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CIRCULATING MEDIUM.

Mr. PITT has at last condescended to attempt an explanation of his novel and extraordinary proposition, that our national prosperity is the real cause of our national embarrassment; or, as he more minutely explains it, that the national wealth, owing to its late rapid increase, has become so enormous that there exists not in the country means of circulating it, and that this deficiency in our Circulating Medium is the cause of our present difficulties. Of this supposed increase of riches he stated two proofs—first, the flourishing state of our revenue; secondly, the extension of our commerce and consequent opulence of our merchants.

That our readers may have an accurate view of the ratio in which our revenue denotes, by its increase, the augmentation of our capital, we extract from the papers before Parliament the annual produce of the old taxes since the year 1792.

Table with 2 columns: Year range, Amount (£). Rows: 1792 to 1793, 1793 to 1794, 1794 to 1795, 1795 to 1796, 1796 to 1797.

With respect to the prosperity of our Commerce and the extended opulence of our Merchants, if we are rightly informed concerning the contents of the Addresses to his Majesty's Privy Council from the Merchants, &c. of Exeter and other places, the energy of their complaints creates a very different impression; but indeed we know of no extension of any branch of our commerce except that which is carried on in Change-alley; and occasioned by Mr. PITT's increased, and increasing manufacture of Three, Four, Five, per Cents, Navy, Victualling, Transport, Treasury and Exchequer Bills. Can he really be so blind as not to see in this the real source of our calamities and embarrassment? can he be ignorant that this derangement in the natural order of our expences is the obvious cause of our difficulties? That the circulating medium drawn from its natural employment, the circulation of our raw Materials and Manufactures, and engrossed by the forced circulation of the Securities he has thrown into the market, is the foundation of the scarcity of which he complains? This is a calamity which must daily increase our difficulties, and accelerate the diminution of our riches; for there is no parallel to be drawn from the circulation of other commodities, to that of Omnium or Exchequer Bills. Where a Manufacturer has a quick sale of his goods to the Merchant, the Merchant to the Shopkeeper, the Shopkeeper to his customers; this enlivens industry, and gives new encouragement to the first dealer, and makes him produce more and better commodities of the same species; but what production we owe to Change-alley, or even what consumption, except that of Coffee, and Pen, Ink and Paper, we have not yet learned.

We have often experienced Mr. PITT's presumptuous confidence in his talents of persuasion, but we cannot believe that even he fancies, that by a few vapouring sentences, he can have persuaded any order of men that the capital of the country has increased, and its riches of late greatly augmented. Will the Stockholder, who recollects in his books a capital in 3 per cents, amounting to 96,000l. and sees it now reduced within a few years to 58,000l. become with ease a profelyte to this new doctrine, or can any man believe it who looks at the following plain statement of the dimi-

tion of one branch of our capital?

Table with 2 columns: Description, Amount (£). Rows: 3 per Cent. Consols, Ditto Reduced, Ditto 1726, 4 per Cents, 5 per Cents, South Sea Stock, Old South Sea Annuities, New ditto, Ditto, 1751, Bank Stock, India, India 3 per Cents, Long Annuities, Short ditto, Exchequer ditto, Life and Pontine, Total loss.

If any thing is to us a more serious object of regret than so strong a proof of the diminution of our national wealth it is at such a moment to have a Minister of Finance so ignorant and uninformed, as not to be ashamed of having recourse to such an old and refuted subterfuge as this paradox about his Circulating Medium.

