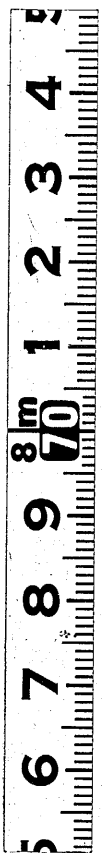


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CONSIDERATIONS

ON THE

SINKING FUND.

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Prefatory Remarks.

THE following observations were reduced to writing so long ago as the year 1798. The tide of public opinion, at that time, ran so strongly in favour of the SINKING FUND, as to leave no hope that any argument which could be raised against so favourite a measure, would meet with any attention, and especially when urged by an obscure individual, with a wholly unpractised and unskilful pen.

The pressure of the present times appears to have given a turn to that tide, and has induced and encouraged the Writer to lay before the Public the sentiments which he has so long invariably entertained upon a subject which is of vital importance to the country at this moment. The extraordinary events of the last twenty-one years have only served to strengthen and confirm those sentiments; and under these impressions, he should have thought himself wanting in filial duty to that parent country to which he owes every thing, and which has a just

claim to the best energies of all her sons, if he did not in the hour of her difficulty humbly, but confidently, submit his opinion upon the best mode of administering to her relief. Too well aware of his many imperfections, he trusts that the importance and the complexity of the matter which he has ventured to treat, will ensure to him the candour and the indulgence of his Reader.

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Considerations

ON THE

SINKING FUND,

&c.

IN contemplating the state of our finances, and in devising modes for relieving the public from the burden occasioned by the national debt, no circumstance has been a more common source of error, than the habit of considering the public debt of the nation as of the same nature as the private debts of an individual.

By supposing it to be governed by similar rules, and exposed to similar difficulties, speculators have been led to propose the removal of those difficulties by measures similar to those which an individual might prudently employ to relieve himself from pecuniary embarrassments.

The broad difference between the public debts of the nation and the private debts of an individual, that the reimbursement of the latter is for the most part demandable, and not unfrequently at the

instantaneous will of the creditor, while that of the former (except in one recent instance) is subject to the will of the debtor alone, has too often escaped observation.

It may certainly be an act of prudence in a private debtor, who is exposed to the arbitrary demand of his creditor, to relieve himself as quickly as possible from so inconvenient a situation.

The demand may be made when it would be extremely embarrassing and oppressive. He owes it therefore to his credit and to his tranquillity to get rid of this state of humiliation and subjection, so soon as he can do it without injury or loss.

But even the private debtor, though exposed to the inconvenience which may result from unexpected demand, will, before he hastens voluntarily to pay a sum borrowed, have to examine whether the profit which he is enabled to make by a detention of the money may not far outbalance both the interest which he pays, and the risk of loss which he may incur by the obligation of sudden repayment.

In this point of view the situation of the public and of the private debtor may be considered as nearly similar; and if it could be clearly shown that a profit of ten per cent. would be made, by the individuals composing the public, of the money which must be drawn out of their hands to discharge a debt which bears an interest of only five, six, or seven, no man would recommend as salutary a measure so adverse to public prosperity.

Unfortunately, though the difference between the profit to be made and the interest to be paid, may not be less certain in the one case than in the other; yet it is not easy to show, in a manner sufficiently palpable for the conviction of the generality of mankind, what will be the exact profit made of the money left in the hands of the public, supposing it not to be drawn out for the purpose of discharging the national debt. It is easy to apply calculation to a case stated of a particular private debtor, whose art, trade, or occupation is known, and whose profits can be ascertained, so as directly to make the comparison between the interest which he pays for money, and the return made from the peculiar nature of his commerce or handicraft.

But even the imagination cannot apply any estimate of probable accuracy to the profits which might or might not be made of the money now raised by taxes, if it were suffered to remain with the public, by the gradual abolition or sudden extinction of all the taxes imposed for the payment of the interest and the discharge of the capital of the national debt.

It is sufficient for our purpose to say, what will probably be readily assented to, that it would be applied to all the various objects to which the industry or the enterprise, the prudence or the folly of man can, in this industrious and enterprising, this prudent and extravagant country, apply money; and that it would be producing, in all the various

ways in which profit can be produced, a greater return than the common interest of money, varying according to the varying nature of its application; but upon the whole, finally increasing the capital of the country in a proportion exceeding the common rate of interest as much as the risk which is encountered, or the ingenuity or labour which is employed in its application, exceeds the risk, the ingenuity, or the labour of the money-lender. This increased risk, this superadded labour, these applied talents, must be paid for; and that profit is the superlucration which goes to increase the increasing capital of a flourishing country. Many false speculations will be made, many losses will doubtless be incurred; but the dangers of the one, and the actual deficiencies of the other, must be made up by the greater profits of successful adventures.

It will be said, I know, by some, *But a great proportion of this money, if not paid in the form of taxes, would have been spent in luxury and extravagance, and would not have been employed in increasing the capital of the nation.*

Doubtless the employment of the money now paid in the form of taxes would be very different, according to the situation and disposition of the persons to whom they should happen in the first instance to be remitted. As a large proportion of the taxes is paid by those who live upon income, derived either from land or from the interest of money, or from annual salary, and who have neither the habits nor the opportunity of improving their

capital by trade, it might very well happen that what was remitted to these classes would in many instances be applied to the acquisition of some additional luxury or elegance, in many to the purchase of such of the necessaries, or at least of the reasonable comforts of life, of which an increasing taxation had deprived them.

In others the amount of the remitted taxes would enable the persons relieved to make proportionable accumulations of capital, which, being either laid out in the purchase of stock, would, while they contribute to raise the price of the public funds, disengage other capitals, to be employed in the gainful pursuits of manufacture or trade, or, by being lent immediately at decreasing rates of interest to the industrious, would contribute to assist and promote all the arts of reproduction. But all that part of our taxes which is paid by these classes, which by their industry are continually adding (even under the pressure of the present circumstances) to the capital of the country, would in the first instance furnish them with the immediate means of adding to that increasing capital.

And even that money which we may suppose to have been employed in the worst manner, in purchasing the useless luxuries of life, does in fact put in motion the useful activity of the industrious; and by enabling them to advance the arts of superlucration, tend still to increase the growing capital of the country.

Though it gives to the purchaser a superfluity which he does not want—though it is to him the pander of riot and debauch; yet it is the occasion of industry and of prudent accumulation in others; it is the cause of improving wealth and augmenting population to the country.

Better and worse modes of employing money may certainly be devised, and it were to be desired that no man should make an improper use of his wealth; but he can bestow it in no manner, unless he locks it up in his chest, which will not ultimately, in a mere financial point of view, be advantageous to the country in which it is employed. By whatever means it comes into circulation, whether as the price of luxuries, useless and even pernicious to the acquirer; whether it be exchanged for indispensable necessaries, or immediately employed by the industry of the manufacturer or the speculation of the merchant, it must finally tend to increase the productive powers, and with them the capital of the country.

By adding to the quantity of circulating wealth, it tends proportionably to lower the *rate of interest*, and thereby enables the British manufacturer to extend his operations, and, by reducing his prices, to meet the foreigner even in his own market. It increases the exports of British, and diminishes the imports of foreign manufacture, augmenting in both cases the resources of the country; while, by furnishing to the British consumer the means of ac-

quiring the commodities at a lower price, it spreads ease and affluence through the whole community*.

* It may be no very unamusing nor unprofitable speculation, to consider and trace the progress of a given sum of money, in the two cases of extravagant and lavish expenditure, or of useful productive employment in the first instance.

Let us suppose, then, that by a remission of taxes, or an excess of income beyond what is necessary for ordinary expenditure, two individuals are each in possession of 5000*l.* per annum, after satisfying all their reasonable wants. Let us suppose that the first of those individuals shall squander this surplus on an increased number of animals and of domestics; that he lavishes it in multiplying the indulgences and vanities of his table or of his couch; that his superfluity is scattered on the turf or at the gaming-table; that it is wasted in a ridiculous prodigality of dress or equipage, or misapplied in a vain and fantastical pretension to a taste for the fine arts. Let us suppose on the other hand, that an equal sum is in the first instance employed by a more prudent individual in all the gainful arts of trade, of manufacture, and of commerce, producing immediately a great return to the individual and to the public. Still the difference is more trifling than at first sight might be imagined. In a moral view the difference is great indeed! But in a financial view, it is not possible for a man so to squander his money as not to produce advantage to the public. If he be inclined to make a bad use of it, perhaps, the faster he gets rid of it the better; the sooner it will fall into the hands of those who will know how to employ it properly.

If money be easily acquired by those whose business is gain, its price will fall in proportion to the facility with which it is acquired; and increasing circulation and wealth, by whatever means produced, or from whatever cause derived, cannot fail of lowering the price of interest, and vivifying all the branches of reproductive industry.

But let us for a moment examine the passage of this money through all the different channels of extravagance.

A man cannot purchase and maintain a great number of useless horses, without essentially promoting the labours of the farmer and

Such would be the effect of the remission of the whole, such the proportionate effect of the remission of any part of the existing taxes; not only the sum remitted would produce its interest, and that a greater than simple interest, namely, that arising from the profits of trade and manufactures, but its effect would be felt on the whole capital of the nation, by a reduction of interest in proportion to the amount of the sum thrown into circulation. But in like manner as the remission of taxes would tend

breeder, nor without putting in action a greater quantity of labour, without being the cause of a greater quantity of produce being raised; and ultimately increasing the wealth and population of the country.

In like manner he who maintains a great number of domestics, maintains those who must be fed and clothed, and to feed and clothe whom a great number of persons must be employed; and those who employ them will either accumulate capitals from the profits, or extend farther their gainful operations in culture and manufacture.

In either case the immediate tendency is by bringing a larger quantity of money into circulation and use, to diminish the rate of interest, and to increase the produce of the country.

So is it of all the other extravagant means of wasting money. Though squandered in the first instance, it soon finds its way into the hands of those who employ it usefully and gainfully, and the difference is only a difference in point of time and of first employment, and that difference is scarcely perceptible. The money which is not in the first instance employed in reproduction, is employed in exciting and paying for those reproductions. That which is not yet a capital in the hands of the cultivator or manufacturer, is that which pays the interest in shape of profit for the capital employed by them, and becomes in the next instance a part of his accumulating capital.

to lower the rate of interest on the whole capital of the nation; so the avoiding the unnecessary imposition of new taxes would prevent the increase of the rate of interest, in proportion to the quantity.

The reverse of this effect is that which I conceive has been produced by the plan which has been adopted for the redemption of the national debt.

By appropriating thereto the produce of taxes not wanted, for the discharge of the interest of debt, a larger sum than is necessary is taken from the circulation of the country; the *immediate effect* of which must necessarily be to increase in that proportion the rate of interest, while the relief which is to be expected from this operation is *remote* and distant; since, notwithstanding the purchases hitherto made, the burden of the taxes, the exaction from the circulation, is to be continued till a certain arbitrary proportion of the debt shall have been liberated. It is, I know, very generally supposed, and by those the most conversant in the practical part of these operations, that this operation of purchasing stock, increases its price and proportionably lowers the rate of interest.

Whatever may be the apparent effect of this operation in the stock market, at the moment of actual purchase, when, no doubt, the considerable sums which are vested must produce an effect upon the price; yet a little reflection will, I think, convince a candid mind that the withdrawing four millions of money from the public market, or from

the general circulation of the country in the form of taxes, must at all times fully counteract at least the effect of pouring those very four millions back again into that very market. It should do that in fact, and something more in proportion to the time which is lost in the passage of this money out of the pockets of the subject, through the hands of collectors and receivers into the Exchequer, and thence to the commissioners, till it gets back again into the pockets of the subject. During the whole of this time, in which no profit is made of it, it is lost to the community, and the price of what remains in circulation is comparatively enhanced. The effect which it must have, either in reducing or in preventing the increase of the price of stocks by its subduction from circulation, is produced gradually, and therefore imperceptibly, antecedent to the purchase: the effect of rise, which is produced by the purchase, is sudden, and at the moment of purchase; and therefore, though less considerable upon the whole on striking the balance, yet it is palpable, and is therefore the only effect obvious to common observation: to this operation has therefore been attributed a great part of that progressive rise in the stocks which was the effect of the improving state of the country, because that rise was seen to take place, as was natural it should, by leaps and bounds, at the moments in which the purchases were made on account of the public.

Let me not, however, be supposed to mean that no increase whatever in the price of stock has been

the result of these purchases, made by money thus withdrawn from the public: so far as the establishment of, and perseverance in this plan has tended to create an opinion of the public ability and resources, so far it may, I believe, have had some effect upon the price*: but a similar effect would, in my judgment, have been produced, and in a better mode, by taking off taxes to the amount of any existing surplus, which would have equally shown the existing resources and ability of the country.

The great fallacy in examining this important question, seems to arise from the habit which is so general in considering the subject, of separating the public funds from the other objects on which money can be employed.

It is said, *You raise the stocks by bringing so much money into the market*; that is, I suppose, the stock market; but in fact the market in which stocks, land, and every other commodity are sold, is but one, and the capital which is employed therein, is but one, that of the public.

Out of that market has the Legislature taken that portion of the public capital which it has determined to employ in the purchase of stock: into that general market does it again return when it

* There is one price of stocks which depends upon the amount of the real wealth of the nation, its land, its produce, its industry; that is, their *solid* value. The other price of stocks depends on *opinion*; that is, on the idea which is entertained of the permanency of these resources, of the probability of their increase, or the danger of their diminution. This is their *imaginary* value.

has been so employed; and the loss of the public at first view in this operation, is the *time* for which it has been withdrawn and unprofitably employed. Let us examine this with a little more detail.

Such parts of every man's wealth as are not necessary for his personal expenditure, whether it consist of permanent capital, or surplus of income convertible into capital, may be employed either in the purchase of stocks, in the purchase of land, or in loan by way of mortgage on land, either directly in manufactures, trade, or agriculture, or in loan to others for those purposes; and the greater the sum is which arises from the capital and the surplus income of all the individuals composing the public, available to any or all of these purposes, the higher generally will be the price of land or stocks, the greater will be (other circumstances being the same) the produce of manufactures, trade, and agriculture, and the lower will be the interest of money. If a considerable portion of this capital, or of the surplus convertible into capital, should, by the operations of war or any other cause, be diverted altogether from all these objects, the price of land and of stocks will fall, the produce of manufactures, trade, and agriculture will be checked: but if, by any forced speculation, that considerable portion should be diverted generally from all these objects, to be vested exclusively in any one of them; for instance, in the stocks; the effect in the first subduction must be to diminish the value of both land and stocks, and to check the produce of manufactures, trade, and agriculture; and though it may momentarily

appear to raise the price of stocks, at the time of purchase, yet must even that effect be counteracted by the tendency which money in circulation has, like water, to find its own level, and to fill up the voids occasioned by the drawing it off from those objects for which its use is wanted. The money obtained by individuals from the sale of stock to the public, will go to replace that proportion which has been withdrawn from the purchase or mortgage of land, or from the promotion of industry, till all things are restored to their natural level, excepting so far as that natural level shall have been lowered by the time which has been lost in the operation, namely, that time during which the money thus withdrawn has been unproductive. The same thing would and must happen, if, instead of employing this money in the purchase of stock, the Legislature should determine to direct its application to the purchase of land, or to the promotion of any species of industry. The money so directed must set free equal sums of money at present vested in those objects, and these would go to replace the voids made by the legislative subduction of it from its natural place, till the level was again restored, and till stocks, land, and industry, had again recovered their due proportion of that circulating capital which gives value and activity to the whole.

The market is only *one*: the wealth which gives value, activity, or existence to the objects which are to be found in that market, is *one* mass; and no part of that mass can be forcibly diverted to any

particular object in that market, without producing a sensible effect upon the whole.

The part which is withdrawn must for the time lower the general level; when restored, it will raise it: but the time spent in the withdrawing and restoring must be paid for, and that is a loss to the community.

The man who has this day received 97 pounds for his stock, which he bought at 54, has 97 pounds to lay out in land, or in the promotion of any branch of industry; and each of these objects, unless attended by other peculiar circumstances of disadvantage, must feel the effect of this increase of price. If that 97 pounds be laid out in the purchase of land, it gives the seller the disposal of an equal sum for the purposes of industry or of other expenditure; the general circulation feels the impulse; and whether the operation be of increase or diminution, it pervades the whole circle.

If the four millions now taken by Government for the purposes of reimbursement were left in the hands of the public, they would still give value to stocks and to land, even while they would, in the most beneficial manner, supply the calls of labour, ingenuity, and speculation.

If it be contended, that the purchase of stock, as now carried on, has a more immediate tendency exclusively to raise its price, it must at the same time be allowed that it, by so doing, creates an enormous, increasing obstacle to its own progressive operation. While the continuation of unnecessary

old taxes, or the imposition of unnecessary new taxes, actually increases the price of all commodities, in a degree which is incalculable, the amount of the relief which is sought is obvious, comparatively small, and certainly remote.

It is said, I know, by others, in defence of this system, that *the money paid in taxes, of which a part is employed in the purchase of stock, a part in the payment of the interest of our debt, and the remainder in defraying our civil and military establishments, returns again immediately into circulation, and that its absence is not felt during the short time which it employs to pass from the pocket of the subject into the Exchequer, and from thence back again into the pocket of the subject.*

If that be really so, then is the whole question at once at an end; for, if this temporary subduction of money from the circulation be in itself no evil, and if the means by which it is raised be no evil, nor the cause of evil, then, as the capital of the debt itself is not demandable, and the payment of interest is supposed to be attended with no inconvenience, there can be no reason for this application of money, to discharge a capital which we are not bound to pay, in order to get rid of the payment of interest, which is no burden.

A moment's reflection will, however, show us that money must be subject to the common law by which every other commodity is bound, and *that the greater the demand there is for it, the higher will be its price.* The more numerous the calls are upon

it, in proportion to its quantity, the more will its value be enhanced, and the higher will the interest, which is its price, be raised on the loan.

During the time that any given sum is withdrawn from circulation, that which remains in it will be advanced in value and price, in proportion to the time and to the quantity withdrawn: but mark the extensiveness of the operation: one million withdrawn for three months increases the price of the whole circulating capital of the nation. If sixteen millions were sufficient to defray all the annual expenses of the nation, and it is thought expedient to raise twenty on the subject, it is evident that the price of interest on the whole capital of the nation must rise in proportion to the greater sum annually taken out of circulation.

