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AN
ESSAY
ON THE
ACTUAL RESOURCES,
FOR
REESTABLISHING THE FINANCES
OF
GREAT BRITAIN,
BY
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*Truths would you teach, or save a sinking land?
All fear, none aid you, and few understand.*
Pope's Essay on Man.

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CONTENTS.

Introduction. page 1

SECTION I.

On the riches of a state, and on national, and private Industry. 7

SECTION II.

On public credit in general, and that of Great Britain in particular. 14

SECTION III.

On real property, or capital and income. 22

SECTION IV.

On the circulation of money 26

SECTION V.

On annual contributions or taxes 35

SECTION VI.

On public loans. 45

SECTION VII.

On the effects, which arise in the

[4]
*circulation of money from taxes , and
from loans.* page 60

SECTION VIII.

*On the means of rendering perpe-
tual the efficacy of public loans with-
out additional taxes.* 74

SECTION IX.

*A refutation of the objections made
to the system which is treated of in this
work.* 91

SECTION X.

Recapitulation. 108

INTRODUCTION.

The subject of the following sheets has already exercised the minds of many enlightened individuals.

I shall however wander from the beaten track , and announce a system , diametrically opposed to the received opinions , I may even say prejudices of Mankind.

I am sensible to what censures I expose myself by this seeming temerity , but , knowing the situation of my country's finances , I should be wanting in duty to her , and to my own feelings , were I to suppress Ideas , which may eventually prove usefull.

If my ardor for the Public service could have been cooled by the reception , which the first sketch of this work met with from several of those persons , to whom it was communicated , I should instantly have laid down my pen , and have renounced every Idea of the task , which I now impose upon myself.

Feeling , however , invariably , and in
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(2)

the strongest manner, the truth of those principles in finance, which I then announced, I attribute my want of success to the manner of stating them, and think it incumbent on me to exert my powers of rendering them more clear, and conclusive.

If I am fortunate enough to be approved of by the enlightened part of mankind, and if I succeed in being ultimately of service to that Community, of which I am a member, I shall feel myself amply rewarded for my labor, and fully indemnified for the temporary vexations, which I must naturally encounter.

To Great Britain alone I dedicate the result of my Enquiries.

The system, which I am about to unfold, cannot be effectual, but under such a government as she possesses.

In despotic states the private interest of the Sovereign, or of his Minister, is too frequently different from that of the Public; but in a free country, particularly the one, for which I write, Individuals of every class

(3)

promote their own prosperity, and contribute to that of the Nation by the credit, which they grant, and by the taxes, which they submit to.

Hitherto it has been thought, that the most effectual means of increasing the credit of Great Britain, of ultimately promoting her industry, and extending her commerce, consisted in establishing a sinking fund by a surplus of taxes, and paying off gradually an incurred debt.

I maintain on the contrary, that this opinion is founded on error, and cannot be too soon renounced.

The critical situation, in which Great Britain at present stands, will indeed compel her to abandon all thoughts of a sinking fund: recourse even to annual loans for the peace establishment is become necessary, and will in my opinion continue to be at all times expedient, notwithstanding that an increase of industry, of internal consumption, and external commerce, (to be procured by making use of loans without

(4)

new taxes, and by relieving the circulation of money,) may raise the produce of the existing contributions to a level with the annual exigencies of the state.

This Idea may at first sight be thought paradoxical, but the probability of its being well-founded is apparent from a contrary system having proved inefficient; and it follows, that the adoption of another is now become indispensable.

Some consolation will, however, be derived from knowing, that it is not the reimbursement of a capital borrowed, which obtains the confidence of monied men, and secures public credit in a Nation like Great Britain, but the increase of faculty to pay the interest, and the regularity observed in the terms of its payment.

When a free people have a moral certainty, that the interest of the sums, subscribed to the public service, will never be diminished, unless accompanied with an offer of reimbursement, and that this interest will always be forthcoming at the stated

(5)

periods, an unbounded confidence in the Public must naturally ensue, because the stability of the annual revenue will always support the intrinsic value of the capital.

I consider the national debt as an excrescence on the body politic, and so inherent to the constitution from its nature, that its growth even has prevented worse disorders from taking place; an operation therefore to reduce it is impolitic, and dangerous, while cutting it off would attack the principles of life.

The Remedy, which I shall propose for putting a stop to the dangers, that threaten Great Britain, will no doubt have the effect of augmenting the size of this excrescence, but the body, to which it adheres, will receive a much greater increase of strength for supporting it, and finally be required to give a less quantity of nourishment for its existence, which can only terminate with their mutual dissolution.

I repeat, therefore, that it is not the

(6)

reimbursement of a capital, but the solidity, and regularity in the payment of the interest, which produces public credit in Great Britain, and that the use of this credit may, and ought to be substituted instead of taxes, in order to pay the peace establishment.

I assert moreover, that this substitution will increase population, consumption, industry, and trade; and of course augment the annual produce of the remaining taxes to a much greater degree, than is necessary on account of these additional loans.

But these general ideas require to be fully investigated, and proved, which is the object of the following sections.

Paris, March 10 1785.

(7)

SECTION I.

On the Riches of a State, and on National, and Private Industry.

The true riches of a state consist in its greatest degree of independance for every necessary object, and in the dependance of other nations on it, for procuring what their exigencies may require.

The fortunate assemblage, and proper combination of three sorts of riches, can alone produce the true riches of a state.

These three sorts consist in the productions of its soil, which are natural riches; in national industry, which produces artificial riches; and in the quantity of existing money, which consolidates the whole, and may be called riches of convention.

The extent of true riches creates the political faculties or strength of a nation.

This consists principally in the number of its Inhabitants, who are supported, and increased by Agriculture, and Commerce.

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(8)

Agriculture takes precedence, because it affords the means of subsistence to more people, than those, who cultivate, and of course increases population, the foundation of political strength.

It requires, however, to be assisted by Commerce, or that interchange of various articles which arises from mutual wants, and which is promoted by Industry.

This principal agent, and spur to commerce is the assemblage of exertions, by which an Individual secures to himself whatever his wants may require, and multiplies his own enjoyments, by laying others persons under contribution for those which he procures to them.

That person, who combines with most judgment his exertions, who is the most fortunate in furnishing the objects of enjoyment, required by society, and who seizes with most address every circumstance, which time, place, and opinion may offer, possesses of course the most productive species of Industry.

(9)

It owes its origin to Genius, stimulated by necessity, and is to trade what agility is to strength.

The collection of the industrious exertions of Individuals forms national industry.

The groundwork of both consists in the resources, which arise from the productions of the soil by means of their general use in supplying the wants of all countries; in the local advantages, which admit of those productions being transported with ease from one place to another; in the more or less aptitude of the inhabitants to profit by these circumstances, and finally in the degree of foresight, which the government of a country displays, and in the protection, which it grants to Individuals.

This foresight and protection consist in the knowledge of those objects, which merit the most encouragement, in the generous manner of bestowing such stimulus to produce them, and in the inviolable security of all property.

Every nation should encourage industry

(10)

to exert itself principally on the productions of its own soil, and in giving them the most usefull, and the most variegated forms, because that nation, who has the art of giving the greatest variety to their own productions, is no doubt the most profitably industrious, and the most independent.

In no country is property more sacredly secured, or every species of industry more encouraged than in Great Britain: nor are greater abilities to be found for the purpose of discussing the interest of the Nation, and for superintending public, and private industry, than in both Houses of Parliament, composed of Men of every profession.

No History, like that of Great Britain, affords examples of such generous encouragements, and of such ample rewards given to genius and abilities.

The exertions of individuals must naturally be in proportion, and Great Britain is amply repaid by the excellence of her Government, and by the patriotic zeal, which animates the whole Empire, for what

(11)

nature has refused her in point of situation, or productions, and bestowed on other countries.

The encouragement given to Industry should particularly have in view the means of improving the quality of every necessary article of consumption, as also of facilitating their production, and the mode of manufacturing them, for the purpose of decreasing their price.

This diminution in price will of course permit the purchase of them by a greater number of Individuals, and increase the national strength; because the advantages derived to a state consist in the greater consumption, which augments its actual resources in finance, and, by encouraging greater production, increases the stimulus to further population.

Those people, who are of opinion, that, by laying luxury only under contribution, an equivalent resource to that levied on articles of necessity is to be procured, are much deceived.

(12)

Fictitious wants have certain bounds, which discretion regulates, and which the generality of mankind do not pass.

They even renounce every idea of them, when incompatible with their faculty of indulging in them.

Additional contributions must infallibly increase their price, and, causing less consumption, decrease the annual amount of those, which already existed.

No resource is then left for the deficiency, but that of reverting to the objects of necessity.

This only alternative is the more alarming, if those objects of necessity are overburthened with contributions, and may be compared to the operation of bleeding a human body, already enervated.

I conclude therefore, that private Industry should be encouraged, and directed towards improving, as well as reducing in price every article of necessity, and giving more comforts to a greater number of Individuals.

(13)

The increase of population by these means is the surest sign of perfection in the measures of every government, and a certain pledge of the accumulating riches and prosperity of a state.

