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CONSIDERATIONS  
ON  
THE DEPRESSION  
OF  
THE FUNDS,  
AND  
THE PRESENT EMBARRASMENTS  
OF  
CIRCULATION:  
WITH  
PROPOSITIONS  
FOR  
SOME REMEDIES TO EACH.

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## TO THE READER.

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THE first part of this tract, to the thirtieth Section, was completed soon after the commencement of the present war, for an auxilliary disquisition to be placed at the end of another work : it is itself an abridgment only of some papers drawn up, on a much larger scale, about the middle of the last peace : thus it happens that the investigation of some results here made use of, are not given, but the accounts are continued to the end of that term. The stock table, now first printed, is the same used in what I have written on the equalisation of the land tax.

The first eighteen sections are on the interest of money before the American

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war. If the subject written upon had been now to be considered *de novo*, so remote a retrospect would not have been here entered upon; but, as it is shown in those articles, that the progressive fall of stock since the peace ending in 1739, does not demonstrate even a progressive rise of interest made by purchases thereof; and as it exhibits a proof how apt we are to be deceived by fallacious criteria of decline, when our progress in prosperity is as quick as a sober friend to his country ought to wish; the impression it may make on the public mind (if any) is of a kind not unuseful at this juncture: I therefore left this part in its place.

In the next eleven sections, concluding the whole formerly written, other false marks of national depression are considered; the explanations whereof led me, at the time I drew them up, to those principles, on which I have endeavoured to account for our present embarrassed state

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of circulation, and the low price of the funds. I have that regard to old opinions, that I think that man's chance of error who deviates but a little from them to be greatly increased. Common consent has too, seals constantly by her, extremely like each other: that which she almost always uses, is that of truth; but whichever she affixes to an opinion, it is nearly equally dangerous to scruple the authenticity it seems to derive from her act. However, be the justice of the leading matter here brought forward what it may, it has laid by me at least the full time prescribed by Horace. I perfectly likewise know the hazards a man, who deflects a little from received opinions, renders himself liable to, who goes into specific remedies, in times of *considerable apparent* distress; and have not avoided them. I believe, in the great hurry in which I drew up what I have added, relating to our commerce and finances in the present war, I have omitted to lay down, in the briefest express terms, one conclusion which results from part of

it; that a leading cause of the present pa-  
roxism is a commercial plethora, not na-  
tional inanition; though the *temporary*  
sufferings from the former may be, at least,  
as acute as those from the latter.

J. B.

April 5, 1797.

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ON the Price of the Three per  
Cent Stock, and the Rate of  
Interest, made by purchasing in  
that Stock; and the Effects of  
the Increase of Mercantile Capital  
thereon.

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I. TO the observations I have to make on  
this stock, it is necessary to prefix a table of its  
neat prices in every year of peace from its first  
existence to the commencement of the present  
war, formed from accounts contained in the  
periodical publications.

*Table of the neat average Value of the Three per  
Cent. Stock, in Peace; for Years, and Terms.*

		PEACE.....FIRST TERM.	
<i>Months</i>	11	<i>Year</i> 1731	<i>Value</i> 95:13
	11	1732	97:80
	9	1733	99:89
			<hr/>
		<i>Average</i>	97:60
			<hr/>
		<i>Apparent Interest</i>	3:073

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SECOND TERM.			
<i>Months</i>	11	<i>Year</i> 1736	<i>Value</i> 103:37
	6	1737	105:38
		1738	103:60
		1739	104:59
		<u>Average</u>	<u>104:23</u>
		<i>Apparent Interest</i>	2:878

THIRD TERM.			
<i>Months</i>	8	<i>Year</i> 1748	<i>Value</i> 88:72
		1749	97:34
		1750	99:48
		1751	99:56
		1752	103:64
		1753	103:91
		1754	102:71
	6	1755	98:71
		<u>Average</u>	<u>100:92</u>
		<i>Apparent Interest</i>	2:972

