air and evaporation, i:e: by expansion, it is lowered again by gravity when condensed aloft, i:e: contracted into rain. As a source of natural motion, a piece of a hill or mountain can serve but once. In the case of the motion produced by the tide, which has been applied to mills, the motion has its source not in expansion and contraction but in attraction of gravity, as exerted by the moon.

3. Wind: i:e: the gases of the atmosphere put in motion primarily by expansion and contraction and then by gravity, as in the case of water. Wind may be made [to] act either by immediate impulse, as in the case of Windmills, or by its impulse upon water, though in this last case not to any considerable advantage.

4. Steam: i:e: Water by expansion and contraction, produced by the sudden addition and abstraction of caloric.

[017\_188] [31 August 1801]

5. By the mere expansion of air produced by the sudden application of heat to [a] body of air

enclosed in a vessel and standing upon water, the water would rise and, bulk for bulk, replace the air so expelled. By this means, water might be raised to a height, and thus become a source of motion by its fall: but the power thus gained would not, it is supposed, be equal to the power that may be gained at the expence by steam.

6. Volition: as in the case of animal motion, produced by the exercise of the *will*.

7. Motion having volition for its source or efficient cause, and the acquisition of any modification of wealth or the fruits of wealth, viz: subsistence, security or enjoyment, for its final cause, is termed *labour*.

Labour is either human labour, or labour of inferior animals.

Modifications of labour are termed *Operations*.

Human labour, exerting itself in the performance of operations, consists partly in the generation of motion, partly in the guidance or direction of it.

[017\_230] [31[?] August 1801]

The operations by which an encrease of the matter of wealth is produced or promoted may be thus enumerated, viz:

1. Discovery, viz: of the source of the raw material, or portion of matter in an unimproved state.

2. Discovery of this or that portion of land—considered as the source from which portions of matter in an unimproved state are extracted.

3. Extraction: viz. of the raw material from the portion of land which is the source from whence it is extracted.

[017\_189] [31 August 1801]

In France there used to be a set of political writers,<sup>24</sup> whose characteristic opinion and bond of union consisted in shutting their eyes against all value that was derived from any *operation* beyond extraction, with or without internal conveyance, naturalization, improvement, and preservation: maintaining thereby that it is the nature of labour employ'd in the operations of importation, exportation and fabrication, at any rate in fabrication, to produce nothing, and in other words to be

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<sup>24</sup> This and the following two paragraphs were drafted as text, although Bentham has written 'Note' in the margin.

thrown away. Economists was the name by which these men called themselves or were called.<sup>25</sup>

The practical fruit of this theory was that it is on value given to matter by crude extraction that all taxes should exclusively be assessed: and that by that means the expence and vexation attending the collection of taxes assessed on fabrication, that is on what people in general would call value produced by fabrication, would be saved.

The statement and examination of the opinions of this sect takes up [30] out of the [1482] pages in the 8<sup>vo</sup> edition of Adam Smith:<sup>26</sup> of which [30] pages it is supposed that this single one may be sufficient to perform the office.

[017\_190] [2 September 1801]

The value of wealth in any territory at the end of any given period or span of time, say 20 years, will be composed of the mass existing in the territory at the commencement of the period, *plus* the mass that has come into it in the course of the period, minus the mass that has gone out of it in the course of the same period.

Hence two modes of giving encrease to the mass of wealth: one, positive; by increasing the quantity that *comes in*: the other, negative; by diminishing the quantity that *goes out*.

Encrease of the mass of wealth, as above, by diminution of decrease, admitts again of two modifications. 1. Preservation of it as much as may be, according to the several modifications of the matter of which it consists, preservation of it after it has already come in. 2. Giving to the mass those modifications which, being once in, are in their nature least liable to go out.

The departure of a portion of the matter of wealth out of the territory in question may be either *absolute* or *relative*: *absolute*, when it departs out of existence as well as out of the territory: *relative*, when it departs out of the territory without departing out of existence: *absolute* departure is *deperition*; *relative*, the being subjected to *exportation*.

<sup>25</sup> For 'Les Économistes' see p. 000 n. above. [To UC xvii. 287 & n., 'Method and Leading Features of an Institute of Political Economy']

<sup>26</sup> The first two editions of *The Wealth of Nations* (1776 and 1778) were each printed in two quarto volumes, but later editions appeared in three octavo volumes: Bentham's reference could therefore be to any edition between the third of 1784 and the ninth of 1799. The pagination, however, remained unchanged throughout the octavo editions: all contained a total of 1,482 pages of text, of which Smith's consideration of the Physiocrats' arguments (in Bk. IV, Ch. IX) occupied 30. See (for instance) Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 3rd edn., 3 vols., London, 1784, iii. 1–30; corresponding to *Wealth of Nations (Glasgow Edition)*, ii. 663–79.

[017\_239] [2 September 1801]

Deperition is either total or partial: partial is deterioration.

Deperition is in strictness no otherwise true of any portion of matter, than in as far as it respects *form*, and *value* as resulting from that form: *value*, i:e: subserviency to use.

An act whereby deperition is produced is called *destruction*: the act whereby deterioration is produced may be termed deterioration (the word being used in the active sense) or endamagement.

Acts whereby destruction or deterioration is produced, and thereby loss without preponderant benefit, it is the province of the non-penal branch of the law to define, and of the penal to prevent.

[017\_231] [1 September 1801]

When an encrease of wealth to any given amount takes place, it is either by means of an encrease of labour or without any encrease of labour.

When it takes place without any encrease in the quantity of labour, it takes place by means of an encrease in the effect or say efficiency of the quantity of labour employ'd.

The degree of efficiency on the part of the quantity of labour employ'd being given, the encrease of wealth produced by the labour will be as the quantity of it.

If a quantity of wealth, which before the encrease of efficiency required a year's labour of two thousand men be now produced by a year's labour of one thousand, [there]<sup>27</sup> remains the year's labour of a set of a thousand men which, when employ'd in the same way or with the same degree of efficiency as that of the first set, will produce a fresh mass of wealth equal to the original one.

Reducing by one half the number of men employ'd about an individual mass of work, the quantity of the work done not being diminished by such reduction, is, therefore, the same thing in effect as doubling the number of men employ'd with the same degree of efficiency as before.

[017\_232] [1 September 1801]

But this supposes that the number of hands thus rendered unnecessary in regard to the production of the standing quantity of work are employ'd with the same degree of efficiency, or at any rate employ'd. If not employ'd at all, no encrease at all in the quantity of wealth will be brought about by the encrease in the efficiency of the mass of labour which continues to be employ'd: if

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

employ'd, but employ'd with a less degree of efficiency, then the fresh quantity of wealth thus produced by the expelled hands will fail of being equal to the quantity produced by the retained hands, in a degree proportioned to what the degree of efficiency in the one case wants of being equal to the degree of efficiency in the other.

If, by means of the introduction of machinery, or improvement in the machinery in use, a manufacturer of cloth (suppose) performs with one thousand hands employ'd in the fabrication of the cloth in its several stages, commencing at the raw material, a mass of work the same in quantity and quality as that which before the improvement required two thousand hands, it might seem at first sight from this statement that the natural effect of the [017\_233] [1 September 1801] improvement would be the retaining the same quantity of hands employ'd in that branch of manufacture, and thence doubling the quantity of cloth manufactured in the time. But without an addition to the mass of his pecuniary capital, which is a circumstance accidental and not belonging to the case, the retaining of the same number of hands so employ'd would in no instance be possible. For the production and keeping up of the machinery or other auxiliary means would always require a considerable quantity of labour, the payment of which would be attended with a proportionable mass of expence, by which a proportionable part of his capital would be absorbed.

If the hands employ'd in the machinery, including those employ'd in the importation in-ward if it be imported, as well as in the putting together the wood and other materials to form the machinery, were paid at a rate no higher [than] the hands employ'd in the manufacture, the number of hands employ'd by the given capital would be the same after the improvement as before: so many hands less as were employ'd in the manufacture, so many more would be employ'd in the machinery. But this supposition is in fact scarce ever realized: not only millwrights, but even ordinary carpenters and joiners will require greater wages than are given to spinners, weavers, and other hands [017\_234] [1 September 1801] employ'd in the manufacture: twice the amount may be no exaggerated difference. If, then, to produce by one thousand manufacturing hands the quantity of work that before employ'd two thousand such hands requires the constant employment of a hundred hands engaged in different ways in the production of the materials and workmanship of the machinery, and these hundred handicraft hands have double the wages of the manufacturing hands, the quantity of pecuniary capital employ'd not being encreased, the consequence is that two hundred manufacturing hands must be put out of employ, and but one hundred fresh hands brought into employ in the capacity of mechanical hands.