The import and export trade of a country is so much connected with internal Industry, that the investigation of them in this place would not be improper, but as it would lead me into a discussion entirely foreign to the subject of this work, and occasion my readers to lose sight of the object I have in view, I shall confine myself to saying, that liberty of trade is the soul of Industry; that prohibitions and exclusive privileges are the destruction of it; and that every wise, and enlightened government has it in its power to stop the bad effects of this liberty, by varying from time to time the duties on importation, and on exportation, for the purpose of encouraging national Industry, and for preventing a dearth as circumstances may arise.

SECTION II.

On public credit in general, and that of Great Britain in particular.

Public credit may be considered as an essential part of the political strength of a Nation, and is a standard of the confidence, which individuals have in the riches, and resources of a state.

This confidence is more or less extensive according to the abilities, and integrity of those, who direct the application of these resources, and who watch over the interests of the public creditors.

That Government, therefore, which unites most prudence and foresight in its deliberations, where good faith is held most sacred, and where the public is of course most secured in their property, must naturally obtain the greatest degree of credit.

The British Constitution insures in a

very eminent degree these advantages, because the reins of Government are not held by one person, or by the servants of his choice, but the whole Nation participates in the administration of public affairs through their representatives in Parliament, over whom it watches, and to whom each individual may aspire to succeed.

By this system private interest, intrigue, party rage, and oppression, have less power, and produce less bad consequences; while patriotism, which stimulates to public service, has a most powerful ascendancy.

Whenever the events of war, or national establishments, which create great expences, and produce flow advantages, increase the exigencies of a state beyond its usual revenue, the resources made use of for procuring the necessary funds, are public loans.

These loans are preceded, accompanied, or followed, by taxes, or annual contri-

(16)

butions, whose produce is calculated to give the lenders security for their interest, and, in some cases, for the gradual repayment of their capital.

While these taxes, in addition to those levied for the usual exigencies of the state, are in proportion to the number, and activity of the inhabitants, as also to the existing mass of money, and to the extent of its power in representing Industry, and commerce, the foundation, on which the security of the lenders is built, becomes solid; public confidence must flourish, and credit is certain, because the junction of the above-mentioned circumstances can alone facilitate every exchange, and fix at a proper value every species of property.

The principle of contribution arises from a power in each individual of gaining more by his industry, than is necessary for his exigencies.

The protection, which he receives from Government, engages him to subscribe a

(17)

part of such surplus to the service of the public, through whose means that protection is obtained.

But the manner, in which such part is at present levied, not only checks the accumulation of every individual's riches, but hurts also that of the whole community by the introduction of a forced circulation of money.

A too great extension of this forced circulation must inevitably strike at the root of population and industry, while public credit will be shaken to its foundation.

The adoption however of principles which produce a contrary effect will always create, and secure, public confidence, the parent of credit.

The many wars supported by Great Britain since the revolution, have forced her to a repeated use of the expedient, which public loans offer in every case of emergency.

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(18)

These accumulated loans form the present national debt.

Though the prodigious amount of this debt proves the excellence of her constitution, and the extent of her resources, there can be no doubt, that the annual contributions for paying the interest, and for providing such a peace establishment, as is necessary for her defence, glory, and prosperity, are increased beyond her power of supporting them, and that she may soon lose her credit from an unperceived error in its foundation, and a violation of the principles, on which it exists.

I cannot here avoid announcing a truth, which I have discovered in the course of my investigations, and which experience will perhaps too soon confirm.

The credit of Great Britain must infallibly on the first outbreak of a war receive a most violent shock if her present system of finance is persevered in.

The actual amount of interest to be paid

(19)

on the existing debt is so great, as to render it necessary to adopt a new one, for the peace establishment.

This arrangement, will offer every possible advantage, and has perhaps already presented itself in part to the minds of those persons, who have been entrusted with the executive part of the government, but the necessary consequence of renouncing every idea of a sinking fund has alarmed them, and prejudices, rendered sacred by their antiquity, have intimidated the most enlightened minds.

Shall a nation, however, be stopped in its progress to further prosperity by combatting with, or defending a phantom?

Paying off the national debt is one of those projects, which every person thinks either impracticable, or improbable, but they still wish to flatter themselves, and vainly imagine, that the charm, by which this debt is supported, consists in the belief of a power to extinguish it.

Where is the man, who, having

(20)

meditated on the amount of the national debt, the population of the country, and the quantity of existing money, believes, that this debt can be much diminished during the course of a long peace?

I may even add, where is the monied man who, having an interest in the public funds, will demand, or wish for a reimbursement, when the stability of the annual revenue gives him the power of receiving his capital by a sale at the highest possible rate?

The certainty of the annual income will always support the intrinsic value of the capital.

The intrinsic value being preserved, the proprietor will always have the faculty of selling the revenue, and receiving the capital.

What therefore can intimidate a monied man from confiding his property to the state?

His private interest will be gratified, while he has at the same time the satis-

(21)

faction of contributing to the public service.

It would be an insult to the understanding of my readers were I to expatiate further on this idea, which presents such advantageous consequences.

I insist therefore, and repeat, that, in the present situation of Great Britain, her credit must be supported and regenerated by strengthening the faculty of paying the interest on the incurred debts, and on those intended to be made, the necessary confidence in which cannot be wanting, as the security of the lenders will be made conspicuous.

(22)

SECTION III.

On real property, or capital and income.

A capital is the aggregation of several properties.

An income is the production of this aggregation in a limited time.

The earth, the sea, and their produce, form the substance of all real property.

The industry of mankind is the spring, which gives the necessary motion to, and regulates these productions.

Money is the representative sign, which consolidates every property by estimating its value.

The intrinsic value of these three parts requires their union, and they are even dependent on one another for producing an annual income.

The facility of estimating real property by the medium of money has occasioned the denomination of capital being chiefly given to a certain number of these representative signs, as answering to a certain

(23)

quantity of other property, and for the same reason an income is estimated by the more or less quantity of money received in return for, or as representing any productions in the space of a year.

The revolution of the four seasons, bringing to perfection whatever the earth produces, has no doubt given rise to the limits of a year for fixing the income of every capital.

This annual income forms the value of each sort of real property.

Mankind have indeed established a tariff, or table of what each kind ought to produce in proportion to the time employed, the care it demands, the risk it runs, and the enjoyment it procures, as also in proportion to the existing quantity of money in a state; but this tariff tho' founded on rational principles is subject to great variations.

Every property, when regulated by industry, produces an annual augmentation or income; but this income being destined

(24)

in part for the exigencies of individuals, the superfluity only is converted into capital, which afterwards reproduces another income.

All property may therefore be considered as a perpetually growing chain of capital and income, forged, and linked together with the substantial quality of money, and by the industrious exertions of individuals.

National industry has been represented as a part of the riches of a state, and considered in the abstract it forms the artificial riches of an individual, being to him a capital, which produces an income in proportion to his exertions.

The income of industry is always dependent on the interest of money, as is also that of natural riches, or productions of the soil.

These are however entitled to less income than the artificial riches of an individual, which require more care, are less solid, and terminate with the life of the possessor.

(25)

Mankind therefore by their industry augment, and modify, every production turning them successively into income, and capital.

This occasions a perpetual expansion, and contraction, in the property of individuals, which is performed by the representative sign.

The agency of this sign constitutes its circulation, whose operations, effects, and resources require to be explained.

This is the subject of the following section.

(26)

SECTION IV.

On the circulation of money.

The embarrassments, and the loss of time, to which trade by barter was exposed, induced all nations to adopt a medium of exchange, for facilitating every transfer of property, by stating its value, and paying its amount.

This medium of exchange was accordingly placed in the precious metals, to which forms were given, for the purpose of facilitating their circulation.

Each sovereign, and each state, put their particular stamp on these forms, and thereby certified their value.

The precious metals so formed, and so stamped, are called coins.

The interest of every nation demands, that the value of these coins should approach to that, universally allowed to the metals in their natural state, in order to

(27)

prevent a loss in their transactions with other countries.

It must also be observed, that these coins have no other value than by their currency in going from hand to hand, because having been established as a medium of exchange, the not applying them to that use annihilates their faculty, and reduces them to a state of nature.

Money, however, considered as a composition of the precious metals, is an object of commerce, which has its price.

This price is regulated by the quantity consumed through luxury, and by what is put into a state of circulation.

The price of each kind, as representing one another, depends on their comparative quantities over and above the price as merchandize.

If there exists more gold than silver, the latter rises in proportion; if on the contrary the former is in less abundance, it becomes dearer.

Money, considered as a representative

(28)

sign, is a mercenary agent, to whom a recompense must be given.

This recompense is called interest or annual income.

The abundance and competition between these mercenary agents occasion their procuring less income, and of course interest of money rises in proportion to their scarcity.

There exists in every country a certain quantity of these coins irregularly, and disproportionably, dispersed amongst the inhabitants.

Labor and industry rectify this unequal distribution, and procure to all the objects of necessity.

These wants being satisfied, those individuals who have a superfluity exchange it for enjoyments, while those who have none endeavour to draw it to themselves by producing, and procuring, through their industry, the comforts demanded.

The necessary wants, therefore, and the mutual dependance of individuals for

(29)

satisfying them, create a continual interchange of property.

