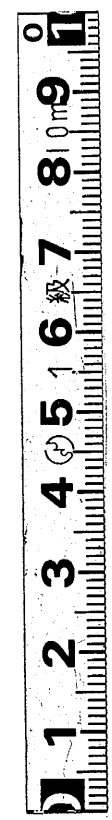


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OBSERVATIONS
ON THE
SINKING FUND,

&c.

1s. 6d.

0323

OBSERVATIONS

ON THE

SINKING FUND,

HUMBLY RECOMMENDED TO

The Attention

OF

MEMBERS of PARLIAMENT,

PREVIOUS TO THE

Passing of a New Loan Bill.

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OBSERVATIONS

ON THE

SINKING FUND.

IT can never be an easy matter; by any reasoning, however conclusive, to remove prejudices established by long custom and sanctioned by the authority of eminent men; but the difficulty is greatly enhanced, when the tendency of such prejudices is to uphold a delusion of a pleasing nature. That many such exist in all the relations of society, and that in none are they more inveterate than in political opinions, the experience of most thinking men must have convinced them: yet many, whose good

sense can point out a fallacy, are afraid to trust their own judgment, in opposition to the sentiments of those whom they respect; a still greater number is unwilling to give credit to that which is not consonant with their wishes.

The enormous and daily encreasing amount of the national debt, and the heavy load of taxes imposed for the mere payment of its interest, are felt as so heavy a burthen, that they naturally dispose the nation to look with a favourable eye upon any project for its reduction. The plausible name of a sinking fund, and the idea of some magical effect, which may be worked in a series of years by the cumulative interest of any sum however small, have taken fast hold of the imaginations of those who do not calculate: the intricate machinery which conceals its operation, induces a majority of those even

who are in the habit of reflection, rather to acquiesce in what they are willing should be, than by tedious investigation to unravel an ungrateful truth.

It seems therefore to be the general opinion, sanctioned by the authority of the most eminent statesmen, that the system which under the name of the sinking fund has been adopted for the purpose of reducing the national debt, is a plan replete with wisdom, and well calculated to attain its end.

Nothing more indeed is necessary to shew this, than that it has been acted upon uniformly for so many years; if it should prove upon investigation to be a fallacy, the deception is great indeed which for so long a period has escaped detection: Should it however turn out, that this pretended sink-

ing fund, stripped of the deceptive machinery which surrounds it, has caused an accumulation, not a diminution of our debts, the fallacy is of a very dangerous nature, and the eyes of the public cannot be too soon opened to the delusion.

It may be necessary to premise, that, it is not here intended to offer any objection to the application of a surplus of revenue, wherever it can be had, in the redemption of any debts, which may have been previously incurred. The reasoning and facts which follow, apply only to a state (unfortunately for some years past uniformly existing) wherein the public receipts have not equalled the public expenditure.

Now it will scarcely be denied, that all sums of money applied, or applicable to, the redemption of the public debt, form a

part of, and are deducted from, the national revenue.

When therefore the annual revenue is inadequate to the ordinary expenditure, there can be no surplus applicable to the above purpose; unless, some extraordinary means are resorted to, in order to supply the further deficiency, which must thereby be occasioned.

Which extraordinary means, when the nation enjoys an income without a capital, must be in the nature of a loan, under one or more of its various denominations.

Supposing then the national income is unequal to its expenditure, and the deficiencies are to be supplied by a loan; if nevertheless, a part of that income is diverted to the redemption of debts previously con-

tracted, this loan must be increased, over and above what would be wanted for the ordinary expenditure of the state, by a sum equal to what is laid out in such redemption of debts.