Conclusion.<sup>28</sup> Encrease of wealth by saving of labour is not quite so great as d<sup>o</sup> by encrease of

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<sup>28</sup> This and the following two paragraphs are a marginal addition by Bentham.

quantity of labour.

Opposition to machinery is well grounded, if no care be taken to provide immediate employment for the discharged hands.

At first, the temporary distress will outweigh the temporary enjoyment. But so far as depends on encrease of wealth the encrease of enjoyment is perpetual.

[017\_209] [23 August1801]

§ II. AGENDA.—*Cases in which, and measures by which, the common end may be promoted by the hand of government*

The most important use of the matter of enjoyment is its constituting a fund, convertible occasionally into means of subsistence and means of defence. If, from him who has nothing but what is necessary to keep him alive, any thing be taken, he must die. The more a man has above what is thus necessary, the more he can upon occasion afford to part with. The greater the proportion of national labour habitually employ'd in the production of instruments of mere enjoyment, the greater the proportion capable of being transferred, upon occasion, to the production of instruments of subsistence or defence. Universal equality in respect of property, and Universal *liberty*, in the sense in which it means universal *equality in respect of political power*, imply universal indigence and universal defencelessness. The rights of man are the right[s] of being starved and conquered.

Among<sup>29</sup> the *Agenda* may be ranked every necessary sacrifice of less important uses of a nation's wealth to a more important. Of wealth at large, i:e: the matter of subsistence, security and enjoyment together, to subsistence alone, or to security alone, in any of its shapes.

The aggregate of the means of bare subsistence being an invariable quantity, and the aggregate of the means of mere enjoyment being the fund, out of which alone of the two that of the means of defence can be drawn, the aggregate degree of opulence will be as the aggregate of the means of mere enjoyment: i:e: of luxury. *Opulence*, (or call it luxury) is<sup>30</sup> not only the only resource against famine, but the only guardian of independence.

[017\_210] [23 August1801]

<sup>29</sup> Bentham has added this and the next sentence in pencil. They were later over-written in ink by Smith.

<sup>30</sup> Bentham has marked the following two words for deletion, which would destroy the sense.

The sacrifice made of opulence to security in respect of subsistence is a profitable sacrifice. By a sacrifice of this kind, individuals may and do, as many of them as think fit, insure themselves against fire. They can not to any extent purchase equal security against the infinitely more extensive and destructive calamity of famine. Supplies of necessaries depending upon import from foreign independent states, render us dependent for our existence on the *power* in this respect, as well as on the *will*, of foreign states. Magazines, drawn from home-production, from countries which (how remote soever) are under *our* government, constitute the only security worth the name. Such security is not to be had without expence: but no degree of expence which is necessary for this purpose can be unprofitable.

[017\_196] [23 August 1801]

### § III. NON FACIENDUM—*Cases in which, and measures by which, the end will not be promoted by any interference on the part of Government*<sup>31</sup>

[017\_254] [29 October 1801]

#### I. *Non-Faciendum the first.*

#### *Forced Frugality—or, Encreasing the quantum of capital (real capital) by taxes*

By raising money as other money is raised, by taxes (the amount of which is taken by individuals out of their expenditure on the score of maintenance), government has it in its power [to] accelerate to an unexampled degree the augmentation of the mass of real wealth. By a proportionable sacrifice of *present* comfort it may make any addition that it pleases to the mass of future wealth—that is to the means of comfort and security.

But though it has it in its power to do this, it follows not that it ought to exercise this power—to compel the community to make this sacrifice.

To a certain degree—to a degree which in the ordinary course of things is quite sufficient for the purpose—the community, makes this sacrifice of itself. This voluntary sacrifice is, at least in the

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<sup>31</sup> The title is taken from UC xvii. 196, the first sheet Bentham's August 1801 draft discussion of the *Non-Faciendum* 'Encreasing Money', which he then envisaged as the first subject to be addressed in this section. By the time of his redraft of 'Encreasing Money' on 29 October 1801, he had decided that 'Encreasing Money' should come second in the list of *Non-Facienda*. For further details see the Editorial Introduction, p. 000 & n. above.

ordinary state of things, amply sufficient for every purpose. So far as the impulse is spontaneous, so far all is right.<sup>32</sup>

[017\_257] [29 October 1801]

Modes or Operations by which this effect is produced:

1. Paying off National Debt. In this case the production of the effect is not only unexceptionable but necessary. It is a collateral result, and that a very advantageous one, from a necessary act of justice.

2. Creating paper money, or suffering the creation of paper-money on the part of individuals.

In this case the taxation is indirect and hitherto unnoticed. See *Non-Faciendum* the [second]<sup>33</sup>: Increasing the quantity of money or pecuniary wealth.

[017\_192] [29 October 1801]

## II. *Non-Faciendum the second.*

### *Increasing the quantity of money*<sup>34</sup>

1. If the fresh money, on the occasion of the first employment or expenditure made of it is employ'd in purchases the immediate effect of which is to make an immediate addition to the mass of really productive capital, it then makes, by the amount of such purchases, an addition to the growing mass of real wealth, beyond what would have existed otherwise.

But after this step [is] taken, it sinks into the general mass of money, and, to the amount of the addition thus made to it in point of quantity, diminishes its value: the quantity of money employ'd in the purchase of vendible articles was, before the addition, worth the whole mass of vendible articles sold, and after the addition, the pre-existent and additional mass taken together, can not be worth any more.

[017\_193] [29 October 1801]

In this case, the effect of such depretiation, is to produce, (as explained elsewhere)<sup>35</sup> an

<sup>32</sup> In the margin, Bentham has added at this point: 'Place it to account of *Menus[?] plaisirs du Souverain.*'

<sup>33</sup> MS '↑↑↑↑↑'.

<sup>34</sup> This subsection is the only one in this Appendix for which Bentham composed two drafts. For details of the first, superseded, draft at UC xvii. 196–8 (23–24 August 1801) see the Editorial Introduction p. 000 & n. above.

indirect, unproductive income tax on fixed incomes, to the annual amount of  $x$  times the amount of the fresh money so introduced:  $x$  being as the aggregate of the sum composing the annual income of individuals to the sum of fresh money so introduced.

NOTE TO TYPESETTER: Please note the multiplication sign in the following paragraph.

Call the aggregate mass of money in circulation 72 millions: and the aggregate of national income 216 millions:  $72 \times 3 = 216$ : and let the fresh money so introduced in the course of a year be one million. The effect of this one million of fresh money so introduced is to add to the 216 million, being the money or pecuniary power representative of the aggregate amount of the national income, 3 million, making together 219 million; while the real income it self, the mass of consumable and other vendible articles of all sorts to be had for the money is not encreased, any otherwise than by and in proportion to the addition made to the mass of real and really productive capital, by the first expenditure of the money, as above.

The amount of this tax is drawn, as it were, back before hand by those who receive a share of the fresh money equal to the amount of the depretiation: these receive before hand a compensation (adequate in money at least, howsoever it may [be] in regard to feelings) to their loss by the indirect tax. On those who receive no share of the fresh addition to money—on those whose sole income consists in an unencreasing sum of money, it bears with undiminished pressure.

[017\_194] [29 October 1801]

In this case the expedient coincides with the one already reprobated—the encreasing the mass of national real capital by money raised by taxes.<sup>35</sup> The difference is that the mode in which the money is raised, is on terms beyond comparison more disadvantageous—disadvantageous to a degree of usuriousness much beyond any thing ever exemplified under that name—money raised at an interest of 300 per cent, payable for ever by the possessors of fixed incomes.

From the amount of this depretiation, and this interest, would be to be deducted, on a strict reckoning, an equivalent for the goods produced in each year by the addition thus made to the mass of real capital: say 15 per cent for ever, upon the million so employ'd. But this deduction is so small, as to be scarce worth bringing to account. Upon the 3 million a year it amounts to but £150,000.

[017\_195] [29 October 1801]

<sup>35</sup> See p. 000 & n. above. [To UC xvii. 156, 261, 'Method and Leading Features of an Institute of Political Economy']

<sup>36</sup> See pp. 000 above. [To UC xvii. 254, 257, this file.]