But this is far from all; this is by far the least prejudicial part of its operation: the money is and must be principally raised from articles of consumption. A tax laid on any one of these, in any stage of its manufacture or production, increases its price much beyond the amount of the simple tax laid thereon: even if the tax could be laid on in the last instance, when the commodity having received its finish for use, is about to pass from the dealer to the consumer; still the dealer must be paid a profit upon the tax which he has paid in advance, as well as upon any other part of his capital employed in the manufacture, production, or purchase of the article. The consumer, therefore, pays two per cent. for one that is received by the tax-gatherer. This is too

apt to be the case where the tax is laid on in the last instance; but if, unfortunately, the nature of the commodity be such that it becomes necessary to lay the tax in the earlier stages of the manufacture or on the raw material, the goods themselves come loaded to the consumer with a tenfold increase on the tax. Nor is this all; but as every individual consuming the article, and who himself carries on any other branch of trade, must, in his calculations of profit and loss, also reckon the price which he has paid for the articles which he necessarily consumes, and many of which are so taxed, he too must be repaid in his profits the price of all these taxes, and a profit on the money expended upon them, till by action and reaction the prices of all, even the untaxed commodities of life, are enhanced to the consumer beyond the powers of calculation.

Hence the enormous and increasing prices paid by Government for every thing furnished to the army and navy; hence the necessity of increasing the salaries of all the civil and the pay of all the military servants of the Crown; hence the enormously increasing expense of every individual in the community far outweighing that remote relief which we are taught to look for at a distant period; hence the present general distress of all; hence the circle of every man's comfort and convenience is narrowed and contracted, the spring of increase is depressed and kept down, and the sources of reproduction are obstructed.

Some there are, and those not inconsiderable in number, nor wanting in ingenuity, who, observing that the increase of the riches of the nation has appeared to keep pace with the accumulation of debt, have been led to frame an hypothesis, that the debt itself was the cause of the increasing wealth of the nation, nay even that the debt was itself that increased wealth.

If this were really so, it would at once be an unanswerable argument against any attempt to discharge that debt; for, with the debt the wealth itself, or the cause of the wealth, must be annihilated: but even these persons are for paying off the debt.

A moment's reflection might have convinced the favourers of this hypothesis, that the funds lent to Government must have existed in the persons lending them or supplying them, previous to their being so supplied; and although these funds are brought forward in a more ostensible shape, when they become a part of the debt of the nation to the individuals who originally furnished the money, or to those who by purchase have taken their places as creditors of the nation; yet that the funds which compose the capital of any loan, must have actually existed in the country before they were lent to Government, and that no new capital is added to the national wealth by the creation of a national debt: in short, that burning powder, expending ball, consuming hemp, iron, and timber, are not the means of enriching the nation, though the effects which may be produced by a successful employment of

these instruments of war may have augmented the national resources—may have opened new and extensive fields of exertion to the ingenuity and enterprise of the nation—may have obtained foreign dominions of infinitely greater value than all the expense which has been incurred in their acquisition.

These are the fortunate circumstances which have led to this strange hypothesis, devised by ingenious but refining men, to solve the difficulty which seems to have puzzled so many, of a nation growing rich under accumulating burdens—of a nation baffling the predictions of its wisest statesmen, by its energy and valour in war, by its activity and enterprise in peace.

Singular it is, that so many of those who have acquired a reputation for political sagacity, should, in calculating the resources of the nation, have always reasoned upon a fixed and limited quantum of wealth and power; that they never should have taken into their consideration the possibility of any increase of those resources—the possibility of the increase of those dominions—the possibility of the addition of new relations of foreign trade—the possibility of an immense increase of domestic manufacture, of domestic agriculture, and of domestic population.

But the debt is still a debt incurred by the nation, though, by incurring that debt, more than its value may upon the whole have been acquired. It is still a mortgage upon the national property and upon the national industry, though the greater part

of the loan may have been furnished, and may still be held, by the inhabitants of this empire. The four hundred millions composing the national debt are indeed the wealth of the individual creditors of the nation: but that wealth would have existed in those individuals, if the nation had never borrowed one farthing of the money, excepting so far as the lenders may have made gainful bargains with the public*; and the nation would have been the richer by the absence of the whole debt, excepting so far as the expenditure of that money has enabled the nation to carry on successful wars, and thereby to extend the bounds of its commerce and the limits of its empire.

Were all this otherwise, the road to national

* A reflection occurs here, which may at first sight appear a paradox: it is this—of the sum composing the national debt, that part which has been given for nothing, that which has been the unlawful gain of contractors or faithless agents of any description, supposing them to be residents in Britain, is that which has least impoverished the nation, if we are to suppose the whole to have been imprudently expended, and without a suitable equivalent, arising either from conquests made, or from the defence or preservation of what we actually possess; for that which is really expended in the consumption of all the implements of war is, to a certain degree, expended in the absolute and unprofitable destruction of so much of real value, of so much of the national labour, of so much of foreign merchandise brought in by the exportation of national wealth: whereas, the gain which has been unjustly and fraudulently acquired by faithless agents or contractors, for which no value has been furnished, is only a transfer of national wealth into the pockets of so many unworthy individuals, without any such destruction of valuable commodities, labour, or wealth.

wealth would be easy, and the most extravagant minister be in fact the most economical; loss would be gain, and profusion riches.

But, say others (and they, too, men of ability and considerable experience in mercantile and pecuniary transactions), "*the proof that the national debt is a capital created by the debt itself, and which would not have existed without it, will be found in this—annihilate the debt, and you at once annihilate the capital which it represents: it is gone; and the wealth of those who were proprietors of stock is diminished in proportion to the share which they had in it; the wealth of the nation is diminished by the sum annihilated.*" The answer is short: If you annihilate the capital of the debt, you at the same time annihilate the interest of that debt, which is now raised by taxes imposed on the community at large.

The liberated income of the community, taken generally, would be therefore improved to the very same amount as the incomes of the proprietors of stock, taken collectively, would be diminished: the relief given to the debtor would be exactly equivalent to the injury done to the creditor in pecuniary amount.

If, to supply the extravagance of the necessities of B. I have lent 20,000*l.* on his estate, for which he is to pay me 1000*l.* per annum; and by any flaw in the proceedings he could set aside the mortgage without repaying me the capital lent, he would, in fact annihilate my capital, so far as I am concerned: but his estate becomes liberated to an

equal amount, and his capital is improved (unjustly indeed) by a sum equal to the debt which he had incurred.

Just so would it be under similar circumstances between the public and its creditors.

The capital, indeed, is not demandable from the public, according to the terms on which the greater part of the capital has been borrowed* : but a discharge from the obligation of paying the interest due on the capital, is equivalent to an acquisition of so much capital as that interest represents.

But as, by annihilating the debt, you do not annihilate the capital which it represents; so, by paying the debt, you do not enrich the nation. The community at large being at the same time debtor and creditor to itself, the payment must be made from the members of the community generally, to those particular members of that community who are holders of the stock.

It is evident, there can be no increase of wealth to the nation by such a transaction; but there may be great inconvenience and distress occasioned by the mode of carrying this operation into effect.

If a considerable part of the debt is due to foreigners, two questions may arise upon that part of it which is repaid to them: the first question is, *Whether more is not paid to them than was originally received?* and the second, *Whether more profit could not actually be made of the money by letting it remain*

* Excepting in the case of the Loyalty loan.

with the public? and the difference which may arise upon these two points will be the positive loss or benefit.

There is still a third, and that a more important question, which is more peculiarly the subject of the present essay, and that is, *Whether we do not risk the loss of all our advantages, the stoppage of all our resources, by attempting to pay more at once than we have the means of discharging.*

The almost miraculous effects attributed to the powers of *compound interest*, have been *another great and fertile source of error* in the consideration of this subject.

No doubt whatever can be entertained of the accuracy of the principle of those calculations which tend to show the progressive effects of certain sums of money laid out annually or half-yearly at compound interest; the effect of which is to augment every year, or every half-year, the capital sum by the interest of the sums discharged or bought up within the period.

“That one penny, put out at our Saviour’s birth to five per cent. compound interest, would in the year 1781 have increased to a greater sum than would be contained in a mass of solid gold, two hundred millions times greater than our earth,” given, as it is, on the authority of an able calculator*, who no doubt took the pains of making the computation, though presented in a shape to excite a certain degree of sur-

* Price on Public Credit, vol. i. p. 228.

prise, is almost as well entitled to our ready assent as the acknowledged result of two and two.

It is natural that an arithmetician should think that he had done much when he has presented to us such an arithmetical result: the powers of addition are within his province; and if he is accurate in his use of numbers, and in the consequences which he deduces from them, we have nothing farther to require from him.

But it does appear a little extraordinary that so many acute and profound politicians, that statesmen of such transcendent abilities, should, in their ecstasies at the effect of compound interest in the discharge of debt, have forgotten that the very money which, applied to the discharge of debt, is capable of producing such marvellous effects by the powers of compound interest, is capable of producing at least equal effect, if suffered to remain in the hands of the public for the purposes of industry; that it is capable of producing infinitely greater effects when so employed, inasmuch as, in the discharge of debt, it only works at the rate of from three to seven per cent. according to the price of stocks; but if left with the public for the purpose of reproduction, it could and would have produced compound interest, at the rate of the usual gains of trade, working at from five to twenty per cent.: for that the money now employed in the discharge of debt would and must have been eventually employed in reproduction, if left in the hands of the public (whatever had been its first destination), has been already sufficiently shown.

But even this arithmetical effect of compound interest was, during the peace, more than effectually counteracted by the rise of stock: and it actually required, in the last year of the peace, a larger sum to purchase one hundred pounds of three per cent. consols, at the price of that day, than the average amount of the price of 100*l.* of three per cent. consols: in the first year adding thereto the amount of the compound interest thereon down to that period.

The first purchases in August 1786, were made at the price of seventy-six. The average of one year from that time was about 75*l.* for 100*l.* of three per cent. consols. One million would at that price purchase of three per cent. 1,333,333*l.* The price rose towards the beginning of the year 1792, to ninety-five: and there had been liberated of interest the sum of 245,736*l.*: which added to the appropriated million, would only have purchased 1,311,301*l.* of stock, being 22,032*l.* of capital in stock less than the original million would have purchased.

If the peace had continued, and the operation had been pursued under circumstances favourable to the revenue and to the general prosperity of the country, it is not improbable that a rise at a similar rate would have continued on all the funds, till the apprehension of a redemption, at par, of any one of them should begin to be felt; and if so, to that extent the effects of compound interest would have been entirely counteracted; recourse would then,

probably, have been had to better and other modes of relieving the public of its burdens, which the rise of any stock above par could not fail to suggest.

It is further said in support of this plan, that *one of its peculiar recommendations is, that its effects will be the greatest and most beneficial in time of war.*

It is undoubtedly true, and extremely obvious, that an hundred pounds laid out in the purchase of stock will buy a greater quantity of such stock in time of war than in time of peace, in proportion to the depreciation of the price of stock which happens to be the consequence of the war.

But here, again, we are led into a considerable error by looking only to one side of this question.

Had this plan of reimbursement not been pursued through the war, the sums now applied to the discharge of debt, might have been appropriated either to defray so much of the expenses of the year, or still more beneficially to have defrayed to their extent so much of the interest of loans made during the war, and have obviated to that extent the baneful effect which we have before traced to be the result of the imposition of all taxes.

Had these sums been applied in the first of these modes, certainly the least beneficial of the two, namely, to make good so much of the supply of the year, it is not, I think, difficult to show, that, upon an average, it would have been the occasion of a considerable saving to the public.

In the first place the loans of the year would have been diminished by so much—a circumstance

of some importance, inasmuch as the terms of the loans are always more disadvantageous to the public in proportion to their extent: and although this circumstance may be in great measure counteracted by the purchase of stock within the year, yet the result upon the whole will be found to be unfavourable.

But the most material circumstance is, that whenever the public borrows, it must always give a premium to the money-lender, to induce him to lend his money, over and above the interest which the current price of stock will at that time afford: the necessary consequence of which is, that a greater burden is incurred by borrowing any given sum of money than will be got rid of by laying out an equal sum in the purchase of stock.

The price paid for 100*l.* borrowed, is greater than the interest liberated by laying out that very 100*l.* in the purchase of stock, by the whole of the *bonus* or premium given; or, to speak with precision, by such part of the *bonus* as shall remain a premium to the money-lender at the end of the year, after making allowance for such fall as may have taken place in the price of stock in the course of the year, which the *bonus* is intended to cover and to counterbalance with profit: so that, if we suppose (as for the most part has been the case, from the beginning of the war) that the money, which has enabled us to continue the purchases of stock, has been derived from the loans of the several years of the war, the result of the two opera-

tions of borrowing and purchasing has been, that the burden of the public has been increased by the difference between the price given in borrowing and the interest liberated by purchasing, or by a capital sum equivalent to or represented by that difference: and this, besides such expenses as are attendant upon all loans, which are incurred at the Bank on the receipt of subscriptions, and which come not into the pocket of the money-lender.

The case would not be different, if it could be shown, that the whole of the money employed in the purchase of stock, had indeed been the produce of surplus revenue, and of the new taxes imposed for the purpose of raising the additional one per cent. appropriated to the discharge of new debt. From whatever source the sum is derived, its effect will be the same; and it is clear, that, if arising either in part or in the whole, from taxes instead of loan, it had been applied to the services of the year, instead of being employed in the purchase of stock, it would have saved to the public the amount of the *bonus* paid on the loan of a sum equal to itself, after allowing for such deductions as it may be necessary to make for the fall of the price of stock purchased in the course of the period in which the instalments of the loan are paid off.

To illustrate this by a recent example. In the agreement for the loan made on or about the 26th of April 1797, confirmed and established by the 37 Geo. III. c. 57, the three per cent. consolidated annuities were taken at the price of fifty; that is, in

other words, the lender, for every 50*l.* advanced, was entitled to 100*l.* of three per cent. consolidated annuities*.

The profit or *bonus* to induce the lender to advance his money, consisted,

1st, Of a long annuity amounting to 6*s.* 6*d.* per cent. reduced afterwards, on account of the diminution of the Imperial loan, to 6*s.* and reckoned at fourteen years' purchase.

2dly, Of the discount on paying up the several instalments in advance.

3dly, Of anticipation of interest commencing either at periods prior to any payments being made, or prior to the payments of certain proportions of the loan.

The whole of this *bonus*, so composed, was stated by the Chancellor of the Exchequer to amount to 6*l.* 17*s.* for every 100*l.*; and, deducting therefrom 6*d.* on account of the reduction of the long annuity (at fourteen years' purchase being equal to 7*s.*), it will be found to have been 6*l.* 10*s.* for 100*l.*

It is clear from this statement, that, unless the fall of the stocks should amount within the year to 6*l.* 10*s.* on the value given in stock for every 100*l.* in money, that is, 3*l.* 5*s.* on every 100*l.* of three per cent. consols; or, in other words, unless the three per cent. consols given at 50*l.* should, in the course of the year, fall to, and be on the average purchased at 46*l.* 15*s.* that the lender must be a gainer by his

* It is unnecessary to notice here the price at which the 4 per cent. were taken; as that does not vary the case, and the transaction was in fact grounded on the price of the 3 per cents.

bargain to the amount of a sum equal to the difference between 46*l.* 15*s.* and the price at which upon an average the three per cent. consols shall have been sold.

The public will, of course, lose in the proportion that the lender gains: and the sum received by the public on loan, if laid out in the purchase of stock, would purchase a sum greater or less than the stock created by the loan, in proportion to the difference between 46*l.* 15*s.* (the sum to which it ought to fall to make it an even bargain); and the price at which the stock shall on an average have been purchased.

I believe it may be estimated, that the average price of three per cent. consols, from the period of making the loan to this hour, has been about 48*l.* 10*s.* The difference between this sum and 46*l.* 15*s.* is 1*l.* 15*s.*; or 3*l.* 10*s.* upon every 100*l.* received, is the amount of the proportion of the sum by which the national debt will have been unnecessarily hitherto increased within this year, by the operation of borrowing in the market such part of the loan as might have been furnished by the commissioners for reducing the national debt.

A sum equal to 3*l.* 10*s.* for every 100*l.* would therefore, if this statement is correct, have been saved upon near four millions, if that sum, now appropriated to the purchase of stock, had been applied to the services of the year; being a sum equal to 140,000*l.*

To this may be added a sum of 800*l.* for every million, which is paid to the Bank for the trouble

of receiving subscriptions from the money-lenders, and which would probably be saved, if the loan were from the public to the public.

It is clear the money-lenders must, upon the whole, always have this advantage; for, if it were otherwise, no money would be lent to the necessities of the public. If, in any one year, the depreciation of stock should happen to be much greater than the calculations of the money-lender may have taught him to hope, he would expect that the minister should perhaps come to his aid, in that very year, by an increase of *bonus*, as has sometimes, and not uneconomically, been done; or he would take care, in the following year, to exact such terms as should effectually cover the loss or the disappointed profits of the foregoing year.

Fortunately, since the above was written, we have been put in possession of an authentic document, which incontrovertibly shows that a greater allowance was here made for the fall of stock than was necessary, and that in fact the public has been a loser in this transaction to the full amount of the *bonus* given, upon so much of the loan as could have been supplied by the money in the hands of the commissioners. I allude to the paper presented to the House of Commons by the Bank, giving an account of the receipt and expenditure of the fund for the reduction of the national debt, from Feb. 3, 1797, to Jan. 31, 1798. By this paper it appears that 3,369,218*l.* received by the commissioners, and laid out on the purchase of stock, did actually pur-

chase within that period only 6,731,557*l.* of 3 per cents: so that, upon the whole, a price was given, equal to 50*l.* 1*s.* 3*d.* for every 100*l.* of stock; although, by the loan of May 1797, 100*l.* of 3 per cent. stock was created for every 50*l.* of cash received, and a *bonus* moreover given of near 7 per cent. True it is, that in the part of the year preceding the loan, from the 3d of Feb. to the 11th of May, the funds were something higher than they have since been; but if the average be drawn subsequent to that time, it is believed that the result would not give a price of stock purchased much under 50*l.*

If this be really so, then will the public have been loser by the whole of the *bonus* upon 3,369,218*l.* which, at 7 per cent. would have been 235,844*l.* Is it by such means that we are to keep up the price of our stock?

Private men, whose circumstances oblige them either to purchase or to grant annuities, know that they must submit in either of those operations to give a profit to the dealer in those articles, who will always take advantage of their necessities, of whichever description they happen to be. This advantage has, I believe, in practice, been sometimes estimated at an average at the rate of two years' purchase; which the individual making the application is obliged to pay to the dealer in the commodity, over and above the calculated value of the article. This it is which constitutes the profit of the vendor; whether it be of an annuity for a given sum, or of a

given sum for an annuity. It is the price which necessity pays for relief: it is the profit which enables the speculator to give that relief with reasonable security.