FOURTH TERM.			
<i>Months</i>	11	<i>Year</i> 1763	<i>Value</i> 89:48
	11	1764	82:61
		1765	87:73
	10	1766	88:44
		1767	87:94
		1768	90:35
	11	1769	87:72
		1770	82:70

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		1771	85:85
		1772	88:14
		1773	85:81
		1774	87:31
	11	1775	87:70
		<u>Average</u>	<u>87:05</u>
		<i>Apparent Interest</i>	3:446

FIFTH TERM.			
<i>Months</i>	1	<i>Year</i> 1782	<i>Value</i> 63:13
		1783	63:23
		1784	56:09
		1785	59:09
		1786	72:78
		1787	74:00
		1788	74:26
		1789	76:04
		1790	76:30
		1791	83:09
		1792	89:80
		<u>Average</u>	<u>72:46</u>
		<i>Apparent Interest</i>	4:140

II. Before any remarks be made on this table, some account of its construction is necessary.— The prices of the four first terms of peace are

taken from the Gentleman's Magazine, and of the last principally from the New Annual Register: from the former, one value was taken for each month in each year, on or about the fifteenth day; by the construction of the tables in the latter, we have the mean of the highest and lowest price, for the monthly rate of this stock; and the value so given in both is its gross price. The gross price of a stock consists of two parts—the present value of the capital, and that of its accrued interest payable at the next dividend; the former is called the neat value of the stock: the gross price of stocks in each year is generally found by taking the average of the values of the twelve months it contains; the neat price, by subtracting from that average £.0:74; being the mean present value of the accrued interest £.0:75, contained in the gross annual average, or the accrued interest of three months. When the prices of all the twelve months of a year are not found, a proper variation is to be made in this process.

III. I shall first proceed to show that the deduction which seems *primâ facie* to present itself, from the successive fall of the stocks, during the three last terms of peace, that the resources of the nation are in a declining state, is fallacious; and that its fallacy is proved from very table itself.

IV. Among our different stocks, the Three per Cents are generally taken as the standard from which the natural rate of interest, at any given time is to be deduced: I shall therefore consider how far their prices have *truly* given that rate of interest, in the four last of the terms. It is necessary here to begin with a definition of effective or real interest: this rate of interest is proportioned to the real and effective difference, of the capital placed out on security, and the sum of the values, paid or payable, for the use and in discharge thereof, at the end of the year; and no other sum, greater or less than that, can be taken to be such, however it may have been denominated.

V. Thus if silver be the standard of the value of the metals, and Caius lend to Titius a sum in foreign gold coin, the value of which on the day of the compact is in sterling money 100*l.* stipulating to receive back at the end of the year the same number of foreign coins, of the same species, weight, and standard, in repayment of the principal, and 4*l.* sterling for the use thereof; if the value of gold remain fixed in the market, he will make 4*l.* per cent. of his money; but now, as such coin is subject to a change of its price, as partaking of the nature of a commodity,—first, let its value be supposed to have risen one per cent during the year; the value Caius will receive back will be



105l. sterling; that is in foreign coin 101l. and 4l. under the name of interest; but the increase of the capital being 5l. that shall be the *effective* interest, or the interest he has effectively made; the contract rate, of 4l. being *apparent* interest only; as it will afterwards be here called: and, on the other hand, if the coin furnished to Titius, had fallen in the market at the end of the year, 1l. sterling in its price; the real value then paid to Caius, in full discharge of the debt, would have been 103l. sterling only, that is the value of 99l. in foreign coin, and 4l. sterling money.—Here the apparent interest made by Caius, would have been 4l. per cent. but the effective 3l. only.