2. If the fresh money on the occasion of the first employment or expenditure made of it is employ'd in purchases the immediate effect of which is *not* to make any immediate addition to the mass of really productive capital, it then makes no addition to the growing mass of real wealth.

In this case there is the usurious interest as in the former—the interest of 300 per Cent—but the profit altogether wanting. The 3 million a year income-tax stands pure and neat: the £150,000 deduction has no place here.

[017\_265] [30 October 1801]

### III. *Non-Faciendum the third.*

#### *Forced reduction of the rate of interest*

This is, in other words, imposing a tax on those whose property consists in ready money, and whose income is derived from the lending out of that money for an annual recompense called the *interest* of it: the produce of which tax, instead of being paid into the public treasury, for the service of the public, and in lieu of the burthen which would otherwise be to be imposed to the same amount in some other shape, is made over gratis to those whose circumstances oblige them to borrow money, or enable them to borrow it to advantage. It is imposing an unproductive income tax—not an indirect one, as in the former case, but a direct one.<sup>37</sup>

[017\_200] [29 October 1801]

### IV. *Non-Faciendum the fourth.*

#### *Increasing the quantity of Land:—viz. by Colonization*

That an encrease of wealth to the world in general is the result of [a]<sup>38</sup> measure of this sort is not to be doubted. If labour is necessary to the production of the matter of wealth, land is no less indispensable:—and the land obtained in those cases, being the result of choice, is generally of a superior kind; rich, even, already in raw materials, which require nothing but extraction and conveyance to give them a value.

But the encrease is to the colonists—to the individual occupiers of the fresh land, not to the

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<sup>37</sup> Bentham has noted in red ink at this point: 'Go on with the parallel between this and the other—in regard to *classes* affected &c. Shew what proportion of the tax operates in encrease of national wealth—and on what circumstances the encrease depends.'

<sup>38</sup> MS 'an'.

mother country. Taxes they at first can not pay, and afterwards will not pay. To settle them—to protect them against adversaries—to protect them against one another—to keep them in obedience—all this requires expence: establishments civil, military naval—all this requires expence: all this expence must be, or at least is, borne by the mother country, and it is by taxes imposed on the inhabitants of the mother country that the money for this, as well as the other public expences of the mother country, is to be raised.

[017\_201] [27 August/30 October 1801]

Colonization *was* a folly grafted on a folly. Encouragement to new productive industry exercised at home, gave actual wealth for actual wealth. Colonization, for actual wealth gave nothing but contingent; contingent, which at the best was distant, and of which the realization was in all cases uncertain, in some hopeless. The capital employed in the exportation and maintenance of the colonists and their stock would, if employ'd at home, at any rate have added something to the annually growing wealth as well as population, and thence the defensible security of the home territory, by the whole amount of it. Of the produce of the Colonists when settled in the Colony, it is only a part that would be exported to the mother country, and be added to the mass of its wealth.

In point of quantity [of] wealth and population, Europe has lost by colonies. The only gain, if any, is that which consists in mere enjoyment, and that so far, and no farther, as it depends on novelty and variety in regard to the articles or instruments of enjoyment: the using cane sugar instead of honey or beet or maple sugar—the making tea, coffee and chocolate breakfasts instead of the meat and ale breakfasts that contented Queen Elizabeth.<sup>39</sup> the adding cochineal and indigo to our dyes, instead of being confined to woad, Prussian Blue and a few others.<sup>40</sup>

[017\_202] [27 August 1801]

Even this advantage, such as it is, depends upon the situation of the Colony in a climate the productions of which are incapable of being profitably naturalized in our own. So far as concerns gold and silver, the effect of Spanish Colonization has been to add to the quantity of gold and silver plate of Europe, and to the quantity of gold and silver money. In the first instance, it has added to wealth: operated in encrease of the mass, because, of the mass of wealth in other shapes that would have been produced if the gold and silver had not been produced by it, so large a portion would not have remained to us as hath remained of the manufactured gold and silver: in the other instance, it

<sup>39</sup> Elizabeth I (1533–1603), Queen of England and Ireland from 1558.

<sup>40</sup> Bentham originally intended to make two contrasts, the first between indigo and existing blue dyes, and the second between cochineal and garnet and existing red dyes 'of inferior brilliancy'.

has been all loss—the new extra mass of gold and silver having had no other effect than the operating *pro tanto* in depretiation of the old, and producing the indirect income-tax above-mentioned,<sup>41</sup> without any addition made to real capital, and thence to growing wealth.

[017\_203] [27 August 1801]

Nevertheless, taking futurity into the scale, the well-being of mankind appears to have been promoted upon the whole by the establishment of Colonies. Taking Britain for example, at the rate at which population has been encreasing for the last century, long before the conclusion of the present century, the population would have extended beyond the utmost number for which the soil would be capable of affording sustenance: long before which period great disseveration of relative opulence—a severe sense of general poverty and distress—would necessarily have taken place.

It is desirable for mankind that offsets should be taken from the most flourishing and soundest root: that the races propagated every where in parts of the earth as yet vacant should be races whose habits of thinking in matters of government should be taken from that constitution from which the most security has been seen to flow, and whose habits of acting in the sphere of domestic economy and morals should be taken from that society which in those respects is in the most improved, as well as improving, state.

[017\_204] [27 August 1801]

It is of advantage to such Colonies, that they should continue under the government of such their mother country, because it is of advantage that the men whose will forms the positive standard in points subject to regulation, and whose moral conduct forms the natural standard in points exempt from regulation, should be men whose education has been derived from that most pure and elevated source: men among whom are to be found some whom hereditary opulence has exempted from the necessity of binding down their minds to the exclusive pursuit of pecuniary gain: to whom it is possible at least to think chiefly for the public instead of acting and thinking exclusively for themselves: men who have leisure as well as money to bestow upon those more elevated pursuits by which the heart is softened, and the understanding expanded and advanced. It is of advantage to the minds of Colonists to be regulated by minds such as those of the Hastings's,<sup>42</sup> Teignmouths,<sup>43</sup>

<sup>41</sup> See pp. 000–000 above. [To UC xvii. 192–5, this file]

<sup>42</sup> Warren Hastings (1732–1818), Governor-General of India 1773–85, who was impeached for corruption in 1787, but acquitted in 1795.

<sup>43</sup> John Shore (1751–1834), Baron Teignmouth (I) from 1798, Governor-General of India 1793–8.

Cornwallises,<sup>44</sup> Wellesleys,<sup>45</sup> Maccartneys,<sup>46</sup> Hobarts,<sup>47</sup> Norths,<sup>48</sup> Dorchesters,<sup>49</sup> Simeons,<sup>50</sup> rather than those of the Tippos,<sup>51</sup> the Wau Lau Jaus,<sup>52</sup> the Scindias,<sup>53</sup> or those of the disciples and

<sup>44</sup> Charles Cornwallis (1738–1805), styled Viscount Brome 1753–62, sixth Baron and second Earl Cornwallis from 1762, first Marquess Cornwallis from 1792, served as a senior British commander in the American War of Independence 1776–81, Governor-General of India 1786–93 and 1805, and Lord Lieutenant of Ireland 1798–1801.

<sup>45</sup> Richard Wellesley (born Wesley) (1760–1842), styled Viscount Wellesley (I) 1760–81, second Earl of Mornington (I) from 1781, and first Marquess Wellesley (I) from 1799, served as Governor-General of India 1798–1805. Bentham may also be alluding to Wellesley's brothers, Arthur Wellesley (1769–1852), later first Viscount (1809), first Earl (1812), first Marquis (1812), and first Duke of Wellington (1814), leader of the administration as First Lord of the Treasury 1828–30, who served with the British army in India from 1797 to 1805, fought in the Fourth Anglo-Mysore War and at the capture of Seringapatam in 1799, and was appointed Governor of Seringapatam and Mysore; and Henry Wellesley (1773–1847), first Baron Cowley from 1828, who, having initially travelled to India as private secretary to Richard, acted as a Commissioner for the settlement of Mysore, and as Governor of territories ceded in 1801 by Saadat Ali Khan (1752–1814), Vizier of Oudh 1798–1814.

<sup>46</sup> George Macartney (1737–1806), Baron Macartney (I) from 1776, Viscount Macartney (I) from 1792, Earl Macartney (I) from 1794, and Baron Macartney (GB) from 1796, served as Governor of Grenada, Tobago, and the Grenadines 1775–9, Governor of Madras 1781–5 and Governor of Cape Colony 1797–8. In 1785 he was offered, but declined, the Governor-Generalship of India. He undertook an important but unsuccessful embassy to China in 1792–4.