These exchanges occasion the perpetual transfer of the representative signs from one hand to another, which is called circulation.

Nature, the parent of all earthly things, in establishing this mutual dependance, founded the circulation of money.

Every wise government, therefore, ought to follow, and second these parental proceedings, by facilitating, as much as possible, its natural propensity.

The circulating coin, which is dispersed amongst the individuals of a state, serves for the purpose of buying, and selling real property, and for producing, and procuring, every object of consumption.

Commerce and industry are kept in motion, by these two operations, and are the reservoir, and conductors of the circulating mass of representative signs.

Their free, and regular passage through different channels, as well as the pre-

(30)

ervation of their reproductive quality, cause an increase of strength in every part of the body politic.

This vivifying circulation of money may be justly compared to that of the blood in the human frame.

The purchase and sale, or expansion and contraction of real property, resemble the operations of the heart, from which the blood takes its departure, and to which, after pervading every part of the animal œconomy it incessantly returns.

To compleat this simile, which must offer a very striking resemblance to every reflecting mind, I have to observe, that interest of money is the pulse, whose beating announces either health or disorder.

Whenever the regularity in the circulation of money is destroyed by the interference of government, a more powerfull agent restores it, but the political frame receives at the same time a shock, and a diminution of strength must infallibly ensue.

Thus, therefore, when by an ill com-

(31)

bined operation in finance the circulating medium is carried in too great quantities to one part of the body, the other part must naturally suffer from its absence, and the whole becomes disordered.

The consequence of this is visible in the increased interest of money, which demands every attention from government.

The interest of money, however, becoming higher, nature points out the remedy to be in less production and less consumption, and without the derangement is carried beyond the powers of recovery, she will always prevail.

If it be supposed that the quicker circulation in one part, produces an equivalent for the languor in another part, I have to observe that this would be taking, for a sign of health, the temporary, and convulsive exertions, which a fever produces, and which are the forerunners of ensuing weakness.

Whenever the interest of money increases,

(32)

a chain of inconveniences is produced, which I shall hereafter fully explain, and which ends in the diminished consumption of every article of necessity, attacking thus the source of future population and prosperity.

It becomes therefore an essential principle in finance to avoid every thing which can contribute to the rising of interest, and to support as much as possible the natural circulation of money as well as generative quality.

It follows also from these principles, that the circulating coin of a country should be kept in constant motion through the channels, which commerce and industry furnish; that suffering any part of it to be hoarded up in the national treasury is the sign of an ill informed government, and that such part well deserves the epithet of *Dead-stock*, which is generally bestowed upon it.

It must further be acknowledged a false principle to accelerate its circulation in

(33)

in one part, and to check it in another, and finally, that the care of every government should be directed towards making it flow regularly through every part of the body, for the purpose of giving a due proportion of its salutary influence.

I have already mentioned, that the natural circulation of money augments the prosperity of a state by increasing industry as well as consumption, and population; but as it might be feared that bad effects would even result from this circumstance, without a proportionable increase in the representative signs, it becomes necessary to observe, that the balance of foreign Commerce produces not only the principal spur to increasing industry, but gives also the faculty of supporting it.

Enlightened governments add to those means by working their mines, or by the introduction of paper money.

This last resource is no doubt very ingenious, but the permanency of its use depends on the solidity of its principles, and

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in proportion as it is extended, its security is weakened, and it is easily destroyed, in the same manner as the physical material, of which that money is composed.

France in the time of Law, and America during the late revolution, experienced the bad effects of its immoderate use.

Without fixing the limits, to which each state may with safety go in the issuing of paper money, I shall only observe, that those of Great Britain are from the nature of her government the most extended.

Having now explained the origin, the effects, and the advantages, of the regular circulation of money, I must proceed to investigate the nature of taxes with their effects on this action in the representative sign.

SECTION V.

On annual Contributions, or Taxes.

Annual contributions are to be considered collectively, and particularly.

In the first point of view, they may be defined as the means through which government makes each individual contribute to the expences of a state, by raising money on every article produced and consumed.

In the particular sense of the word contributions are specific sums, raised on particular objects.

The word tax has been adopted in Great Britain as a signification of this act in the sovereign power.

This manner of making each individual contribute to the exigencies of a state may be traced to the primitive establishment of society amongst men.

It is a natural right of the governors, in consequence of the expences incurred by

(36)

protecting the governed, and must originally have been collected in kind.

Its principle was then simple and just, while it was at the same time founded in wisdom, and salutary in its effects.

This clause in the social contract made amongst mankind would still have merited the appellation of a durable support to all nations, had not an abuse which viciates the most prudent establishments, crept into the whole system, and converted this salutary and beneficent resource into a most violent and corrosive poison both for a state, and for individuals.

I shall hereafter show by what chain of events this change in its quality took place, and in what manner it was deprived of the advantage, which became natural to it, of forming a basis of support, by being made use of as the support itself.

This unfortunate error has been propagated to this moment, by mankind having attended to some desultory good effects, without enquiring into their origin, and how

(37)

much they were curtailed in their extent by the adoption of this imperfect system.

Any government therefore, who applies taxes as a remedy to annihilate those, which exist, is nourishing a fatal error, and it is evidently become expedient for the recovery of every depressed state not only to desist from laying on any more, but also if possible, to suppress a part of those which are actually levied, in the same manner as humanity requires, that a man, bending under too great a weight, be relieved from a part of his burthen in order to produce the faculty of supporting the remainder with ease.

The truth, which I here disclose is applicable to many states in Europe, but having principally considered it with respect to Great Britain, these pages are intended for her conviction.

If in discovering such a truth, I had not at the same time enjoyed the satisfaction of perceiving the means to remedy the inconveniences, and to avoid the dangers, which I am going to unveil, my thoughts

on the subject should have remained concealed from the public eye; but the signal, which I propose to erect, as a warning of being on the brink of a precipice, will also point out the path for avoiding it.

The progressive aggrandisement of the state, and the increased price of every service, (from the adoption of an erroneous principle in finance,) having multiplied the annual wants of the public; such contributions, as the objects of necessity presented, became doubly insufficient.

The governors of the Exchequer exercised therefore their power, and their genius, on every article of consumption, whether of necessity, of commerce, or of luxury.

A fallacious mode therefore of raising what was wanted for the public service, as well as the manner in which it has often been squandered, rendered it constantly necessary to apply for new expedients; and in this manner has been perpetuated through every successive administration,

the erroneous, and destructive principle, that every new want demanded a new contribution.

Yet in spite of the great variety, and the troublesome form of many taxes, which are deemed necessary, those persons, who from time to time are intrusted with the administration of public affairs, do not appear sufficiently alarmed, either by the knowledge of their effects, or by the doubt of a possibility to create any more.

If the actual state of taxation in Great Britain is, however, seriously, and candidly, considered, it will be admitted, that every hope of receiving further support in that way is vanished, and that the pursuit is dangerous.

Every thing taxable is at present taxed, beyond its proper bounds.

The necessary objects of consumption cannot be further touched without attacking population; those of commerce without discouraging industry; and those of luxury, which are to be preferred as

(40)

belonging to the rich, are burthened as much as they will admit of.

Luxury requires to be treated with delicacy, and, when pursued by the Exchequer, like Proteus in the fable, endeavours by taking various forms to effect an escape.

I state therefore, and have proved, that it would be difficult to invent new taxes; I add also, that it would be dangerous to adopt them on account of the effects, which must naturally result in the present state of Great Britain.

In order to feel with more force the truth of this assertion, my readers must take into consideration the state of the nation, as reported to the House of Commons.

They must also be fully convinced of the principle, that every new tax infallibly viciates the circulation of money, and (if not relieved by a proportionable augmentation of signs from industry, or from the purchase of public funds by foreigners,) turns it out of its usual course, raises the

(41)

interest, and occasions a diminished production and consumption.

In fact, the moment a new tax is established, the contributing article is raised in price above the sum levied.

The money circulating for that purpose cannot of course procure, or represent, the same quantity, and whatever is wanted must be taken from those signs, which transact the business of purchase and sale of such property as gives an annual income.

The diminution of their number naturally augments their pay, and this increase in the interest of money raises in its turn the price of every kind of industry, which must again be provided for, by additional representative signs.

In this manner do these two never failing principles, excite one another by emulation, and serve as a mutual vehicle for raising their value, which would be carried to an indefinable length, if the equilibrium was not restored by the violence of the disorder.

(42)

The remedy, which restores this equilibrium, is a diminished production and consumption, to which mankind are compelled by the high interest of money, and which returns a certain quantity of signs to their original duty.

This consequence reduces the produce of the new tax to little more than what would have been found by the natural increase, as well as by what is lost in the old.

The new tax therefore does not procure the resource wanted, and exterminates also what a contrary system would have produced, giving at the same time a violent shock to the state.

This shock and its effects must naturally derange the powers of the political body, as well as its organisation, and by repetition, complete its destruction.

To this erroneous mode of calculating the natural powers of exertion in a state, by not considering the influence of taxes on the circulation of money, may be added

(43)

the charge of collection, by which the Exchequer is no ways benefited, as also the frauds committed, which neither relieves the state, nor the consumers of the article taxed, and is only profitable to some daring adventurers.