VI. And if the relative value of silver should continue to fall in the market, from the increase of its quantity, or any other cause, for a series or term of years; so that such increase of the value of foreign gold coin, might come to be regarded as its average rate, for a certain length of time; then would Caius rather lend to Titius, the value of 100l. sterling in such coin, to be repaid in the same species at the end of the year; with the addition of 4l. sterling, under the name of interest; than to advance to him 100l. sterling money, at 4l. 1-half, or even 4l. 3-4ths per cent.; nor, although a borrower, or a numerous set of borrowers, might obtain with facility on the terms stated before, the use of one,

two, three, or more such sums of foreign coin; to be so paid at the end of the year, with 4 per cent. for the use thereof, would they be able to borrow the same number of hundreds of pounds sterling, at 4l. or a less rate than 5l. per cent. although the security in both cases, would be identically the same.

VII. And, if, instead of this rise taking place, it had been expected, that such foreign gold coin would have fallen in value 1l. per cent. in the year; the said borrowers would have severally obtained the loan of 100l. sterling, at three per cent. interest, with the same facility as of the like present value in foreign gold, for the use of which, for one year, they were to give 4l. sterling.—Moreover, it evidently makes no difference in the first case, to Caius the lender, if at the end of the year he shall receive 4l. the stipulated use of the capital from a third person, as Marcus; and 101l. sterling, the value of his foreign coin, from a fourth person, as Lucius; instead of the amount of both these payments from Titius, as first supposed.

VIII. The capital of Caius is a variable capital; the effective interest whereof, will always be equal to the sum of the apparent interest, and the increment of the capital in one year, when its value increases; and the difference between the apparent interest, and the decrement of the

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capital, when its value decreases: and this is true of all other capitals, variable in their nature.

IX. The public funds, consisting of capitals so variable, the rate of interest determined by considering their values at any assigned point of time as fixed for one year, is an apparent rate only: the effective, which is the only real rate, is to be found as above; upon a supposition, that Titius purchases a capital in the three per cent. stock, at a given rate at the beginning of a year, and sells it again, at the conclusion thereof, immediately after the dividend; and it is to be determined by the difference between his original purchase money and the selling price added to one year's annuity attached to the capital.

Although the apparent rate of funded interest is very generally taken to be the natural or current interest, yet they have frequently very little dependence the one on the other; and are liable, even for long periods, to differ greatly: nor is the opinion that the price of funds is not a proper measure of the rate of interest new; for Sir Nathaniel Gould (whose *Essay on the Public Debt* deserves all the estimation in which it has been held) considered the rate of interest, as determined by the price of stock, to be an apparent rate only, although he does not apply that term to it; for, speaking of the changes of the natural rate of interest, he adds "nor will such alterations

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"be safely inferred, from the market prices of our stocks;\*'' an opinion which runs through the whole part of his tract, wherein he treats of the nature of interest; and Monf. Neckar states the current prices of the funds, as improper representatives of the value of money.

X. Let us now proceed to assign the apparent and effective rates of interest, of the four first terms of peace, from the prices of stock in the table. There is some arithmetical convenience in beginning with the peace of 1748; the rate of the first eight months of that year, is to be rejected from the computation; as it appears in itself anomalous; and in the history of the times we find that term to have been actually a truce only, full of jealousy, and not well observed.—The following war effectively commenced in the middle of 1755; the average of the Three per Cents is therefore to be taken from the six years and an half, preceding July 1755; its amount was £. 100:92, and the apparent interest £. 2:972, per cent. The effective rate of the term is thus found; the average prices of the stock, for the first three years and a quarter, was £. 99:16, per cent, and for the last £. 102:67. The increase of the price of the stock, in three

\* *Maseres Annuity*, v. 2, p. 432

† *Bragg's Translation*, v. 3, p. 243.

years and a quarter, was £. 3:51, per cent, or £. 1:08 annually; hence, if Titius at the beginning of every year, had purchased a capital of £. 100 in this stock, and sold it again at the end thereof, he would have received by interest 3l. and by the increase of the price of his capital £. 1:08, upon the equality of chance: that is, the value of his chance of receiving more, is precisely equal to what he must pay, to be insured from the hazard of obtaining less; or the sum £. 1:08, is what writers upon the laws of chance, call the value of his expectation, from the variation of prices; what he will receive is, therefore, to be taken at £. 4:108 more than the sum advanced: let him have made this purchase at the time that the market was come to its average price, or £. 100:92 per cent.; and, at the end of the year, it will be found that he had gotten £. 4:043, by the advance of a capital of £. 100, which is its effective interest.