<sup>47</sup> Robert Hobart (1760–1816), MP (I) 1784–97, MP (GB) 1788–96, fourth Baron Hobart from 1798, fourth Earl of Buckinghamshire from 1804, served as Governor of Madras 1794–8, Secretary of State for War and the Colonies 1801–4, Chancellor of the Duchy of Lancaster 1805 and 1812, and President of the Board of Control for India 1812–16.

<sup>48</sup> Bentham is probably referring to Frederick North (1766–1827), fifth Earl of Guilford from 1817, who served as Governor of Ceylon 1798–1805. He may also have had in mind North's father, Frederick North (1732–92), styled Lord North 1752–90, second Earl of Guilford from 1790, Chancellor of the Exchequer 1767–82, leader of the administration as First Lord of the Treasury 1770–82, under whose administration the American colonies had been lost and the government of British India reformed; and elder brother, George Augustus North (1757–1802), MP, styled Lord North 1790–92, third Earl of Guilford from 1792, who had been offered the governor-generalship of India in 1792.

<sup>49</sup> Guy Carleton (1724–1808), knighted 1776, first Baron Dorchester from 1786, served as Lieutenant-Governor of Quebec 1766–8, Governor of Quebec (afterwards Lower Canada) 1768–78 and 1786–96, and Commander-in-Chief in North America 1782–3.

<sup>50</sup> The reference is probably to Charles Simeon (1759–1836), evangelical clergyman and vicar of Holy Trinity Church, Cambridge, 1782–1836, who was among the founders of the Church Missionary Society in 1797, and active in encouraging missionary work in India.

<sup>51</sup> Sultan Fateh Ali Tipu (1750–99), known as Tipu Sultan or the 'Tiger of Mysore', was *de facto* ruler of the kingdom of Mysore in southern India from 1782 until his death. He fought against the British and their allies in the Second, Third, and Fourth Anglo-Mysore Wars (1780–4, 1789–92, and 1798–9 respectively), dying at the decisive fall of Seringapatam in 1799.

<sup>52</sup> Muhammad Ali Khan Walahjah (c. 1717–95), Nawab of Arcot, was ruler of the Carnatic region, *de iure* from 1749, and *de facto* from 1752. His authority was maintained with British military and financial support, and he was forced in

associates of Thomas Payne.<sup>54</sup>

[017\_205] [27 August 1801]

It would have been for the advantage of the now independent Anglo-Americans to have continued in the state of unburthensome dependence in which they might have continued in relation to Great Britain: to have sent their children, such whose circumstances could have admitted of it, to that school of moral and intellectual virtue, and to have received from thence all their governors, with a large proportion of their Clergy, their Military and Naval Officers, their professional men and artists. Independent America might then have been in all respects equal, and in many respects superior, to what Canada is now: and might have escaped the exhibiting that unvaried scene of sordid selfishness, of political altercation, of discomfort, of ignorance, of drunkenness, which by the concurrent testimony of all travellers it presents at present.<sup>55</sup> Those intestine commotions which the temper and reputation of a Washington, added to the recent memory of a common cause and social struggle, kept suspended not without difficulty, but which may now be expected to break out at any time, would during the continuance of such dependence have been impossible.<sup>56</sup>

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return to cede trading privileges and territory to the East India Company, but he also wielded considerable influence over British policy in southern India.

<sup>53</sup> Mahadji Sindhia (1730–94), often anglicized as Scindiah, ruled the Maratha state of Gwalior from 1761 until his death, and was one of the principal commanders of the Maratha forces in the First Anglo-Maratha War, 1777–83. He was succeeded by his great-nephew, Daulat Rao Sindhia (1779–1827), a powerful political figure in central India at the time Bentham was writing, who subsequently fought the British in the Second Anglo-Maratha War of 1803–5.

<sup>54</sup> See p. 000& n. above. [To UC xvii. 169 & n., Appendix A]

<sup>55</sup> Most published reports of travellers in America in this period were, in fact, generally positive in tone. Bentham may, however, have been thinking of observations such as those of Isaac Weld that '[i]t is scarcely possible for a dozen Americans to sit together without quarelling about politics'; that '[p]arty spirit is for ever creating dissentions amongst them, and one man is continually endeavouring to obtrude his political creed upon another'; and that '[i]ntoxication is very prevalent [in Virginia], and it is scarcely possible to meet with a man who does not begin the day with taking one, two, or more drams as soon as he rises'; or of the duc de la Rochefoucauld-Liancourt that '[i]gnorance, and consequently prejudices, are frequently met with, even among the higher orders of society'; and that '[d]runkenness is the prevailing vice, and, with few exceptions, the source of all other evils'. See Isaac Weld junior, *Travels through the states of North America, and the provinces of Upper and Lower Canada, during the years 1795, 1796, and 1797*, London, 1799, pp. 58, 71, 118. See also François Alexandre Frédéric, duc de la Rochefoucauld-Liancourt, *Travels through the United States of North America, the country of the Iroquois, and Upper Canada, in the years 1795, 1796, and 1797; with an authentic account of Lower Canada*, 2 vols., London, 1799, i. 65, 68.

<sup>56</sup> George Washington (1732–99) led the Continental Army as Commander-in-Chief during the American War of Independence 1775–83, presided over the convention which drafted the Constitution of the United States in 1787, and served as first President of the United States 1789–97. He exploited his popularity and personal reputation to promote

It would have been for the advantage of America: but not so to Britain, in any other respect than the avoidance of that war, so baneful to both parties as well as to so large a part of Europe.<sup>57</sup>

[017\_206] [27 August 1801]

Had wisdom prevailed over passion, the object of contention would have been reversed. The language of America to Britain would have been that of the Britains to the Romans. ‘*Keep us and save us*’: the answer of Britain would have been that of the Romans to the Britons:—‘*It belongs not to us to keep you—save yourselves.*’<sup>58</sup>

It would be to Egypt an advantage beyond all price, to be under the government of Britain—that is under a government of universal and perpetual security, or even under the government of France, that is under a government exempt from cruelty, softened and adorned with every branch of intellectual cultivation—a government in which security and tranquillity would at any rate predominate, though disturbed perhaps by occasional fits of discord and insecurity—rather than under a government by which the very idea of security is banished—a government in which, for want of that very imperfect degree of security which would be sufficient to maintain population in countries so richly favoured by nature, the numbers of mankind seem condemned to a continual decline: a government rivetted to a religion of which incurable barbarity and ignorance seem to be inseparable features.<sup>59</sup>

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the continued survival of the union at a time when this was by no means certain, and to reconcile the often divergent interests of the thirteen states and other factions. In his so-called Farewell Address of 1796, he urged that ‘you should properly estimate the immense value of your national Union to your collective and individual happiness’; emphasised that ‘[t]he name of AMERICAN .^.^ must always exalt the just pride of Patriotism, more than any appellation derived from local discriminations’; and warned against putting, ‘in the place of the delegated will of the Nation, the will of a party’. See *The Writings of George Washington from the Original Manuscript Sources 1745–1799*, ed. J.C. Fitzpatrick, 39 vols., Washington, 1931–44, xxxv. 219–20, 224–5.

<sup>57</sup> The American War of Independence (1775–83) provided, at least in part, the inspiration and catalyst for several European revolutions and uprisings, including the Revolt of the Patriots (1782–5) and Batavian Revolution (1795–1801) in the Netherlands, the War in Defence of the Constitution (1792) and Kościuszko Uprising (1794) in Poland, the Irish Rebellion (1798), and above all the French Revolution (1789–99). The French Revolution in turn gave rise to a sustained period of warfare between France and Austria, Prussia, Great Britain, Spain, Russia, and other European states.

<sup>58</sup> According to Bede, *Historia ecclesiastica gentis anglorum*, i. xiii, the Britons appealed in 446 to Aetius (c. 396–454), Roman general, for help against the Saxons. Preoccupied with the Huns, Aetius was unable to render any assistance.