I must also observe, that frauds increase with taxes, and are encouraged in proportion as they are high.

The consequence of all these principles are, that exterior commerce must suffer and decay, while internal industry overburthened, and weighed down in its faculties, must languish, and be checked in its springs, and in its combinations.

The great machine, which incessantly turns income into capital, and capital into income, will move more heavily, the indigent class of people will augment, and a more general emigration must ensue.

These dreadful symptoms have always been the forerunners, and have ever indicated the approaching dissolution of a state.

(44)

It appears therefore incontrovertibly , that the levying of new taxes is an unnecessary , as well as a dangerous expedient , and that if any deficiency in the wanted revenue exists another resource must be adopted.

Public loans present themselves naturally in place of taxes , but their quality must be enquired into , before their superiority is acknowledged.

(45)

SECTION VI.

On public loans.

A public loan is the anticipation of the future revenues of a state , which is rendered necessary by its immediate exigencies.

The subscribers to these loans consent to wait their reimbursement in consideration of an annual allowance , and often alienate the sum wanted on the assurance of a limited or perpetual annuity , founded on good grounds of security , and regularity in the terms of its payment.

Confidence is the essential basis of all loans , but particularly so in the last mentioned case , which is adapted to the present form of borrowing in Great Britain.

Those states , whose usual income could not supply their wants , and who found themselves in such critical situations , as to require instantaneous , and abundant

(46)

resources, adopted first this mode of anticipating their future revenues.

I shall not go back to the period, in which this system commenced, but confine myself to saying that it was necessarily introduced amongst many nations about the same time, because general policy requires, that each state should secure those advantages, which are enjoyed by others, as far as the nature of its government will admit of, and its political situation may require, for the purpose of supporting a kind of balance, and in order to show the same exterior appearance.

The first public loans, which took place, were founded on additional revenues, raised by taxes within the year, and were intended to be liquidated within the same period.

This mode appeared simple, and just, because it soon liberated the state, and the lenders, from a situation precarious, and totally new.

It proved indeed very delusive in its effects, and I consider its adoption as the

(47)

cause of those complicated, and repeated derangements in finance, which have since been produced.

By not attending to the influence of taxes on the circulation of money, and on industry, the intended effects of this operation could not be realised; the contracted debts were only paid in part, and in some cases, their liquidation became totally suspended.

Each subsidy proved deficient, the public debts accumulated, their value diminished, and the term of their reimbursement was necessarily prolonged.

Experience, however, did not prevent mankind from persevering in a false system, which involved them still farther in the labyrinth of public debts, and of increasing expence for the service of the state.

In this manner was neglected on the first introduction of loans the resource of credit and industry, when excited and propagated by one another.

New taxes, for the payment of the capital received, went hand in hand with new loans, and the establishment of this fatal connection occasioned an evil, whose origin was not traced, and which destroyed the effects intended to be produced.

These consequences could not be hid from the eyes of money lenders, and their confidence in the public diminished.

Necessity then called for the adoption of life rents, of annuities for a fixed term of years, and of lotteries, in order to attract the avarice of mankind by giving a superior chance to each fortunate individual.

The two former modes of raising money, however, constitute in fact expensive reimbursements, and are not so advantageous to a state as represented by those, who adopt them; they indeed satisfy for a time the public wants, but they prepare at the same time an increasing expence.

In reading the history of the national debt of Great Britain, I perceive she underwent the common fate of all nations
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in her first anticipations; but the superior form of her government surmounted every inconvenience, and she at last adopted wiser principles in finance, than any other nation.

The most material, though imperfect, improvement was that of creating taxes for the interest of public loans only, without any view to their reimbursement.

I must at least presume, that this principle was intended by the name of perpetual annuities, which was then given to them.

I am however ignorant, if the idea of paying off the national debt was considered as chimerical, unnecessary, and impolitic, and if the Phantom only was allowed to subsist out of respect to ancient prejudices, or whether from not investigating this matter the project was seriously intended.

But I see that in the year 1716 Parliament enacted, that the aggregate and accumulating surplusses should be consecrated to that purpose.

(50)

An attempt to carry this plan into execution has also been tried during each interval of peace.

The insufficiency of the means, procured by this resource, might, however, have demonstrated the absurdity of the project, and we have to lament the infatuation of those, who could not read its sentence of condemnation in the statement of its progress.

It is not a part of my duty to explain by what sort of reasoning the nation still amuses itself in believing, and attempting, what experience in alternate periods of peace, and war, renders incredible, and impracticable.

I beg leave therefore to refer my readers to what I have said on that subject in the introduction to this work, and shall proceed to shew how public loans may yet supply the urgent wants, and increasing expences of Great Britain from the nature of her government, and in defiance of the actual state of her finances.

I think it superfluous to observe, that

(51)

the interest of public loans should be lower than the income from any other object, to which money is employed, because the solidity of the interest, and the certainty, as well as facility to obtain it, when due, must secure an essential preference.

The indications of the credit, and the prosperity, of a state may be found in its public loans by attending to the interest granted, as well as to the natural, and easy manner of providing it.

In admitting this principle, which I consider as incontrovertible, the dread and anxiety, with which government opens every budget, and the very high interest paid on every loan, must confirm the sad truth already announced, that the state is declining, and that the prosperity of the nation is attached in its vital parts.

The present apparent inefficacy of public loans must, however, be ascribed to the original error of those persons, who adopted them, and who by unnecessarily joining them at first with a tax for the

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repayment of the capital , & afterwards for their interest only , viciated not only their nature , but rendered them also precarious in their utility , and alarming in their effects.

To this ill combined junction may be attributed the deficiencies, which Parliament is constantly called upon to provide for , the augmentation of the public expences, the consequently more rapid increase of the national debt, and the gradual rise of interest, which have been the general , and immediate, consequences of all public loans.

Ministers have also been in some degree unjustly charged with want of œconomy , and with neglect in their duty , as the evils, attributed to their conduct, arose chiefly from the general opinion, that it was necessary to levy new contributions, and not from the particular quality of the resource demanded.

The choice of proper objects for taxation produces no doubt secondary consequences by making their effects more or

less sensibly felt , in the same manner as different kinds of food , taken by a sick person , raise or keep under the fever , which attends the disorder.

If any man accuses me of placing the finances of Great Britain in too gloomy a situation , and flatters himself with the dangers being exaggerated , I must refer him to the reports of the commissioners of accounts.

The truth of the assertions, and the solidity of the reasoning , contained in those reports , created in my mind the first idea of attempting to discover a radical cure for the disorders , which they describe.

The unaccountable indifference , with which the public receives such alarming truths , strikes me with astonishment , but I am not discouraged from hoping , that any plan , which appears calculated to benefit the nation , will meet with a fair , and liberal , discussion.

By comparing the situation of our finances in the year 1776 with that arising after

(54)

the budget of 1783, and, which appears by the sums voted in the year 1784, the fatal effects of new taxes on the preexisting revenue, as well as the mediocrity of the produce of those new taxes, will be sensibly felt, and occasion infinite regret for the enormous load with which the nation has been oppressed.

The supplies of 1784 show, that at that period the taxes created before the year 1776 produced L.1,400,000 p. annum less.

They also discover, that those created during the war, including the augmentation in the malt and land taxes, ought to have produced L.4,800,000 p. annum, while their real amount did not exceed L.3,400,000.

By deducting therefore from this last reality the diminution of L.1,400,000 in the old revenue, the additional resource arising to the state is only two millions.

These two millions have also been purchased by very great sacrifices, and no

(55)

person can on mature consideration hesitate to conclude, that the value obtained is by much too small to justify the inconveniences.

What will however be said? when further reflection points out, that these new taxes occasioned the interest of the loans, which were made, to rise gradually above two p. cent p. annum: that they also increased very considerably every year the public expences, and that independ ent of the L.1,400,000 lost in the old revenue, an annual increase of L.150,000, which arose in the sinking fund from accumulating industry before the war was, by means of this system of raising new contributions, cut off at its source.

Had they been desisted from we may presume, that the accumulating quality of industry by reproduction, during eight years, would have considerably augmented that progressive increase; but in stating it only at L.150,000 p. annum, an additional force of L.1,200,000 has been destroyed, and

(56)

may with justice be added to the chapter of our losses.

I may also add the check given to public credit by the notorious insufficiency of the means adopted; the injury done to industry and interior, as well as exterior, commerce by deranging the circulation of money, and by diminishing the production, and the consumption of every article.

The bad consequences evidently exceed the good effects produced, which must remove all doubts, and confirm in the strongest manner that the system pursued was erroneous.

But let us not deceive ourselves by imagining, that the progress of the evil is stopt.

The actual state of peace may prevent all the bad effects from being felt, but this situation can only be compared to the slumbers of the sick, which deaden their pains, while the first extraordinary event, which disturbs that tranquility, will produce a violent commotion, and cause the evil to augment

(57)

more rapidly, untill that fatal period, when the poison, which the state has from time to time been imbibing, shall have so far corrupted the whole mass, as to destroy the necessary functions of the body, and produce the most awfull situation.

After having thus stated the fatal quality of public loans, when accompanied by new taxes, I must in order to confirm my opinion on this subject, as well as to dissipate every doubt, and, to carry further conviction in the mind of every unprejudiced man, examine the quality of public loans, when disencumbered from this dreadful companion, and show the enlivening picture of that resource in this new point of view.