XI. This operation is founded on the assumption, that the prices of the several years of the term, may be taken as a series of arithmetical progressionals; but under this restriction, that the sum of the first half of the terms be made equal to that of the contemporary values in the market; and the like of the latter half.—This makes no other alteration, than supposing the

power which raised the value of the stock, be what it might, to have operated every year with its average force, instead of acting in an irregular and perturbed manner.

XII. The average price of stock during the peace of 1763, was £. 87:05 per cent.; the apparent interest £. 3,446 per cent. during the first six years and a half of the term, being the first half thereof, the mean price of stocks was £. 87:75; and, in the last, £. 86:36 per cent.: its neat value decreased in six and a half years £. 1:39 per cent.; or its annual decrement was £. 0:213 per cent. whence the effective stock interest of the term was £. 3:205 per cent.

XIII. The determination of the rates of interest of the two first terms, is reserved for this place, to dispatch the simpler of the operations first —There intervened between them a petty war with Spain, which continued for two years and three months; and, therefore, they may be considered together as part of a single term, the accounts of the two middle years whereof are lost. These hostilities, in fact, produced but a small depression of the value of stocks; and, we may very well admit, what the price of the stock at the very commencement of the second term of peace clearly indicates, that when that depressing force was removed by the cessation of hostilities, at the very beginning of the year 1736,

the stocks rose immediately, and per saltum, to the price they would have been at in that year, if such previous depression had not taken place; but it had received, during the whole interval of war, a regular and annual increase, in the same manner as if the peace had been uninterrupted: an assumption, which very well agrees with a singular circumstance of this petty war, a minute reduction of the national debt.

XIV. Upon what is here assumed, the average price of stock for the term was £. 101:21 per cent. and the apparent interest £. 2:964; the annual increment of the stock was also £. 1:20 per cent.\*, and the effective interest £. 4:149 per cent. It will be useful hereafter

\* Put the price of Stock in the year 1731= $V$ . those prices in the eight following years, are considered as forming a series of arithmetical progressions.—Let the common difference be  $=v$ : the sum of the prices of the years 1731-2-3 was  $3V \times 1 \times 2$ .  $v=3V \times 3v=292:82$  by the Table for the years, &c. 1734-5  $2V \times 3 \times 4:v$ : and for the last four years  $4V \times 5 \times 6 \times 7 \times 8$ .  $v=416:94=4V \times 2 \times 6v$ . Whence  $4V \times 4v=390:42$ : and  $22v=26:52$ ; and  $v=1:20$ , the common difference of the series, or the annual augment of the value of stock: and the price of the first year, by the assumption,  $=V = £.96:40$  per cent. the sum of the values for the years 1734-5 is  $2V \times 7v = £201:20$  and the average value of the whole term, £. 101:21 per cent.

to have assigned that of the year 1729; the operation will be most conveniently placed here, to avoid repetitions.—The actual price of stock in 1731, was £. 95:13 per cent.; its value by the hypothesis, which we rather follow, is £. 96:4 per cent.: it is taken to have increased in the last two years £. 2:40, and, in the year 1729, to have been £. 94:00 per cent.; whence the apparent interest was £. 3:191, and the effective £. 4:468 per cent.; it being admitted, that the annual increase of the stock at that time, would have been found to be £. 1:20 per cent. if we had had any accounts of it.

