

119-2



0343

A METHOD
OF
Increasing the Quantity
OF
CIRCULATING-MONEY:
Upon a new and solid Principle.

INTRODUCTION.

THE PRINCIPLE of this Propofal is to put a NEW and GREAT CAPITAL into CIRCULATION, by LOANS of MONEY, to be *created* in the manner, and upon the foundation, described in the following LETTER, addressed to a Member of the late SECRET COMMITTEE of the HOUSE of COMMONS on BANK AFFAIRS.

The gentleman, to whom the Letter was addressed, (whose name, if I thought myself at liberty to mention it, would add much authority to the whole propofal,) being himself struck with the novelty of the meafure, and its apparent tendency to public utility, has been the means of procuring a confiderable degree of favour to it ELSEWHERE. — But, if I were to fay more of this, it could only be with a view to obtain attention, — not to influence the *public judgment*, which alone can decide in this cafe, as in all others where PUBLIC CREDIT is concerned. — Therefore, I fhall only fay, I have good reason to think that the *first impressions*, made in the quarter to which I allude, are still RETAINED.

It is my intention to point out in a future Letter, for which I have prepared materials, how I propofe to confine the increafe of money, in its first application, to the affiftance

ance of the LANDED INTEREST; and I shall, at the same time, answer such OBJECTIONS as I may hear of, or which my own thoughts may suggest to me; for, I shall disguise nothing.—In the mean time, I admit that it is necessary to the PRACTICAL EXECUTION of the plan, that the notes in question should be EXCHANGEABLE for ALL commodities,—by no means excepting GOLD; and exchangeable AT PAR: otherwise they cannot perform the office of MONEY.—I beg permission to add, that I think this may be ACCOMPLISHED. And I shall shew how the SECURITY may be DOUBLED, both in its nature and amount, without lessening the simplicity of the original design; and this to the extent of proving it to be ABSOLUTELY IMPOSSIBLE that the Note-Creditors should be defrauded, or even disappointed, so LONG as any notion of LAW and PROPERTY shall continue practically to prevail in GREAT BRITAIN.

LONDON,
23d April, 1799.



S I R,

OF late, we have heard but little of the plans for a NEW CIRCULATING MEDIUM, with which the public attention was much engaged about the time of the BANK's ceasing to make payments in cash.—No plan of that kind seems yet to have obtained general approbation; and, perhaps, that which I am about to submit to your consideration may not be free from objection.

I have entered, thus, upon the subject without ceremony; because, Sir, the indulgence you have shewn me in the several conferences you have honoured me with, on the occasion, has superseded the necessity of any introductory matter, unless I had attempted to express the feeling I have of your obliging attention in this instance, which I decline, as a task not easy in itself, and still less so, in connection with other acts of condescension which I cannot fail to recollect, though I am not able to acknowledge them in the manner I should wish to do.

In common with all those who have preceded me in this track, I begin with assuming that there would be found great convenience in the establishment of a good, solid, circulating medium, adapted to the extended and extending state of our NATIONAL COMMERCE, and the wants of the LANDED INTEREST. If this was denied, or generally doubted, I should have little to say; for, if the necessity or utility of such an establishment is not self-evident, I should think the time for it is not yet come.

My experience in business, however, informs me that it is wanted.—Permanent loans of money are now, and for a long time have been, difficult to be obtained; and this difficulty must, from obvious causes, continue to increase so long as the war lasts.

HAVING premised this, I proceed to state my plan for the establishment of a New Circulating Medium.

The basis of it, as I have remarked in what you have heard from me already, I fix upon the NATIONAL DEBT, which is the WEALTH of INDIVIDUALS.—For commercial purposes, at least, I conceive this may be deemed solid substantial property—to a limited extent.

Suppose

[6]

Suppose the National Debt due to individuals to be equal to FOUR HUNDRED MILLIONS (or more) of 3 per Cent. Annuities of the value of 50 per cent.; that is, Two HUNDRED MILLIONS sterling. This supposition is sufficiently accurate for my present purpose.