I must admit, that they are evils, which the wants of a state render necessary; but they may be so combined as not to give rise to an additional burthen.

To produce the greatest advantages, which loans are capable of, they ought to give an additional force for vivifying, and

increasing that , which already existed in the state.

This additional force may be propagated through public , as well as private loans , if employed in promoting industry , because industry gives more income than interest of money.

Public loans therefore , when made use of for the support of a state , without a new tax being levied , do not raise the price of any object of consumption , further than is necessary as an encouragement to produce more ; nor do they tend to a general increase in the price of labor , or in a diminished consumption of various articles , which are the consequences of raising a contribution on any object of necessity.

The money obtained is on the contrary dispersed without difficulty through every channel , which industry , and commerce , offer ; assists in creating new incomes , as well as new capitals ; and being supported therein by the annual balance , or increase of representative signs , its value receives

no material augmentation , its power invigorates every necessary function , and each part of the body fructifies , while the dreary symptoms of distress , arising to individuals from a state of war , are in some degree mitigated by national abundance , and prosperity.

But these effects will be further explained by the following section , in which the influence of loans , and of taxes , on the circulation of money will be more amply treated of , and the natural as well as forced passage of the representative signs through industry explained.

SECTION VII.

On the effects, which arise in the circulation of money from taxes and from loans.

The circulation of money has been represented as the principle of life in a state, in the same manner as the circulation of the blood is the principle of human existence.

The touch stone, therefore, for trying the means, which may be proposed towards supporting, or recovering the vigor of a nation, must be the connection of those means with that circulation, as well as their influence on it.

Every statesman, who wishes to be fully assured of the efficacy of any plan, must of course examine if it tends to facilitate, to turn out of its natural course, or to obstruct the circulation of the representative signs.

The principle I am establishing, and the means I propose, have not I believe hitherto been suggested by any person : but

I flatter myself that what has preceded this section will inspire my readers with some degree of confidence respecting the one and the other; and they cannot with any sort of justice refuse their concurrence to my sentiments, if with this principle I explain all those phenomena, which have already happened, and which may yet happen to Great Britain; because the doctrine of her restoration can only arise from a perfect knowledge of what has been detrimental to her.

I have already explained the general principles of circulation in the representative signs, but I have reserved to myself a further examination of them after having treated of taxes, and of loans.

The different parts of this system are so intimately connected, that the placing of them in one single point of view, and shewing at once their general, as well as their particular, connection with one another would no doubt be very desirable; but such an attempt must destroy the

necessary perspicuity of my work by extending, and dividing, the attention on a subject, which in its nature is sufficient by complicated and abstruse.

I shall therefore imitate a painter, who is executing a great picture, and who after sketching out his design, works at different parts of it one after the other, alternately leaving and returning to each in proportion as the general perfection, and the harmony of composition may require.

The representative signs follow naturally immutable laws in their action, and reaction, by being incessantly attracted to the great object of representing real property, and from thence repelled into every channel of industry and commerce, in the same manner as the blood, to which it has been compared, returns to the heart, and is again repelled into the arteries, and veins of the human frame.

The same principles of equilibrium, freedom of circulation, and nutritive attraction, which are known to exist in the

animal œconomy, reign over these representative signs in the moral constitution of a state.

While they follow these principles their circulation is natural; when they deviate from them, it becomes forced; and in this case the state is necessarily affected with a disorder in some part.

The natural circulation of money may be said to consist in its free and spontaneous communication for exchanging every thing wanted towards production, and reproduction, of income, and of capital, as well as in its regular motion through every branch of industry, and of commerce.

Forced circulation on the contrary consists in the impression made by a foreign agent, indiscreetly introduced in the operations of these representative signs, which interrupts their spontaneous, and natural action, alters the reproductive quality in many, carries them by a forced, and irresistible impulse towards other objects of exchange, and accumulates them with

violence, untill the rise of interest, which takes place in their absence, draws some of them back to the objects they had quitted.

Government as possessed with the power of levying taxes, is the principal agent, and the cause of all forced circulation.

Whenever the sovereign power is distressed by new wants, and raises a new contribution in order to relieve them, a part of the circulating signs are withdrawn from their natural functions.

But as that power returns them again to individuals of the same community, by expending it amongst them, the sum contributed for that purpose is the least part of the evil to be complained of.

The great danger, and fatal consequences, consist in the augmented price of the article taxed, which occasions a further rise to take place in all those objects, that have the most distant connection with it.

It would be impossible to point out the link which terminates the chain of connection with

with any article on which an imposition is raised, and of course to give a precise, as well as gradual calculation of the fatal effects, which, by viciating the circulation of money, result from each new contribution.

I shall therefore only mention, that the consequences are immense, but I must at the same time not omit to observe, that the augmentation of price is never in the exact proportion of the tax levied, but always superior to it, because industry, in retaliating on the consumers the injury done to it by the Exchequer, exacts more than it pays, as an indemnification for discharging the contribution.

This manner of calculating is afterwards propagated through every object, which that tax raises in price by secondary means, and adds interest on interest, evil on evil in the general disorder.

It will be asked, how a tax viciates the circulation of money.

I answer; because it increases the natural price of every object, and at the same

(66)

time extinguishes the powers of reproduction in the representative signs employed to that purpose.

Each object has in the scale of wants an intrinsic value, which a general agreement gives to it; that value has gradations which particular circumstances produce, but which are ingrafted with its nature.

As long as that value, generally agreed on, is retained to every object, the circulation of money is natural and free; the road of exchange is always plain and easy; each article goes through its natural process with facility, and each individual may prevent his being imposed upon in whatever he acquires or disposes of.

But when government interferes by taxing any article, an ideal as well as an exaggerated price is added to it by authority, and it receives at that moment an indelible mark, with which it circulates.

This mark of government, which is imprinted with force, generates the virulent matter that attacks the contributing object,

(67)

and viciates at the same time those articles which it touches in its passage, because every object participates according to its degree of contact with the infected one; and in this manner is propagated the epidemical distemper, which produces such alarming and terrible consequences.

But to return to the language of finance, let me observe, that if the increasing interest of money, occasioned by this derangement, should be checked through an effort of nature to restore the equilibrium by less production and less consumption, or by an increase of the representative signs, the value, at which the taxed article and all its connections are rated, remains still above its natural price.

That surplus value passes through every channel without acquiring a procreating faculty, because an ideal price can never be productive of a real income to an individual.

In vain will industry and commerce aug-

(68)

ment the representative signs, and produce some additional strength.

The greater appearance of prosperity will consist chiefly in exterior form, and the state may in such a case be compared to a dropical man, whose blood is gradually turning into water.

In bringing thus the effects of taxation to a fair and public trial, I expect to be accused of annihilating the resources of a state, and of producing a chimerical system, which pulls down, and does not rebuild.

It will be asked how I presume to charge taxes as inefficient, and the cause of certain destruction, when I have admitted them to be a primitive resource for satisfying the wants of a state, and for granting protection to society?

Their ancient utility, and their having been the nurses of every state, plead no doubt very much in their favour; but such kind of reasoning will neither surprize nor intimidate me; because these plausible arguments are *ignes fatui*, which have gra-

(69)

dually brought Great Britain to the brink of a precipice.

When taxes were first collected in kind they produced no bad consequences.

What was taken from one individual was given to another.

Annual contributions even on industry, when first levied in money, were very much circumscribed in their extent, and the good consequences which resulted from them to society, exceeded by much their bad tendency.

This superiority in their good effects (when contracted) kept under their destructive principle, and they existed without any alarming symptoms, in the same manner as a well constituted body may have lurking about it a principle of destruction, which will carry it to the grave, but which allows it in the mean time to enjoy a good state of health.

It is evident that all states have existed with and by means of taxes, and that their visible effects went originally no further than to

show the marks of imperfection, which are stamped on all the works of man.

The abuse of them is, however, what we have to complain of, as well as the neglect to increase their produce, in place of multiplying their number.

A new contribution has at all times been considered as an essential and as a vital power in a state, and this erroneous idea has produced such contradictory and such fatal consequences as to threaten approaching destruction.

Those persons, who adopted from principle this system of extending taxes, should indeed have felt their ultimate bad consequences by that necessity, which impelled them to make temporary loans, in order to correct the bad effects which they produced and the causes of which they did not sufficiently investigate.

I suppose the first man who conceived the idea of a loan, and its association with taxes, plumed himself much on the discovery

and never dreamt of the imperfection in his ideas.

He was no doubt anxious to find out the means of making the people support with patience the new burthens laid on, and held out a public loan to their view as a plant, which if cultivated with care would produce a fruit equally usefull in its immediate effects as new taxes, and purified of the poison, which they contained.

Had this plant been left to its own care, such fruit as he expected would no doubt have sprung from it; but in laying it down he watered it with the venomous juice of taxes, and, by checking industry, made it miscarry in its natural productions.

I dare therefore affirm, that annual contributions, which as a basis of support were just as well as usefull, are at present carried beyond the necessary bounds, and cannot even henceforth be made use of with safety.