Did the compass of our paper permit, we could trace this pretence to the mouth of every adventurer in Finance, from the time of Law to the present moment; and we could refute it in such a manner as to exhibit to the public in a strong and lamentable point of view, the folly of those who have now brought it forward. Consistent, however, with the narrow limits in which we are forced to treat the question, we cannot do it more justice than by quoting the following passage from a work long ago published, by one of the most celebrated writers on political oeconomy—

" Si d'entre les differens classes, il s'en trouve quelques uns qui forcent les rentrees, et qui exigent des autres au-delà de ce que lui doit rapporter naturellement la marche de la circulation, alors l'argent est intercepté dans sa course, et la circulation est ralentie, les consommations diminuent, il paroit moins d'argent, et l'on s'en prend à la rareté prétendue de l'argent, qui est en effet le symptôme d'une diminution réelle des richesses. Mais le volonteire qui, voyant le symptôme pour la maladie, ne se plaint que de la rareté de l'argent, et croit que le remède ne consiste qu'à s'en procurer à l'avantage. Cette chimere a même été un point de vue de l'Administration des Comptes de banque, de l'Administration de l'agriculture, et sur la circulation, n'ont-elles pas occasionnées? Remède inutile, dont l'effet pueril ne rend que plus inévitable la décadence inévitable qui lui succede. Tout rareté d'argent ne peut provenir que de la diminution des dépenses; l'argent est soustrait aux dépenses qui font renaitre les richesses. La transplantation des dépenses, soit en fausses dépenses, en intérêt d'argent, en commerce d'agio, en extorsions d'argent, en emplois au dehors pour des guerres injustes et vaineuses, est la seule maniere dont les Gouvernemens puissent épuiser leurs états.—Rétablissez l'ordre des dépenses, vous rétablirez la circulation."

We have dwelt the longer on this new Ministerial whim, because there are many who begin to think, that as Mr. PITT departs, after his numerous experiments of augmenting the Circulating Medium, so as to render it adequate to the proper distribution of the supposed increased riches of the country, he has it in contemplation to restore the proportion, by a judicious diminution of the capital; and that as the last confiding Parliament added 100,000,000l. to our debt, to support the Minister's old prejudices, the confidence of the present will be exerted to a similar extent in maintaining his new conceits; so that the nation will ultimately have to regret, that betwixt the complimentary sacrifices of their Representatives, to the Minister's avarice at practical experiment abroad, and love of new theory at home, posterity will be loaded with an annual payment of 10,000,000l.

DIMINUTION OF CAPITAL CREATED BY THE FALL WHICH THE WAR HAS OCCASIONED.

We have said, that the most lavish bargain that Mr. PITT ever made (from the first moment that he commenced his career in finance, by conciliating the Money-lenders in 1784, in the funding of Navy) came infinitely short of the Job with which he is now striving to make his court to the Directors of public Corporations, and other Capitalists in the City. Not to fatigue our Readers with long calculations, we will put it into a short and perspicuous point of view:—

In September last a person for 85l. bought a Navy Bill of 100l.; and for this Bill, with its interest up to the 12th December, he is to receive of 3 per Cent. Consols for ever — £ 175 15

Suppose that he had bought into the 3 per Cent. Consols, taking them at the same time, his 85l. would have bought only — 147 15

Bonus to the Holder of Navy Bills, on 85l. for three months — £ 28 0

It is certain that this Bonus does not apply to all the four classes; but the average of the discount for the last seven months is somewhat above 9 1/2 per cent. as our Readers will see from the following prices:—

Table with 2 columns: Month, Discount per cent. Rows: May, June, July, August, September, October.

Now, taking the amount of the Navy issued in that time to be 7,000,000l. only, the discount alone, to be shared among the Holders, will form an addition to the capital of our Debt, besides the interest at 4 per cent. up to the 12th December, of 600,000l. which, converted into 3 per Cents, at 57 (which is also the average), will form a capital, with the interest, of more than one million; and this is the transaction of seven months only!

The objections of Mr. BOYD to funding the Navy until the 15th of December had their force with the Minister, and the Public thus pay an additional interest from the 18th of October to the 12th of December next, of 70,000l. on 12 millions of Navy, making a capital of 120,000l. 3 per Cent. Consols. for ever.—The fact is, that what is funded in the 3 per Cents, bears interest from July last; and the Navy-holder receives interest on his Bills till the 12th of December next; so that they receive, and the Public pays, a double interest.