XV. Continuing to consider the two first terms of peace as one, the result of these computations is, that from the first existence of a 3 per cent. stock, to the end of the peace of 1763, the apparent interest of that stock had been constantly increasing, and the effective interest constantly decreasing, as will be seen by arranging the rates and interest according to the order of time.

	TERMS—First.	Second.	Third.
Apparent Interest	2:964	2:972	3:446
Effective Interest	4:149	4:043	3:205

XVI. Let it be now proposed to compare the effective interest made by the purchase of stock, with that made by employing monied ca-

pital in the purchase of land.—The rates of interest made in the latter contracts may be likewise distinguished into two, the apparent and the effective.—The apparent interest is that found to be made upon a supposition that the rent will continue fixed to the end of time; which, indeed, is the real or effective interest made by the purchase of a fixed perpetual rent charge; but the rent of land, or real income purchased, is an increasing annuity though augmented only at the end of uncertain terms, and per saltum; but upon the average, the present value of an income so interruptedly increasing, will be the same in every term as if it had perpetually increased with the same celerity as the total national rent. Now, it is evident, if Caius buy a fixed rent charge of 100l. a-year, at a certain price, and Titius an estate in land of the same amount, whose rent shall annually increase with the assigned celerity, for the same money; Titius makes more interest of his purchase money than Caius.—The former rate is the apparent rate of interest made by purchases of land, and the latter the effective. It would occupy too much room here to go into the process of ascertaining the effective interest made by purchasing land; but a comparison is here given of its successive rates, according to the best authorities I could

discover, with those made by the purchase of stock in certain years.

	Years.	By Land.	By Stock.		By Land.
Effective Interest.	1729	4:410	4:468	Difference	(—) :058
	1751 $\frac{1}{4}$	3:999	4:043		(—) :044
	1774	3:392	3:244		(+) :148
Average of Rates	- -	3:933	3:911		(+) :015

XVII. It might be shewn upon the principles and authority of Gould and Neckar, that the *interest made by the purchase of landed income*, is to be considered as the standard rate, if such a position can require any authority to support it; but it is evident, that this ought rather to be understood of the effective than apparent rate: however, they both concur in pointing out a great fall of interest from 1729 to the end of the peace of 1763.—This is directly contrary to what is to be gathered from the successive rates of the apparent interest of the 3 per cent stocks, from 1737 to the latter term: all such deductions from the price of the funds are therefore to be esteemed fallacious, whatever evidence they may seem *prima facie* to carry with them; or whatever credit we may have been accustomed to give to them.—But the cotemporary variations of the effective interest made by the purchase of land, and of the 3 per cent. stock, in peace, very

\* In the first and last of these years, I have had direct data for the valuation of land.—The interest for the year 1751 is assigned by a proper interpolation.

well agree for the whole term of 46 years; pointing out the real interest of money to have been diminished: and, it is on this evidence alone, that the variations of the rate of interest is to be established.

XVIII. It is probable I may have been anticipated by some readers of this article in the following reflection: what is said above will have considerable weight in inducing us to call into question the representation which has been given of the circumstances of the nation, in the peace of 1763.—That splendour and opulence, which was said by persons of no inconsiderable celebrity to have been only apparent and delusive, we may suppose to have been the consequence of an increase of real riches, shewn by the fall of effective interest, even in the funds; and the leading symptom, at least, of those which were pointed out, as proofs of a real decline: the successive fall of the price of stock, in the term of that peace, and in that preceding it, we may from these deductions conclude, to have an apparent and delusive mark of the approach of political imbecility.—A conclusion that agrees with our experience since that time.

XIX. If we were to employ the method pursued above, to determine the effective interest of money during the last peace, it is evident from the inspection of the table, the result would be

anomalous: the cause of its failure will be seen below.—And it will also appear from the variations of the value of stock in that term, that we might have made the last conclusion general, instead of confining it to the preceding terms of peace, and have said that the price of stock in peace has never indicated an approaching exhaustion of our national resources: it is, however, only a brief and popular explanation of the operation of a part of the causes of the fluctuations of the stock market during that peace, which will be here given.