For the sake of illustration, let us suppose that in time of peace the national revenue amounts to 20,000,000*l.* and the ordinary expences to 15,000,000*l.* and that the annual surplus of 5,000,000*l.* is applied to the redemption of debts. A war ensues, the expenditure increases to 35,000,000*l.* whilst the revenue can be extended to £30,000,000 only; a loan of 5,000,000*l.* would in this case make up the deficiency; but, if 5,000,000*l.* continue to be diverted to the redemption of debts, 10,000,000*l.* must be borrowed. It is evident therefore, that an additional sum of 5,000,000*l.* is borrowed, for the mere purpose of paying

previous debts. A new debt is contracted in order to clear off an old one. The policy therefore of applying any fund to the purpose of redeeming debts, at the time that the revenue affords no actual surplus, hinges upon this question: Can the nation gain by creating a new debt in order to extinguish an old one? Which will divide itself into two parts: first as to the probability; next as to the fact.

We have carried on this double handed operation of borrowing on one hand in order to pay with the other, ever since the year 1793; that is, ever since we have ceased to have a surplus revenue. In each year since that period, large sums have been borrowed; and considerable (tho' smaller) sums placed at the disposal of the commissioners for redeeming the national debt: in each year, stock in the public funds, form-

ing part of that debt, has been bought up by those commissioners; and during the same period, fresh stock has been created to a much greater amount. If, the sums which have been so applied to the purchase of previously created debts had been applied to the necessities of the state, the creation of a new debt and a new capital in the funds, would have been avoided, as far at least as such sums would have gone. Can this double operation be for the public advantage? If the above be a true statement, the plain sense of every man will suggest to him that it cannot; for, unless the government of the country can calculate with some certainty (which can hardly be supposed) upon borrowing, on terms creating a lower interest, than those debts bear which at the same period it is proposed to redeem; the public must necessarily lose by the operation. It is evident enough,

that, during the above period, no real reduction of our debt has taken place; but on the contrary an immense annual increase; yet the millions supposed to have been redeemed are purposely blazoned in our annual public accounts, whilst it is carefully concealed from the public view, that a considerable part of the debt contemporaneously created, has entirely arisen out of this very system of redemption.

The money-lender, in making his advances to the public, is of course solely actuated by views of individual profit. In order to secure this profit, he must stipulate for a something higher rate of interest, or, in other words, a larger amount of stock for the money advanced by him, than he can expect to obtain in the public market. It is precisely the difference, between the amount of stock given by the public for

every hundred pounds borrowed, and the amount which the same hundred pounds would purchase in the market, which constitutes the profit of the lender; whether he advances his own money, or, which is the ordinary case, he carries to market his bargain with the public, and sells it out in portions of various magnitude, to such persons as have the money to advance. If the price in the market should be lower, that is, if a larger quantity of stock is there to be purchased than what he has agreed to receive for his money from the nation, he must be a loser. If he sells his bargain; he sells at a disadvantage. What money he advances himself he receives a lower rate of interest for than he could otherwise obtain.

If therefore the loan-maker receives any profit, and a profit he must seek, he must

have a larger amount of stock for the money he advances, than the same money will at the same period purchase in the public market. But, the sinking fund is employed in purchasing up stock at the market price. And it has been before shewn, that the money so employed as a sinking fund, when your revenue affords no surplus, is in effect raised by loan. We therefore borrow, for the purpose of paying off debts previously contracted; and borrow at a higher rate of interest, than we are relieved from by the application of the same sum. In addition to which, must be computed on the losing side of the public account, the whole amount of the charges incurred by the management and transfer of both sums; the sum borrowed and the sum redeemed.

A loss must therefore always be incurred by the public, in this double-handed opera-

tion of borrowing and redeeming, adequate, at least, to the profit made by the lender. And, even if the lender gains nothing, provided he does not lose, still the public purse will lose, to the amount of the expences incurred, in buying one debt and creating another on equal terms. It is only upon a supposition of the loan contractor's incurring a loss, that a sinking fund acting at the same time with his loan can be advantageous to the public: and this from the nature of the case, can very rarely happen; for though instances may have occurred wherein the eagerness of competition for what is generally considered an advantageous speculation, or a miscalculation of the probable rise or fall of the funds, have induced the contractor to make an improvident bargain for himself, whereby the public has gained; yet one case of the kind occurring will prevent another from following;

those who borrow from necessity, must from necessity submit to the terms of those who lend for profit.