It is a curious and remarkable fact, that the Navy Debt, through the whole of the American War, up to the year 1782, amounted only to the sum of — £ 11,318,450 0 0 amounts, in one year, to — 11,993,167 19 6

And we find that Mr. PITT's Navy Debt amounts, in one year, to — 11,993,167 19 6 So that in one year Mr. PITT squandered above six hundred thousand pounds more than Lord NORTH spent in seven years. Yet this is the economical Minister of whom Mr. BURKE says, that, if ever the finances of this Nation can be retrieved, Mr. PITT is the man to retrieve them. We knew not how Mr. BURKE had made up his mind to this assertion, until SIMPKIN, in his poetical version of the pamphlet, solved the difficulty—

" Indeed (says Friend SIMPKIN), if there liveth a man Of talents sufficient, our Minister can— Provided his powers of seeing and spending Correspond with his power of despoiling and spending!"

Stated by Mr. FOX in the House of Commons Oct. 21. 1796.

upon 85 or 86. The following is the accurate calculation of the interest made on a Navy Bill bought two months ago at 15 per cent. discount, supposing it to be funded according to the Chancellor of the Exchequer's plan, in the 5 per Cents, at 24 per cent. below the market price of 88:—

Table with 2 columns: Description, Amount (£). Rows: Interest on 100l. for 60 days, at 4 per cent., Interest on 85l. from the 30th of October to the 12th of December, being 43 days., Premium of 3 per cent. on each 100l. Stock, in the 5 per Cents, valued at 88, or on 114l. Stock, which is equivalent to 100l. in money., Discount at 15 per cent.

18l. 19s. 5d. being allowed on 85l. (the purchase money of the Navy Bill is equal to an interest on 100l. of 22l. 5s. 5d.)

If therefore the interest for 60 days is 22l. 5s. 5d. the interest for a whole year, or 365 days, will be 135l. 9s.

This is not an extreme case; bills we bought within 20 days at 12 1/2 per cent. discount, which on purchase up to the 22nd of October, would turn out to yield a much higher interest.

The CHANCELLOR of the EXCHEQUER said, that having already stated his ideas on the subject now under the consideration of the Committee, he should reserve himself till he had heard what further objections might be urged to the proposed measure, and should simply move the necessary Resolutions.

I. That all persons entitled to any Navy, Victualling, and Transport Bills which were made out on or before the 31st of December, 1795, who shall on or before the 12th day of November, 1796, carry the same, (having had the interest computed and marked at the Navy, Victualling, and Transport Offices to the 16th of December, 1796) to the Treasurer of the Navy to be marked and certified to the Bank, shall in their option be entitled for every 100l. of such Bills to — 178l. 11s. 5d. 3 per Cent. Annuities, to commence 5th July, 1796, or to — 178l. 17s. 9 1/2d. 4 per Cent. Annuities to commence 10th October, 1796, or to — 179l. 0s. 11 1/2d. 5 per Cent. Annuities, to commence 5th July, 1796

to be payable half yearly out of the Consolidated Fund. II. That the Bills which were made out after the 31st December, 1795, and on or before the 30th April, 1796, shall in their option be entitled for every 100l. of such Bills to — 179l. 19s. 9 1/2d. 3 per Cent. Annuities, to commence 5th July, 1796, or to — 179l. 18s. 7 1/2d. 4 per Cent. Annuities, to commence 10th October, 1796, or to — 178l. 18s. 10 1/2d. 5 per Cent. Annuities, to commence 5th July, 1796

to be payable half yearly out of the Consolidated Fund. III. That the Bills which were made out after the 30th April, 1796, and before the 31st July, 1796, shall in their option be entitled for every 100l. of such Bills to — 179l. 8s. 9d. 3 per Cent. Annuities, to commence 5th July, 1796, or to — 179l. 19s. 8 1/2d. 4 per Cent. Annuities, to commence 10th October, 1796, or to — 179l. 18s. 11 1/2d. 5 per Cent. Annuities, to commence 5th July, 1796