Now, my scheme goes to the putting of a large portion, FIFTY MILLIONS, or more, of this property into circulation, if so much could be employed; and this I propose to be done in the following manner:

Let any stock-holder, who would wish to circulate some part of his STOCK, without selling it, transfer a certain quantity of it, suppose twenty thousand pounds 3 per Cents. to the GOVERNORS and DIRECTORS of the BANK. The Bank is then to deliver to him fifty certificates, or notes of the transfer, each of them to be marked as of the value of £100, or a greater quantity in number, and of less value respectively; but the whole together to be of the amount of £5000 sterling.

By this means every particular quantity of stock might produce a fourth part of its nominal amount for the purposes of circulation. For, I make what I believe to be a well-grounded supposition, that the mercantile world, who now take BANK-NOTES in payment, would, with equal confidence, receive and circulate these STOCK-NOTES; the Governors and Directors of the Bank of England being, in respect to the stock to be transferred to them, trustees for those who transfer the stock, and for those who take the stock-notes in payment, (as they now are trustees for the Bank proprietors and the holders of Bank-notes,) and the security being fully equal to that upon which the credit of Bank-notes is founded:—for, the capital and other effects of the Bank (reckoning its property in stock at the present market-rate) is certainly short of twice the amount of its debts. But the stock, transferred as I propose, would be double in value to the notes circulated upon its credit.

In the case I have suggested, the 3 per Cents. would be taken at 25; a supposition low enough, I should suppose, for those who give any degree of credit whatever to the PUBLIC FUNDS. There can be no doubt that bankers and others would allow £100 stock to be a sufficient security for £25 money, notwithstanding all the possible fluctuations to which the stocks are subject.

The notes I have described might be used for loans or for capitals to trade upon; their use in trade, and for other purposes, being supposed the same as specie or Bank-notes.

These

[7]

These notes being, by supposition, of the same value, and passing with the same facility as Bank-notes do, will be considered as CASH, and consequently, if lent by the original holders, or by any others who may become the holders of them, would entitle the lender to receive INTEREST on the Loan, in like manner as the lender of Bank-notes now receives interest on the loan of those notes.

The supposition that these notes would be circulated like Bank-notes is essential to my plan.—That foundation taken away, the whole would be an unsubstantial vision; and, therefore, if this be not assented to, it would be of no use for me to go on. But, that point granted, (subject to re-consideration,) I say that every particular quantity of stock, transferred in the manner I have stated, would yield a profit to the stock-transferrer equal to 5 per cent. on the amount of stock-notes obtained by him.

Twenty thousand pounds, 3 per Cent. stock, would, as observed before, produce £5000 of stock-notes, the interest of which would be £250, to be added to £600, the amount of the dividends on £20,000 of that stock. Thus £850 would be gained annually, instead of £600, by every proprietor of £20,000 stock, who should avail himself of the opportunity of procuring stock-notes, as above-mentioned.

I SHALL pursue the supposition thus made, and shall trace its consequences to the stock-proprietor, treating the matter, at present, as if no other interest than his was to be consulted; disregarding, therefore, at this moment, the interests of GOVERNMENT and the BANK OF ENGLAND, both of which I shall separately consider in what I have farther to say. In this point of view, I suppose the whole dividends on the stock are to continue payable to the stock-transferrers; a supposition to be corrected in the farther progress of this discussion.

£850 being gained annually instead of £600, the value of stock may be expected to rise in proportion to the increase of gain.

In the subsequent details on this point, I shall suppose the stock-proprietor would transfer his stock to the trustees, upon my plan, for the sake of much less advantage than what I have above described; for, out of the great profit above alluded to, it is necessary to provide inducements to Government and to the Bank of England to countenance the plan.

At

[8]

At present I shall proceed to attend farther to the interests of the stock-proprietor.

What objection can *he* make? Can he say his stock is *tied up* and put out of his power? No:—he may redeem it by bringing in to the Bank a quantity of Stock-notes equal in amount to those originally obtained by him. These being cancelled, his stock would be again entirely free. Or, he may sell the stock subject to the charge upon it: this would make it *light* to hold; which, by rendering the stock more marketable, would increase its value.