The public cannot in its greater necessity expect to be better treated than private individuals, who may proceed in a quieter manner, and who have often the opportunity of concealing the extent and the pressure of their wants.

But if it be true, as we have seen, that a million borrowed in any year of war, will upon the whole create a greater burden to the public, than that very million laid out in the purchase of stock would remove (on account of the necessary profit of the money-lender); or, in other words, if it be true, that it will always cost the public in a year of *war*, more than a million of money to buy off within the year the debt incurred by the payment of a million in the form of loan into the Exchequer; let us examine what will be the effect of the appropriation of annual sums during *peace* to buy up the remainder of the debt incurred during war, which shall not have been discharged in the course of the war.

In the Appendix to the first Report of the Committee of Finance, presented to the House of Commons on the 31st March 1797, marked I. 5, 6, 7, 8, 9, 10, 11; and in the Supplementary Appendix to that Report, to which we must beg to refer, will be found several calculations presented by the Secretary to the Commissioners for reducing the national debt, tending to show the operation of the fund

created for the reduction of the national debt, upon the several suppositions there stated, of buying up the 3 per cents at 50, 55, 60, 65, 70, 75, 90, and at par.

A sufficient number of cases are there given to elucidate this part of the subject; and if either of the suppositions there made should be exactly realized by the event, no doubt the effect stated as the result of the calculation would be the true one.

If the commercial prosperity and political independency of this country shall survive the war, as under the blessing of Providence, if we are not wanting to ourselves, we may confidently trust they will, the prices of stock during the peace must be progressively much higher than those at which the money expended during the war has been borrowed.

This has universally happened in times of former peace, and must again happen, whenever the enemy shall allow us to enjoy tranquillity, unless the sources of our prosperity and of our independence should be cut off, by our submitting to terms which are inconsistent with our security at home, and the permanent existence of our trade abroad.

Should such terms (which nought but our pusillanimity can seal) be imposed upon us, in the midst of our almost unceasing triumphs over an enemy whose defeat and whose boasting are equally familiar to us; in this case any mode of discharging our debt or relieving the burdens of the public will be impracticable. But granting that degree of

prosperity which is necessary to enable us gradually to discharge the capital of our debt, and the progressive increase in the price of stock is the natural consequence.

It would therefore have been extremely useful, if, when those tables were formed which show the different periods in which both the old and new debt would, under the different suppositions, be paid off, another set of calculations had been added, tending to show, by a comparison between the prices at which the several sums had been borrowed, and those at which, under the several suppositions therein stated, they would be paid off, what would in fact be the sum actually paid by the public for every 100*l.* received neat into the Exchequer.

Such a calculation should have stated:

1st, The total of each loan;

2d, The deductions to be made therefrom, as well on account of discount and advance of interest, as on account of any other *bonus* or advantage given to the money-lender;

3d, All other expenses attendant on the loan;

4th, The neat sum paid into the Exchequer;

5th, The capital stock created by the loan;

6th, The interest to be given, as well in perpetual annuities as in annuities for lives or terms of years;

7th, The expense of purchasing such a capital, or rather of buying up the interest given for each loan, whether in the form of perpetual annuities, or for terms of years or lives, under the several sup-

positions as to the rise of stocks made in the former calculations.

Such a comparison as this would have done more than a thousand arguments to enlighten the public as to the impolicy of this mode of endeavouring to diminish the public debts: it would then have been palpably seen, that, according to the example of the progressive improvements in the price of stocks in times of former peace, after making every suitable allowance for the effect of the pressure of a greater load of debt, that the price of stock must probably so rise, as that from 10 to 100 per cent. would be paid for every 100% borrowed upon a 3 per cent. fund.

On the 8th of July 1768 (being five years and five months after signing the definitive treaty of peace of Paris, which terminated the seven years war), the 3 per cent. consolidated annuities had risen, if my information is correct, to 94 $\frac{1}{2}$.

The feverish and unsettled state of Europe, and the political situation of this country, as well with relation to its foreign dependencies in the East and West Indies and in America, as with relation to the European powers, was such as to prevent any further advance in the price of stocks, notwithstanding that full six millions of debt were in this interval paid off by the produce of the Sinking Fund*, till

* The total diminution of debt between 1762 and 1775, amounted to 10,739,793*l*. See Sinclair, Part II. p. 93.

the circumstances which led to the American war produced a considerable depreciation.

The events of that war finally reduced the stocks to 53 $\frac{1}{2}$, at which price they were sold in March 1782. The victory obtained in the West Indies on the 12th of April of that year, the brilliant and successful relief of Gibraltar, with the firm and unshaken countenance which Britain opposed to all her enemies, probably prevented any farther depreciation during the remainder of the war concluded by the peace signed at Versailles, on the 3d of September 1783; though no less a sum than 115,269,992*l*. was added to the funded debts of the nation by the expenses of this war, independent of an increase in the unfunded debt, which probably amounted to two or three millions.

Of this total sum, 88,400,000*l*. had been already funded about the end of April 1783, four months previous to the signature of the definitive treaty of peace: the remaining 26,869,992*l*. were funded subsequent to the signature of the treaty, though the debt was wholly incurred during the war, and subject to an annual payment, in the shape of interest and management, amounting to 4,862,661*l*.

Indeed, the lowest price of stocks, in the month of April 1783, when the last loan during the war was made, was 63 $\frac{1}{2}$; but they fell again in January 1784 to 53 $\frac{1}{2}$; and (probably owing to the deficiencies of the revenue, and to the arrears still outstanding) they were in the month of January 1785, so low as 54 $\frac{1}{4}$.

In the month of June 1785, taxes were imposed to equalize the revenue with the expenditure, and the outstanding navy bills and ordnance debentures to the amount of about ten millions were funded. From that period stocks began to rise pretty rapidly, and in the month of December of the same year had already reached $73\frac{1}{2}$. On the 26th of May 1786, the royal assent was given to the bill for appointing commissioners for the reduction of the national debt. In the month of August following the first purchases were made at about 75.

In the month of March 1792, being eight years and six months from the signature of the treaty of peace, and about seven years and two months from the time of the final liquidation and adjustment of the arrears of the war, the stocks had arisen to $97\frac{1}{2}$.

Five years of war, and an addition of 156 millions of debt, had in April 1797 reduced the price of stocks to 50. They have since fallen so low as $47\frac{1}{2}$ in January 1798.

But they were actually at $53\frac{1}{2}$ in January 1797, when only 88,840,122*l.* of new debt had been funded out of about 110 millions of debt which had been then incurred.

From the increasing activity of the country in all its agricultural, manufacturing, and commercial speculations, of which there are every where such abundant symptoms, and of which, among others, some proofs may be found in the interesting Report made on the 28th of April 1797, by the Secret Committee of the House of Lords, it is not, I think,

unreasonable to suppose, if the debt of the present war should double that which existed before it began, that even in that case an equal period of uninterrupted peace would again raise the stocks to the price which they had reached in the month of March 1792.

In the 255th page of the Report above alluded to, is recorded an opinion of the greatest authority, That the balance of our trade on a medium of four years preceding 1796, was upwards of 6,000,000*l.* per annum in our favour: that the profits of our East and West India trade were 4,000,000*l.* per annum, exclusive of those of our fisheries. It would be extremely difficult to form an idea, much more to found any calculation, of the increase of national capital at home, which must in part have been the fruit of so great external advantage, in part the result of that activity, industry, and capital which is wholly occupied in the supply of the home market. It shows itself in all the improvements which are made in our agriculture and in our manufactures—in all the numerous additional communications perfected or undertaken—in the inclosure and cultivation of wastes and commons—in the draining and embankment of flooded lands—in the extension and embellishment of our towns and cities—in the solidity and splendour of numerous buildings, dedicated either to local or general purposes of benevolence, or to those of municipal administration—in the excavations of our ports and

harbours—in the projection of new moles—in the construction of new docks and basins—in the increase of every description of vessel which moves on the waters, and of every vehicle which is made to move on the land—in the obviously improving aspect and increasing population of the country.

These are a part only of the symptoms of our internal improvement; and though it may be difficult, if not impossible, entirely to separate the effect of our home, from that which is produced by our foreign trade, yet I think I should put a low value on the mass of our interior meliorations, if I should estimate the increase of national capital wholly arising from them as only equal to the balance of our foreign trade.

If, then, the balance of our trade and the profits of our foreign possessions, as above stated, be 10 millions and a half, and the addition of our fisheries make our exterior industry equal to 12 millions; and we are justified in adding as much more for those exertions of our industry which relate solely to domestic improvement, we shall have a sum of 24 millions as the annual superlucration of the country, which would in nine years, the period above alluded to, add to the capital of the country 216 millions sterling.

The debt previous to the war was 238 millions, valued in March 1792 at $97\frac{1}{2}$: considering the whole here, for the sake of conciseness, as a 3 per cent. stock; the debt which we suppose may be added

by the war, is also 238 millions; making in the whole 476 millions. The 3 per cents are now worth $48\frac{1}{2}$, or about half what they were worth in 1792. The pressure of war alone may be supposed to make a difference of nearly one fourth in their value, so that we may expect to see them, if no addition beyond what I have stated should be made, nearly at 60, so soon as peace shall be concluded, and the arrears of war finally discharged. Should they, in fact, reach 60 soon after the final adjustment of the arrears of war, we shall then have $37\frac{1}{2}$ per cent. on 476 millions to make good, in order to bring them to their former price: $37\frac{1}{2}$ per cent. on 476 millions amounts to 178,500,000*l.*; to make good which sum, in nine years an annual superlucration of 19,833,333*l.* would be sufficient.

That we shall attain that height of prosperity, if the peace we make be neither derogatory to our honour, nor detrimental to our security and solid interests, if it be in fact such as we have a right to expect from the relative positions in which we now stand, no one who knows the energy of this country, and sets a due value on its resources, can doubt.

Should this prove a well-founded hope and expectation, and should the stocks attain their former value within the period alluded to, it must be self-evident, that, if (as we have before shown) it is disadvantageous to purchase stock during war, it will be still more disadvantageous to do it during peace, in proportion to the greater price which the stocks may bear during peace, when com-

pared with the price they bore at the time of borrowing.

Should, in fact, the rise of stocks be as we have stated; should they in the course of nine years from the termination of the expenses, and the full reimbursement of the arrears of the war, be again at $97\frac{1}{2}$, and should the average price of the purchases made within the period be about 75, it is clear, that, comparing this price with the average price of all the loans made during the war, without taking into the account the *bonus* given on every loan, we must purchase at a very great disadvantage.

We have already sufficient materials to decide that the average of all the loans has been considerably below the price of 60, and every additional loan must have the effect of reducing that average price still lower.

Taking 60, however, as the average of the loans, for the sake of simplicity in the calculation, and setting it against 75, the supposed average price of the purchases in the first nine years; it is clear that 15*l.* will be paid on every 60*l.* received; that is, one fourth, or 25 per cent. on the money borrowed.

It is also clear that the stocks being then supposed to be at $97\frac{1}{2}$; that is, at $37\frac{1}{2}$ above 60; we must pay at the *rate* of $62\frac{1}{2}$ per cent. for every 100*l.* of stock that we buy up at that price; or, in other words, 62*l.* 10*s.* premium for every 100*l.* in money obtained by the creation of stock at the price of 60.

If we then suppose the stocks to rise to par, the sum paid in premium for every future purchase

would be $66\frac{2}{3}$ per cent.; or, in other words, we should pay 166*l.* 13*s.* 4*d.* for every 100*l.* over and above the premium or *bonus* given in the first instance to the original lender of the money*.

Would the guardians of any minor, whose estate is loaded with a heavy debt, or the counsellors of any distressed man, advise him to attempt to get rid of his pecuniary embarrassments, by a plan which should become daily more onerous to him in proportion as his credit increased?

It is in the hour of difficulty and of great pecuniary wants, that hard conditions must be submitted to: but for a debtor voluntarily to forge such weighty chains for his own neck, is a degree of infatuation seldom met with in private life.

By what strange fascination has it happened, that a whole public with their eyes open should imagine, that it sees in such a plan the re-establishment of the public credit, the restoration of the public weal?

It is possible, that the increasing wealth and energy of the nation may be sufficiently great to enable it to surmount even the accumulating difficulties of this ill-conceived plan: but

“ If to come in you do go out,
The way you take is strangely round about.”

The mode is still a bad mode; and so long as it shall be in operation, so long will it contribute to

* See Appendix A.

weigh down and depress that vigour, which it is intended to animate and revive.

It is the cause of preventing an immense accession of new wealth, while the object of the promoters of it is, by discharging old debts, to elevate and exalt the powers of the country.

But it is said, *this plan tends to keep up the price of stocks, by bringing so much money regularly into the stock market; and that without it you must have borrowed at a much higher rate of interest.* But out of what chest is it then taken? For, unless there are secret hoards, and it were possible by taxes to get at them, and then only for this purpose, the money was in the market before, and is diverted by taxes from the employment to which it would have been put, to be employed in the purchase of stock, and thence to find its way ultimately to the use from which it has been forcibly diverted.

A man who has money may either hoard it, spend it, or lend it, or lay it out in the purchase of land or stock, or employ it in trade.

Provided he does not do the first of these things, it is perhaps not very material, in a financial point of view, which of the other means he employs to get rid of it.

If he spends it lavishly, by giving activity to the industry of others, he will be the unsuspecting cause of increase to the community by his extravagance, and of accumulation by his dissipation: if he lends it to the prodigal, the same effects will follow as if he had squandered it himself; if he

buys land, the seller of the land is put into possession of so much money, with which he may either purchase stock, which he may employ in trade, lend on private security, or squander: if he buys stock, the seller of the stock is put into possession of so much money, which he again may employ in either of the modes before pointed out; and, in whichever mode he employs it, it goes to fill up the vacancy made by withdrawing it, to restore the equilibrium, and complete the level, which money, like water, is always seeking for itself.

The miser's treasure may be inclosed in his chest, as the hidden things of nature are locked up in the bowels of the earth: the drain is no sooner cut up to the source, than the liberated stream forces its way out, and spreads itself over the surface, carrying plenty as it rolls along, till it finds its general level in the sea, whence it is again pumped up by the star of day to be shed in fructifying showers over the land. Such is the eternal circle of the wonderful but simple machinery of the creation, such the analogous round of the beneficent powers of circulation.

The price of money does not alone depend on the abundance or scarcity of it in the market, but also on the goodness of the security which the borrower is enabled to give. The better the security, the lower, other circumstances being similar, will be the price of interest; or, in other words, the higher the degree of credit, the lower the rate of interest.

Public credit is founded on the public opinion.

which is entertained of the ability to pay, and on the good faith and punctuality which have been observed in paying.

Thus it is that the price of stocks, therefore, when compared with that of other securities for money, depends upon the opinion which is entertained of the comparative solidity of that security.

If it be thought equally solid with other securities, and more convenient, it will give a lower rate of interest in proportion to the estimated value of that convenience, and the stock will rise. If the precariousness of the times be such as to overbalance, in the general opinion, that convenience, the public will be obliged to give a higher rate of interest for money lent on that security, and the price of stocks will fall.

But it will only fall in proportion to the opinion entertained of its comparative solidity when contrasted with private security: that proportion will be increased or diminished by the facility or difficulty with which the increasing burdens thrown on the public are observed to be borne.

Thus every thing which tends to give confidence in the resources of the country must have a considerable influence on the price of stocks; and that a plan by which it shall appear that the country has the ability, not only to discharge its current expenses, and the interest of its debt, but also to reimburse annually a part of the capital, should have the effect of inspiring a confidence in the resources of the country, is also true, so long as it

shall appear that the money destined for the purposes of reimbursement is raised with facility.

The best proof which can be given of the ability to pay, is perhaps actual payment; but if such a measure should be carried so far as to discover a difficulty in raising the sums necessary for the current services, together with those pledged to reimbursement, such a discovery must operate very disadvantageously to public credit.

We have already seen that the effect supposed to be produced on the stocks by bringing so much money regularly into the stock market, is, to say the least of it, considerably over-rated; and that in fact it is not unreasonable to suppose that this apparent effect must be gradually and imperceptibly counteracted by the previous subduction of that very money out of that very market into which it is afterwards poured for the purchase of stock: nay, that it is most reasonable to suppose that the four millions, of which the present Sinking Fund consists, whether it be supplied by the actual produce of the taxes laid on for that purpose, whether it be furnished by the loans of the year, or composed partly of one and partly of the other, cannot be withdrawn for a time from the general circulation, to pass through the hands of collectors and receivers, into the public treasury, and thence into the hands of the commissioners, to be laid out in the purchase of stock, without sensibly affecting the quantity, and therefore the price of money in the market; that hence infallibly a depreciation in the price of stocks must take place; and that the time for which this

money is withdrawn must be a loss to the community, which will be paid for by a degree of depreciation outweighing the increase of price occasioned by the purchase of stock.

If the money at this time employed in this purchase should, in fact, from the deficiency of taxes, be in great measure supplied by the loans of the year, there is good reason to suppose, that it must either be derived immediately from the public funds of the country, where good opportunities of sale have occurred, previous to the making of new loans, or (which comes to the same thing) it must be money withheld from the stocks, where it would be otherwise placed by persons who keep it up for the purpose of loan; knowing that they can make a greater advantage of it by lending it to Government than by vesting it immediately in the public funds at the current price of the day.

If the money employed in these purchases be supposed to be wholly and entirely the fair produce of the taxes laid on for that purpose, still it is money which, if not taken from the subject by means of taxes, would have probably found its way to the public funds either directly, as the small accumulations of the individuals who pay the taxes, or more circuitously as the accumulations of those with whom the payers of the taxes would have expended it; or lastly, by increasing the mass of general circulation, it would have been the occasion of other monies finding their way to the public funds; or (which is tantamount) by low-

ering generally the price of money (that is, its interest), it would have had the effect of increasing the nominal value of all other capital, and of raising the price of the public funds.

There can be but *little* doubt, I believe I might say there can be *no* doubt, but that, if the four millions now composing the Sinking Fund were to be appropriated towards furnishing so much of the supply of the year, it would at least have an equal effect towards keeping up the price of stock generally, as if it had been laid out in the purchase of existing stock, and that a part only of the supply of the year were to be furnished by the money-lender. There can be but little doubt but that its effect upon the whole upon the state of our finance would be *more* beneficial, and that in proportion to the terms on which the four millions would be obtained from the Commissioners when compared with those which would be exacted by the money-lender. There would be this farther advantage, that if supplied by the Commissioners, only four millions would be taken out of circulation: but, in the other case, eight millions would, in the course of the year, suffer a temporary subduction; namely, the four millions raised by taxes for the purchase of stock and four millions of loan.