Profit is the inducement to lend, and profit must therefore generally be obtained, otherwise lenders will not be found. Exceptions may occur; but where the principle has an uniform tendency, occasional varieties in its mode of operation will not materially affect the general result of a series of years. If the system is vicious, accidental circumstances may occasionally palliate, but will probably as often aggravate its consequences; the general effect will remain the same. And of this we may rest assured, as to the particular subject under consideration, that if any part of the success of the scheme is made to depend upon the finesse of stock jobbing, the keen eye of individual interest will infallibly profit by the inattention of a necessitous public.

If we only for a moment contemplate, what effect in the transactions of private life those principles would have, upon which the nation has for years acted with such sanguine expectations, the fallacy will be instantly perceived. Imagine a spendthrift, whose extravagance has involved him in debt, still continuing to live at an expence far beyond his income, and borrowing annually large sums, to pay off debts previously contracted; with a fond conceit that he may so in time relieve himself from his incumbrances. Should we not at once pronounce such a man (if not absolutely mad) at least utterly incapable of managing his own affairs? Would it require any extraordinary degree of financial knowledge to perceive, that the only gainers by his borrowing and paying transactions would be the money-lenders and the lawyers by whose assistance it was transferred?

Yet this appears to be a pretty accurate description of our financial operations since the year 1793. It is only then by means of the mystery with which the system is carefully surrounded, that it has met with public approbation. Stripped of its delusions, the plain sense of every reasoning man will condemn it.

Since then, from a previous consideration of its principles, it should seem that the sinking fund has no tendency to relieve our incumbrances unless we enjoy a surplus revenue; and that it is only by a saving in our expenditure to produce such surplus, that a real diminution of our debts can be effected; it will next be proper to consider, what have been the practical effects of the plan pursued. For although a theory founded on just reasoning, will never be found at variance with practice and experience;

the former unless supported by facts is generally distrusted; because, few are able, in all cases, to distinguish fallacies from true reasoning; and those, who can so distinguish, are apt to distrust their own judgment, unless by facts the conclusions are verified.

By the facts then, which will be here exhibited, and which rest upon the highest authority, it will most clearly appear, that the money, which during the whole of the last war, a period of nine years from 1793 to 1801 both inclusive, was placed at the disposal of the commissioners for redeeming the national debt, so far from causing any real diminution of that debt, did, by being in fact borrowed for that purpose, create a larger debt than was redeemed by it.

It is no easy matter however, amidst the chaos in which our public debt is involved,

to give a distinct view of every minute particular in the system. Our loans have frequently been negotiated in terms of studied obscurity, involving several different kinds of stock, bearing various rates of interest, and for various terms, creating burthens, some permanent, and some temporary; as if, by this intricacy, it was studiously intended to conceal from the public, the real amount of the burthens created, which, in many cases, none but the most skilful calculators can estimate with accuracy. In the comparisons which follow, of the debts redeemed, and those during the same periods created; wherever the capitals are of different descriptions, the interest or annual charge has been adopted as the fairest criterion of advantage or loss; and it will be an accurate one in all cases, except where one of the burthens is only of a temporary nature: and it is true, that a part of the charge

incurred upon some of the monies borrowed during the above period, consist of annuities for years only; but as their amount is small, and their terms long, the error, introduced thereby into the following calculations, will be of a very trifling nature; and unimportant, in as much as it is not intended, to calculate with precision every minute particular; but only to give a view of the general tendency of the system. Wherever the capitals are of the same nature, they will be compared, as well as the interest they bear.