<sup>59</sup> Egypt, then a province of the Ottoman Empire, had been invaded by France in 1798. At the time Bentham was writing, the French had effectively been defeated by Ottoman, Mamluk, and British forces, and the region was on the brink of being returned, at least nominally, to Ottoman control. The country’s decline in population, infrastructure, and wealth

[017\_199]

As the encrease of population is naturally more rapid in newly settled and unappropriated land than in old and long-appropriated land—in hot countries than in cold, in climates in which vegetation is quick than in climates in which it is slow, the number of Briton[s] after transplantation in so many colonial climes will soon be much beyond what in the same compass of time it would have been had the no such transplantation taken place.<sup>60</sup>

[017\_269] [24 August 1801]

[V.] *Non-Agenda. II Narrow Measures.*<sup>61</sup>

*Giving birth or encrease to this or that particular branch of productive*

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since ancient times had been a frequent cause of comment. See, for instance, J. Franklin, for example, *The History of Ancient and Modern Egypt: comprehending A View of the Natural Phenomena; the Efforts of Genius and Art; and the Moral, Religious, Commercial, and Political Transactions of the Egyptians, from the earliest Dawn of Intelligence, to the latest Period of authentic Information*, 3 vols., Newcastle on Tyne and London, 1800–2, i. 106, where it is argued that Egypt's population had fallen from 17 million to barely 3 million, thanks in part to 'the swords of the Caliphs, Turks, and Mamlouks'.

<sup>60</sup> In the margin, Bentham has noted in pencil: 'Southern Africa, Tropical Africa, New Holland, America, West Indies.'

The following passage at UC xvii. 191 (29 October 1801), sub-headed 'Reflections', appears to have been intended as a summary of the *Non-Facienda* Forced Frugality, Encreasing Money, and Encreasing Land, at a time when Bentham assumed that these would be the first three articles on the list of Broad Measures: 'All these three are but so many attempts to burst the limits set to encrease of real wealth by the nature of things. Wealth is the child of labour. For encreasing the growing mass of wealth in the world there are but two ways: encreasing the quantum of labour, and encreasing the effect of it.

'If wealth could be encreased *to advantage* by encrease of *forced* frugality, the encrease might be in no small degree a copious, and not a difficult one.

'If wealth could be encreased to advantage by encrease of money, employ'd at the first stage in the encrease of real capital, the encrease might even in this case be a copious, and not a difficult one.

'If wealth could be encreased at all by encrease of money *not* employ'd at the first stage in the encrease of real capital, the encrease might in this case be neither a scanty nor a difficult one.

'If wealth could be increased to advantage by mere encrease of land, the quantity of labour remaining without encrease, the encrease of wealth might in this case be easy, and in a manner infinite in amount.'

<sup>61</sup> The first line of the section title reproduces the marginal heading on the text sheet, added by Bentham after erasing an earlier version. At the time of drafting this sequence on 24 August 1801 it appears that Bentham remained undecided over whether to divide the *Non-Facienda* or *Non-Agenda* into Broad Measures and Narrow Measures, and the first textual reference to the division first appears in material drafted on 30–31 October 1801 at UC xvii. 164–6, and copied

*industry under the notion of giving an encrease thereby to the aggregate of the national mass of wealth*

The aggregate mass of money employ'd in the shape of productive capital will, in all branches of industry taken together, be productive every[?] [year] of so much per Cent upon the amount of it, say 15 per Cent, or more or less, according to the average rate of profit upon stock in the country in question, which is in the inverse ratio of that portion of the mass of money in circulation which is employ'd within the year in the shape of productive capital to that portion of it which is employ'd as money is employ'd by a man who is said to spend his income.<sup>d</sup>

<sup>d</sup> Each being multiplied by the number of times it has been employ'd within the year in making the purchases of which ultimate prices are composed.

If in one of those branches the rate of profit is greater than in others, in the one 16, for example, in the others but 15, the greater the portion of capital employ'd in this most productive branch in preference to others less productive, the greater the annual addition to the aggregate mass of national wealth. But, so long as they do but know which of all the branches open to them is most [017\_270] [24 August 1801] productive, individuals that have unengaged pecuniary capital to employ are already as compleatly disposed to employ it in this most profitable branch as all the exertions that can be employ'd by government can make them be. Encouragement afforded by government to this or that particular branch is, therefore, either useless or mischievous: useless if it be more productive than any other, mischievous in the opposite case.

Inclination, power, knowledge: inclination to apply himself to the most profitable of all branches is what the individual never can be in want of: power depends generally upon money, which can not be given to one individual without being taken from others: knowledge as to what branch of industry would be most profitable to him is what, in general, each individual is apt to be possessed of in a greater degree than government: though if government, through the industry and sagacity of any of its agents, happens in this or that particular case to have more *knowledge* about the matter than the individuals who have the choice to make, there can be no harm in the diffusion of it at the expence of government, because by even the mere advance of an impalpable portion of money well applied, an infinity of useful knowledge may be diffused.

[017\_271] [24 August 1801]

It may happen in some instances that a branch of industry which, if pursued, would be more profitable than any other, requires a mass of capital of such magnitude, as individuals separately taken or in small numbers are not able to raise. But where this happens, it can only be in consequence of some positive regulation of government, which, in contemplation of the mischief apprehended from over-grown masses of capital, in certain cases limits, or seeks to limit the quantity of capital that shall be applied under one management to any branch of industry, by limiting the number of individuals who shall be allowed to contribute to it, or by not suffering a man to embark in trade any part of his property without embarking the whole.<sup>62</sup> In giving an encouragement in this shape, government does little or nothing more than remove obstacles of its own creating, and the good it does, if any, is done at no expence.

When, by the exertions of government, a mass of capital which otherwise would have gone into a branch of productive industry producing but 15 per Cent is directed into a branch producing 16 per Cent, the profit by those exertions is not the 16 per Cent, but the difference between that and the 15 per Cent, viz: the one per cent. It is for the 16 per cent, however, and not the one per Cent, that credit is commonly taken by those statesmen who go to market for glory with the merit of affording encouragement to trade: and if 10 [017\_272] [24 August 1801] per cent be the profit upon stock in the new branch, the whole 10 per cent is taken credit for as profit by the measure, though 5 per cent loss has been the real fruit of it.

It is for the encouragement or creation of particular branches of trade or productive industry

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<sup>62</sup> Under English Common Law, partners in a commercial concern were subject to unlimited liability for the debts it contracted, while forms of limited liability were possessed only by members of trade guilds for commonly held property, and by members of joint stock companies incorporated by Royal Charter or Act of Parliament. It was widely assumed that limited liability did not exist in other circumstances, with uncertainty as to whether contracts between an unincorporated company and its members, which purported to create such liability, were valid. The Anonymous Persons Act of 1782 (Statute of the Irish Parliament 21 & 22 Geo. III, c. 46) permitted the establishment of partnerships on the model of French '*sociétés en commandite*', a type of limited liability partnership, normally comprising one or more general or 'acting' partners who accepted full liability, and other 'anonymous' partners who had limited liability and no management authority. The Act (§ I) did not limit to the number of individuals entering 'into a joint trade or co-partnership', but did prescribe both lower and upper limits for the total amount of capital held as joint stock by any such company: 'such joint stock however not to be in any one of such companies or co-partnerships less in the whole than one thousand pounds, or more than fifty thousand pounds'. The *commandite* model had been formalized in 1673 by the *ordonnance du commerce*, or '*Code Savary*', promoted by Jean-Baptiste Colbert (1619–83), Comptroller-General of Finances 1665–83: see Jacques Savary, *Le Parfait Négociant ou instruction générale pour ce qui regarde le commerce de toute sorte de Marchandises, tant de France, que des pays étrangers*, Paris, 1675, Bk. I, Ch. XLI, pp. 407–32. For his part, Bentham had consistently advocated the adoption of the model in Britain: see *Writings on Political Economy: I (CW)*, pp. 147–8; *Writings on Political Economy: II (CW)*, pp. 155, 208–11.

that statesmen have founded and defended, and conquered or attempted to conquer, Colonies. It is for the sake of Colonies more than for anything else that Governments have been at the expence of a marine: and reciprocally for the sake of a Marine that they have established or defended Colonies. In Europe, those who are governed pay for the expence: in America, it is become a principle that those who are governed are to be paid for it. In Europe, the expence of government is borne by the governed: in America, by the governors—it is become a principle.<sup>63</sup> It is in Hindostan alone that men pay in wealth for that security which before they never knew: a better bargain on both sides was never made. Ambition, always blind, stumbles sometimes upon profit, sometimes upon loss. Man is always ready to govern, no matter what the terms.