From the measures* which has been recently adopted, it should seem that an opinion is enter-

* Alluding to the measures proposed for the service of the year 1798, of tripling the assessed taxes, and calling upon the public, at the same time, for voluntary contributions.

tained, that fifteen millions taken out of the pockets of the subject by *taxes*, will not have an equal effect in depreciating the public funds, as if the same sum had been taken out of the pockets by loan. A close investigation of the subject would perhaps lead to the conviction, that the effect must in great measure, if not altogether, be the same, and that it is almost the same money that would in either case be supplied.

Such payers of the tax, whose income exceeds their expenditure, would probably have all, through their bankers, taken part in the loan, or have vested their surplus in the stocks.

Those payers of the tax, whose income is only equal to their necessary expenditure, will either be obliged to borrow to pay the tax (and they will probably borrow of those very persons who would otherwise lend to Government), or they will be obliged to sell stock to make good their payments, or they will withdraw their money from private securities, and the individuals from whom they withdraw it will be obliged in their turn to sell stock, or borrow from those who would otherwise vest their property in stock or loan; or lastly, the payers of the tax will make retrenchments, which must put the dealers in the articles retrenched in one or other of the situations alluded to.

But whether fifteen millions be taken by forced or voluntary loan, by taxes or by gift, it is not less fifteen millions withdrawn from circulation; and its

effect on the funds will be eventually the same, under whatever title it be withdrawn.

The instances of payments towards the assessed taxes and contribution, of which it happened to me to know any thing, were these.

The first was that of a gentleman of extensive property, who had to congratulate himself that his last year's receipts had been larger than usual, and had put him in possession of a surplus in his banker's hands, which he had intended to have vested in the funds, but would now pay into the Bank as his own contribution.

The second was that of a Peer, who, with a large family and considerable incumbrances, had to lament, that as his income was hardly adequate to his necessary expenditure, and retrenchment impracticable, he would be obliged to reduce that income by selling out of the stocks so much as would be necessary to pay his assessments.

The third was that of a bachelor, whose fortune was far beyond his wants, but whose exceedings were always directed to purposes of generosity and benevolence. This gentleman's liberal mind could not miss the opportunity of giving scope to his patriotic feelings; but, to satisfy them, it became necessary to have recourse to his funds; and a considerable sum derived from the sale of stock was among the first offerings to the service of the public.

A fourth is that of an individual, who will not only contribute liberally to the service of the public

on his own account; but whose kindness leads him to discharge assessments of a near relation. The means of making these payments will be furnished partly by surplus in the hands of his banker, partly by sale of stock; and the remainder from money which had been lent on private security, which is now paid in.

To a fifth his banker furnishes the whole sum.

These are not imaginary cases; but they happen to be the only real cases which have come to my knowledge, and of which I am able to speak distinctly.

But I hear around me of a variety of others, where a retrenchment is intended to be made, by the giving up of a rented house, the putting down of carriages and horses, the discharge of servants, or the renunciation of some article of expense, which can with the least difficulty be spared.

Were we to trace an hundred or a thousand cases, they would be for the most part of one or other of these descriptions, and resolvable in point of effect into one or other of these cases, viz.

1. A subduction of money actually vested, or about to be vested, in the public funds.
2. Of money lent on private security.
3. Of the profits of bankers, by taking surplus money out of their hands.
4. Retrenchment of articles of expenditure.

We have already shown how quickly the three first of these cases affect the public funds; and the fourth cannot fail ultimately of producing a similar

effect, in proportion to the sum saved by retrenchment.

The article retrenched cannot be given up without a diminution of the profits, and therefore of the means, of the tradesmen who have been used to furnish the article. Their small accumulations will therefore find their way in reduced quantities to the funds; or, to carry on their trade, they must either draw additional money out of the funds, or borrow from those who withdraw it from thence, or who withdrawing it from private securities will oblige those from whom they withdraw it to have recourse finally to the funds. Or lastly, their trade being diminished, their means of paying present and future taxes will be narrowed, and the general circulation will and must feel the effect of this diversion of the national wealth by tax, as much as if it had been made by loan. But it may be said, You have enumerated many cases of that description of payers whose payments are large, and the sum of whose payments forms by its amount a capital in itself. But what will you say to all those loyal donations of the navy and army, to those which, so much to their credit, the servants in many families are now making? These are the savings from pay or wages, and would have never appeared in the form of capital. Let us look a little to the probable expenditure of the greater part of this money, if it had not been so honourably dedicated to the service of the public.

Two millions of pots of porter left upon the

hands of the brewers, by disappointing them of so much of their expected return in cash, will oblige them to shorten their cash with their bankers, or to call in other small capitals, lent either on public or private security; or to borrow to make good the deficiency; or, lastly, to narrow their trade.

The case here is the same as that of the other retrenchments above alluded to; and in whatever manner the money be taken out of the hands of the public, its effect upon general circulation and upon the price of the stocks will be nearly if not exactly the same*.

Let us, however, examine how the fact stands

* Under the peculiar circumstances of the time in which these donations of the army and navy have been made, perhaps we may consider them in a somewhat different point of view, than if they had been given *before the late increase of pay*. That increase has been so recent, that it may be supposed that the brewers and distillers (to whom the greater part of that increase would infallibly go) will not as yet have much increased their operations on their stock in consequence of the increased demand which may already have taken place, and will not therefore feel much prejudice by the diminution of demand which may be the consequence of the patriotic donations.

On the other hand, the gift to the public follows so quick upon the gift of the public to the two military services, that it acts as a reduction of the estimates of the year for those services: and, if the amount on the whole should be equal to the late increase of pay, it would put things just where they would have been, if the increase of pay had not taken place. But had these voluntary contributions been made from savings of the ancient pay of the army and navy, the manufacturers of liquors would not have failed to have felt the effect in proportion to the zeal of the contributors, and the consequences which we have above described would have followed.

with regard to the supposed effect of keeping up the price of stock.

We have before seen, that the debt incurred by the American war amounted to 115,269,992*l.*; being the stock created on account of the sum of 92,940,034*l.* which had been borrowed by the public. For this stock an interest was paid in perpetual annuities, and in annuities for terms or lives, amounting to 5,006,442*l.* independent of a sum of 64,400*l.* for management.

If we take a period in the present war, when nearly a similar amount of stock had been created, we shall find, that about the close of the year 1796, the debt incurred amounted to 110,415,896*l.* of capital stock; that the money borrowed was 79,654,295*l.*; and the interest paid on the capital created, amounted to the annual sum of 3,843,244*l.* independent of the expenses of management, and of the one per cent. on the capital appropriated to the reduction of the debt. Two circumstances are obvious in this comparison: the one, that the public received a larger sum proportionally in the former period than in the latter, for nearly an equal quantity of stock; the other, that a higher rate of interest appears to have been given in the former period than in the latter.

But with the view of instituting a clearer comparison, it is necessary to state, that in the sum of 5,006,442*l.* given as interest in the first period, is included a sum of 869,623*l.* of annuities for terms or for lives; about one half being for single lives or

for terms not exceeding thirty years, and the remainder for terms not exceeding eighty years.

In like manner, in the latter period, in the sum of 3,843,244*l.* given as interest, is included a sum of 229,041*l.* given for terms of years not exceeding 66½. It will be convenient, therefore, to deduct the amount of these annuities for terms or lives, in both instances, from the amount of the annual interest; and to convert them into capital, to be added in each case to the capital of the debt incurred within the respective periods, increasing the capital in both instances, as we diminish the annual interest. Deducting, therefore, 869,623*l.* (the amount of all the annuities for terms or lives in the first period) from 5,006,442*l.* (the sum of all the interest granted), leaves the remaining interest of that period on which we shall hereafter calculate, 4,136,819*l.*

In like manner, deducting 229,041*l.* (the sum of all the annuities for terms in the second period) from 3,843,224*l.* (the sum of all the interest granted in that period), will leave the amount of perpetual annuities on which we shall hereafter calculate, 3,614,203*l.* *

We then find by the tables †, that the value of all the annuities composing the sum of 869,623*l.* estimated according to their several durations, and reckoning money at 5 per cent. amounts to a capital sum of 15,025,228*l.* which,

* Appendix B, Case III.

† Appendix C, and B. I.

added to 115,269,992*l.* the sum of the debt incurred in the first period, makes a capital of 130,495,220*l.* Estimating in like manner the several annuities for terms composing the sum of 229,041*l.* we find that they amount to a capital of 4,388,510*l.*; which being added to 110,415,896 (the sum before mentioned as the debt incurred in the second period), we have the sum of 114,804,406*l.* as the capital of debt incurred in the second period, and our statements will be as follows:

	Money borrowed.	Debt created.	Annual Interest, after deducting Annuities for Terms or Lives.
First period,	92,940,034 <i>l.</i> —	130,495,220 <i>l.</i> —	4,136,819 <i>l.</i>
Second period,	79,654,000 <i>l.</i> —	114,804,406 <i>l.</i> —	3,614,203 <i>l.</i>

Comparing together the money borrowed in each period with the debt incurred in each, whoever will take the trouble of working the sums, will find that 92,940,034*l.* (the sum received in the first period) is to 130,495,220*l.* (the debt created) as 79,654,000*l.* (the sum borrowed in the second period) is to 111,840,557*l.* But the debt created in the second period was equal to 114,804,206*l.*: there is therefore a difference in favour of the first period, amounting to 2,963,849*l.* If the annuities for terms or lives be converted into capital, at the present price of money, reckoning it at six per cent. *, the difference will be more considerable; for in that case the value of all the annuities in the first pe-

* Appendix D: B. II.

riod would be 12,927,117*l.*; which, added to the capital of debt, would make 128,197,109*l.*: and the value of all the annuities for terms in the second period would be 3,729,974*l.*; which, added to the capital of debt created, would amount to 114,145,870*l.*: and these sums, compared with the money borrowed in the respective periods, would leave a difference of 4,274,870*l.* in favour of the first period*.

Pursuing this comparison of the two periods still further, as to the permanent interest created in each as set against the sums borrowed in each, putting out of the question in both cases such parts of the interest given as consists in annuities for terms or lives (which we have already accounted for by converting them into capital), and we shall find the result to be as follows:—92,940,034*l.* (the sum borrowed in the first period) is to 4,136,819*l.* (the permanent interest created) as 79,654,000*l.* (the sum borrowed in the second period) is to 3,545,450*l.* But the interest incurred in the second period was 3,614,203*l.* and it exceeds the proportion of the interest incurred in the first period by an annual sum of 68,753*l.* †

It is fair, however, to state, that we have not yet taken into our consideration all the circumstances which are necessary to form a just and an exact comparison: for, of the debt incurred in each of these periods, a part is in three per cents, a part

* Appendix B. II.

† Appendix B. III.

in four per cents, and a part in five per cents. Unless, therefore, the proportions of each had been the same in each period, the result must be varied by the difference of these proportions. And accordingly we find, by reducing the four and the five per cents in each period into three per cent. stock, that the whole capital created in the first period would be represented by 138,099,986*l.* of three per cent. stock*; to which if there be added 12,927,117*l.* (the value of the annuities for terms and lives, reckoning, as in the last instance, money at its present price of six per cent.), the whole of the debt incurred in the first period would amount to 151,027,103*l.* of three per cent. stock †. Applying the same mode of reduction to the second period, we have a capital of 124,205,020*l.* of three per cent. stock as the amount of the debt then incurred; the comparison will then stand thus:—92,940,034*l.* (the money borrowed in the first period) is to 151,027,103*l.* (the debt incurred) as 79,654,000*l.* (the money borrowed in the second period) is to 129,439,511*l.* But the debt incurred in the second period was only equal to 124,205,020*l.*: and the difference therefore, in favour of the second period, will be equal to 5,234,491*l.* of a three per cent. stock. But we must recollect here, that, in the comparison of the permanent interest given in the two periods, we had a permanent annuity of 68,753*l.* by which the interest given in the second period

* Appendix E.

† Appendix B. V.

exceeded the proportion of the permanent interest given in the first: that annuity represents a capital in three per cent. stock of 2,291,766*l.*; which, deducted from 5,234,491*l.* (the sum last stated as the difference of the debt incurred in the two periods), would leave only 2,942,725*l.* as the final balance between them, and in favour of the latter period.

Hitherto we have confined ourselves to the comparison of the debt incurred in the American war, with that which had been incurred previous to the 1st of January 1797. We had selected that period as one in which the amount of the sum borrowed came the nearest to the sum borrowed in the American war, though in fact it fell short of the whole sum borrowed on account of that war by above thirteen millions*. But, if we extend our inquiry to the 1st of January 1798, a period when the sum borrowed in the present war had amounted to 111,973,035*l.* and the value of the annuities for terms (reckoning money, as before, at six per cent.) had amounted to 4,435,979*l.* we shall find that the total of the debt incurred, if reduced and valued as before, would amount to 187,694,096*l.* of three per cent. stock. But 92,940,034*l.* (the sum borrowed on the American war) is to 151,027,103*l.* the debt incurred, as 111,973,035*l.* (the sum borrowed in the present war previous to the 1st of January 1798) is to 181,955,637*l.*; leaving a difference in favour of the former period of 5,738,459*l.*

* Appendix B. VI. and D.

It is true that above nineteen millions more have been borrowed in the latter period than in the former; which must have an effect upon the price at which we can expect to borrow: but we shall not be accused of a desire to misrepresent or to exaggerate, when we venture to state as the result, that there does not appear to be any sensible difference between the terms on which we have borrowed in the present war, compared with those on which we borrowed in the former, notwithstanding the expected effect of the fund appropriated to the payment of the national debt.

We have already observed, that the highest price to which stocks had risen between the German and American war was in July 1768, when the three per cents were at 97½. We have also shown, that the lowest price to which they fell during the American war was 53½. At this price they were reported to have been sold on some one day in March 1782: they did not, however, then remain at that price, nor did they even sink quite so low again, though a considerable addition was afterwards made to the debt.

Take this, therefore, as the lowest point of depreciation, and our statement would be, that the borrowing of nearly ninety millions of money had sunk the three per cents 41½, namely, from 94½ to 53½.

The rapidly improving state of the country had, in the month of March 1792, again raised the three per cents to 97½. Between that period and the 1st

of January 1797, the public had borrowed near eighty millions, and the three per cents were at $53\frac{1}{4}$; being lower than they ever were during the American war, and in fact a depreciation from the point from which they fell equal to $44\frac{1}{4}$; though the money borrowed and debt incurred in the latter period were considerably less than in the former.

It is true that the stocks had actually fallen in the American war to the point of $53\frac{1}{4}$ in the month of March 1782, when probably the money borrowed had not exceeded fifty-seven millions and a half. But that was a moment of peculiar political dependency, upon the overthrow of the Administration which had carried on the war; when the navies of the enemies were almost entire, and before the victory of the 12th of April had revived the hopes and the confidence of the nation. But as with a considerable addition of debt they never afterwards sunk so low, I think it is not unfair to state this as the lowest point of depreciation to which the *whole* debt incurred by the war had reduced the price of stock.

On the other hand, the depreciation in the present war has not stopped at $53\frac{1}{4}$, but gradually made progress in proportion to the increase of demand on the public purse, till it had reached the price of $47\frac{1}{2}$.

From this lowest point, the energy and the spirit which have been displayed in the present moment, evincing the resolution and resources of the country, seem happily to have raised it; and will, I trust, by their continued and increasing display, sup-

port it to an happy and an honourable termination of the war.

We must not however forget, that, during all this depreciation, the Sinking Fund had been rapidly increasing, and at the moment of the greatest depression had actually reached the amount of 3,300,000*l.* And yet this sum, great as it is, could not avail to prevent the progress of depreciation from keeping pace with the addition of debt, in an equal proportion at least to what has taken place in former wars.

But it may be said, *that, with the additional burden thrown upon the country by the American war, it would be unreasonable to expect that the Sinking Fund should, even in its present increased state, have the power of preventing a depreciation in the present war, equal to what took place in the former; since the weight of the burden then incurred, added to those of the present day, must have a tendency to break down public confidence, which, if not supported by the effects produced, and prospect offered, by the Sinking Fund, would have been annihilated, and the stocks have borne no price at all.*

The latter is an assertion which may certainly always be made, and which it must be difficult absolutely to disprove, without actually making the experiment, by applying so much of the Sinking Fund as may be necessary to supply the interest of the loans to be made within the year. But we have given many reasons to show the improbability, at

least, of this supposed effect of the Sinking Fund, and the impolicy of the present appropriation.

We shall content ourselves here with remarking shortly, that in our former wars the Sinking Fund has been universally applied to the services of the year, without producing any such extraordinary depreciation by such diverted application; that our credit depends upon our ability to pay the taxes, which are pledged for the interest of our debt, or which may be necessary for the services of the year; that the possibility of our having a Sinking Fund for the discharge of the capital, depends upon our ability to bear additional taxes for that purpose; that if it is manifest that our burdens sit lightly, and are borne with ease, our credit will be good, and our funds will maintain their price, whether we establish or continue the Sinking Fund for the purchase of debt, or not. But if it should appear, either that we cannot discharge the interest of our debt and the current services of the year; or that, by establishing the Sinking Fund for the reduction of the debt, we have undertaken more than we can with ease perform, our credit will fall in proportion to the extent of the discovery which is made of our inability; that, although it might happen, after all the pains that have been taken to persuade the nation that its salvation depends upon the invariable application of this fund to the purchase of debt, that the first relinquishment of a plan so long persisted in, and whose virtues have been so much extolled, would produce a temporary depreci-

ation of the price of stocks, yet this depreciation would be infinitely more serious and permanent, and probably subversive of all our interests and hopes, if, by attempting more than we can perform, we should discover our utter inability to supply the necessary means, and be obliged, by overstraining our resources, to submit, from financial weakness, in the moment of all our external success against the enemy, to terms of ignominious, disadvantageous, and insecure peace.

We proceed now to answer the other part of the allegation, namely, *that the addition of the burden imposed in the American war must occasion a greater depression upon the loans of the present war than took place in that war.*

This argument would undoubtedly be just, if it could be supposed that the nation had remained stationary, in point of wealth and resources, from the termination of the American to the commencement of the present war.

But, in the first place, of the debt existing at the termination of the American war, near ten millions and a half had been bought up at the beginning of this war; and the sum which had been actually purchased amounted, on the 31st of January 1798, to 29,427,132*l.* and would now amount to above thirty millions; all of which is a diminution of so much of the then existing, or of the since imposed, burden; and, from whichever of these masses it be taken, it must have an equal effect upon the question of present depreciation, either as lessening

the old burden or the new. Whichever, therefore, we make the period of our comparison, it would be fair to take the whole of the sum then bought up as a reduction of so much of the old or of the new burden; it matters not which.

Thirty millions are nearly equal to one fifth part of the whole debt incurred in the American war, according to our former statement, on the supposition of the whole sum borrowed, being reduced to a three per cent. stock.