It will be necessary to keep steadily in view, the real sources from which the sinking fund is fed; to bear in mind, that during the whole of the period under consideration, the whole of the sums so annually applied, have in effect been annually borrowed. A considerable part is avowed-

ly so, namely, the one per cent on all loans; but all the other funds, whether in the shape of dividends on stock already redeemed, of annual million, or money received for land-tax redeemed, are no less so in fact; as all such sums might be applied to the expenditure of the state; and being diverted therefrom, create the necessity of borrowing to an equal amount

To begin with the year 1793, when we ceased to have a surplus revenue, and when therefore, according to the foregoing principles, we ought to have suspended the application of any part of that revenue to the redemption of our debts. In that year the sum of 1,630,615*l.* 1*s.* 4*d.* was applied in such redemption; whereby, a capital amounting to 2,174,405*l.* * three per cent stock was purchased; and the nation re-

* Comm. Journs 1794.

lieved from a permanent annual burthen of 65,232*l.* 3*s.* But, in the same year, the sum of 4,500,000*l.* was borrowed. If no attempt had been made in this year to redeem debts, it is manifest, that this loan might have been less by 1,630,615*l.* 1*s.* 4*d.* Now the contributors to the loan, for every 72*l.* by them advanced, received £100 capital in the three per cents†; in order therefore to raise 1,630,615*l.*, a three per cent stock was created, amounting to 2,264,743*l.*; and a perpetual annual charge incurred of 67,942*l.* 5*s.* 9*d.*: the difference between this last sum, and the sum redeemed, forms the national loss by the sinking fund of this year; 90,238*l.* three per cent stock, bearing an interest of 2709*l.* per annum.

In 1794 by the expenditure of £1,872,200,

† Act 33 G. 3. c. 28.

a capital of 2,804,945*l.*, bearing an annual interest of 84,148*l.* 7*s.* was redeemed*. In the same year for the sum of 11,000,000*l.* borrowed, an annual charge of 502,791*l.* 13*s.* 4*d.*, was incurred, exclusive of management†. At which rate, the annual charge upon 1,872,200*l.* borrowed, will amount to £85,575. The annual permanent loss incurred by this year's operation, will therefore be 1,416*l.* 13*s.*

In the following year, 1795, a capital of 2,576,455*l.* three per cent stock, and 507,000*l.* four per cent stock, together bearing an interest of 97,413*l.* 13*s.* were redeemed by the application of 2,143,595*l.* 16*s.* 1*d.*†. A loan of 18,000,000*l.* was in the same year negotiated, the interest of which amounted to 865,000*l.* §. The annual

* Comm. Journ. 1795. † 34 G. 3. c. 1. Comm. Journ.

‡ Comm. Journ. 1796. § 35 G. 3. c. 14. Comm. Journ.

charge therefore upon 2,143,595*l.*, part of the eighteen millions so borrowed, amounted to 103,071*l.* The attempt of the sinking fund then in this year created an annual burthen of 5,657*l.* 7*s.*

In the year 1796 25,500,000*l.** were borrowed, and an annual charge thereby created, amounting to 1,185,771*l.* 2*s.* 6*d.*; the interest therefore upon 2,639,724*l.* 9*s.* 5*d.* part of the above sum borrowed, amounted to 122,749*l.*: but owing to a considerable depreciation of the funds during the latter part of the year, the commissioners were enabled, with the said sum of 2,639,724*l.* 9*s.* 5*d.* to redeem 4,390,670*l.* three per cents†, the interest of which is 131,720*l.* 2*s.* The public therefore gained by the transactions of this year,

* 36 G. 3. c. 12. c. 74. Comm. Journ.

† Comm. Journ. 1797.

and was relieved of an annual burthen of £8,971.

In 1797 also from the operation of similar causes the sum of 3,369,218*l.* 3*s.* 3*d.* to raise which by loan burthened the nation with a charge of 199,460*l.* per annum, being laid out in three per cents, purchased 6,731,557*l.* of that description of stock*, the interest of which is 201,945*l.* 11*s.* 3*d.*: the gain of this year therefore was 2485*l.* per annum. But, in the year 1798, we shall again find the nation a loser to a considerable amount, by the operation of this double transfer. In that year, a loan of 17,000,000*l.* † created a charge of 1,042,125*l.*; and accordingly 4,025,204*l.* 11*s.* 2*d.* cost at the same rate 246,809*l.* per annum: but the same sum laid out in the three per cents redeemed 7,954,639*l.* ‡, the

* Comm. Journ. 1798.