to be payable half yearly out of the Consolidated Fund. IV. The same Bills which were made out after the 31st July, 1796, and before the 27th October, 1796, shall in their option be entitled for every 100l. of such Bills to — 179l. 18s. 3d. 3 per Cent. Annuities, to commence 5th July, 1796, or to — 179l. 18s. 1d. 4 per Cent. Annuities, to commence 10th October, 1796, or to — 179l. 18s. 2d. 5 per Cent. Annuities, to commence 5th July, 1796

to be payable half yearly out of the Consolidated Fund. V. That all persons entitled to Exchequer Bills made out pursuant to Act of last session for raising 2,500,000 by a Vote of Credit, who shall on or before the 12th day of November, 1796, carry the same to the Paymaster of Exchequer Bills, shall receive a certificate entitling such person at his option for every 100l. of such Bills to — 176l. 19s. 9 1/2d. 3 per Cent. Annuities, commencing 5th July, 1796, or to — 177l. 18s. 7 1/2d. 4 per Cent. Annuities, commencing 10th October, 1796, or to — 178l. 6s. 10 1/2d. 5 per Cent. Annuities, commencing 5th July, 1796

to be paid half yearly out of the Consolidated Fund.

Statement of Mr. Fox in the House of Commons
October 31st 1796.

I now come to advert to the particular terms. On the face of the bargain itself there always appeared to me something particular in the different rates offered to the Holders of the Bills. It is evident that the increase of the capital must be very different according to the different stocks, and that also the quantum of an annuity must be very different on the same principle. The Right Honourable Gentleman and myself formerly differed on the question, "Whether, in the system of funding, it was better for the Public to make the interest light or to increase the capital?" I was rather disposed to think that to extend the capital was a less evil than to burden the Public with a heavy interest. I suspect, however, that all our difference on this question was only with respect to the quantum. And as I would consider it advisable to make a small addition to the interest in order to diminish the capital, so the Right Honourable Gentleman would also think it right somewhat to extend the capital in order to alleviate the pressure of interest. The Sinking Fund Bill has undoubtedly made some difference in the question. But what is the result which I now wish to submit to the Committee? The natural result of this reasoning, with respect to capital and interest evidently is, That in proportion as the capital is extended, the interest ought to be low, and vice versa in proportion as the capital is diminished, the interest ought to be increased. No proposition can be more obvious than this, yet, when in the present instance I applied it to the different rates of capital and interest in the different stocks proposed to the holders of the bills, I found directly the reverse to be the case. This will appear from the following comparative statement of the rates of capital and annuity, calculated in the four different classes of the terms offered to the respective holders of the bills:

Supposition
of the
8 per Cents
average.

56
70
84

56 1/2
70 3/4
84 3/4

57
71 1/4
85 1/2

57 1/2
71 3/4
86 1/4

CLASS	Capital	Interest
FIRST CLASS.		
Navy Bill of 100l. funded in the 3 per Cents.	100	3
at 56, will create in Stock a Debt of	177	5 6
Ditto in the 4 per Cents. at 72	137	5 10
Ditto in the 5 per Cents. at 84	119	5 19
SECOND CLASS.		
Navy Bill of 100l. funded in the 3 per Cents.	100	3
at 56 1/2, will create in Stock a Debt of	177	5 6
Ditto in the 4 per Cents. at 72 1/2	137	5 10
Ditto in the 5 per Cents. at 84 1/2	119	5 19
THIRD CLASS.		
Navy Bill of 100l. funded in the 3 per Cents.	100	3
at 57, will create in Stock a Debt of	175	5 5
Ditto in the 4 per Cents. at 73	137	5 9
Ditto in the 5 per Cents. at 85	117	5 17
FOURTH CLASS.		
Navy Bill of 100l. funded in the 3 per Cents.	100	3
at 57 1/2, will create in Stock a Debt of	173	5 4
Ditto in the 4 per Cents. at 73 1/2	137	5 10
Ditto in the 5 per Cents. at 85 1/2	116	5 17
DIFF. OF INTEREST.		
Excess of Stock funded in the 3 per Cents. above the 4 per Cents.	40	14
Ditto above the 5 per Cents.	39	11
SECOND CLASS.		
In proportion to the		
diff. in the first		
class, the differ-		
ence should have		
been		
s. d.		
3 11	Excess of Stock funded in the	
	3 per Cents. above the 4 per	
	Cents.	39 2 4 2
11 10	Ditto above the 5 per Cents.	38 13 12 2
THIRD CLASS.		
3 11	Excess of Stock funded in the	
	3 per Cents. above the 4 per	
	Cents.	38 14 4 4
11 10	Ditto above the 5 per Cents.	38 1 12 5
FOURTH CLASS.		
3 10	Excess of Stock funded in the	
	3 per Cents. above the 4 per	
	Cents.	37 17 4 6
11 6	Ditto above the 5 per Cents.	36 19 12 8