[017\_273] [24 August 1801]

Divide productive industry into any number of branches, for instance, as with Adam Smith, four: husbandry, including mines and fishing, manufacture for home consumption, manufacture for foreign consumption, and carrying trade.<sup>64</sup> Every encouragement afforded to any one of the four branches operates to the amount in discouragement of all the others. If, however, the encouragement be given in the shape of capital, granted or lent, it will make an addition to the amount of it, say £100,000, to the aggregate of real capital, and thence, to the amount of a per centage upon that capital, to the annual aggregate of growing wealth. But the addition thus made to wealth will depend for its magnitude not on the choice made of the branch of industry, unless as to an extremely minute part of it, but on the addition made to the productive capital of the community, at the expence of its income. A mode that would bid as fair for disposing of the money to the best advantage would be to let a certain number of commercial men draw lots for the money, with liberty to apply it each in his own way. But what again would contribute in an equal degree to the same end, is, if the Nation has a debt, to employ the same sum in the buying in or paying off a portion of the debt: for in that case, the receivers of the money in lieu of Annuities would employ each of them his money in some branch of industry, under his management or that of somebody to whom he lends the money. The first course is attended with expence, [017\_274] [24 August 1801] the other, not. In the first way, the money, being levied by taxes, which, whether direct or indirect, bear principally upon income, is so much added to national capital at the expence of national income: in the other way, the money is so much taken from income on the same score, but by the redemption of so much capital it

<sup>63</sup> Resentment at the attempts of the British government to extract a fiscal contribution from the inhabitants of its American colonies was among the factors leading to the outbreak of the American War of Independence.

<sup>64</sup> Smith first divided the methods of employing capital into four (agriculture (including mines and fishing), manufacture for immediate use, wholesale trade, and retail trade), and then subdivided wholesale trade into home trade, foreign trade of consumption, and carrying trade. See *Wealth of Nations (Glasgow Edition)*, (Bk. II. Ch. V) i. 360, 368.

extinguishes or transferrs into the hands of government so much income: in the latter case the community is exonerated from a charge upon its income, and a charge to which it continues subject in the other case.

[017\_240] [22 August 1801]

§ [IV.]<sup>65</sup> *Finance an appendix and inseparable accompaniment to  
Political Economy*

Taxes, sacrifices made of wealth and opulence at the expence of enjoyment, to security in respect of defence, and security in respect of subsistence.

This end is pursued in a direct and primary way, by operating towards the *maximum* of positive encrease: in an indirect and secondary, but not less efficient way, by operating towards the *minimum* of decrease.

Taxes and other means of supply for the expences of government—Wars with their taxes and their devastations—are means by which—of necessity, in a certain degree, too often beyond the extent of the necessity—decrease in the amount of wealth and population, is produced. In this way, the field of *Political Economy* includes within it the field of FINANCE.

A tax, in as far as the thing taxed is abstained from, operates as a prohibition: as a discouragement to that branch of trade or production to which the thing belongs, and as an encouragement to rival branches, that is to more or less all other branches. Thence another head of connection between Finance and Political Economy in its narrower sense. The same illusion which has recommended the encouragement of particular branches of wealth as a means of encrease to the whole, has led to the exaggeration of the bad [017\_241] [24 August 1801] effect of taxes in this point of view.

Hence the care taken by governments to throw the weight of taxes upon *imports* and *home-productions* rather than upon exports: upon their own subjects, rather than upon foreigners.

Under the above heads, may be reduced without violence every thing that can be said on the subject of Political Economy including Finance.

[017\_282] [28 August 1801]

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<sup>65</sup> MS 'VIII.'

The operations of Finance are reducible to Receipt and Disbursement, or say Expenditure. Receipt may be: 1. without condition of return; 2. on condition of return i:e: on the footing of a loan.

Disbursement is accordingly: 1. Disbursement at large. 2. Disbursement in discharge of Loans. Expenditure in all cases supposes previous receipt, and in most cases necessitates future for the purpose of replacing it.

Receipt and Expenditure are either: 1. of money; 2. of particular articles for service.

All other sources or efficient causes are inconsiderable in their amount in comparison of taxation.

Every sum expended supposes, therefore, a correspondent amount already raised or to be raised by taxes.

Practical Rule, supposed to be a new one. To judge of the expediency of any branch of expenditure, compare the benefit of it with the burthen of a correspondent portion of the produce of the most burthensome tax.

[017\_283] [28 August 1801]

Taxes taken from present enjoyment diminish comfort in proportion as they are paid by each contributor out of that portion of his wealth which, had it not been for the tax, would all of it have been spent within the year in the way of maintenance.

Taxes diminish future wealth in proportion as they take from capital: viz: by being taken from that portion of a man's money the whole of which, had it not been for the tax, would have been spent on articles by the purchase of which real capital is increased: or even by being taken from that portion of his money which is expended in the way of maintenance, in so far as the money, had it not been taken from him by the taxes, would have been employ'd in the shape of pecuniary capital.

Taxes, therefore, take from growing wealth: 1. in as far as they are levied on capital, viz: of money destined for employment in the shape of capital, or on goods or labour of which real capital is composed. 2. in as far as they are levied on the income or expenditure in the way of income of men who lay up money to be employ'd as capital, or would have laid it up had it not been for the tax.

[017\_284] [28 August 1801]

Borrowing money to defray War expences (operations or preparations) takes from pecuniary capital—thence from real capital—thence from growing wealth—in the amount of the sum so raised:—minus the amount of mercantile profit upon such part of the expence as consists of purchased articles.

Repaying money formerly borrowed for war or other expences adds to pecuniary capital—thence to real capital—thence to growing wealth—to the amount of the money so employ'd in such repayment or discharge—deducting such part, if any, as is exported without return to foreign countries; which is the case with such part as is exported by the proprietor to be employ'd abroad by him or on his account, without being re-imported, that or the profit made by it.

By the mere discharge of a million's worth of debt, as much or more is therefore done towards the encrease of wealth as by a million given in the way of bounties for the encouragement of this or that particular branch of trade.

Those who in the one case receive the amount of the debts respectively due to them, give up the future interest, and the rest of the community is exonerated from the payment of it: those who in the other case receive the million on the score of *Bounty*, give up nothing in return for it.

[017\_181] [28 August 1801]

The encrease which wealth has received from measures pointed directly to that end is as nothing in comparison of what it has received from measures which, not being pointed at that end, had nothing else in view than the mere discharge of debt. The sum which the British government annually employs in this way is already risen above 5 millions,<sup>66</sup> and in a few years will have risen to double that amount. While the war lasts, the sums borrowed and thence taken from capital greatly exceed that amount: in the last year <sup>^^^</sup>,<sup>67</sup> yet still real capital and growing wealth encreases. How much more will it encrease on the return of peace, when the defalcation has ceased altogether, and unballanced addition has succeeded to it?

[017\_182] [29 August 1801]

<sup>66</sup> See the 'Finance Resolutions' adopted by the House of Commons on 29 June 1801, in *Parliamentary History* (1800–1) xxxv. 1560–7, at 1561: 'That the sum annually applicable to the reduction of the national debt, .^.^ may, for the year 1801, be estimated at 5,300,000*l*.

<sup>67</sup> See *ibid.* 1564: where 'Interest of Public Funded Debt, Charges of Management, and Sinking Fund, on the 5th Jan. [1801] [*Parliamentary History* '1800' is an error], after deducting interest payable by Ireland' is reported as '£20,144,586'.

Indirect taxation is limited by smuggling: indirect and direct by the patience of the people. The *ne plus ultra* is variable and unascertainable, depending upon the events and temper of the times. Not knowing how soon it may arrive, governments are anxious to pay off debt: because in proportion as debt is paid off, taxes by which the interest is paid may be taken off, and being taken off, may in case of fresh wars be laid on again. A tried tax will always be a surer dependance than an untried one.

The limits prescribed to indirect taxation by smuggling are set not by the nature of things, but by the imperfection of the laws. It is to this imperfection that men are indebted for the inequality and vexation attendant on direct taxes in comparison of indirect ones.

[017\_286] [29 August 1801]

Taxes are either on property, or on presumption of property.

In both cases, they are either on income or on capital.

Taxes on property in the shape of income are either direct, or on consumption, called of late years, from the French, indirect taxes.<sup>68</sup>

Taxes on capital diminish present capital, and thence future and growing wealth, by the whole of their amount: taxes on income by the amount of the savings that would have been made out of income and added to capital, instead of being spent on maintenance, had it not been for the tax.

The fault of direct taxes on presumption of property is inequality: that of direct taxes on property is vexation: indirect taxes have no fault beyond the mere privation, which must be undergone at any rate: the vexation, which in the case of direct taxes on property extends itself to every body, confines itself in the case of indirect taxes to the fabricators and vendors, who make themselves amends for it in the price.