† 38 G. 3. c. 37. Comm. Journ.

‡ Comm. Journ. 1799.

annual interest of which is only 238,638*l.* 7*s.* 9*d.*: the increase of the annual burthen by this year's operation is therefore 8,170*l.* 13*s.* 2*d.*

In the following year, money was again raised upon the simple plan of a three per cent stock; the amount of which created was 32,749,250*l.*, for which the public received 18,500,000*l.**. Hence 4,375,923*l.* 15*s.* 5*d.* borrowed, created 7,746,398*l.* debt: but the same sum, expended by the commissioners in this year, redeemed only 7,351,523*l.*†. The pretended sinking fund therefore added in this year to our debt 394,875*l.* capital in the three per cents, bearing an annual interest of 11,846*l.* 5*s.*

In 1800, this traffic of borrowing and paying appears to have been again attended with some trifling advantage. In this year,

* 39 G. 3. c. 7. c. 60.

† Comm Journ. 1800.

the contributors to a loan of 20,500,000*l.*, received, for every 100*l.* advanced, 157*l.* three per cent stock*; the lenders therefore of 4,767,991*l.* would receive 7,485,603*l.* capital in the three per cents; whereas the same sum, applied in this year, in fact redeemed 7,548,362*l.* of the same capital†. The gain here was 62,759*l.* three per cents really redeemed and an annual charge of 1882*l.* 14*s.* 9*d.* saved.

In 1801, a much more serious loss was incurred than any that has been hitherto exhibited. This must, no doubt, in part be attributed to the conclusion of peace; which had the effect, during the three last months of the year, of raising the price of stock to the purchaser. But by no means must the whole loss be laid to that account; a considerable part of it was incurred, before that cause began to operate, which no doubt did

* 39 and 40 G. 3. c. 22. † Comm. Journ. 1801.

in some measure enhance it. By the account of the commissioners for this year, laid before the House of Commons in February, 1802, it appears, that in the year ending the 31st January preceding, the sum of 4,731,027*l.* was by them expended in the purchase of three per Cent stock; and that the amount of that stock so purchased was 7,717,382*l.* *. In the same year a sum of 23,000,000*l.* was borrowed for the service of the state; for every 100*l.* of this last sum, the contributors received 175*l.* 15*s.* three per Cent stock†. It is evident, that if no money had in this year been expended towards the redemption of previous debts; but if the sum so laid out had in lieu been applied towards the ordinary service of the state; it would have been necessary to have borrowed 4,731,027*l.* less. But the sum of 4,731,027*l.* borrowed upon the above terms created a capital stock of

* Comm. Journ. 1802.— † 41 G. 3. c. 3.

8,314,779*l.*, and caused an annual burthen to be imposed amounting to 249,445*l.* 7*s.*; whereas the same sum redeemed only 7,717,382*l.*, and relieved the public from an annual burthen of only 231,521*l.* 9*s.* The operation of the sinking fund therefore in this year was the efficient cause of a total loss equivalent to 597,397*l.* three per cent stock, which it unnecessarily created; and saddled the nation with a perpetual annual charge of 17,921*l.* A further annual charge was in the same year incurred, by the redemption of 689,000*l.* four per Cent stock; whereby the loss amounts to above 2918*l.* per annum.

Having thus estimated the just value of the operation of the sinking fund (as it is called) during a period of nine years, the general result is brought into one view.