Besides these thirty millions *bought up*, above 118,000*l.* of yearly annuities have in the mean time nearly expired; and about 558,000*l.* are rapidly approaching to the term of their expiration, of which we shall here take no further notice.

The whole of the money actually expended during the American war amounted, as we have seen, to less than ninety-three millions; one fifth part of which is equal to nearly fourteen millions and two thirds: deducting this sum from the whole sum expended, we have seventy-four millions and one third as the remaining undischarged burden of the American war.

No one who has at all considered the subject of the increasing trade, manufactures, and general industry of this country; no one who has looked into the numerous and satisfactory documents which we have upon this subject; but least of all would those who are the most disposed to controvert the general argument which is here attempted, doubt but that these seventy-four millions have been more than

abundantly replaced to the country since that period.

It would be sufficient to show, that this replacement has been effectuated previous to the moment in which we now write; for it must be evident, that if they have been made good at this hour, then are we now as well able to bear any addition of burden as if the American war had never taken place.

If the nation has since increased its available capital by a sum equal to the amount of what was spent in that war, then are we at this moment, in point of means, as if the American war had never been.

Whoever looks into the Report of the House of Lords, which we have before cited, must be abundantly convinced of that fact. If it be true, as is there stated on the best authority which we can procure upon the subject, that the balance of our external trade, and the profits of our East and West Indian trade together, amounted annually, on an average of the four years preceding 1796, to ten millions and a half; and from the account in the Appendix of that Report, there is every reason to suppose that the average of the years 1796 and 1797 is still higher*; then shall we have, in the

* By an Account, laid upon the table of the House of Commons, it appears, that the imports into Great Britain, exclusive of those from the East Indies, were, in 1797, 16,998,231*l.*; and that the exports of British manufactures were 17,268,807*l.*; of foreign manufactures 11,946,234*l.*—making a total of exports 29,217,041*l.*

last six years alone, a superlucration from *without* of sixty-three of these seventy-four millions, exclusive of the profits of our fisheries: and no one who has at all observed what has at the same time been passing *within*, will, I think, be disposed to doubt; but that the small remaining part of the seventy-four millions has been added to our wealth, by improvements which have been taking place in this very period of war in Great Britain itself.

But when we look back to the period of the termination of the American war, and trace the progress of our industry from that period to the commencement of this war; when we see that even in that period our annual imports had increased from thirteen to nineteen millions, our exports from fifteen to twenty-four millions, estimated even according to the old and long-established rates of our Custom-house; when we reflect on all the other indications of increasing wealth and prosperity which surround us on every side, and which have so abundantly multiplied and extended themselves during the same period, we cannot, I think, hesitate in pronouncing, that the whole of the money expended during the American war, the whole of the ninety-three millions, was more than replaced to the country at the commencement of this war, and that the rise of stocks, which took place from the moment that the peace price was finally settled to the period of their greatest elevation, was the genuine and solid effect of an increased capital, and not the artificial consequence of a plan of redemption.

We are indeed not to suppose that the whole of the money actually expended in any war is an absolute loss to the country. It must be obvious, that the only part which can be considered as absolute and unqualified loss, is that which is paid to the foreigner for the materials of war. That which is paid as profit to the British merchant is merely a transfer from the public to an individual; that which is paid for unproductive labour, as the wages of soldiers and seamen, is probably a diversion of so much of the capital of the nation from some profitable employment: but the money itself is not lost to the nation; it is the price of so much labour thrown away, which would otherwise perhaps have been employed in increasing the national stock; it is in so much a check to the progress of improvement. But, notwithstanding this unprofitable employment of so much of the national labour and capital, the productive industry of the country may still have been sufficient to preserve a balance in its favour, and even under these circumstances to have made some addition to the national wealth.

In like manner, the supplies of arms, clothing, and provision, which are furnished to our troops and to our sailors from the stores of our own industry, are a waste of so much of our wealth: but so much only of this waste of materials and of labour can be carried to the head of positive loss within each year of war, as, combined with the sum arising from the other branches of our war expen-

diture, shall exceed the actual gains of industry within the year.

There can therefore be no doubt but that a very considerable sum must be deducted from the apparent expenditure of the war, if we wish to show that which is our present consideration, namely, the amount of that sum by which the neat wealth of the whole of the individuals composing the nation is collectively less than it was at the commencement of the war, in which such an apparent expenditure has been made.

What the proportion of that deduction should be, it would be very difficult to show or to conjecture; but I should think that it was not hazarding much to say, that of the ninety-three millions expended during the war, not above one half was a positive loss to the nation; or, in other words, that, at the conclusion of the war, the capital of the nation was not diminished by a capital sum greater than forty-seven millions.

If there be good grounds for this mode of reasoning, who is there that can doubt whether the whole of these forty-seven millions had been replaced by the activity of the country previous to the breaking out of the present war?

But we have already seen, that even if it were true that the country had remained stationary during all the period which preceded the war, yet that the events of war have thrown into our hands such an increase of commerce, that sixty-three millions out of the seventy-four have been replaced in the

last six years, independent of the profits of our fisheries, and independent of any interior improvements.

That our capital is in fact greater now than it was during the American war, may, I think, be inferred from a circumstance of great notoriety, namely, that during that war the depreciation of value on all property was general, that the price of land fell in the same proportion with the stock; but that in the present war the depreciation has been in a much greater proportion upon stock than upon land; while land has kept nearly its former value, the depression of stock is beyond the example of former times. This must arise from some circumstance particularly affecting this species of property; and that circumstance I conceive to be the unnecessary load of taxes laid on to discharge, at a disadvantage, the capital of the debt, rendering it difficult to devise or collect the taxes which are requisite to defray the interest of *necessary* loans.

But the fair and plain result of the whole is, that there is at this moment a greater capital to give value to land and stock, taken together, than appeared during the American war.

It is not so difficult to institute some inquiry, and to form some calculation and comparison, upon this subject, as it may at first sight appear.

The land-tax, at four shillings in the pound, according to the old valuation, produces two millions per annum. If those four shillings were a real fifth of the rent, then would the rental of the kingdom

be equal to ten millions sterling. There are few places in the kingdom that have remained so stationary in value since the first imposition of that tax, as that these four shillings now amount to above one tenth of the annual value. In the greater part of the northern counties, in some parishes in the metropolis, and in the whole of Scotland, it is supposed not to be above one fortieth, and in some of these it does not even reach that proportion. So that I conceive the annual rental of the kingdom may safely be put at forty millions instead of ten. If we value these forty millions at the price at which land sold in the latter part of the American war, namely, at twenty-five years' purchase, the total value of the land at that moment would have amounted to 1,000,000,000*l.*

The national debt, at the conclusion of that war, amounted to upwards of two hundred and thirty-seven millions; consisting of one hundred and eighty-two millions of three per cents, 3,660,000*l.* of three and a half per cents, thirty-two millions of four per cents, 17,800,000*l.* of five per cents. and about 1,300,000*l.* of annuities for terms or lives*.

If we value the three per cents at fifty-four, which is rather higher than their lowest price during the war, and value the other funds at the relative prices which they bore to the three per cents, when they were at 54, the total value in money would have been about 156,818,372*l.* which added to the

* Appendix F.

value of the land would amount in round numbers to about 1157 millions.

Calculating, in like manner, the value of the land of this country at the present day according to its average price, which cannot (I believe from any information I have been able to collect) be stated lower than twenty-eight years' purchase, the amount would be 1120 millions*.

Stating the national debt as it stood on the 11th of May 1797, at 397,020,106*l.* consisting of 303,637,750*l.* of 3 per cents, forty-five millions of 4 per cents, forty-eight millions of 5 per cents, and about 1,600,000*l.* of annuities for terms or lives, and valuing the 3 per cents at their present price of 50, and the other funds at their respective relative prices, we shall have a total of two hundred and thirty millions, which added to the value of the land, make together a sum of one thousand three hundred and fifty millions, and may be considered as the amount of the present capital of the nation, which gives to the lands and to the stocks their present value. There are certainly many other great articles which go to make up the sum of the national wealth, all of which would, upon a minute investigation, be found to have increased considerably in the latter of these periods, but it is sufficient for our purpose to have compared these two principal component parts of the national wealth; and

* It has since appeared (if I mistake not) from the property-tax assessments, that the rental of the kingdom of Great Britain amounted to 52 millions, which would make the value of the land, at twenty-eight years' purchase, 1456 millions

the comparison (if it be justly made) would show us an increase of capital in those two branches alone, or rather indicated by the present value of these two branches, of one hundred and ninety-three millions sterling, since the American war, being at the rate of near thirteen millions a year for a period of fifteen years.

When we consider what an increase of circulation the events and circumstances of this very war have occasioned, and what an increase of trade they have thrown into our hands, I am by no means disposed to think that this sum exceeds what may be reasonably supposed to have been the superlucration of the country during this period.

This result is at once a confirmation of the former supposition, arising from our imports and exports, and is itself confirmed and strengthened by that very view of our trade.

The general conclusion is, that although our national wealth be improved, since the termination of the American war, by a sum more than double the amount of the ninety-three millions expended in that war, yet have the stocks, which it has been our object to support by the plan of redemption, sunk in the present conflict to a lower price with relation to land, to a lower price when compared with the money borrowed and expended, to a lower price when compared with the existing capital of the nation, so far as we are enabled to judge of it by any criterion within our reach, than they ever did during the American war.

With the view of inculpating the Minister for the non-performance of the engagements into which the Emperor had entered, for furnishing an annual sum to buy up annually, after the example of our Sinking Fund, a portion of the Imperial stock, an argument was attempted to be raised in the House of Commons, upon the relative price in the market of the Imperial 3 per cents, being at that time about 3 or 4 per cent. lower than our 3 per cents.

This difference of price, it was contended, was owing to the non-performance of that agreement. This argument, if it had been true, might be supposed to have been urged with some weight against the author of the present appropriation of the Sinking Fund. But it was not strictly founded in fact.

Every one conversant with the stock market knows, that the different species of our own stock bear proportionally a higher or a lower price in the market, according as they are considered as more or less marketable; and that, *cæteris paribus*, they are more or less marketable, according to the quantity there is of each; and that in fact the most marketable of all is that of which there is the greatest quantity, namely, the 3 per cent. consols. It is that fund in which all the operations of the Stock Exchange are performed, and it is these operations which tend materially to raise their relative price.

But a stock, which, from its small quantity, may be considered as a sleeping stock, in which little or nothing is done, will be proportionably at a much lower price, though it gives the same interest,

Thus, for instance, the million fund of 1726, though giving 3 per cent. interest, has always been one, two, or three per cent. lower than the three per cent. consols.

There are other reasons which contribute to keep down the proportionate price of other species of stock not necessary to be detailed here.

So well apprised of this truth are all persons dealing in stock, that the Austrian loan was actually agreed for (if I am rightly informed) at a price corresponding to the difference which it has since borne in the market (namely, 3 or 4 per cent. below the consols), and this notwithstanding it is guaranteed by this country.

It might, indeed, have been expected, that this stock would have suffered a greater depreciation from the failure of payment of the dividends at the stipulated time: but it has, in fact, kept its relative value, notwithstanding this failure. And if it could be at all considered as a fund reposing upon a separate basis from our own, it would furnish an argument against the supposed beneficial effects of the Sinking Fund: since, notwithstanding the non-performance of that purchase, this stock keeps its relative price and value in the market*.

It is, I believe, fairer to consider this stock as bottomed upon the same foundation with our own; and that as a purchase in the 3 per cents would extend whatever effect it has in raising stock propor-

* Since this was written the Commissioners have made a purchase in this stock.

tionably over every *other* species of British stock, so would its effect be felt in the price of *this* stock, which ultimately reposes on British security.

Disdaining, therefore, to make use of an argument which might be furnished to us by others, but which we do not conscientiously think we have a right to employ, we cannot help noticing a circumstance belonging to the price of funds of another country transferable in this, which should tend to show that the purchase of our stock has not, in fact, been the true cause of the ultimate rise of its value. The price of the American funds has, if we are correctly informed, always borne, till the late extraordinary depreciation of our funds, nearly the same proportion to them in the market; rising, as our stocks rose, and falling as they fell in similar gradations. The American funds have no other relation to this country, or to its funds, or its capital, than the common relation which all marketable commodities have to each other. If the rise in the price of our stock had been the effect of the purchases made in it alone, and not the effect of the general increase of capital of the country, it would not have affected the price of any external commodity, like the American stock: but that stock rose in proportion as our own rose, because the increase of the same capital gave an increasing value to each.

During the course of the last few months, however, I am told that circumstances are somewhat changed, and that the American funds, like our own

land, have kept their price, while the depreciation of the British funds has continued, notwithstanding the increased action of the Sinking Fund. Probably the same cause which has kept up the price of our land has given also the relative preference to the American funds; an opinion more generally diffused of the impracticability of raising by taxes, the money necessary to defray the accruing burdens; some of which, and those to a great amount, we have gratuitously and unnecessarily, and I think prejudicially, imposed upon ourselves; and a sentiment of some difficulty in bearing even the existing necessary taxes, coupled as they are with those which are so imprudently superadded.

For it cannot be too often repeated, our great difficulty lies here in the want of ability to bear additional taxes; and if the unnecessary Sinking Fund, now amounting to four millions, were applied to discharge the interest of future necessary loans, a sentiment of comparative ease and facility would pervade all our operations; our apprehensions would be exchanged for confidence, our weakness and languor into strength, animation, and despatch.

I know that it may be said, that *the perilous nature of the present contest, and the successes of the French, are such as to have caused an unusual depression of the funds.*

If we compare in this respect the two periods between which we before drew a comparison as to the relative price of stocks, namely, the year 1782, and the commencement of the year 1797, we shall

find, I believe, that our relative situation was upon the whole more favourable in the latter period than the former; particularly as to all circumstances of trade, commerce, and foreign possessions, and to all those circumstances which increase and vivify circulation, and should therefore tend to raise the stocks.

In 1782, we were contending alone against France, Spain, Holland, and America, in open hostility. We had Prussia, Russia, Sweden, Denmark, and I believe Naples, leagued together against us by the treaty of the armed neutrality: we had lost the greater part of our West-Indian islands except Jamaica, and we had acquired the possession of the French unproductive island of St. Lucia.

We had taken most of the French, and a few of the Dutch possessions in the East Indies, but we had lost Trincomalé. The navies of the enemy were in a great measure entire: we had not a single ally or friend.

In January 1797, the Emperor, our ally, still gave full employment to the whole land force of France, and had been eminently successful against it in Germany, though he had suffered great reverses on the side of Italy: but we had taken all the Dutch and French settlements in the East Indies, except Batavia and the islands of Mauritius and Bourbon.

We had moreover complete possession of Martinico, St. Lucia, Tobago, Trinidad, with the Dutch colonies of Demerara, Essequibo, and Berbice; and the produce of all these foreign possessions was

circulating through our markets, increasing our navigation, and augmenting the profits of our commerce. The island of St. Domingo was lost to France; her navy in great measure annihilated; those of Spain and Holland effectually blocked up in their ports by our triumphant fleets.

In short, so far as a comparison can be drawn between the political and the commercial, and therefore financial circumstances of the two periods, it appears to be abundantly in favour of the latter period; and yet, notwithstanding those advantages, notwithstanding the powers and extent of the Sinking Fund invariably applied to the redemption of debt, the stocks had experienced a more considerable depreciation than at any period during the former war.

True it is, that our enemy has acquired a preponderance upon the continent of Europe, which cannot fail of producing its effect upon our funds, as it does upon our political security; and were it not indeed for this circumstance, there is every reason why the price of our stocks in the present day should be as high as they were during the first year of the war. The acquisitions which we have made in territory and trade appear to be fully equal to the expenditure which we have incurred in money: these, however, are in fact matters, between which it is difficult to institute any close comparison; and all that we think it necessary to contend for is, that the funds are not comparatively higher in the present day, than they were in the former war;

and if that cannot be shown, then have we reason to doubt the advantage of a plan, whose merit was to consist in keeping up the price of the stocks beyond what could be obtained from the ordinary modes of finance.

We are, however, ready to go still further, and to hazard an opinion, that if the effect of this purchase of stock could be (as it is supposed) materially to alter the price of stock, by raising and maintaining it above that natural level which the wealth and resources of the country would produce and justify, the artificial rise of stock, and consequent depreciation of the value of money, would be prejudicial, as presenting a false idea of solidity, grounded upon an insecure basis, and disturbing the natural order and proportion of things.

The interest given for money vested in stocks, should always bear its true proportion to that given by other modes of investment, according to the solidity of the security and the convenience belonging to the form and place of deposit.

This proportion it would always maintain, if not tampered with: and so long as there is good faith in the nation, and ability to fulfil existing engagements, the public stocks will always be higher in price, and the interest produced by their purchase proportionably lower, than that given by any other species of security, except in the actual moment of the pressure of public exigency.

To give them a false value by directing to their purchase a greater quantity of money than would

naturally find its way thither, is to produce a deception, of which the baneful effects will at some time or other be felt.

Had we been contented to have paid only the interest of the debt which we have incurred, and taken off taxes to the amount of any surplus which the increasing wealth and energy of the country had from time to time furnished, the relief would have been immediately felt through the whole community by the reduction of the price of those articles, which the imposition of such taxes had increased: while the sums thrown back into circulation, would at the same moment have lowered the price of interest, raised the price of stocks, and ultimately vivified all the channels of industry, and, by extending the sources of reproduction, rendered us more able to bear fresh burdens by the acquisition of the new capitals, to which it would have given birth.

Thus every tax taken off would be doubly the means of rendering all the remaining taxes more productive: for, as these would on the average be a certain proportion of the means of every individual, according as those means were increased, would the produce of the remaining taxes also increase. If these should on the whole amount to a tenth part of every man's income, then would any given sum thrown back into circulation by the suppression of taxes, produce again to the public the tenth of the amount from the remaining taxes, minus the proportion of the tax taken off, independent of such

increase as the public would derive from the increased powers of reproduction.

Those who, in 1792, ceased to pay the taxes on candles, female servants, carts, and wagons, had in fact 200,000*l.* more to spend; and if the amount of the then remaining taxes was equal to a tenth of their incomes, they in spending it must still have furnished from that source 20,000*l.* as a new surplus to the public revenue.

Still another advantage would be derived from the abolition of taxes to the amount of any surplus, in preference to the unnecessary augmentation of that surplus by the imposition of additional taxes. The nature, the amount, and the regulations, necessary for re-establishing the taxes which had been taken off, would all be known, whenever a different situation of things should require their re-imposition. Accustomed burdens appear the lightest: and the revival of all taxes, after a temporary relief, would be more cheerfully acquiesced in, than the imposition of new in addition to the accumulated load and continued pressure of preceding years.