I add also that if the present situation of Great Britain requires any further annual support loans will supply her wants.

(72)

But it is necessary that these loans be called upon to act singly, because if left to themselves they will produce the necessary and expected fruit, and will be an additional force, whose efforts cannot be counteracted or weakened.

They will augment industry and consequently the production of the existing taxes in a greater degree than is necessary for the payment of their interest, and the increased value of the public estate will in time of peace be greater than the annual mortgage granted.

The natural augmentation of representative signs will not be checked in so great a degree as by a contrary system, and such augmentation will increase the strength of the whole body, and counteract in some degree the debilitated state of its generative faculties.

Having now established the superiority of loans over taxes, by comparing the effects of the one and the other on the circulation of money, I propose to confirm

(73)

the preference, which is due to this specific, by giving it a new title, and proving that it will always answer to what may be required of it.

This is the subject of the following section, in which the means of rendering that resource perpetual will be explained.

(74)

SECTION VIII.

On the means of rendering perpetual the efficacy of public loans without additional taxes.

I have already sufficiently established the preference due to public loans by combating with the fatal predilection for taxes, and by stating the dreadful consequences, which their abuse, and their junction with public loans, have occasioned.

But, in cutting off this unstable and destructive resource, it is incumbent on me not only to insure the existence, but also the duration of those means, which I propose to have recourse to.

Before I proceed however to this task, I must return to some points, which I could not sufficiently extend, when employed in explaining them, and which is necessary to be done in order to complete my system.

I have already proved, that the project

(75)

of paying off the national debt is chimerical, and the principle erroneous.

A public loan therefore in Great Britain must be considered as the grant of a perpetual annuity, whose payment must be regularly attended to, and whose redemption is unnecessary.

I must, however, allow, that under the influence of favourable circumstances a practice has been adopted in Great Britain of obtaining a voluntary reduction of interest from the public creditors; but this reduction can only be called an advantageous commutation, founded on the lower interest of money, and the liberty reserved to government of redeeming the perpetual annuities, which were granted.

This practice cannot of course destroy my doctrine, and I do not conceive that by the present system of finance such a commutation will soon take place.

The system, which I propose, will, however, give rise to those favourable circumstances, and such public funds as

(76)

bear 4 and 5 p. cent interest will be subject to this operation ; while a collateral plan of finance which I have to suggest, will immediately bring a considerable part of the 3 p. cents into the same predicament.

I have admitted, that taxes, were necessary as well as usefull on the foundation of every state, but that they imbibed a poison, which grew up in proportion as they extended.

The seeds of this poison were sown when taxes were first collected in money, because at that moment a forced circulation took place.

Government then desisted from receiving its share of each individuals industry in kind, as a return for the protection it granted them ; but it infected every production with a price above its intrinsic and generally agreed on value, in order to receive the same portion in representative signs.

By this practise the soveraign power demanded (I shall suppose) a tenth of the representative signs, at which each bushel

(77)

of wheat was valued, in place of receiving one bushel on a crop of ten, and ordered the representative value of each bushel to circulate in the channels of industry and commerce with such tenth added to it.

This ideal value could never be reproductive, and overcharged equally every object, which had a connection with it, viciating in this manner the natural circulation of one and of all.

The support therefore granted to a state became at that time founded on bad principles, and by its impurity forfeited the appellation of a salutary and beneficent resource.

Unfortunately, however, it was within the reach of every man's capacity, and was applied to on all occasions.

Every administration was satisfied with the momentary good effects of that resource, and, neglecting to calculate those which would ultimately result from it, they rapidly yet unintentionally propagated the evil.

If a statesman had at that time laid aside the general prejudices, and studied this

(78)

matter in every point of view, many difficulties and losses would have been saved to Great Britain.

He would have discovered the innate vice, with which that resource was impregnated, as well as the dangerous consequences of its extension, and would have proposed to make use of it only as far as necessity required for establishing a basis of support.

Impressed with the idea, that the materials of such basis were of themselves weak, and insufficient, he would have avoided them with the most scrupulous attention, and confined himself to making use of loans, unallayed with other matter, as a manure for improving the quality of the existing ground work, and fertilising its nature.

That providence who watches over this world and whose bountiful hand generally gives the remedy with the evil, by no means deviated from this rule on the introduction of the representative signs.

(79)

The antidote became engendered with the poison at the time these signs were first made use of, for the purpose of levying annual contributions.

It consisted in the facility of converting annual incomes into capitals, and capitals into a certain number of the representative signs, by alienating the former.

This operation for the public service would have admitted of more representative signs retaining their reproductive quality in the channels of industry and commerce, because a considerable number of them might have been obtained by alienating only a small perpetual income, and the circulation of these signs so procured would have served to increase that income, from which the perpetual annuity was to be drawn.

The owner of a house, or indeed any other object, yielding an annual income, could in a moment exchange his property for a certain number of signs.

(80)

The person who possessed them reasoned with himself thus.

« The owner of that house receives annually such and such productions.

They are valued at such a number of the representative signs.

By giving therefore a certain number of them for that house I shall receive annually such productions or their representative value. »

In this manner originated interest of money, and the fundamental or capital value of every income.

These active agents who represented the value of all things, had not only in themselves the value of every object, but also a particular price called interest, which arose from their happy faculty of universal representation, and which varied in proportion to their number, and the nature of their appropriation.

The interest of money therefore being established as well as the fundamental or capital value of every possible income.

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(81)

according to the nature of its security, alienations of every kind ensued, and introduced public and private loans.

Their immediate and permanently good effects were felt to the greatest degree under the best constituted governments.

It is always a subject of surprise to me, when I consider, that in those days no person discovered the immensity of the resources, which were to be procured by granting a perpetual annuity, redeemable only at pleasure.

The enlightened part of mankind ought to have felt, that by alienating a small part of the public revenue, which was collected at any particular period, and by desisting from levying the remainder, a considerable sum of money was not only procured to the state, but also a saving in its expences; and that the returning that sum into the channels of industry and commerce would necessarily have increased the remaining revenue, and not only have provided for,

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(82)

but even exceeded the sum to be paid annually as interest.

I shall suppose a statesman, penetrated with the justness of these principles, to have been called at that time to the management of public affairs.

In place of levying taxes for the whole amount of what was wanted towards the exigencies of the state, as was practised, he would instantly have made a loan upon a perpetual annuity, and laid a contribution for paying the interest only.

He would annually have continued this mode of proceeding, untill the number of existing taxes afforded, by their natural increase, a sum, equal to the interest necessary for the continuation of loans.

New taxes would then have been no more wanted in time of peace, and those required in time of war would have been infinitely less.

These advantages would also have produced various additional ones.

The natural circulation of the represen-

(83)

tative signs would have been very little diminished to this day.

The increase of industry and population would have been rapid.

The amount of the peace establishment, as well as the public expences during war, would have been much less, and interest of money always low.

I cannot indeed sufficiently repeat, that the augmented price of industry and interest of money, from the accumulation of taxes, increase the expences of the public, and that while government strikes individuals with the weapon of contributions, a deep and dangerous wound is given to itself.

The national credit would then have been supported, and the necessary sums would have been procured on every emergency without difficulty or increase of interest.

Unfortunately the inverse of this system was practised.

Taxes for the whole amount of the

public wants were established, and the forced circulation of money considerably extended, untill the use of them had almost dried up the source of benefit, which might have sprung from them.

Loans were then resorted to, and by an inconcievable infatuation contributions were still added to them for the payment of the capital, although the experience of their insufficiency, and fatal consequences, created a general alarm.

In this manner did taxes, for the repayment of a capital procured, give rise to all the embarrassments of finance in Great Britain, by increasing her expences, and mutilating her natural resources of increasing industry and population; while these consequences have been further accumulated to an alarming height, by an injudicious use of new contributions for the interest of new loans.

The knowledge, however, of those principles, which have occasioned the evil,

indicate the nature of the remedy to be applied.

The first object, to be taken into consideration, is that of renouncing every idea of further taxes with loans.

But this renunciation will be of little avail, if the interior fire, which is consuming the body, and which is sufficient to nourish itself, shall continue to exist.

It is therefore necessary to attack the cause even in its effects, and at least to diminish it, if it cannot be eradicated.

The fatal consequences then of the forced circulation may be considerably diminished, by substituting loans for some of the existing taxes, and particularly for those, which most affect the natural circulation of the representative signs.

My readers would no doubt wish me to fix how far, and on which of the existing taxes, this suppression might take place.

It would however be necessary to exa-

(86)

mine previously the tendency of each tax; and to consider maturely what degree of extent so important a revolution in finance would admit of, without creating a convulsion in the state, to which investigation I would with pleasure sacrifice my time if my system is approved of by the nation.

Every attentive reader may now with some degree of precision draw the consequences, naturally resulting from the premises, which I have established.

The suppression of a part of the existing taxes must on one side augment industry, and on the other side decrease the public expences.

The increase of industry will produce greater abundance to the revenue in the remaining taxes.

This greater produce will in the course of time be equivalent to the amount of the suppressed taxes, and by a natural reproduction, in proportion to the number of representative signs restored to their ge-

(87)

nerative quality, give sufficient means to defray the annual expences, without further loans, if my system did not demand, they should not be desisted from at any time, because it would be checking the greatest good effects, which may be procured from them.

