

149-7



1

The merits of the Plan for raising 32 millions which has been submitted to Parliament, may be accurately ascertained by comparing the situation of the Country, at a given future period, if the sum necessary to make up the 32 millions, was raised annually by War Taxes, with its situation under the operation of this Plan.

At present, we have 21 million of War Taxes, and a sinking fund which will this year produce £0,515,042<sup>+</sup> there is also ~~£15,515,500~~ £15,515 of expired annuities, which may be applied to the public service, making together a sum of £29,539,557.

The additional sum therefore of temporary War Taxes, wanted to make up 32 millions is only £2,469,443.

Next year a further sum of £370,000 of expired annuities

See Table N. annexed to the Plan proposed to Parliament.

See Column 4 of the annexed Table.

annuities become available when there will be wanted of additional War Loans, only £2,099,443, to make up the War Expenditure.

The Plan submitted to Parliament proposes, after 3 years, an annual addition to the permanent Taxes, to the extent of £293,000 so that the sum to be raised by War Taxes in each year, beyond the amount of what under the proposed Plan will be raised by taxation, must decrease annually after the year 1910, in the proportions set out in Column 6 of the annexed Table.

Column 7 is a statement of the sums that will be paid in each year by the Public in War Taxes, to make up the 32 millions, with interest at 3% per ~~ann~~ accumulated <sup>1/2</sup> yearly up to the 5<sup>th</sup> of January 1917, at which period for the purpose of examining the merits of the plan

+ See Table C.

See Table H. Column 2.

See Table I. Column 2.

Plan submitted to Parliament, it is proposed to compare the Libration of the Public & of the Stockholder, under the operation of this new system, with what it would be, if the War Taxes were increased so as to make up 32 million with the aid of the present Sinking fund

The disadvantages, which the Public will suffer, the 5<sup>th</sup> of Jan. 1917 from the new system, when compared with the effects of raising the 32 millions, by taking the Sinking fund, and adding to the War Taxes, appear to be as follows

I. The amount of the Debt unredemmed, 5<sup>th</sup> of Jan. 1917 is £352,793,722, money value.

Under the proposed plan, the Debt, 5<sup>th</sup> of Jan. 1917 will be £414,559,005

The increase therefore will be £61,766,163. From

4  
 From the Table annexed, Column 7, it appears, that, in order to make up 32 millions annually, by taxation, to which under the plan proposed to Parliament, the public will not be subjected, there will have been paid by 5<sup>th</sup> of Jan'y 1917 of principal and compound Interest the sum of £ 10,742,447.

It follows, therefore, that the increase of debt which the public will have contracted 5<sup>th</sup> of Jan'y 1917, in consequence of the Plan submitted to Parliament, above what is requisite to make up the 32 millions annually of War Expenditure is £ 61,776,163, minus £ 10,742,447 — i. e. £ 43,023,716, which sum will make an increased Capital in 3 per cents to the extent of £ 60,233,202.

See Table C. Column 4

See Table A. Column 4.

See Table F. Column 2.

See Table J. Column 3.

5  
 II The public 5<sup>th</sup> of Jan'y 1917 will, by the plan submitted to Parliament be burdened with increased permanent Taxes to the amount of £ 2,051,000

III The War Taxes will be pledged to the extent of £ 16,200,000, for a debt of £ 110,136,336

The advantages which will attend the Plan submitted to Parliament consist, in the sinking fund being increased, by the 5<sup>th</sup> of Jan'y 1917, from £ 0,090,557 its present amount, with the addition of the expiring annuities, to the sum of £ 24,096,710, which will be its amount 5<sup>th</sup> of Jan'y 1917.

The Question therefore which presents itself for consideration is simple — It is merely, whether it is advantageous to make the sacrifices here enumerated, for the purpose

6  
purpose of obtaining, at the restoration of peace, should it take place, by a 5<sup>th</sup> of Jan'y 1917, a sinking fund of £24,096,710, instead of a sinking fund amounting to £0,090,557

It has indeed been said that the advantages held out by the proposed plan to the Stockholder, must immediately raise the price of stock, by which the Public Creditor will be immediately benefited, and the Public enabled to borrow money during the War on better terms.

It must, however, be observed,

1) That the Plan of adding to the War Loans for the purpose of making up the 32 millions, precludes the necessity of borrowing, so that if the proposition was true, the Public will derive no advantage from it

2) That if the 32 million is made up by adding to the War Loans, the price of

7  
Stock ought to stand higher, during the War than it would if the Plan submitted to Parliament was adopted; and this is a position, the truth of which is evident from the principles stated in the explanation of the plan submitted to Parliament.