We should always bear this truth in mind, that *the only burden felt by the people is the interest of the debt, which it is obliged to pay in the form of taxes; that it is comparatively immaterial what the nominal amount of the capital of the debt is, provided the interest be not increased, nor any onerous engagements of reimbursement made.*

If a man who has acquired some reputation in the arithmetical world had not actually doubted, it might have been supposed impossible to have found a man * so gravely wild, as to have doubted, whether the reduction of interest which took place in 1717 and 1727, but particularly by that famous operation of Mr. Pelham in 1750, amounting, in the aggregate, to near 1,300,000*l.* of annual saving, had been advantageous to the public: but if interest be the burden, whatever shall reduce that interest, without substituting new and more onerous engagements, must in fact reduce the burdens of the people; and it will do it equally with a discharge of capital proportioned to such a reduction of interest.

If 32 millions of four per cents could at this moment be reduced exactly to three, such reduction would be equivalent to a discharge of eight millions of debt, though the nominal capital should continue to be the same.

The natural and simple means of reducing the interest of money, so far as it is affected by taxes, will be by seizing such opportunities as shall offer, of taking off taxes to the amount of any surplus which may exist in the receipt above the expenditure, and by avoiding the imposition of such taxes as are unnecessary to defray the annual expenses of the public.

But it may be said, *Is, then, this debt to go on ac-*

* Price on Public Credit, p. 188.

cumulating for ever? Is no attempt to be made for the reduction of the capital? Certainly not so: but it may be fairly doubted whether there can be an advantage in any attempt to reduce the capital, unless either its price in the market should be below what it was borrowed at, or unless it should be above par. It will hardly be below the price at which it was borrowed, but in the case of a greater want of money: and we have already seen that when that want exists is not the time for paying off old debts, since a greater debt is accumulated by the new than is got rid of by a discharge of the old.

There will remain, therefore, alone the case of the stocks being above par, in which the capital may be reduced with advantage, if the rise of any particular stock should be such as to enable the public to borrow at a lower rate of interest than is given for the stock which may have so risen.

But as the interest is the only burden, if there were not some convenience in matter of account, as well in the transactions of individuals with each other, as between individuals and the public, to preserve the remembrance of the capital for which any specific sum in the shape of interest is given, it should seem that the capital might be wholly left out of the question.

We should, perhaps, for public purposes, introduce a juster notion of our situation, if, instead of describing our debt as amounting to 394 millions, we should say that the annual charge upon the na-

tional wealth amounted to about 15 millions: of which near a million and a half is in annuities for lives or terms of years, and the remainder in perpetuity.

These 15 millions constitute our incumbrance, and it is this load which we should endeavour to diminish. The only good effect which the purchase of stock could have produced by raising the price (supposing that such were its ultimate effect), would have been to have given opportunities of lessening the incumbrance, by lowering the rate and amount of this interest: in every other view all the operations of purchase are in themselves disadvantageous, unless we can suppose that there can exist in the public great means of purchasing, the stocks remaining at a very low price; or that borrowing more than we actually want, can contribute to keep up the price of our stock and of our credit, provided the excess of what we borrow beyond our wants be applied to the discharge of our debt.

But how, then, is the relief from our burdens to be obtained? By a reduction of the interest in times of peace. How is that to be accomplished? By the increasing prosperity of the country. If the resources of the nation be in time of war equal to the discharge of its ordinary expenses, in addition to the interest of its augmented debt, they will, in time of peace, naturally raise the revenue above the amount of that interest and of those expenses. If the revenue should so exceed, the abolition of taxes to the amount of that excess, will not only render

the remaining taxes more productive, but will at the same time raise the funds.

Whenever those funds which are at the highest rate of interest shall be above par, then will be the moment to reduce the rate of interest, either by actually borrowing, or by showing the power of borrowing at a lower interest, and thereby inducing the holders of such stock to accept of a lower rate. If even no species of stock should rise above par, opportunities may still be taken of diminishing the rate of interest on stocks which are increasing in value by the amount of $\frac{1}{8}$, $\frac{1}{4}$, $\frac{1}{2}$, or any other fractional part of unit per cent. when an integer cannot be obtained.

Possibly, though not probably, opportunities may be afforded of converting with advantage stocks of a low denomination in respect of interest, into stocks of a higher denomination, with the view to a subsequent diminution of interest on a continuance of the same prosperous circumstances.

Still the reduction of the nominal capital by conversion, is in this case an operation subservient to the diminution of interest, and is in no degree important, but as it may more certainly lead to such diminution. It may even become a matter of doubt, whether, under any circumstances, it would be desirable to discharge the whole of the national debt. There is so much of convenience in the deposit and transfer of money upon national security, that it would perhaps be on the whole better to retain undischarged a portion of the national debt at

a low interest, rather than force the money of the nation into less secure funds in other countries, for want of a safe deposit in this. The interest of the diminished debt would remain in the mean time like an ancient quit-rent upon an estate, bearing no proportion to the improved value of the domain; not felt, and hardly known to the owner who pays it to his neighbour.

It is a great recommendation of the mode of operating by taking off taxes to the amount of any given surplus revenue, that you are sure of deriving an advantage commensurate with the improvement of the circumstances of the country: whereas, in the conversions of stock before alluded to, the money-lender, if money must still be borrowed for the purpose of converting stock of a low denomination into stock of a higher denomination, will still expect a profit on his bargain; he will still expect to be paid for the accommodation which he gives to the public; or the stockholder will expect a *douceur* for converting his stock into a form more conducive to the public advantage.

It may upon the whole, indeed, be fairly doubted whether any mode of operating is really eligible, when compared with that of abolition of taxes and reduction of interest, unless any given species of stock shall have risen above par.

Great lamentations have not unfrequently been made by political writers, and great clamour raised against those ministers who, in times of necessity,

have thought it more advisable to avail themselves of any part of the unappropriated Sinking Fund, than to make new loans to the like amount. They have done it for the best of reasons; to avoid laying unnecessary new burdens upon the subject; if they had not made use of this resource, other taxes must have been imposed to defray the interest of the new debt, the compound interest of which taxes would have been at least equal to the compound interest supposed to be derived from the operation of the Sinking Fund: they must besides have paid a *bonus* to the money-lender, greater or less in proportion to the price of stocks, the facility of borrowing, and the state of public credit.

But the object which has been chiefly attended to, in making the loans which compose the greater part of our national debt, has been, how to obtain the money at the lowest price in point of interest, and with no view towards reimbursement.

This object it is which has induced ministers to prefer the 3 per cent. consols for the great bulk of their loans; because this being the more marketable stock, is always comparatively higher than any other species of stock. If reimbursement had been always the object, it should seem that it would have been much more prudent never to have created a greater capital in stock than had been received by the public in cash, and to have paid an interest, either of perpetual annuity, or for terms, or mixed of both, according to the price of the day, and the

agreement which could have been made with the money-lender. The return of peace would have enabled the public to ease itself gradually of those burdens, in point of interest, to which the necessities of war had obliged it to submit, without being exposed to pay the enormous premiums which the rise of stocks during peace creates to the money-lender or stockholder, who is reimbursed by sale.

It is, perhaps, inexpedient to enact any general laws upon a subject which puts on so many varying aspects; but if any general law could be advisable, and it is determined that we are to go on with the plan for repurchasing the national debt, it would, I think, be necessary to prevent by law the ruinous mode of making loans which has been hitherto pursued—ruinous, at least, so far as relates to the means of reducing the capital of the debt.

A law which should enact, that, in making a loan, the nominal debt incurred should in no case be greater than the sum actually received by the public, would, I think, be a beneficial measure. In other words, that the capital added to the debt should not be greater than the sum of which the public should have the benefit, at whatever rate of interest it might be necessary to borrow: for it is a mere delusion, if reimbursement by repurchase of stock is to make part of our plan, to suppose that the money will eventually be borrowed at a lower rate, or for a lower premium, though borrowed on a favourite stock, if at the same time a capital is added

to the debt of nearly double the amount of the sum received.

On the other hand, I conceive that it may be found extremely inconvenient, if not perilous, in time of war, to be under the necessity of raising more on the public, than the mere interest of the money borrowed; and that on the cheapest terms on which it can be negotiated, without any regard to the species of stock created at the moment.

The whole success of a war may depend upon the ability to carry it on for another year, and that may be rendered impracticable by the burdens previously and unnecessarily imposed. A provision which should tend in any degree to cramp the operations of war, when once the country is unfortunately engaged in it, may become dangerous in the extreme to its security. If the plan of redemption had been established and invariably adhered to from the first creation of the stocks, we should, it is true, at this hour have redeemed no inconsiderable portion of the debts with which we are now burdened: but the redemption would have been obtained by having continued considerable additional burdens on the subject, down to this time, from which the nation has been free. And who can tell whether the continuation of those very burdens might not have palsied the vigour which was displayed, blasted the glories which were reaped, and wholly prevented the brilliant and substantial successes which were obtained in the war which ended in 1763; or exposed this country to fall a sacrifice to the united

powers of France, Spain, Holland, and America, in the war which ended in 1783?

We should have got rid of a debt of 74,571,000*l.* burdened with an interest of 2,396,717*l.* It is not so easy to calculate what it might have cost us to make that redemption, and wholly impossible to reduce to numbers the untold and incalculable millions which the money left in the hands of the public has in the mean time produced: and of what avail would all our calculations, all our redemptions have been, if one service being thereby starved, one vigorous exertion checked, we had fallen a prey to our eternal rival, by too great an attention to a speculative question of finance?

It would have been utterly impossible for this country to have withstood the power of Louis the XIVth, XVth, and XVIth, if the expedient of funding had not been devised; it will be utterly impossible for it to resist the more colossal power of the tyrants who have risen upon the ruins of the ancient monarchy, but through the aid of the same funding system. It was the happy expedient of the greatest hero and the wisest politician of this century, which he for a short time illumined (of the immortal William), to enable Europe to withstand the ambitious attacks of a despotic monarchy. It must be the resource of the present moment against the more violent, more rancorous, more insatiable ambition of republican—no, I cannot dignify it with that name—of revolutionary anarchy.

Let us, however, examine a little more closely, what would have been our actual situation had this plan of reimbursement been adopted and invariably adhered to, from the commencement of the debt to this hour.

If we take as the basis of our calculation, that one per cent. on the capital borrowed, will pay off the sum borrowed in forty-five years, it will follow, that at the commencement of the present war at the beginning of the year 1793, the debts incurred in the war which terminated in 1748, by the peace of Aix la Chapelle, would have been paid off, and that the interest thereof, amounting to 2,396,717*l.* would have been deducted from the interest which was payable on the national debt, in 1793, being

	£ 9,205,588
	2,396,717
	<hr/>
Leaving therefore	6,808,871
To this sum should be added the interest of money actually paid off, between 1762 and 1775	400,000
	Together 7,208,878
And also the interest accruing from a reduction of capital, to the amount of 3,721,472 <i>l.</i> which took place between 1748 and 1755, together with the saving arising from Mr. Pelham's operation in 1750, amounting in the whole to	664,287

And moreover, one per cent. on the capital of 187,380,996 <i>l.</i> and on the estimated value at the end of forty-five years of 778,716 <i>l.</i> of long annuities created in the German and American wars, amounting together to an annual sum of	} £1,948,339
<hr/>	
The final result would have been, that we should have paid, in 1793, annually	} 9,857,497
Instead of	9,205,588
And the million	1,000,000
	<hr/>
	10,205,588
	<hr/>
	9,857,497
Being a difference of*	348,091

And we should actually have extinguished the whole of the debt incurred before 1748, being about 64 millions more than was actually extinguished in 1793. Considerable progress would at the same time have been made in extinguishing the debt incurred between 1755 and 1763.

Had this plan been first thought of at the commencement of the war of 1756, and pursued to this moment without remission, we should at this hour have been paying annually two millions more than

* Appendix G.

we now pay for the interest and discharge of debt*. Whether it would have been possible for the country at this moment to have borne that accumulation of taxes, in addition to those which it must still incur, I will not venture to pronounce: but it will be readily allowed me, that the additional pressure would have been inconvenient. It will, I know, be here triumphantly said: " True it is, that in the first of these cases which you have stated, the sum which we should at this moment annually pay, would not be very considerably less than what is actually paid; and that in the last case we might have had a considerable additional sum to pay beyond what we now pay; but what would have been the situation of our funds? They in the mean time would have risen to such a height by the effect of the reimbursement, that we should have borrowed at a much lower rate of interest, and our annual incumbrances would by those means have been doubly lessened. A smaller interest would have been incurred for our loans, and a smaller capital being created, the one per cent. thereon would not have amounted to so large a sum. Considerable deductions must, therefore, be made from your statement in the last case, and the proportion of those deductions would be annually increasing as the operations of the Sinking Fund became more powerful, and as we approached nearer to the year 1808, when, according to these calculations, the whole of the debt incurred previous to 1763 would be paid off.

* Appendix H.

The degree of weight which will be given to this argument must depend upon the degree of success which we may have had in convincing our reader, that the accumulations of the nation derived from the use of this very money, which must have been taken out of their hands, to apply to the purposes of redemption, will, in the mean time, have produced much greater sums than could have been paid off by purchase: that the nation is in fact doubly and trebly richer now, and, therefore, better able to bear any additional burdens, than it would have been, had this system been invariably pursued; that its credit, which depends upon its wealth, its strength, and its punctuality, must therefore be greater, and its funds consequently higher.

If there is any strength and solidity in the arguments which have been used to support this proposition, it becomes highly important in the situation in which we now stand, that we should altogether get rid of the fears which the nominal amount of the capital of our debt seems to have inspired, that we should seriously think of the great and sole evil, *the amount of the annual sums levied on the people in the form of taxes*; that we should wholly disregard the additions to the capital, provided we can thereby prevent any unnecessary additions to the annual imposts: that we should be assured that all our difficulties are small when compared with what may arise from the pressure of these, on our inability or ability to bear which depends all our weakness, all our strength: that we should put out of sight, and out of thought, the debt which is not demandable from us,

to occupy ourselves with the means of paying the annual rent which we have given our bond faithfully to discharge. This is our obligation, whose increase we must endeavour as much as possible to prevent, in order to economize the resources of the nation. Abundant opportunity of lessening and contracting the extent of this obligation will occur, if the hour of tranquillity and of prosperity shall return; but we shall run a great risk of putting off the hour of tranquillity, or of precluding the return of prosperity, if, by taking upon us, in the time of contest, greater burdens than we can conveniently bear, we should narrow our defence or contract our offensive operations, within the limits which active and vigorous war with a formidable, an implacable, and an exterminating foe may demand.

Cruel, indeed, would be our lot, if, after having been in an unexampled manner successful, wherever we have been singly engaged against that foe; after having wrested from him nearly all his foreign dominions, and some of the most valuable of those of his allies; after having seen our navy crowned with more than ordinary triumphs, in every sea and in every clime, where our enemies have dared to appear; we should now shrink from the contest, panic-struck by arithmetical numbers, and a funded capital which is as harmless as the ciphers of which it is composed.

In plain terms, our debt is a debt of 15 millions a year; and this sum we are engaged to pay by the sweat of our brows from the culture of our soil,

from the profits of our arts, our industry, and our commerce; and we are well able to fulfil our engagement.

We have moreover at this instant four millions of annual revenue in our hands, applicable immediately to the raising of any farther sums which may be wanting to prosecute the war with vigour and effect, without laying one sixpence additional on the subject.

Should returning peace (as may reasonably be hoped, if the war is vigorously maintained) bring with it hours of prosperity and splendour, the means will soon be found of lessening the burdens of the public by lowering the interest of the debt; and an increased revenue from increasing resources will enable us, by taking off the taxes, to sow the seeds of future wealth, while we diminish the weight of present burdens.

Should unfortunately the termination of the war bring with it ignominy, and its attendants insecurity, humiliation, and degradation, we should vainly look for the means of continuing the onerous plan for the redemption of debt.

We have before had occasion to observe, that the borrowing of money on perpetual annuities, or annuities for terms, to defray great national expenses, was first resorted to when this country had to contend with a powerful enemy whose ambition threatened the liberties of all Europe. It had then been found impossible to raise within the year sums adequate to defray the expenses necessary to assert

the independence, and to maintain the laws, the liberties, and the religion of this country. If those sums had not been then obtained, we had been enslaved; and the invaluable blessings we now enjoy are the fruits of the loans then made. Their continued preservation, and the acquisition of the greater part of our foreign possessions, are due to the successful employment of the same resource, in subsequent contests with the same ambitious enemy. To this expedient we in fact owe, under the blessing of Providence, all that we now possess of power, wealth, and constitutional liberty and happiness.

We have now to struggle with infinitely more powerful, more ambitious, and more implacable foes, than the monarchs of France — with enemies whose power is grounded upon the acquisition of territory made by the former legitimate sovereigns of their country, and whose ambition is nurtured and increased by the additions to that territory which they have themselves made; while their love of blood, rapine, anarchy, and desolation has been cherished and sharpened by the unrestrained and unpunished license with which they have been permitted to indulge in spreading confusion and disorder through too large a portion of the earth.

Were we to neglect to employ the same means which were so successfully used by our ancestors, which have been so powerfully exerted by ourselves on former emergencies, we may bid adieu to our independence as a nation, to our liberty and security

as individuals: we may bid adieu to that flourishing trade and commerce which, wafting to us the wealth of both Indies, increases the means or the comfort of every individual among us, either by furnishing him with objects of immediate and innocent gratification, or by giving a greater value to his possessions, to his skill, or to his labour: we may bid adieu to all those flourishing establishments of interior manufacture, and of all those improvements in agriculture which are at once the cause and the effect of our power as a nation, of our wealth and of our freedom as individuals.

Such having been the advantages which we have derived from loans, such having been the necessities which compelled us to resort to them, it is somewhat singular, that at this day, on the close of the fifth, and on entering into the sixth year of the most expensive war which we ever carried on, the idea of raising a considerable portion of the supply within the year, and of reimbursing the whole within three years, should have been taken up by those who have hitherto experienced some difficulty in finding taxes to pay even the interest of the money borrowed.

It must be evident, on reflection, that taxes will be levied with facility or difficulty, in proportion to the state and extent of the unencumbered capital of the country: that, independent of extraneous circumstances which may operate upon them, such as panic from the fear of invasion, &c. the funds

will rise or fall in proportion to that apparent facility or difficulty.

The argument used for raising the supplies within the year by taxes, instead of having recourse to the usual mode of funding, is, that, if the sum wanted were funded, it would, by adding so much additional loan to the national debt, tend to depress the stock too much, and oblige you to borrow at too high a rate of interest.