[017\_185] [29 August 1801]

Foreign capital obtained on loans is doubly useful: at the time of contracting debt, by diminishing that consumption of capital, by which the mass of growing wealth is diminished: at the time of paying off debt, by diminishing that inordinate increase of capital, by which, as if it were by an unproductive income tax, the income of money'd men is reduced.<sup>e</sup>

<sup>68</sup> See p. 000 n. above. [To UC xvii. 287 & n., 'Method and Leading Features of an Institute of Political Economy']

° If, however, the quantity of capital employ'd by foreigners in the purchase of British Government Annuities has been such as to produce an influx of the materials of money, and thence of money, to such an amount as to overballance the increase in the same time in the mass of vendible commodities, and thereby to produce encrease of prices, depretiation of money, and indirect income tax, so much as operates in that character does thereby more harm than good. But without the addition to money by paper money, an addition of this sort would hardly have taken place.

Ever since the existence of Government Annuities, men have cried out against the Annuitants, especially such of them as are foreigners, as so many drones and bloodsuckers:<sup>69</sup> with as much reason might they cry out against the Baker they deal with as a bloodsucker, for taking money for his bread.

The quantity of foreign capital that, in an unascertainable but always a very considerable quantity, has always been sent by foreigners for the purchase of British Government Annuities has been a fruit and evidence of probity and good faith.

[017\_293] [8 September 1801]

### *Sinking Fund increases wealth*<sup>70</sup>

The establishment of an effective and undivertible Sinking Fund has been productive of effects in respect of encrease of wealth, such as (to judge from any indications I have met with) had not presented themselves to those by whom the plan was adopted, or by any of those by whom it had been proposed.

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<sup>69</sup> The sale of government annuities had been used to facilitate government borrowing debt since 1692 (4 Will. & Mar., c. 3), and its history was reviewed by Smith in *The Wealth of Nations* (Glasgow Edition), (Bk. V. Ch. III) ii. 915–17. Critics of government annuitants hand included Andrew Montgomerie (1723–69), tenth Earl of Eglinton, who asserted in 1753 that the first investors had been ‘such vermin as from nothing took advantage of the public folly’, and that the nation suffered a ‘particular loss .^.^ by the share of [the public debt] belonging to foreigners residing abroad’: see [Alexander Montgomerie,], *An Inquiry into the Original and Consequences of the Public Debt*, Edinburgh, 1753, pp. 6, 17. Bentham may also have had in mind William Playfair (1759–1823), engineer and political economist, who in 1787 had described ‘proprietors of stock’ as ‘not necessary to society; they are an unnatural part, if we may be permitted to use the expression’: see *An Essay on the National Debt, with copper plate charts, for comparing Annuities with Perpetual Loans*, London, 1787, p. 34. Playfair also argued that, ‘The price of a large portion of whatever industry can produce, must now be applied .^.^ for the support of a new order of men, who have an ideal property in the funds; men who, if not the most useful, are least the most wealthy part of mankind; men who are attired like unto the lily of the valley, without labour and without care’: see *ibid.*, p. 8.

Money borrowed for, and applied to war-expences is so much taken from productive capital and growing wealth: money employ'd in discharge of such debt, is so much given to productive capital and encreasing wealth.

If in a season of reimbursement, viz: peace, the space of time employ'd in the discharge of the debt were no longer than the space employ'd in the contracting of it, and the money employ'd in the reimbursement were no greater than the money borrowed, the quantity added to wealth would be equal to the quantity taken from it, bating only the loss of the interest at compound interest upon the several year's instalments during the expenditure of it: as if ten millions were borrowed every year for four years of war, and ten millions paid off every [017\_294] [8 September 1801] year for the four succeeding years, being years of peace, there would be forty millions taken from wealth, forty [millions]<sup>71</sup> added to wealth: but to put the nation into the same plight in respect of wealth as if there had been no money raised for the war, it would require the interest of the first year's ten millions for the four years, plus that of the second for the three years, plus that of the third for the [two]<sup>72</sup> year[s], [plus that of the fourth for one year,] supposing the whole debt to be paid off at once on the first day of the year of peace; and as by the supposition it would be paid off not so, but by instalments, as above, this would require a further addition on the score of the correspondent retardations.

On this supposition it is evident that the nation could never be put by reimbursement in a plight exactly as good as what it would have been had [there]<sup>73</sup> been no borrowing for unproductive purposes.

But, in point of fact, a circumstance attending the borrowing system is that the money paid and given to productive capital at the period of reimbursement is, upon the whole, considerably greater than the money borrowed and spent and taken from productive capital during the period of expenditure. When money is borrowed in three [017\_295] [8 September 1801] per cents at six per cent, that is when for every £100 borrowed of the individual, government gives him a nominal capital of £200 Stock, each £100 carrying an Annuity of 3 per Cent to discharge this annuity of £6 in the way of paying off (buying in under par being supposed out of the question), £200 must at the time of re-imbusement be put into his hands.

In the course of the present wars, greater interest than this has actually been given by the

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<sup>70</sup> The title reproduces the first marginal content of this sequence.

<sup>71</sup> MS 'years'. The correction has been made on the text sheet by Smith.

<sup>72</sup> MS 'one'.

<sup>73</sup> MS 'their'.

British Government.<sup>74</sup> If, then, the circumstance of time were laid out of the account, the consequence would be that so far as mere wealth were concerned, a nation with a fixed Sinking Fund might be—and in a word that Britain would be—a gainer by war to a very considerable degree: if, for example, in the first year of a war ten millions were borrowed on these terms, and on the first day of the second year, being a year of peace, the money borrowed were repaid at par, for which on the above terms 20 millions would be necessary, the gain to wealth would be 10 millions, *minus* a year's interest upon 10 millions.

[017\_296] [8 September 1801]

The above supposition is given only for illustration: for as every body knows, neither is money in the first year of a war borrowed on terms of such disadvantage, nor is it so soon repaid.

It may, however, serve to shew this much. viz: that the more disadvantageous the terms are on which money is borrowed, the greater is the restitution made to wealth.

This would not, in my view of the matter, be any recommendation of war, or borrowing for that or other purposes upon disadvantageous terms: because comfort, including security, is the immediate and only direct object in any estimate with me,<sup>75</sup> and wealth only in so far as it contributes to comfort, which without due provision made for security it can not do.

But, in a view of the matter which to me appears much more common than my own, this consideration should be a very important one: and should go a great way towards reconciling men to wars and bad bargains.

The answer to it is—that if it be wealth, future wealth, you want, and are willing to pay the price for it in [present]<sup>76</sup> comfort, you have no reason to [017\_297] [8 September 1801] seek for it through any such disadvantageous<sup>77</sup> medium as that of war: raise the money and instead of spending it on war, spend it in any other way, you will have still more wealth.

If this be just, it will enable us the more clearly to appretiate two opinions that have been advanced on the subject of national debts.

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<sup>74</sup> The highest rate of interest on the government loans negotiated by Pitt between 1793 and 1801 was that granted on the loan concluded in April 1797 and enacted by the National Debt Act (37 Geo. III, c. 57), in relation to which Pitt confirmed that 'the permanent interest' amounted to £6. 7s. 6d. per cent per annum: see the *General Evening Post*, 25–27 April 1797, p. 3.

<sup>75</sup> The following MS alt. appears in the margin: 'comfort is the thing I look to'.

<sup>76</sup> MS orig. 'future'. The correction has been made on the text sheet by Smith.

One is, that a national debt is, to the whole amount of it—or at any rate to a certain part of it—not a defalcation but an addition to the mass of wealth.<sup>78</sup>

The other is, that admitting the debt to be a defalcation from the mass of national wealth, yet the discharge of it would be not an addition to that mass, but a defalcation from it.<sup>79</sup>

Both these opinions have had their partizans: for in the whole field of national economy there is not that proposition, how clear so ever, the contrary of which has not had its partizans.

[017\_298] [8 September 1801]

As to the first opinion, one way in which it is maintained is by looking exclusively to one side of the account: by looking at the income coming in to the annuitants, and not looking at the income going out of the hands of those by whose contributions the money for the payment of these annuities is supplied.

Another way is by imagining the existence of a capital equal to the capital borrowed and received by government in exchange for the annuities granted—borrowed and spent as fast as it is borrowed, not to say faster still. This, being a new capital created, goes according to this account in addition to whatever may have been the amount of the old one.