Merchants, bankers, country-gentlemen, farmers, and in general stock-holders of all descriptions, would be benefited by the plan, and particularly the *timid* would derive encouragement to *hold on* their *stock*. For, if they withdraw half the amount of the present price of stock, they may realize that part on land, by procuring purchases or mortgages. This would also accommodate those who want to sell land, or borrow money on it, or to borrow on other security.

The transferrer would retain to himself the advantage of future increase of price, just as if he had not taken the stock-notes.

BUT is there no final danger of loss to the stock-proprietor upon this plan? *None*, I think. For, suppose the holders of the stock-notes should become alarmed for their security by the falling of stock to 25; and suppose the plan should provide, that then the stock should, at that price, become the property of the holders of the stock-notes, and be transferred to them in proportion to the amount of the notes held by them respectively, unless redeemed immediately by the proprietors of the stock; it may be made clear, that he that was the original stock-holder cannot be hurt by having received the notes, even though he should not redeem the stock. For, if he has retained the right of redemption, and consequently the risk, it is by his own voluntary act that he has done so. He might have sold out; but, having retained the stock, he cannot suffer more by parting with his stock now, than if he had held it on, and was now to sell it, without having received any stock-notes. He may even have an advantage by buying an equal quantity of the stock at the reduced price, supposing it below 25, or prevent a loss if the price is 25, or upwards; and, upon both suppositions, five thousand pounds, or thereabouts, would replace his twenty thousand pounds stock.

Four

[9]

Four things must concur in order to occasion any actual loss to the transferrer of stock upon this plan. First; the stock must fall below 25. Secondly; the transferrer must be unable to redeem it at that reduced rate. Thirdly; the stock must afterwards rise to a higher price. Fourthly; if there be (as of course there must be) an interval of time between the fall and the rise, the transferrer must continue, during the whole interval, unable to purchase a quantity of stock equal to what he had when he obtained the notes. The occurrence and operation of these numerous causes is a most improbable supposition; especially considering that the transferrer must be understood to have received an equivalent in property of some kind on parting with his notes, and, therefore, may be expected to be able to redeem his stock, or to buy an equal quantity at the supposed price of 25.

BUT, perhaps, the stock-notes may have been applied to purchase land or land-tax. — *Well*, at least the transferrer has then realized half the amount of his stock at the present price, besides the annual increase of £250 upon his £20,000: and he must consider, that, if he had continued to hold his stock till the supposed period of ultimate depreciation, his loss would be greater than it can be upon any supposition affecting this plan; which includes the annual gain of £250 upon the £20,000 stock.

IF, according to the first supposition above made, fifty millions could thus be brought into circulation, the gain to the stock-holders would be £2,500,000 sterling, annually, and so in proportion, if the circulating medium should be used in less or greater extent.

But two millions five hundred thousand pounds would be too great a gain for the stock-holder, who could not reasonably expect to have so much, especially if the scheme be attended with only part of the other advantages (including that of safety) which I have stated.

THEREFORE, I come now to consider the interests of GOVERNMENT and the BANK OF ENGLAND.

It may be thought proper that so much of the dividends as is equal to 5 per cent. on the stock-notes should be kept back by Government; that is, that the payment of so much of the dividends should be suspended during the war, and that the amount of these dividends should at the end of the war be divided between the stock-holders, the Government, and the Bank of England, in such proportions as may be agreed

[10]

agreed upon. In speaking of the stock-holder in this place, I mean the person who should actually possess the stock at that period; and his share of the accumulated dividends should then be added to his capital, and the future interest of it provided for by taxes, unless Government should then be able to pay the arrears of dividends; I mean the stock-holder's share of those dividends. In case a suspension of dividends should be thought improper, some other arrangement might be adopted, as the mutual interests of Government and the stock-proprietors might dictate.