But, in truth, if the money wanted for the supply of the year be taken out of the pockets of the subject by taxes, it will reduce the capital of the nation by so much: the effect of which upon the funds, must be equivalent to that which would be produced by adding an equal sum to the debt. If the nation has to offer a certain capital as the security for a certain debt, it should seem, that the effect upon the value of the funded debt will be the same, whether I increase the debt by an addition of a certain number of millions, or take an equal number from this security.

And as to borrowing at a high rate of interest, the public, or the individuals who compose it, must borrow: the public can the more readily borrow, because it is enabled to give any rate of interest which the exigencies of the times make necessary: but the individuals composing the public can only give an interest limited by an injudicious law, and will therefore be compelled to sell at a very depreciated value, their lands, their stocks, or their goods, to supply those extraordinary demands which their

income will not furnish, and which they cannot borrow at five per cent. while the public gives seven.

The case becomes still more cruel if the whole of this burden is taken from the shoulders of the public at large, to be thrown exclusively upon a very small portion, though it be on the most opulent part of the community. For, although the individuals composing this higher class may as individuals possess larger incomes than any individuals who are to be found in the other classes of society, yet will the whole of their property, taken collectively, bear a small proportion to the property of the nation at large.

We profit nothing from the example of France, whose financial embarrassment and distress was brought on by engagements to make certain reimbursements, at stated periods, of short date; the Revolution was the consequence of her inability to fulfil those engagements; and it may be feared, that if we push our system of taxation for this purpose of repayment too far, or abandon the cause in which we are engaged too soon, from the impossibility of maintaining at the same time the expenses of war and the projects of reimbursement, the horrors of French anarchy may also overtake us.

Happily, whatever legislative provisions we may have made for the gradual extinction of the debt; we have, I believe, in only one, and that a recent instance *, pledged ourselves to the stockholder to

* The voluntary loan made in 1797, of 18 millions payable in two years after peace.

reimburse him at a stated time and price. I cannot however, without the most serious apprehension, observe the fixed determination which seems to direct us, not only to persist in the general measure of the purchase of stock, but to force it forward with redoubled power, and by every possible means, and as it were to stake our whole existence upon this gratuitous payment of money which no man demands, and which we thus onerously raise and ruinously pay.

As money is usually borrowed by the public when it is dear, and paid off when it is cheap (for we have already seen that the debt is upon the whole rather increased than diminished by repayments in time of war *), and as the capital stock, created by the several loans, has been selected for the most part with the view of obtaining the money at the lowest possible rate of interest, and with no view to the plan of redemption, it has happened, the three per cent. stock being the groundwork of all these negotiations, and the stock principally given, that, upon an average, the public has not received above sixty for every hundred pounds of three per cent. stock, the greater part of which, if we were to succeed in our plan of reimbursement, must be paid off at par †.

* Page 27 & seq.

† The last loan indeed was made at 50, with a *bonus* of near seven per cent.; and, at the present price of stock, a capital of three per cents must be created, for the receipt of 45*l.* 46*l.* 47*l.* or 48*l.* at the utmost.

But we cannot hope to succeed eventually in our reimbursements, unless our years of peace shall bear a greater proportion to our years of war than the chronological table of our history during the present century authorizes us to expect.

Ninety-seven years have passed away, of which forty-one have been years of war, and fifty-six* only years of peace. Of the last fifty-seven years, one half have been years of war, and we are now in the fourth which has taken place within that period. The present state of Europe can afford little hope that wars will be less frequent in the century which is to come than they have been in that which is almost past. Between forty and fifty years is the time allotted by calculation to the reimbursement of the loan of each year of war; the reimbursement of one war will hang heavy, therefore, upon those which may succeed it; and still, long as is the time and onerous as the annual payments will be, we can scarcely look forward to any hope of complete success, unless great opportunities are given of *reducing the rate of interest*.

We have already shown, that the reimbursements in time of war increase our burdens and our debt, instead of alleviating the one and lessening the other; that in time of peace they are the occa-

* Sixteen years of war, and about five of peace, are to be added to the list since this was written, making fifty-seven of war, and sixty-two of peace, in one hundred and nineteen years; and of the last seventy-eight years, forty-four have been years of war.

sion of our paying cent. per cent. more than we have received.

Had we been satisfied, at the conclusion of the former war, to have applied to the purpose of purchase such sums alone as the natural spring of increasing prosperity should have given us, as a surplus beyond the necessary expenditure of the year, and had gradually taken off taxes to the amount of the interest of the debt bought up, to such an extent of purchase, accompanied by such a progressive relief from taxes, I could see or make no violent objection. It would have established our credit, at the same time that it relieved us: it would, by easing the subject, have led the way, in the most natural manner, to further relief, by reduction of interest and augmentation of revenue.

It would have inspired individuals with a cheerful confidence in the actual resources, and a ready compliance with the future demands of the nation.

The plan we are pursuing gives no hopes of relief, no expectation of redemption. Galled by the continued pressure of increasing burdens, we have only the perspective of sinking under their weight, without reaching the goal, at which we should easily and certainly arrive, with such loads as are adapted to our strength, and such as we are bound to carry.

"Give me a FULCRUM," said Archimedes, "*and I will raise the world.*"—"Give me taxes," says the Financier, "*and I will not only defray the expenses of*

the present war, but I will pay the debts of all wars that have preceded it."

Little does he think of the effect which his accumulation of taxes will have upon the community for whose benefit he would impose them. He would pay the debt, but would ruin the nation: too much alike in this to the French philosopher, whose tender prospective humanity can, without a fear or a pang, scourge the millions of his own day with more dreadful afflictions than ever before desolated mankind, to procure for their unknown descendants the Elysium of their speculative Utopia.

The Acts of the 26 Geo. III. c. 31, and 32 Geo. III. c. 55, for the reduction of the national debt, have pronounced, that the fund then first appropriated to this discharge shall accumulate, till it amounts to the sum of four millions, including the original million so applied: a provision which appears to be founded upon no true principle.

Operations of finance, whether they consist in the imposition or the abolition of taxes, should be as gradual as the nature of the case will permit. A spring which is too suddenly charged will easily break; a weight too suddenly removed may easily disorder the machine.

The united empire of Great Britain and Ireland affords a consoling example of the extent of the burdens which may be gradually imposed upon an active, industrious, and free people, without over-

powering, as it should seem, the spring of their increasing resources.

Whenever the revenue of the country has been unequal to defray its annual expenditure, including the interest of its debt, taxes have been imposed, for the purpose of rendering the income equal to the outgoings. Whenever the certain income of the country shall become superior to its expense, the readiest and most natural way of giving relief to the subject will be by taking off taxes to the amount of that certain excess. It would be advantageous, too, to remove those taxes, so far as may be consistent with the consideration of the fitness or unfitness of the taxes themselves, in the contrary order in that which they were imposed. The last load is always the most felt, and should be the first removed; the prices of the articles taxed return more easily to their former rates when the duration of the tax has not, by its long continuance, too much incorporated its addition with the original price of the commodity.

But why should we stay till three millions are liberated before we give three grains of relief? Three millions form an arbitrary sum, for whose adoption I can devise no solid reason, and against which many solid reasons may, I conceive, be urged, whether this plan be pursued in time of peace or in time of war.

If in time of peace, taxes should not be taken off gradually and in proportion to the extinction of capital and the liberation of interest; the time might

come when so considerable an accumulation might tempt either Government or the nation itself to some improper enterprise.

Should this not happen, yet as taxes must then be taken off, should they be suddenly removed, and how can it then be otherwise? a convulsion might be thereby occasioned in the fortunes of men, which, operating upon their manners and upon their morals, might in some points of view be almost as pernicious as that which might be produced by their too sudden imposition.

Should this accumulation have taken place in time of war, as is actually the case to a considerable extent, it would be grievous indeed, if, having this resource in our hands immediately applicable to the raising of new loans, we should shrink from the contest, for want of resolution so to apply it, or from an obstinate and dangerous adherence to a ruinous plan indiscreetly adopted, and from a sense of our inability to lay new burdens, while we dare not or will not make the proper use of those which are already laid.

It would indeed be a melancholy circumstance, if, having this powerful instrument in our hands, the smallest portion of the interests of the country should be sacrificed to an apprehension that we have not abundant means to induce our enemy to listen to such terms as are consistent with our liberty, tranquillity, independence, and security.

There is still another reason which should weigh with us in our determination upon this subject.

Whenever, from the increasing prosperity of the country, the produce of the revenue considerably surpasses the annual exigency of the state, and the interest of money consequently experiences a reduction, it is but strict justice that this natural reduction of interest should be accompanied with an abolition of the superfluous taxes. Should this not take place, those who live on the interest of money (and they compose a very large and interesting class of His Majesty's subjects, and are a description of persons in every point of view entitled to the tender protection of the Legislature) would have reason to lament the increasing prosperity of their country. Their incomes will have been lessened at a moment when their expenses will probably have been increased.

The abundance of money not only tends to lower the price of interest, but it has also a tendency to raise the price of many, though not invariably of all the necessaries of life.

In so doing it sensibly affects the fortunes, narrows the means, and contracts the comforts not only of all those who live on the interest of money, but of all who are maintained by certain stated incomes, whether derived from fixed annuities, or received in the shape of military pay or civil salary; in short, of all those whose incomes do not necessarily increase with the increasing prosperity of the country, but whose expenses are necessarily increased by the growing wealth of their more fortunate fellow-citizen. More need not, perhaps, be urged to induce us

rather to adopt such measures as will afford only justice to the most necessitous part of the community, while it gives ease and comfort to the whole of the present generation in preparing wealth and power for posterity.

There is, however, another important consideration which comes forcibly in aid of this argument.

Every Englishman who, previous to this war, traversed any part of the Continent, but more particularly of France, must have been struck with the numbers of his own countrymen of moderate fortunes, who ranking, however, in the class of the rich, have been drawn most unwillingly to expatriate themselves, to seek under less happy and less genial governments the accommodations adapted and necessary to their situation in life, which the pressure of taxes enhancing the price of all articles of common life deprives them of the means of procuring for themselves or their families in their native country.

I think that I should be much within compass when I suppose that the money spent by persons of this description, who are obliged to sojourn in different parts of the Continent, has not been less than a million sterling annually, previous to this war. What it may amount to when the new burdens which the war has necessarily superadded to those which, with a view to the redemption of the capital of the debt, we have voluntarily undertaken, it may be difficult to foretell; but there can be no doubt that the

amount will at least be proportionably extended; it may be feared, that the proportion will be considerably increased*.

There is a degree of pressure, which can be easily borne by all; there is a point beyond which the sturdiest shoulders, the firmest minds, are unable to resist.

When we reflect that every 25*l.* of the income so spent abroad would have maintained the family of a labourer at home, we shall not, I think, be far from drawing the conclusion which is not yet, perhaps, sufficiently understood, though it begins, in some degree, to be felt, *that we shall best consult the interests of the poor by enabling the rich to live.*

Nor is the financial effect the most important part of this subject. The comforts and advantages which are derived to the poor by the residence of the families of the country gentlemen among them, are innumerable and inestimable. Their health, their morals, their minds, are all improved by the precept, by the advice, by the example, and by the assistance of their hereditary patrons, to whom they have been taught to look with respect, and from whom they have been used to derive comfort in affliction, counsel in trouble, sober correction in irregularity, aid in distress. Nor is this all: while the children of our gentry are educated in foreign

* I have it from the highest authority, that the sums drawn by our countrymen on the Continent in the first months of the peace in the year 1815, were at the rate of upwards of 5 millions a year.

countries and in foreign habits, it is but too much to be apprehended that if ever they are enabled to return to the country from which they sprang, they will come back with minds slightly impressed with the advantages of the British constitution, with very inadequate ideas of the perfection of our equal laws, of the value of our well-poised liberties, and of the purity of our holy religion.

That they will return either bigots in their faith or despots in their politics, or, what is not less to be dreaded in these days, that they will bring with them hearts totally divested of all religious sentiment, and minds void of all love for, or correct ideas of the benefits of social order and rational liberty: these are not ideas taken up at this moment, but which have been seriously entertained, narrowly scrutinized, and deliberately weighed, from the first moment of the establishment of the fund for the payment of the national debt; but which an obscure individual has thought it unavailing to urge against the united weight of those great authorities who have concurred in establishing this fund.

The pressure of the present moment has, however, unfortunately come in aid of his voice, and has imperiously urged him to lay before the public some of the grounds on which the firm and deep-laid conviction of his own mind is built; a conviction, which, after much attentive consideration, and close investigation of this important and complex subject, has only been rivetted and confirmed by every thing

which has passed, and by every thing which has been done in this matter, since the plan was unfortunately first adopted.

He knows full well how easily he may be overpowered by the eloquence of those who have embraced a contrary, and, as he thinks, a fatally erroneous system. He is not vain enough to think that he can have produced conviction in others, upon all the points which he has stated with the view of illustrating his subject, and of strengthening his argument. He is frank enough to confess, that it is not improbable that many errors may be discovered in so extensive and complex a discussion: but he will, at the same time, in justice to himself and from respect to his reader, assert, that there is not one error in which he will not be happy to receive correction if he has erred. He will go farther: it will give him much more real satisfaction to find, that all things are going right, than to have the miserable pride of thinking that he alone has seen the truth, and that public measures are in this respect blindly conducted. But stretching his powers of consideration as far as they are capable of being extended, he is irresistibly drawn to this conclusion, from the whole of these premises; namely, that in the present circumstances and situation of the country, *it will be far more advisable to apply the interest liberated by the purchase of national debt, together with so much as may be necessary of the remainder of the fund now dedicated to its farther libe-*

ration, to the purpose of any new loan, rather than have recourse to any new taxes for that purpose, or to the still more precarious and oppressive measure of raising within the year, any considerable part of the money wanted for the supply, by any new and extraordinary mode of taxation.

CONCLUSION.

1819.

IN the Report of the Committee of Finance, which sat in 1791, it appeared that the *whole expenditure* of the country at that time, including the annual million appropriated to the redemption of the national debt, did not exceed 15,912,597*l.*

It appears, by the returns made of the *poor rates* in the year 1786, that their average amount in the three preceding years was 2,167,749*l.* Making together little more than eighteen millions*.

In the First Report † made by the Committee of Finance, in the present session, it appears that the *total expenditure* of the present year is estimated at no less a sum than 68,079,882*l.*

By the returns made to Parliament in the year 1817, of the amount of the *poor rates*, it appears, if I recollect aright, that they had reached, in 1816, the sum of 8,000,000*l.*; together, upwards of 76 millions. In the sum, however, of 68,079,882*l.* stated by the Committee of Finance as making "the total ex-

* £15,912,597
2,167,749
<hr style="width: 50%; margin: 0 auto;"/>
18,080,346

† First Report, page 12.

penditure of this year, is included, for *Sinking Fund* towards the redemption of the debt, about 16,061,000*l.* (*a sum greater than the total expenditure of the year 1790*); leaving the actual expenditure, exclusive of the Sinking Fund, at 52,018,200*l.* which, contrasted with a revenue of 54,000,000*l.* will give a surplus of revenue applicable to the extinction of debt of 1,981,200*l.*"

The result of these calculations is, that if the Sinking Fund system is to be maintained to its full extent as now prescribed by positive statute, it will require no less a sum than 14,079,882*l.* * *to be borrowed or to be raised by taxes*, to produce the sum applicable by law to the redemption of debt in the present year.

When such has been the enormous increase of the public burdens in the course of the last twenty-nine years—when it has been necessarily accompanied with an increase in the price of almost all articles necessary either to the support or to the comfort of man, of the pay of the army and navy, and of all the civil servants of the Crown (the Ministers and officers of State only excepted)—when it has augmented generally the price of all labour, rendering it difficult for the ingenuity of our manufacturers, and impossible for the industry of our farmers, to compete with foreigners in the foreign

* £68,079,882

54,000,000

14,079,882

markets—when the numerous petitions which have been presented to Parliament in this and in the last session against many of our existing taxes, those on coals, salt, leather, windows, and agricultural horses, have strongly evinced the impatience with which the present load is borne—when the numerous and continual emigrations of the higher orders to the continent of Europe, and of the lower and industrious orders to America, have but too clearly shown the difficulty which these large classes of our countrymen have found of subsisting with comfort under the present pressure, no friend to his country, no friend to humanity, would willingly increase those difficulties and that distress, by *unnecessarily* adding to the present oppressive load of taxes.

When it is recollected, too, with what eagerness (to use no stronger expression) the property-tax was got rid of, I can with difficulty believe that any man will, under the present circumstances of the country, be rash enough to reimpose it, or ingenious enough to devise other taxes to fill up this deficiency of above fourteen millions: and if we have recourse to borrowing, taxes to no less a sum than the amount of 700,000*l.* must be found to pay the interest; and this operation must be repeated every year, by new loans and new taxes to a similar amount.

The income of the country actually exceeds its *necessary* expenditure by near *two millions* sterling: with this existing surplus we may and ought to

rest well satisfied: and we shall best consult the interests of the stockholder, as well as of the community at large, by not attempting more than we can perform, in making a painful effort to uphold a delusive system, which is not adapted to our circumstances, and of which the consequences may be fatal.

Sacred as it has been the fashion to represent the SINKING FUND, I believe it will be found that the interest of all the loans, without exception, which have been made since the year 1812*, have been taken from the funds, which, by preceding acts, had been appropriated to the Sinking Fund: and the Ministers who have successively advised these measures, have acted most wisely in having recourse to them, although they have not been bold enough to avow what they were doing, for fear of encountering the prejudice so strongly excited, and so long maintained, respecting the inviolability of the Sinking Fund.

The two Houses of Parliament have quietly and prudently acquiesced in these measures from a sense of the extreme difficulty, if not impracticability, of finding new objects of taxation, and from the apprehension of laying on a burden beyond the powers of the country to sustain.

If there be any truth in the principles which it has been the object of the foregoing pages to develop; and if that truth has been presented in a

* See 53 Geo. III. c. 35, et seq.

manner to produce conviction, that which from the year 1812 to the present time has been done partially and covertly, should now be done openly and manfully to the full extent, by at once abandoning the vain and onerous attempt to lessen the public burdens by the purchase of stock, whether the funds to effect these purchases be obtained by NEW LOANS or by NEW TAXES.

APPENDIX.

APPENDIX A.