Table B. 2. is constructed to show the small demand, that will be made, under the plan submitted to Parliament, for Capital, in comparison of the demand which is exhibited in Table B. 3.

But the demand as stated in Table B. 2. amounts in the present year to £3,264,950, and continues annually and progressively to increase.

Though therefore this comparatively small demand on the money market must be more favorable to the price of stocks than

than the extended demand which would arise from going on in the old plan of Loans, yet, the proposal of adding to the permanent War Expenditure to make up the 32 million must operate still more forcibly in keeping up the price of Stock, as there would be no demand whatever on the money market if that scheme was adopted.

The Stockholder therefore during the War would be more benefited than he will be under the plan submitted to Parliament.

The only benefit, therefore, which the plan proposed to Parliament seems to offer, should he be restored, 1817, in return for all the sacrifices it occasions, is that which is supposed the public Creditor will derive from the great increase of his King's Funds.

It is apprehended however, that the Stockholder mistakes his interest, if he thinks  
 it

it will be promoted  
in proportion as the  
Sinking fund is exten-  
ded. — On the contrary  
it is submitted

1) That the Stockholder  
will derive no benefit  
from the Sinking funds  
being increased at the  
restoration of Peace

2) That he will arm  
the Government with a  
weapon, which it will be  
the duty of those who have  
the management of it,  
to use in a manner  
destructive of his property

~~3) As the Law now~~  
stands, 3 per Cents may  
be paid off at par, by  
the Sinking fund. It  
can therefore be of no  
use to the public Creditors  
to have a larger Sinking  
fund than that which  
will raise his Capital in  
the 3 per Cents to par the  
first

Just year after the res-  
 toration of Peace ~~and~~ that  
 a sinking fund of  
 £ 0, 090, 557 is ~~not~~  
~~not~~ sufficient to effect  
 this object, cannot be doubted  
 - The experience of all former times <sup>indeed</sup> clearly shows  
 that it is even <sup>more</sup> than  
 is necessary.

To propose therefore  
 to the Public Creditor, a  
 larger sinking fund, is  
 to offer him a Bonus from  
 which he can derive no benefit - It holds forth to  
 him a benefit similar  
 to that which would be  
 tendered to a common  
 Blacksmith, by an offer to  
 erect for him a fine Engine  
 for the purpose of enabling  
 him to manufacture a  
 horse shoe

2) That it puts the Government in possession of  
 a weapon, which must  
 ultimately ruin the public  
 Creditor, is a position which  
 admits of no doubt -  
 No one, however sceptical  
 upon

upon the effects of a Sinking  
 fund in raising the  
 price of public securities,  
 can doubt, that a Sinking  
 fund of upwards of 24  
 millions, such as the  
 Plan submitted to Parlia-  
 ment holds out, must  
 raise the 3 per Cent. greatly  
 above par the first year -  
 - i.e. it will reduce the  
 Interest of money from  
 5 per Cent. <sup>to</sup> under 3 per Cent.

Should this be the case,  
 it can admit of as little  
 doubt, that if instead of  
 paying off 3 per Cent. at  
 Par, as the Law allows,  
 Parliament should authorize  
 the Sinking fund being laid  
 out in the purchase of  
 Stock at the market price  
 the 2<sup>d</sup> year of its applica-  
 tion, ~~it~~ would reduce the  
 interest of money much  
 under 2 per Cent.

In this situation of  
 things it is only necessary  
 to suppose that the Public  
 Creditor is actuated by a  
 due attention to his own  
 Interest to make it certain  
 that

he will willingly subscribe his Stock into a 2 1/2 percent Fund. This operation is not founded on theory; - it is what took place in 1716, & what was recommended in the speech from the Throne 1749, & immediately carried into execution by Mr. Pelham

The third year after application of this sinking fund of £4 millions must have reduced the interest of money still further.