This notion appears to have had for its ground and efficient cause the language used by the man of finance and the man of law in describing transactions of this nature. Can a thing have been created, and yet never had existence? Fiction is the parent<sup>80</sup> of confusion and error. False conceptions generate false language: false language fixes false conceptions, and render[s] them prolific and immortal. Such as opinions have been, such is language: such as language is, such will

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<sup>77</sup> MS alt. '[.^.^.?]'.

<sup>78</sup> Bentham is probably thinking of Robert Peel (1750–1830), calico printer and politician, MP for Tamworth 1790–1820, who had argued in an anonymous tract that, 'Every million which has been borrowed, at different periods, by the British government from the subjects of Great Britain, has, in my opinion, been productive of national improvement; and the present Domestic Debt, though very considerable, yields an *increase* proportioned to its magnitude': see *The National Debt productive of National Prosperity*, London, 1787, p. 15.

<sup>79</sup> Bentham may have had Peel in mind once more, and his argument that even if the domestic creditors of government were to release the public from the debt, 'the injury would not only be instantaneous, but lasting', and that as the national debt had been 'contracted, by taking the property of the nation from the hands of a few, and distributing it amongst the many, the payment can only be effected, by drawing it back again from the hands of the many, and placing it with a few: and this will unavoidably subject the nation to the same degree of poverty and wretchedness, which it experienced before the debt existed': see *ibid.*, pp. 48, 53.

<sup>80</sup> MS orig. 'permanent spring'.

opinions be.

[017\_299] [8 September 1801]

Would not the nation be the poorer, by the passing a sponge upon the national debt? would not there be so much property destroy'd?—Not an atom more than would be produced at the same instant. Less wealthy? no: not at least at the instant of the change. Less happy?—yes: wretched in the extreme. Soon after less wealthy, yes—to a frightful degree, by reason of the shock given to security in respect to property, and the confusions that would ensue. Twenty millions a year that used to be received by annuitants no longer received, twenty millions a year that used to be paid in taxes by all classes and all individuals together for the payment of those annuitants, no longer paid. National wealth would no more be diminished by the sponge than it is when a handkerchief is transferred from the pocket of a passenger to the pocket of a thief. Sum for sum, the enjoyment produced by gain, is not equal to the suffering produced by loss. In the difference traced through its consequences lies the mischief, and the sole mischief, of Bankruptcy as of theft.

Annuities paid by government are paid with a degree of regularity (not to speak of certainty) which would in vain be looked for to any extent in Annuities paid out of particular funds by individual hands. In the loss of this species and degree of convenience consists the whole loss that would be incurred by the compleat discharge of the National Debt. This convenience is certainly worth something in the scale of wealth: but it can scarcely be considered as any real tangible addition to the mass of these tangible things, of the mass of which the matter of wealth is composed. There is also inconvenience attending the payment of taxes (those taxes by the produce of which the matter of these Annuities is supplied), an inconvenience superadded to that which consists merely in the privation attendant on the parting with the money paid in taxes.

On this convenience attending the receipt of the Annuity is grounded another convenience in respect of the facility attending the purchase and the sale of it: attending the process of converting capital into income, and re-converting income into capital when capital happens again to be the thing wanted.

[017\_301] [8 September 1801]

As to the other opinion—the ground of it is—that if the money taken in taxes to be applied in discharge of the debt, had not been so taken, but had been left in the pockets of those to whom it belonged, it would have been spent by them, each in his own way, and by that expenditure an

addition would have been made to the mass of national wealth. But supposing it taken from them<sup>81</sup> to be applied in discharge of debt, whatever is so applied is given to them,<sup>82</sup> and received by them and employ'd by them—the whole of it in the shape of capital, whereas had it been left with the parties by whom it is paid in taxes, it would have been employ'd more or less of it as income is employ'd when it is said to be *spent*. What the proportion may amount to between the part employ'd as income and the part employ'd as capital, and thereby employ'd in making a growing addition to the mass of national wealth will be considered presently.<sup>83</sup> For the present, it is something, not to say sufficient, that in one case it is only a part that goes in augmentation [of] the mass of wealth, and in the other case the whole.<sup>84</sup>

[017\_302] [8 September 1801]

The support given to this opinion is given in two ways. One is by thinking nothing of what becomes of the money drawn in taxes and made over to the Annuitants in discharge *pro tanto* of the national debt, or considering it as annihilated or thrown away.

The other is by considering the labour paid for by the money, when spent by the proprietor instead of being taken from him in taxes, as being employ'd all of it in the shape of pecuniary capital, in making a correspondent addition to real capital, just as would have really been the case with the labour paid for by that money had it been made over to Annuitants in discharge of so much of the debt.

That a part of it would really have been so employ'd does not admitt of doubt: the error consists in considering what is true only of this part as if it were true of the whole. Let us observe the difference between this part and the whole.

Admitting an encrease of wealth—and that a gradual and regular one—the productive capital of the country, taken together with the growing mass of consumed and reproduced wealth continually produced by it, must be considered as encreasing at compound interest. The rate of interest can scarcely be taken as so high as 2 per Cent: for at two per Cent compound upon the capital, whatever it may amount to in any year, the quantity of it would be rather more than doubled in 35<sup>1/2</sup> years.<sup>f</sup> The most sanguine estimator will not, [017\_303] [9 September 1801] I imagine, regard the encrease of national wealth to have been, even for the last 35 years, encreasing at any

<sup>81</sup> i.e. the taxpayers.

<sup>82</sup> i.e. the creditors to whom the debt is repaid.

<sup>83</sup> See p. 000 below. [To UC xvii. 302, this file]

<sup>84</sup> In the margin, Bentham has noted in pencil at this point: '[.^.^.] a [.^.^.] of mercantile profit upon[?] the expenditure.'

near so rapid a rate. If the quantity and value of productive capital has gone on encreasing at this rate, the quantity of growing income must have gone on encreasing at the same rate: since it is only from the income of that or the preceding year that the addition made to the capital of any year can be made. If the quantity of growing income has gone on encreasing at this rate, the mass of population must have gone on encreasing at the same rate, save and except in so far as an encrease has taken place in the degree of relative opulence: i:e: so far as an average individual of the posterior period has been richer than an average individual at an anterior period: so far as wealth has gone on encreasing faster than population. That wealth has gone on encreasing faster than population is what I should expect to find to be the case: but that the encrease should be any thing like double as much, or half as much again, seems too much to believe. The half or thereabout<sup>85</sup> of the aggregate wealth will be that which is shared among individuals of the poorest class: and in the case of that class the wealth of an average individual appears within the period in question to have rather diminished than encreased.

<sup>f</sup> Smart's Annuities, Table 1. p. 54.<sup>86</sup>

[017\_304] [9 September 1801]

I take, therefore, two per Cent for the rate of accumulation, not as the true rate but for a rate which, though considerably too high, [is] near enough to the true rate to answer the purpose of illustration. Taking then 20 per Cent as the gross ratio of the real income produced by that real capital to the real capital by the employment of which it is produced, this two per cent would constitute one tenth part of the gross income: and the part added out of income to capital every year is one tenth part of the whole mass, of which the other nine parts are partly consumed for maintenance, partly employ'd in keeping up the real capital *in statu quo*,<sup>87</sup> that is in a condition to give birth to the same quantity of real income in each subsequent, as in each preceding year.

The whole income then of an average individual may for this purpose be considered as divided into ten parts: of which nine parts go for present maintenance, added to the expence of providing for reproduction without decrease or encrease, and the other tenth to positive encrease.

[017\_305] [9 September 1801]

This being the case with the whole income of the average individual, the same division in idea

<sup>85</sup> MS orig. 'The greater portion'.

<sup>86</sup> i.e. John Smart, *Tables of Interest, Discount, Annuities, &c.*, London, 1726, p. 54.

<sup>87</sup> i.e. 'in the state which [it was]'.

may be made of any part of that income; and, for instance, of that part which he is made to pay in taxes: if he had had none of it to pay in taxes, one tenth is the part which would have been employ'd by him in making a neat addition to the capital, and thence to the growing wealth of the country, as above.

On this supposition, the addition made to wealth by a million taken from national income by taxes, and employ'd in the discharge of the National Debt is to the addition that would be made to it by the same million if left in the pockets of those to whom it comes in the shape of income, and left to be employ'd by them, by each in his own way, as ten to one. I say for illustration as ten to one: but twenty to one is the proportion I should expect to find come nearest to the truth.