Year	Sum applied		Annual burthen discharged		Annual charge incurred upon an equal sum borrowed		Annual gain		Annual loss	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
1793	1,630,615	1 4	65,232	3 0	67,942	5 9	.....	.....	2710	2 9
1794	1,872,200	4 3	84,148	7 0	85,575	0 0	.....	.....	1416	13 0
1795	2,143,595	16 1	97,413	13 0	103,071	0 0	.....	.....	5657	7 0
1796	2,639,724	9 5	131,720	2 0	122,749	0 0	8971	2 0	.....	.....
1797	3,369,218	3 3 ¹ / ₂	201,945	11 3	199,460	0 0	2485	11 3	.....	.....
1798	4,025,204	11 2	238,638	7 9	246,809	0 0	.....	.....	8170	12 3
1799	4,375,923	15 5	220,545	12 7	232,391	18 9	.....	.....	11846	6 2
1800	4,767,991	4 11	226,450	17 0	224,568	2 0	1882	15 0	.....	.....
1801	5,310,511	0 0	259,081	9 0	279,921	10 0	.....	.....	20840	1 0
							13349	8 3	50641	2 2
									13349	8 3
									£37291	13 9

Total loss in permanent annual Charge £37291 13 9

Thus, upon a careful estimate of the effects produced by this boasted scheme during a period of nine years; it seems, that by far the greater part of the money so applied to the paying off of the national debt, has been raised at a greater charge, than we have been relieved from by its operation; and that the incumbrances which it has created, considerably outweigh, in the general result, those which it has extinguished. We have in fact come to a conclusion, supported by documents whose authority will hardly be disputed, that, so far from having effected any diminution of our burthens, the nation is, at this moment, in debt to the amount of more than twelve hundred thousand pounds, three per Cent stock, bearing an interest of above 37,000*l.* a year; over and above what would have been its amount, had no money whatever been, during the whole of the above period,

applied to such purpose. The public debt has in effect been increased by that amount, through the double-handed operation of what is misnamed the sinking fund. And herein the charges which must necessarily have been incurred, in the shifting and transferring a sum of above thirty millions sterling, borrowed by one branch of the government, and paid away on the score of former debts by another, have not been taken into the calculation. Could the expenses so incurred be estimated, our loss would appear of still greater magnitude.

Sir John Sinclair notices the objection to an unalienable sinking fund*, arising from the absurdity of employing money to pay off old debts, whilst a nation is at the same moment contracting new ones, and says, that such an argument is too plausible not

* Sinclair on the Revenue, vol. I p. 526.

to carry with it some weight. Had Sir John given the objection a little more consideration, he might have found, that its weight does not arise from mere plausibility; and that the plan, proposed by him for obviating it, is open to all the preceding observations in their full force.

“The plan” he says, “may be formed, so as to remove this obstacle, without destroying the certain advantages to be derived from an unalienable sinking fund. Let the public, in times of emergency, borrow from that fund what money it can spare, but let it at the same time provide a fund for defraying the interest of the money that it borrows, giving the sinking fund a proportionable share of the new loan.”

Now there certainly does not appear much plausibility in this mode of obviating the objection; for if the nation, by the applica-

tion of an unalienable sinking fund, incurs the necessity, whenever there is a defalcation in the revenue of borrowing to an amount equal to that fund; and if therefore, in order to avoid such necessity, it should seem politic to divert and alienate the fund itself, how can it be a remedy, to divert a part only instead of the whole, and to return back a part of what is so diverted in the shape of interest? and such seems, for it is not very intelligible, the first member of Sir John's plan: as to the second, it is a direct borrowing for the purpose of redeeming prior debts; the very point to which the whole of the preceding observations tend; and is, in fact, not a means of obviating the objection, but it is the objection itself.