Every increase in the existing taxes must therefore be turned into further suppressions, untill they shall amount to little more than what is necessary for the payment of the public annuities, and for the establishment of the civil list.

The care of every administration will then be confined to retaining annual contributions at that point, without any regard to the perpetual increase of annuities granted, because a natural increase of riches will provide for every necessary effort.

The future resources of Great Britain will then be founded on a sure and solid basis.

Her credit will also be regenerated as well as preserved in its greatest degree of perfection, and will arise out of that con-

(88)

fidence, which her visible restoration by simple and salutary means must infallibly create, and which a natural increase of riches will secure.

Whatever sums may be wanted on extraordinary occasions will be procured by the alienation of the smallest possible annuity, and the increasing produce of the existing taxes will show, that the national resources are unbounded, while the present constitution of government exists, and while any possible increase in population, or extension and improvement in industry and commerce can take place.

The period of their perfection is so far distant by reason of the situation and the extent of our Island, that it becomes unnecessary for me to comment on it; but I do not hesitate to say, that there appears no probable chance from the political state of Europe, that Great Britain will be under a necessity of having recourse to more extraordinary means of support, than such as the system pointed out will produce.

(89)

These resulting consequences are so firmly linked together by the force of reason and of truth, that I flatter myself every impartial reader, who has followed me with attention, will candidly own that I have brought him to the object announced in the beginning of this work.

I might therefore indulge myself with a release from my present labours by laying down my pen, and leave to dire necessity or experience to call for the adoption and establish the excellence of my plan.

But the most palpable truths have sometimes clouded aspects, which serve to debase and calumniate them.

True patriots may also wish me to dissipate every cloud, that can darken a system, which has such salutary effects in view.

I propose therefore to collect all the objections, which have been made to my opinions, and shall consecrate the next section to their refutation.

It may indeed appear less important than

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the former part of this work, but it is equally laborious to me, and becomes an additional sacrifice to my zeal for the public good.

(91)

SECTION IX.

A refutation of the objections made to the system, which is treated of in this work.

My subject is now compleated, and I trust it is built on the most solid and permanent principles.

But what usefull invention has not had its detractors?

An author cannot with impunity announce to the public, that he intends to quit the beaten track, and take a new road, in which he offers to serve as a guide.

The vanity and natural indolence of mankind oppose every bold innovation.

The pitifull resources of misrepresentation, ridicule, and intrigue, are often employed in defiance of reason and of truth.

On the first intimation of my system many persons criticised it, in place of studying its tendency, and general combination.

They thought it no doubt more convenient to suppose, that I had bewildered myself in the region of visionary ideas, than to follow me through the rugged path, which led to the truths I had discovered.

Every man, who establishes a new opinion, meets with two sorts of unbelievers.

The first class are those, who have; or at least affect to have, an interest in disbelieving it.

The second class are those, who sincerely wish to discover truth, but who are too indolent to take the necessary trouble, are easily led astray, and require to be put on their guard against the attacks of others.

I shall not waste my time in answering those, who come under the former description, but to those of the latter I address myself on a particular manner. I shall also collect all I have heard suggested against my plan, and answer every objection with becoming candour.

Should any other difficulties arise, I undertake to remove them, provided

however they are announced with the marks of sincerity, and that the authors of them think proper to avow themselves.

The necessary consequence, which arises from my plan, of borrowing never to repay, has appeared paradoxical to many, and given rise to criticism by the moral application of such a principle to the conduct of an Individual.

Men possessed of rigid principles of honesty, as well as those, who only decorate themselves with its exterior appearance, exclaim against the immorality of the doctrine, and do not reflect on the very wide difference between an individual and a state.

A private man would indeed be highly blameable in borrowing money without a view to its repayment.

His proposed improvements may be frustrated by secondary causes, applicable only to individuals, and the shortness of human life, with the numberless alienations by inheritance, cannot possibly ad-

mit of a continued plan of borrowing and improving.

The important and usefull consequences therefore, which such a plan procures to a nation, can never produce the same to an individual.

But the existence of a state, and even its government is extended to a very distant period, and the public creditor has of course always the same debtor, as well as the same principle of conduct, for his security.

The invariable and regular payment of the interest on public debts produces not only a usefull employment for every man's money, but each individual has also an advantage in the support given to that state of which he is a member; because in granting it, he exonerates himself from further evils, to which he would be exposed, if the state declined, and required more annual contributions.

Their inconveniences and dangers I have already shown to arise from a forced circulation, which does not take place in si-

milar transactions between individuals, and which must necessarily augment whenever a nation shall attempt to reimburse.

What possible good then can arise from a sinking fund, and counterballance the evil, which it creates?

Those persons who amuse themselves with the important consequences, which result from the savings on compound interest by pursuing with steadiness the plan of paying off a national debt, should take into consideration the counterpart of that system, and reflect on the loss of compound profit on industry which infallibly ensues.

Every difficulty indeed centers in the misapplication of words, while the present practise of increasing the debt of Great Britain, in order to avoid greater evils, ought not only to suspend all further alarms, but dissipate also every doubt of its expediency.

The sale of a public annuity (a term the most proper to be applied.) contains

no immoral principle from the nature of our constitution.

This principle in finance is also justified by theory, as well as by practice.

It can alone produce the greatest good to a state, and retain to it the greatest degree of strength and splendour, which its situation, and its necessary exertions will admit of.

I shall now proceed to answer those who oppose my system on account of its being merely speculative, and who doubt its efficacy, because experience often shows the fallacy of the most specious reasoning.

I am sensible that the powers of eloquence are often engaged in perverting reason and that false principles are made to appear clear in theory, while they become greatly deficient in practice.

But I maintain that experience has never deceived reasoning, except when the latter was founded on false premises, because error cannot arise out of a series of truths dependent on one another.

I flatter

I flatter myself that all my assertions are incontrovertible.

My consequences are immediately drawn from my premises, and I am therefore not apprehensive of misleading those, who follow my reasoning, and adopt the system I propose, for extricating the nation out of the labyrinth of difficulties, into which she is plunged.

I have also illustrated my arguments by the example of effects, which are universally known, as well as acknowledged, and which are applicable to my principles.

These are, that the diminution of public expences, the greater abundance of representative signs, and the consequent fall of interest, must infallibly attend the reduction of taxes.

I must here call the attention of my readers to two very interesting points, which seem not to be understood by the generality of mankind.

The first is, the impossibility of procu-

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ring the same services from individuals, for the defence of Great Britain, or of supporting the dignity of the Crown with the same allowances from the public, as were granted before the last war, on account of the increased price of every necessary of life.

The reduction of salaries or profits, which are deemed exorbitant, is no doubt very laudable; but the insufficiency of such means will soon appear conspicuous, and the number of those persons who from the abovementioned circumstances are entitled to an increase, will more than counterbalance the few, who can contribute to the resource of œconomy.

The savings to be made are not so considerable as are in general believed, and may be carried so far, as to endanger the safety of a nation.

Great Britain cannot be accused of prodigality in her peace establishment, and she should now lay the foundation for avoiding it in future wars.

(99)

The second point to be considered, is the reduced price of industry, by the increase of money producing lower interest.

It is the common opinion of mankind, that the abundance of the metals has tended to augment the price of all productions, on account of its affording the means of giving more.

This argument appears, specious, because it supposes a certain and limited quantity of productions and money, which must represent one another.

But it must be considered that there exists a level, to which industry tends, and that this level is formed by the interest of money, as well as by local circumstances.

The price given for industry is therefore not only in a certain proportion with the interest of money, but becomes also the point of encouragement to be industrious, and the stream must be more or less rapid, as that price shall be above the natural level.

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The quantity produced will proportionably increase, and, deprived of that encouragement, it will of course diminish.

In either case the equilibrium will be restored, as the more or less quantity produced, either absorbs by representation the superabundance, or returns what is not wanted.

The increased price of property from the abundance of the metals is principally confined to the fundamental or capital value of all incomes, and in every state where interest of money falls, and the representative signs increase, there will be a competition to produce more industry, which must naturally lower the price of every article, because a reduced price is the necessary consequence, after encouragement shall have produced competition.

A greater number of representative signs cannot therefore ultimately produce a rise in any income whatever, but only a corresponding number of incomes,

(101)

and an increase in their fundamental or capital value.

It is by not attending to this distinction, and the progressive increase of taxes in Europe, that many people have been deceived, and have attributed the greater profits on industry to its dearness, while it arose from its extension.

This discovery may possibly occasion some regret for that blind infatuation, which by adding tax upon tax, checked an extension so important to the prosperity and grandeur of a state.

The only consolation I can offer arises from the consideration of its being perhaps usefull to a nation, not to arrive too hastily to maturity, and that it appears to be the lot of human nature to discover truth, by walking in the paths of error.

I know that some people have endeavoured to exonerate taxes, from the charges which I bring against them, by quoting the situation of North America with

respect to labour and interest of money, before the late revolution.

Both the one and the other were exceedingly high, notwithstanding that few taxes existed.

This circumstance, however, pleads in my favour, because these consequences did not arise from the nonexistence of contributions, but from the want of population, and of representative signs.