Table, showing the probable Effect of applying in Time of Peace One per Cent. on the Capital of One Million of 3 per Cent. Stock (borrowed at the Price of 50*l.* for every 100*l.* of Stock), to the Purchase of the Capital created by such Loan. The One per Cent. amounting to 10,000*l.*

Sums applied annually to the Purchase of Stock.	Years of Purchase.	Supposed Price of Stock.	Amount of Stock purchased.	Sums to be applied in each Year, including the Interest of the Stock redeemed.
£			£	£
10,000	1798	at 50	20,000	Interest liberated } 10,000 600
10,600	1799	at 55	19,273	Bearing Interest } 10,600 578
11,178	1800	at 60	18,630	Interest } 11,178 559
11,737	1801	at 65	18,057	Interest } 11,737 541
12,278	1802	at 70	17,540	Interest } 12,278 526
12,804	1803	at 75	17,066	Interest } 12,804 510
				13,314

Appendix A, continued.

Sums applied annually to the Purchase of Stock.	Years of Purchase.	Supposed Price of Stock.	Amount of Stock purchased.	Sums to be applied in each Year, including the Interest of Stock redeemed.
£			£	£
13,314	1804	at 80	16,642	Interest 13,314 498
13,812	1805	at 85	16,249	Interest 13,812 486
14,298	1806	at 90	15,887	Interest 14,298 474
14,772	1807	at 95	15,549	Interest 14,772 465
15,237	1808	at 100	15,237	Interest 15,237 456
15,693	1809	at par	15,693	Interest 15,693 468
16,161	1810	ditto	16,161	Interest 16,161 483
16,644	1811	ditto	16,644	Interest 16,644 498
17,142	1812	ditto	17,142	Interest 17,142 513
17,655	1813	ditto	17,655	Interest 17,655 528
18,183	1814	ditto	18,183	Interest 18,183 543
18,726	1815	ditto	18,726	Interest 18,726 561
19,287	1816	ditto	19,287	Interest 19,287 576
				19,863

Appendix A, continued.

Sums applied annually to the Purchase of Stock.	Years of Purchase.	Supposed Price of Stock.	Amount of Stock purchased.	Sums to be applied in each Year, including the Interest of Stock redeemed.
£			£	£
19,863	1817	at par	19,863	Interest 19,863 594
20,457	1818	ditto	20,457	Interest 20,457 612
21,069	1819	ditto	21,069	Interest 21,069 630
21,699	1820	ditto	21,699	Interest 21,699 648
22,347	1821	ditto	22,347	Interest 22,347 669
23,016	1822	ditto	23,016	Interest 23,016 690
23,706	1823	ditto	23,706	Interest 23,706 711
24,417	1824	t o	24,417	Interest 24,417 732
25,149	1825	ditto	25,149	Interest 25,149 753
25,902	1826	ditto	25,902	Interest 25,902 777
26,679	1827	ditto	26,679	Interest 26,679 798
27,477	1828	ditto	27,477	Interest 27,477 822
28,299	1829	ditto	28,299	Interest 28,299 846
				29,145

Appendix A, continued.

Sums applied annually to the Purchase of Stock.	Years of Purchase.	Supposed Price of Stock.	Amount of Stock purchased.	Sums to be applied in each Year, including the Interest of Stock redeemed.
£ 29,145	1830	at par	£ 29,145	Interest 29,145 873
30,018	1831	ditto	30,018	Interest 30,018 900
30,918	1832	ditto	30,918	Interest 30,918 927
31,845	1833	ditto	31,845	Interest 31,845 954
32,799	1834	ditto	32,799	Interest 32,799 981
33,780	1835	ditto	33,780	Interest 33,780 1,011
34,791	1836	ditto	34,791	Interest 34,791 1,041
35,832	1837	ditto	35,832	Interest 35,832 1,074
36,906	1838	ditto	36,906	Interest 36,906 1,107
38,013	1839	ditto	38,013	Interest 38,013 1,140
39,153	1840	ditto	39,153	Interest 39,153
962,801 { would purchase in 43 years } 1,012,901 of 3 per Cents.				

Appendix A, continued.

In stating 500,000*l.* as the sum received by the public, on creating one million of 3 per cent. stock, no deduction is made for discount, long annuity, or any other circumstance forming the *bonus* to the money-lender, and which in the budget of the 26th of April 1797, when the 3 per cents were taken at 50, were stated all together to amount to about 6*l.* 17*s.* per cent. There must also be deducted, a sum equal to 800*l.* for every million, which is paid to the Bank for receiving subscriptions.

	£
There should, therefore, be deducted from	500,000
For the <i>bonus</i> a sum equal to	£34,250
And for payment to the Bank	400
	34,650
The neat sum received by the public will, therefore, not exceed	465,350
To redeem which in 43 years, upon the supposition made of the progressive rise of stocks in time of peace, would require	962,801
From which deducting the sum received	465,350
There would remain a premium of more than double the sum received	497,451
If the <i>bonus</i> be reckoned at 6 <i>l.</i> 10 <i>s.</i> on account of the deduction of 6 <i>d.</i> from the long annuity, reckoned at 14 years' purchase, it would reduce the premium paid, to	495,701

Being considerably more than cent. per cent. !

APPENDIX B.

I. Comparison between the Debt incurred in the American War, and that incurred in the War of the French Revolution to the End of the Year 1796, in respect of the Advantageousness or Disadvantageousness of the Terms on which they were respectively incurred.

Money borrowed in the American War.	Debt created in ditto.	Money borrowed in French Revolution to End of 1796.	Debt created.
£ 92,940,034	£ 115,269,992	£ 79,654,000	£ 110,415,896
Add the Long and Short Annuities, and those for lives, converting them into capital, reckoning money at 5 per cent.....	15,025,228	—	4,388,510
	<u>130,495,220</u>		<u>114,804,406</u>
Then say, as 92,940,034 is to 130,495,220, so is 79,654,000 to 111,840,557			
Difference in favour of the first period 2,963,849			

II. The same Comparison, repeated, converting the Long and Short Annuities, and those for Lives, into Capital, reckoning Money at its present Price of 6 per Cent.

Money borrowed in the American War.	Debt created in ditto.	Money borrowed in French Revolution to End of 1796.	Debt created.
£ 92,940,034	£ 115,269,992	£ 79,654,000	£ 110,415,896
Annuities for terms or years, converted into capital, reckoning money at 6 per cent.....	12,927,117	—	3,729,974
	<u>128,197,109</u>		<u>114,145,870</u>
Then say, as 92,940,034 is to 128,197,109, so is 79,654,000 to 109,871,000			
Difference in favour of the first period 4,274,870			

Appendix B, continued.

III. Comparison between the Money received and Interest given in the two Periods, subtracting the Annuities for Terms or Lives, already accounted for by converting them into Capital Stock.

Money borrowed.	Interest given.	Money borrowed.	Interest created.
£ 92,940,034	£ 5,006,442	£ 79,654,000	£ 3,843,244
Deduct annuities for terms of years or lives, converted above into capital	869,623	—	229,041
	<u>4,136,819</u>		<u>3,614,203</u>
Then say, as 92,940,034 is to 4,136,819, so is 79,654,000 to 3,545,450			
Difference in favour of the first period 68,753			

IV. Comparison on the Supposition, that the 4 and 5 per Cents are converted into 3 per Cent. Stock, and that the Long and Short Annuities, and those for Lives, are converted into Capital, reckoning Money at 5 per Cent.

Money borrowed.	Capital created in the American War, converting the Whole into 3 per Cent. Stock.	Money borrowed in French Revolution to End of 1796.	Capital created for Do. and Do. converting the Whole into a 3 per Cent. Stock.
£ 92,940,034	£ 138,099,986	£ 79,654,000	£ 120,475,046
* Annuities for terms of years or lives.....	15,025,228	Annuities for terms of years....	4,388,510
	<u>153,125,214</u>		<u>124,863,556</u>
Then say, as 92,940,034 is to 153,125,214, so is 79,654,000 to 131,235,541			
Capital created in latter period } 124,863,566			
Difference in favour of latter period 6,371,985			

* See Appendix C.

Appendix B, continued.

V. Comparison on the Supposition, that the 4 and 5 per Cents are all converted into 3 per Cents, and the Annuities for Terms or Lives converted into Capital, reckoning Money at its present Value of 6 per Cent.

Money borrowed.	Capital in 3 per Cent. Stock.	Money borrowed.	Capital in 3 per Cent. Stock.
£ 92,940,034	£ 138,099,986	£ 79,654,000	£ 120,475,046
* Annuities for terms of years or lives }	12,927,117	* Annuities for terms of years . }	3,729,974
	<u>151,027,103</u>		<u>124,205,020</u>
Then say, as 92,940,034 is to 151,027,103, so is 79,654,000 to		Capital cre- ated in lat- ter period }	129,439,511
			<u>124,205,020</u>
		Difference in favour of latter period	5,234,491
N. B. The difference in point of interest in favour of the first period amounted to 68,753 <i>l.</i> which converted into a 3 per cent. stock, by multiplying by 33 $\frac{1}{3}$, will give a sum to be deducted from the difference }			2,291,766
		Leaving a balance in favour of the latter period valued in 3 per cent. stock }	<u>2,942,725</u>

* See Appendix E.

Appendix B, continued.

VI. Comparison of the Debt incurred in the American War, with that incurred in the present War, down to the 1st of January 1798, converting the 4 and 5 per Cents into a 3 per Cent. Stock, in both Cases; and, also, adding thereto the Annuities for Terms or Lives, converted into a 3 per Cent. Capital, according to the supposed Value of Money at the present Moment, reckoned at 6 per Cent.

Money borrowed in American War.	Capital created in 3 per Cents.	Money borrowed in War of French Revolution to 1st Jan. 1798.	
£ 92,940,034	£ 151,027,103	£ 111,973,036	£ 183,258,117
		* Add for annuities for terms }	4,435,979
Then say, as 92,940,034 is to 151,027,103, so is 111,973,036 to			187,694,096
			<u>181,955,637</u>
		Difference in favour of the former period . .	5,738,459

* See Appendix E.

APPENDIX C.

Value of Annuities for Terms of Years or Life, granted during the American War, reckoning Money at 5 per Cent.

Years.	Annuity granted.	Term.	Years' Purchase.	Value in Capital.
	£			£
1777 Premium	25,000	10	$7\frac{73}{100}$	193,000
1778 —	147,150	30	$15\frac{37}{100}$	2,261,695
1778 Life Annuities	2,849	for Life.	15	42,735
1779 —	257,181	29	$15\frac{14}{100}$	3,993,710
1779 Life Annuities	5,318	for Life.	15	79,770
1780 —	217,500	80	$19\frac{59}{100}$	4,260,825
1782 —	118,125	78	$19\frac{57}{100}$	2,309,343
1783 —	80,000	77	$19\frac{53}{100}$	1,562,400
1784 —	16,500	76	$19\frac{51}{100}$	321,750
	869,623			15,025,228

Value of Annuities for Terms of Lives, granted in the War of the French Revolution, reckoning Money at 5 per Cent.

Years.	Annuity granted.	Term.	Years' Purchase.	Value in Capital.
	£			£
1794 —	63,498	$66\frac{1}{4}$	$19\frac{20}{100}$	1,219,796
1795 —	86,461	$65\frac{1}{4}$	$19\frac{17}{100}$	1,657,457
1796 { 58,500— $64\frac{1}{4}$ } { 20,582— $63\frac{3}{4}$ }	79,082	64	$19\frac{11}{100}$	1,511,257
1797 —	229,041	$62\frac{3}{4}$	$19\frac{6}{100}$	4,388,510
	43,500			852,600
	272,541			5,241,110

APPENDIX D.

Value of Annuities for Terms of Years or Lives, granted during the American War, reckoning Money at 6 per Cent.

Years.	Annuity granted.	Term.	Years' Purchase.	Value in Capital.
	£			£
1777 —	25,000	10	$7\frac{36}{100}$	184,600
1778 —	147,150	30	$13\frac{76}{100}$	2,024,784
1778 Life Annuities	2,849	Life	12	34,188
1779 —	257,181	29	$13\frac{59}{100}$	3,495,089
1779 Life Annuities	5,318	Life	12	63,816
1780 —	217,500	80	$16\frac{50}{100}$	3,588,750
1782 —	118,125	78	$16\frac{48}{100}$	1,946,700
1783 —	80,000	77	$16\frac{47}{100}$	1,317,600
1784 —	16,500	76	$16\frac{46}{100}$	271,590
	869,623			12,927,117

Value of Annuities for Terms of Years granted in War of French Revolution, reckoning Money at 6 per Cent.

Years.	Annuity granted.	Term.	Years' Purchase.	Value in Capital.
	£			£
1794 —	63,498	$66\frac{1}{4}$	$16\frac{31}{100}$	1,035,652
1795 —	86,461	$65\frac{1}{4}$	$16\frac{29}{100}$	1,408,449
1796 { 58,500— $64\frac{1}{4}$ } { 20,582— $63\frac{3}{4}$ }	79,082	64	$16\frac{26}{100}$	1,285,873
1797 —	229,041	$62\frac{3}{4}$	$16\frac{23}{100}$	4,388,510
	43,500			706,005
	272,541			4,435,979

APPENDIX E.

American War Debts,

The 4 and 5 per Cents being converted into a 3 per Cent. Stock.

	3 per Cent.	4 per Cent.	5 per Cent.
	£	£	£
1776 —	2,150,000	—	—
1777 —	—	5,000,000	—
1778 —	6,000,000	—	—
1779 —	7,000,000	—	—
1780 —	—	12,000,000	—
1781 —	18,000,000	3,000,000	—
1782 —	13,500,000	6,750,000	—
1783 —	12,000,000	3,000,000	—
1784 —	6,000,000	3,000,000	—
Navy Bills	—	—	6,879,341
1785. Navy, Victualling, Transport, and Ordnance Bills	—	—	10,990,651
£	64,650,000	32,750,000	17,869,992
32,750,000 of 4 per Ct.=	43,666,666 ² / ₃		
17,869,992 of 5 per Ct.=	29,785,320		
Total reduced to 3 per Ct.=	138,099,986 ² / ₃		

Appendix E, continued.

Debts incurred in the War of French Revolution, to Jan. 1, 1797, exclusive of Loyalty Loan,

The 4 and 5 per Cents being converted into a 3 per Cent. Stock.

	3 per Cent.	4 per Cent.	5 per Cent.
1793 —	6,250,000	—	—
1794 —	11,000,000	2,750,000	1,926,525
1795 —	18,000,000	6,000,000	1,609,897
1796 —	21,598,800	—	—
	4,500,000		4,414,074
	8,934,200		
	1,859,625		
1797. Navy Bills, Victualling and Transport.	16,441,175	764,861	2,030,596
Exchequer Bills ..	1,999,699	104,432	270,202
£	90,580,499	9,619,293	10,241,294
9,619,293 of 4 per Ct.=	12,825,724		
10,241,294 of 4 per Ct.=	17,068,823		
	120,475,046		
Add of Debt funded in 1797. Loyalty Loan	—	—	20,124,848
11th May.	18,125,000	2,900,000	
	7,250,000		
2,900,000 of 4 per Ct.	3,866,666		
20,124,843 of 5 per Ct.	33,541,305		
	183,258,017	12,519,293	30,366,137

APPENDIX F.

Comparative Valuation of the Public Debt at the End of the American War, and in the Month of August 1797, at the supposed Prices of the Funds at those two Periods.

In the first period	In round Numbers.	£
Actual debt 237,027,249 <i>l.</i> of 3, 4, and 5 per cent.	{ 182 millions of 3 per cents, at 54	98,280,000
	{ 3,662,000 <i>l.</i> of 3½ per cents, at 61	2,233,820
	{ 32,750,000 <i>l.</i> of 4 per cents, at 70	22,925,000
	{ 17,869,993 <i>l.</i> of 5 per cents, at 88	15,664,000
	{ 680,000 <i>l.</i> of Long Annuity, at 16 years' purchase	10,880,000
	{ 548,000 <i>l.</i> of Short Annuity, at 11 years' ditto	6,028,000
	{ 67,296 <i>l.</i> of Life Annuity, at 12 years' ditto	807,552
		<hr/>
		156,818,372
		<hr/>
On the 1st of Aug. 1817.	In round Numbers.	£
Actual debt 397,020,106 <i>l.</i> Aug. 1797	{ 303,637,750 <i>l.</i> of 3 per cents, at 50	151,818,875
	{ 45,000,000 <i>l.</i> of 4 per cents, at 60	27,000,000
	{ 48,000,000 <i>l.</i> of 5 per cents, at 70	33,600,000
	{ 1,000,000 <i>l.</i> of Long Annuity, at 14 years' purchase	14,000,000
	{ 558,098 <i>l.</i> of Short Annuity, at 6½ years' ditto	3,627,637
	{ 79,991 <i>l.</i> of Life Annuity, at 10 years' ditto	799,010
		<hr/>
		230,845,522
		<hr/>

APPENDIX G.

5 Jan. 1793. Interest of the national debt	£	9,205,588
Of which there existed of the debt incurred previous to 1748, and which would therefore have been paid off in 1793.....		2,396,717
		<hr/>
Interest of debt as it would have existed 5 Jan. 1793		6,808,871
To the latter sum should however be added the interest of 10,739,793 <i>l.</i> which was actually discharged between 1762 and 1775, and which would in the case supposed have remained as an annual charge		400,000
And also the interest accruing from a reduction of capital to the amount of 3,721,472 <i>l.</i> which actually took place between 1748 and 1755, together with the saving arising from Mr. Pelham's operation in 1750, to the amount in the whole of		664,287
Add also one per cent. on a capital of debt created in the two wars, namely,		
On the capital created in war of 1755, being.....	£72,111,004	
On the capital created in American war, being.....	115,269,996	
	<hr/>	187,380,992
And one per cent. on the estimated value, at the end of forty-five years, of 773,716 <i>l.</i> Long Annuities, created in the two wars, being about		110,530
		<hr/>
		9,857,497
The sum annually paid 5 Jan. 1793	£9,205,588	
The annual million	1,000,000	
	<hr/>	
Sum paid in 1793	10,205,588	
Sum which would have been due in 1793	9,857,497	
	<hr/>	
Difference		348,091

APPENDIX H.

Interest of debt and charges of management, as they have stood from May 11, 1797, after the completing the second loan of that year	15,131,465
Interest on 10,739,793 <i>l.</i> which was actually discharged between 1762 and 1775, and which would, in this supposed case, have remained as an annual charge.....	400,000
One per cent. on present capital.....	£397,172,144
One per cent. on the sum discharged of ..	10,739,793
	<u>4,079,129</u>
	407,912,937
One per cent. on estimated value, at the end of forty-five years, of 1,044,590 <i>l.</i> of Long Annuities now existing, about	149,227
	<u>19,759,841</u>
Interest of debt and charges of management, from May 1797.....	£15,131,465
Annual million and one per cent. on debt created.....	2,628,329
	<u>17,759,794</u>
Sum which would have been now annually payable more than is actually paid.....	2,000,047

THE END.