On all general principles, it ought to reduce it, every year that it is applied, in an increasing ratio; supposing however, that it should only reduce it in the same proportion, it is evident, that if the public Creditor, with a view to his own interest found himself in a situation to make a voluntary sacrifice, the price every year of 1/6<sup>th</sup> of his property, he would be under a similar temptation to

to sacrifice another sixth; - and it is only necessary to suppose, that this extended sinking fund will continue to be applied, & that he will continue to do the best he can for his own interest, under the circumstances, in which he is placed, to foresee, that he will be annually deprived of 1/6<sup>th</sup> till his property completely evaporates

In the year 1749 when Mr. Pelham reduced the interest to 3 per Cent, the Stockholders, at first, resisted the operation; - many of them did not choose to subscribe to the terms, that were first offered, <sup>which</sup> which under the circumstances of the case, though they demanded a sacrifice of their property, was highly advantageous to <sup>the</sup> ~~them~~ <sup>Mr. Pelham</sup> ~~them~~. The consequence was, that he made a second proposal, a little more disadvantageous for them



and those <sup>14</sup> who had not  
 agreed to the first proposi-  
 tion, were, upon recon-  
 sideration of the subject  
 happy to accept of the more  
 advantageous terms,  
 rather than to be paid off  
 with money, which would  
 have been the consequence  
 of their refusal: - for  
 which money, at the mar-  
 ket rate of Interest stood,  
 they could not expect to  
 have received more  
 than 2 1/2 per Cent.

The Stockholder therefore  
 ought more than any  
 other description of men  
 to dread Government's  
 being armed with too  
 extended a Sinking  
 Fund. He ought to  
 look with horror at  
 a Sinking fund of  
 24 millions, for the  
 only doubt is, whether  
 a Sinking Fund of  
 £ 8,090,557 is not  
 too large to be applied  
 consistent with his  
 Interest.

Further it is

apprehended, that far  
 from purchasing a bene-  
 fit by the great sacrifices  
 they are called upon to  
 make, the Public Interest  
 will suffer materially by  
 increasing the Sinking  
 Fund from £ 8,090,557  
 to £ 24,096,710

1) The danger which  
 is remarked by the Author  
 of the plan submitted  
 to Parliament, that  
 would arise by throwing  
 large disproportioned sums  
 into the money market,  
 in the latter years of the  
 operation of the Sinking  
 fund as established 1802,  
 would be increased,  
 because the Sinking fund  
 never could have amount-  
 ed under that system  
 to more than £ 20,062,406.  
 in one year, which is  
 £ 3,234,232 less than  
 the Sinking fund the  
 plan submitted to Parliam-  
 ent proposes to start  
 with, should peace be  
 restored in 1817

2) The rapid creation  
 of capital & consequent  
 reduction

<sup>16</sup>  
 reduction of Interest,  
 which this extended bank  
 may find must occasion  
 will at once create, a  
 revolution in the state  
 of property, like all other  
 sudden revolutions of prop-  
 erty, highly prejudicial  
 to the Country in which  
 it exists. It will also  
 inevitably give occasion  
 to the removal of Capital  
 from this Country to the  
 Continent; and furnish  
 those whom ~~you should~~ <sup>we must</sup>  
 be least willing to ac-  
 commodate, with  
 the most fertile means  
 for their aggrandizement.

Year-

Table, showing the sum of temporary taxes, over and above the War Tax, of 21 millions; — the Funding Bond of £8,515,042; — the amount that will fall in; — and the taxes, which were the Income Tax, etc., at all times to be levied in each year up to the 5th of January 1917; — and also the amount of the several items accumulated at compound interest till the 5th of January 1917.

Year	War Tax over and above the War Tax	Expenses incurred in connection with the War Tax	Permanent Taxes which the War Tax supports with the interest	Total Income (sum required) of the War Tax in each year to be paid in the 3 preceding Januarys - less	The sum wanted in each year to make up 32 mil. cumulative at 5 per cent 1/2 years till the 5th of January 1917.	
1	2	3	4	5	6	
1907	£29,515,042	£15,515	—	29,530,557	2,469,443	4,022,230
1908	29,515,042	£305,515	—	29,900,557	2,099,443	3,256,236
1909	29,515,042	£305,515	—	29,900,557	2,099,443	3,100,077
1910	£29,515,042	£305,515	293,000	30,193,557	1,006,443	2,541,665
1911	29,515,042	305,515	506,000	30,405,557	1,513,443	2,020,013
1912	29,515,042	305,515	079,000	30,779,557	1,220,443	1,557,205
1913	29,515,042	305,515	172,000	31,072,557	927,443	1,126,043
1914	29,515,042	305,515	1,465,000	31,365,557	634,443	733,050
1915	29,515,042	305,515	1,750,000	31,650,557	341,443	376,270
1916	29,515,042	305,515	2,051,000	31,951,557	40,443	—
					13,260,430	10,742,447

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