The low price of produce owing to the fertility of the soil, and the existence of few contributions, raised very rapidly the exterior commerce of that country.

The inhabitants could not supply all the demands, and the existing quantity of representative signs could not transact all the business of exchange.

The scarcity of the one and the other naturally augmented their pay.

Had a sufficient competition however taken place by the increase of inhabitants, and of representative signs, the price of both would have diminished.

Trade would then have extended itself

still farther, and made rapid strides to maturity.

In this happy situation time was only wanting, for the natural increase of population to have had its full effect, and it would also have been assisted by the arrival of many individuals from those countries, which were oppressed either by despotism or by taxation.

The greater abundance of signs would also have sprung from a profitable commerce, and from the extension of her paper currency.

It is indeed hardly to be conceived to what a degree of prosperity that continent might have arrived, if the troubles and expences, occasioned by the late revolution had not altered her robust constitution, by a premature use of the European system of taxation.

I consider it a very fortunate circumstance for Great Britain, that the separation with her colonies took place before their faculties had obtained that state of ma-

(104)

turity, which their political and local situation must infallibly have produced, and which in place of confining their views to independance, might have urged them to more daring attempts.

It has been objected against my principles of finance, that no nation has hitherto adopted them, and that if they did not answer the intended purposes, confusion might ensue, and a difficulty in reverting to the old plan take place.

I must in answer to this observe, that such kind of reasoning would check every attempt of reviving credit, lowering interest of money, increasing the revenue, and keeping the public expences within bounds.

There can be no doubt that the annual increase of revenue, by the augmentation of industry in time of peace, will be greater than the perpetual annuity, which must be alienated for providing the usual establishment.

Without such an increase of riches no

(105)

system whatever can be effectual, and we need only despair of a further augmentation, when every resource for facilitating it shall be exhausted.

To those, who doubt its being sufficient in time of war, I must observe that there is at that time a greater influx of money than at any other by reason of the great loans which are made, and that internal industry and population increase in consequence of it, which more than compensate for the interruption of some branches of commerce.

The excess of taxes in time of peace (supposing them not suppressed to a certain amount) might also make good these expected deficiencies, and if that resource even should not be sufficient for an extraordinary, and to me inconceivable exertion, additional taxes may still be resorted to, and their weight could not possibly be then of much moment.

In short, what is now the usual support, will equally and at all times offer itself, as a last resource.

(106)

No person can deny, that Great Britain is at present in a precarious situation, and that the least shock will infallibly destroy her credit.

Her great exertions, and present system of finance have produced this situation, which by the accumulation of taxes grows evidently worse every day.

On this subject I shall not enlarge, in order to avoid every imputation of giving unnecessary alarms.

The adoption of my plan must sooner or later take place, and in order to calm the fears of the nation I have shewn its efficacy by various arguments.

If they are well founded, I flatter myself they will be approved of; if I have erred, I shall be easily detected.

It may urged that taxes promote improvements in industry.

This may be the case with a few individuals, but gradual exertions of every kind are preferable to such violent efforts, in order to support a burthen.

(107)

It will be asked, what limits I affix to this natural increase of representative signs with a corresponding population and industry.

To this I answer, that the human mind cannot easily form an idea of the different degrees of prosperity to which a nation may arrive, and is only enabled to point out the most probable means of obtaining them, while it must at the same time feel, that the loss of a necessary equilibrium will produce a decay in all things.

The system of finance which our forefathers have handed down to us has certainly protracted our maturity, and the adoption of another will keep from our view the decline of the British Empire.

(108)

SECTION X.

RECAPITULATION.

The doubts and difficulties, which apparently obstruct the execution of the plan, contained in the foregoing sections, being I hope satisfactorily removed, I propose to terminate my work with a recapitulation of the leading principles, on which it is founded, and, as far as the subject will admit of, present to my readers in one point of view the general connection of the whole.

The situation of Great Britain, with respect to her revenue and her expences, are too well known to make it necessary for me to state the deficiency, which at present exists.

It is obvious, that some plan must be adopted, not only for supplying this deficiency, but also for furnishing eventual means towards carrying on future wars.

The general opinion has hitherto been,

(109)

that new taxes must be resorted to for that purpose, and that the credit of Great Britain can only be supported by an existing surplus in the revenue, and the appropriation of it to the gradual diminution of her debt.

This opinion is however erroneous in principle, and, having failed in practice during more happy periods, has consequently been refuted by experience.

But the reverse of this system is entitled to the appellation of a salutary and permanent resource, from the consideration, that the alienation of a perpetual annuity, without creating new taxes, retains the natural circulation to more representative signs, excites and augments industry and commerce, while it increases at the same time the produce of the remaining taxes.

I make use of the term, *alienating a perpetual annuity*, in place of the word *borrowing*, as the latter tends to mislead, by carrying with it the idea of reimbursing the sums obtained.

(110)

It will be universally admitted, that the prosperity of a state consists in its strength and in its riches.

These two words are indeed almost synonymous, because a state cannot be powerful without being rich, or rich without being powerful, in the political sense of these words.

An independent state is of course more or less rich.

Its riches increase by population, and population by agriculture and commerce.

Commerce is excited by industry, and industry by money, which is the center from which every object receives an influence.

These advantages, when united, form the true riches of a state, and stimulate one another to reproduction.

They also constitute the basis of fictitious riches, called credit.

A free government possesses the most powerful means of creating and making use of these fictitious riches, which in

(111)

their consequences are equal to true riches.

A loan is the mode of making use of credit.

A debt is the consequence, and the alienation of an income, for paying the interest, the effect; the facility of providing for a momentary and urgent want is the advantage which results from it.

Great Britain has been compelled to make use of this credit to an immense amount; but she founded it on erroneous principles, which have occasioned a greater extension of it than was necessary; and her annual expences for the interest, as well as her peace and war establishments, became gradually more exorbitant.

The Idea of liquidating a part may indeed be flattering to the nation, but the most successful attempt, which the present circumstances will admit of, can only be compared to a few drops of water taken from the ocean.

(112)

It is even necessary to eradicate hopes, which can never be realised, and which serve to mislead.

The national faith, however, and the confidence of the public demand, that the interest or income of all sums subscribed, or to be subscribed, be provided for and regularly paid, because the interest of this national debt constitutes the claim to a very considerable property or capital.

A capital is the accumulation of incomes, which produces a further annual income, and represents it in perpetuity.

An income is the production of nature combined with the industry of man, and stimulated to action by money, which is the representative sign, and which by means of its universal power obtains also an annual income called interest.

This focus, to which every object is attracted, and from which every object receives an influence, produces abundance or scarcity in proportion to its extent.

The action of this representative sign
consists

(113)

consists in its circulation through the channels of industry and commerce.

It resembles the operation of the blood in the human frame, and, when forced out of its natural course, produces disorder and weakness.

Money in its natural circulation has also a reproductive quality, which it is necessary to preserve as it forms the principle of every increase in strength and in riches.

The loss of this quality arises from the numberless contributions, which are levied on every object of consumption and of commerce for the service of the public.

Originally they were collected in kind, but latterly in money.

The first mode was simple and natural, while the latter is complicated in its effects, and the evil it creates has neither been investigated, nor provided against.

When the salutary tendency of this system became overpowered by the bad consequences it produced, loans were resorted to, in order to remove to a more

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(114)

distant period the contributions demanded.

They were therefore not made use of at first from principle, but only to temporize, which, as a fundamental error, plunged the state into various difficulties.

Latterly they have approached more to their natural utility, by being adopted from principle.

They are however still imperfect, and require to be founded on new principles to admit of their extension, which can only relieve the nation from the weight of taxes, and the dangers of a forced circulation.

The introduction of this vice in the circulation of money is particularly to be attributed to taxes adding an ideal price to the generally agreed on value of every object.

This ideal price, which never reproduces, is also added to every object connected with the contributing article.

An extensive loss therefore of reproduc-

(115)

tive quality exists, and diminishes the faculties of industry and trade.

It must also ultimately crush them, if further extended.

The only means of regenerating this power is to take away the cause, which suspends its functions, and to deliver as many signs as is possible from the effects of this destructive quality, by suppressing a part of the existing taxes.

The deficiency occasioned thereby must be supplied by loans without new taxes.

This process will of course restore the generative quality to more representative signs, whose influence in the general circulation will provide for more than the interest to be paid, by an increase in the produce of the remaining taxes, will favour industry, augment commerce and consumption, as well as population.

The riches and the strength of the state will then increase progressively and naturally.

The salutary effects will also be imme-

(116)

diately felt, and will lead to the suppression of every excess in the existing taxes, above what is wanted for the interest of the national debt, and the establishment of the civil list, while the continuation of annual loans will require no new burthens.

The prosperity, to which Great Britain can attain, will then be in its natural course, and every thing will concur in producing the greatest degree of perfection in her maturity.

The Minister, who shall accomplish this object, will obtain his recompense in the happiness of the present and future generations, while their admiration and gratitude will raise to his memory an everlasting monument.

My satisfaction will be compleat, if the result of my enquiries should lead to so glorious a period in the administration of Great Britain, and form the Era of a fortunate revolution in the finances of my country.

FINIS.