We are told in the same paragraph, "that it must be indifferent to the public, whether the capital consists of old debts, or

more recent burthens." True! if they are of equal amount; but it is not a matter of indifference, if the discharge of those old debts creates new burthens of greater magnitude. Again, all schemers in projects of redemption dwell upon the magical effects of compound interest, and the wonders which may be worked by the accumulations of any sum, however small, if unalienably applied to one end. A single million in sixty years, would discharge a capital of nearly three hundred and seventeen millions of three per cents, at the price of seventy-five per cent. But if the million so appropriated should be borrowed, will not the debt thereby created accumulate at the same rate?—No! (will be the answer), because its interest will be regularly discharged. Then must our revenue afford a surplus for that purpose; for if that interest is discharged, by a new borrowing, that will not

prevent the accumulation of debt; we recur therefore, by this analysis, to the axiom with which we began; namely, that it is only by a saving of revenue, that a real diminution of incumbrances can be effected.

A very few words will be sufficient, to dismiss from our consideration an argument frequently urged in favor of the sinking fund, and founded upon a supposed advantage, derived from its operation in keeping up the price of stock, and thereby enabling the public to borrow upon better terms than otherwise could be done. It is manifest, that if there be any truth in the foregoing facts, it can have no such effect, but that its tendency must be directly the reverse; for if it create and bring to market, a greater quantity of stock than it can take out, the effect, if it has any, must be by diminishing the demand, to lower the price in the mar-

ket, and consequently to make a higher interest be demanded upon the loans. As to any steadiness of price which stated weekly purchases may cause, it is at best a steadiness of loss to the public; and therefore probably we gain but little, by exchanging for it the risk of a fluctuating market, where the loss would sometimes be greater, but on the other hand, the public might occasionally be gratified, by the boon of a favourable bargain.

To recapitulate in a few words, the general result derived from the foregoing observations, it appears,

That if, when the national revenue is unequal to its expenditure, or affords no surplus above it, any part of that revenue is diverted to the redemption of debts; or if, when it does afford a surplus, a larger sum

than that surplus is so applied; a deficiency must be thereby occasioned, in the supplies requisite for the service of the state, which can only be met by borrowing fresh sums, and contracting new debts: and that, in this double transfer, by which old debts are paid off on one hand, whilst new are *thereby* contracted on the other, a loss must generally be incurred by the publick; and in fact has been so, as it appears from the examination of its effects during a period of several successive years.

It is then highly necessary, that the nation should be convinced, that it is by oeconomy alone, and by effecting a real saving of revenue, that any actual reduction of our burthens can be effected: without such oeconomy, no stock-jobbing speculations or juggling metamorphoses of accounts can be of any avail; they may change the form,

but will never alter the nature, or diminish the weight of our burthens; on the contrary, an aggravation of their pressure will infallibly be their consequence.

Perhaps nothing has been more the cause of that indifference with which the people of this country have witnessed the profligate waste of the national resources, which this war and the last have exhibited, than the deceptive machinery of this pretended sinking fund, whereby a persuasion has been generated, even during a period in which our public debt has been increasing with prodigious rapidity, that a system is on foot whereby its progress is at the same time counteracted; and that by some piece of arithmetical magic, it will in time be overtaken and destroyed, whatever the rate of its increase may be. It seems to be by some imagined, that this fund has an inhe-

rent principle of progression which will outstrip the utmost bounds of ministerial extravagance.

It would be perfectly idle to dwell long upon the danger of such a mistaken notion; for what can be more mischievous, whilst our debt and expenditure are both annually increasing, and our revenue seems nearly to have reached the utmost bounds of extension, than to fix our hopes of relief from these difficulties upon a mere phantom; and thereby to allow our views to be diverted, from that which can alone afford us a chance, of avoiding the fatal consequences to which such a state of things must tend?

Let us then renounce the extravagant ideas of paying our debt, whilst our revenue is inadequate to our expenditure; and

throwing aside this juggling with figures, which is only calculated to propagate the worst of delusions, direct our whole attention to the maintenance of a rigid œconomy, and the reduction of our expences within the compass of our means: for we may rest assured, that it is by keeping this, and this alone in view, and by not suffering our attention, by any project, however plausible, to be diverted from it, that we can evade the crisis which threatens our finances.

FINIS.