If Government could, by this means, suspend during the war, the payment of dividends to the amount of two millions five hundred thousand pounds, or even half of that sum, such a postponement, or any equivalent advantage to Government, would be attended with important consequences.

Future LOANS might be negotiated on better terms, the price of stocks being supposed to rise as well in consequence of the advantages given to the stock-transferrers, as of the taking of a great quantity of stock out of the market. The REDEMPTION of the LAND-TAX would be facilitated, and the necessity to sell stock would be very much diminished, at the same time that there would be a great increase of inducements to buy and hold stock.

IN regard to the BANK of ENGLAND, the advantages to be allotted to that company would be such as might be agreed upon between them and the stock-transferrers, by way of an annual increase of the BANK PROFITS; and also as a compensation for the charges of management. But there is no occasion, at present, to enter into details upon this part of the subject.

AFTER ALL, however, there remains the question before suggested: "Could these STOCK-NOTES be used as a "Circulating Medium, or, in other words, would they pass "as MONEY?"

This I cannot determine; but I see many motives which might be supposed to operate towards causing the free and general currency of these notes.

The security, upon which the notes are to circulate, would be a first mortgage on the property and industry of the NATION. The scheme would raise the value of the funds, and would advance our AGRICULTURE, as well as extend our TRADE, both foreign and domestic, by bringing into action a new and great CAPITAL: and all
this

[11]

this would tend to improve the STRENGTH of the NATION. Hence greater SAFETY to every part of our property.

These appear to me to be sufficiently powerful inducements to the public to receive and circulate *as Cash* the proposed stock-notes.

BUT if, in fact, the security for the National Debt is not to be esteemed good for a fourth part of its nominal amount, then, I fear, our case is hopeless indeed. This, however, appears to me to be a groundless apprehension.

At all events, the caution of the most fearful must have some limits; and if, through the prevalence of distrust, the notes described could not be circulated at 25, they might undoubtedly at some lower rate. Therefore, the objection founded on supposed insecurity, does not reach the principle of the measure, and can only at the utmost confine its operation.

THIS scheme, if it has any thing of value in it, may undoubtedly be *improved*; and, perhaps, the indirect and collateral results from it may be as considerable as its direct and immediate effects.

I am not, however, so fond of my plan as to make an unqualified supposition that it is capable of producing such great advantages as I have described. Yet I do not mean to conceal that I have a strong confidence in it; and I own, if I were to indulge my present thoughts, I should say much more of the advantages I expect from it.

I have now only to make a few GENERAL OBSERVATIONS, which shall conclude this Letter, and the trouble which, SIR, you have allowed me to give you.

First, IN A COMMERCIAL COUNTRY THERE SHOULD BE AS LITTLE DEAD OR UNPRODUCTIVE CAPITAL AS POSSIBLE: but the wealth of individuals collected in the funds is dead to trade and general use, except only so far as the dividends are spent and circulated, and not invested in the same funds by way of farther accumulation.

And, *secondly*, THERE OUGHT TO BE NO SUCH THING KNOWN AS WANT OF MONEY;—and, in my opinion, no such want *could* be known in a perfectly well-regulated commercial state: I mean no want of that kind should be known or felt by those who possess property of any kind, whether it consists of lands, merchandize, or credits well secured. All such property should enable the owner to procure a REPRESENTATIVE SIGN capable of general circulation.

[12]

circulation. I say this, subject to many obvious RESTRICTIONS.

It was, by thinking for a long time upon these two principles, and by turning over in my mind several plans for procuring money for some persons of property, who found it difficult to obtain Loans, that I was led to the present DISCOVERY, if it is one, as I believe it to be. To me, at least it is *new*, and so it has appeared to those friends to whom I have communicated it: but if any one shall dispute the absolute originality of the thought, I shall not be much concerned about that, because it is quite certain that in its operation it will be new, and, what is infinitely more material, the advantages of it will be confined, almost exclusively, to OUR OWN COUNTRY, where alone such a great capital as I have proposed to put in circulation is to be found.

LONDON,
Sept. 27, 1798.

I have the honour to be,

SIR, &c. &c.