This statement suggests many observations. If the Capital is right, the difference of interest must be wrong. In the first class, the difference between the 3 per Cents and the 4 per Cents. is 39l. 14s. the annuity is only four shillings. So that, in return for this Capital of 39l. 14s. the public are only compensated by an annuity of four shillings. In the first class, the difference of Capital between the 4 per Cents. and the 5 per Cents. is 59l. 11s. the difference of Interest is 12s. The Committee must here perceive the striking inequality between the rates of Capital and Interest in the 3 and the 5 per Cents. But, in order to render this inequality still more apparent, let us compare the rates in the 5 per Cents. of the first and fourth class. In the first class, the difference of Capital between the 4 and 5 per Cents. is 59l. 11s. the difference of interest is 12s. in the fourth class, the difference of Capital is 56l. 19s. the difference of Interest is 12s. 8d. Nothing farther can be necessary to show the amazing disproportion of those rates, and that the terms are as inaccurately calculated in their proportions, as

they are grossly extravagant in their general amount. I am indeed wholly at a loss to account upon what principle of calculation, or upon what ground of policy this measure can be supported. For I contend, that if the rates in the first class are arranged upon any rational principle, the proportion of those in the fourth in the corresponding funds must be absurd in the extreme. Either, in the first class, you extend your capital beyond the proper bounds, or, in the fourth, you sacrifice too much interest. However difficult it may be to arrange the degrees of those terms, that business, I think, ought to be submitted to the decision of Parliament, and not left to the discretion of the Stockholders. Instead of adopting the regular proportion, and calculating downwards, a directly contrary mode of calculation has been employed. The difference of interest is made greater in proportion as the capital is less, and vice versa in proportion as the capital is greater, the interest is less.

Amount of Navy Victualling and
Transport Bills Registered between
the 1st of Oct. 1795, to the 27th of Oct. 1796.

October 1795	£986 937-8=7
Novemb. D.	879 544-18-0
Decemb. D.	953 559-13-1
Jan. 1796	1,102 838-16-5
Feb. D.	998 139-12-4
March D.	721 208-13-8
April D.	918 895-13-10
May D.	730 294-19-4
June D.	932 144-10-0
July D.	815 602-1-7
August D.	730 425-13-11
Sept. D.	974 004-18-2
Oct. to the 27 th D.	971 228-0-1
Total	£11,714 825-19-9
Interest	278 342-0-0
General Total	£11,993 167-19-9

October 1795	986 937-8=7
Novemb. D.	879 544-18-0
Decemb. D.	953 559-13-1
Contracted in 1795	£2,820 041-19-8
Total as above	£11,714 825-19-9
Subtr. Contracted 1795	2,820 041-19-8
Remains contracted 1796	£8,894 784-0-1

Navy issued from the 1st of Jan. to the 27th of Oct. 1796. £8,894,784
One fifth of the above must be the probable
sum that will be issued in the Months of Nov. &
Decem. 1,778,956
Total Navy, victualling & Transport Bills 1796. £10,673,740
Less in account of London wages 30th Sept. 1796 £152,029=17=11
Risk and wounded - - - - - 92,083 9=9

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