XX. At the commencement thereof, some signs of a rise of the value of stock were exhibited; they immediately passed off, and were succeeded by a perpetual fall, which continued two years and a half, when it gave place to a permanent advance, which, at its conclusion, became much accelerated.—The fall is principally considered.

XXI. At the return of peace, there were two causes in operation to depress the price of stock—the one, a great unfunded debt, the effects of which are first to be stated: this must have operated at all times in the market according to its amount; as it diminished, therefore, the stocks would rise, and it depressed the stocks most when its amount was greatest; that is, at the beginning of peace.—If it had continued equal during the two years and a half, their

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prices during the whole of this term, would have been less than they otherwise would have attained, but by an amount nearly constant; they would not, on that account, have perpetually decreased more and more. Yet it did not so continue—considerable reductions of it were made at intervals: therefore, if it had been the sole cause of the low prices of the market, as its pressure diminished, the value of stock would have perpetually risen, or, at least, continued stationary; but, on the contrary, it continually fell: when the last outstanding part of this debt was funded about the middle of the third year of peace, the weight it had left remaining was taken off; and the stocks would naturally rise in effect as the fall ceased, and a perpetual advance afterwards took place, which accounts for part of the rise at the end of this term of two years and a half; but not for the continued fall preceding it.

XXII. We have now to consider a second great cause tending to depress the price of stock at the beginning of a peace.—When we engage in a war against a nation, with whom we before carried on a considerable commerce, the return of peace reviving that commerce, it tends at first to depress the funds; for war having flung the capital before employed in that trade out of its channel, it is either diverted into other trades, or

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placed in public or private securities, or has been layed out in the purchase of land; and when it is wanted again, on the return of peace, it is procured by sales out of the stocks—by calling in money placed during the war upon private security, tending to increase such sales, or the number and amount of private loans; or the capital the merchant wants must be made up by the sale of land, or borrowed money, and such of these modes which do not increase the sale of stock, increase the interest of money upon private security, and intercept money which would be employed in the purchase of stock.—These multiplied transactions have all the effects of a loan: many of them actually are such, and we may take the whole, as being effectively a *latent loan*, as it will here be denominated. When the returns of this revived trade are received within the year, no second *latent loan* of this kind is wanted by the merchants.—If they be not made in less than two years, two great capitals must be gotten together, or a second *latent loan* be negotiated; if not until the end of the third year, a third; and so on: the fresh collection of capital in each year depressing the stock, as long as it continues.

XXIII. To form some judgment of the amount of the capitals to be collected for the restoration of the trade with any nation after a war with it, it is to be observed, that if the re-

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turns of these exports be made precisely within the year, the capital must greatly exceed the prime cost of their cargoes to the exporters; but no very precise grounds offer themselves, to assign the measure of such excess: probably, it does not greatly fall short of that of two to one.—For the capital of the merchant must be equal to the value of the commodities exported, added to the freight: his demand upon the manufacturer for these goods, if he do not make them himself, may likewise be considered as new, and *he* also must enlarge his capital to supply it: the manufacturer, again, must apply for more raw materials to the person who raises or imports them; who, in his turn, will be forced to employ new capital, to answer this new demand.

XXIV. In the last war we were engaged in Europe, against France, Spain, and Holland, (the war with America must be separately considered) the capital to be made up for commerce on the restoration of trade with these three nations, was therefore of double the magnitude which had been necessary after our former wars.—It was to be made up the first year, and must have extremely depressed the stock during its collection at the expiration of the year; but its effect ceased; therefore we cannot here look for the cause, which continued to reduce its prices for two years and a half: however, as upon this

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occasion, the sales out of the stock, and the loans on private security must have been multiplied beyond former example, and therefore naturally have produced an effect before unexperienced, and the spirit of the nation had been previously depressed, this greater fall being, perhaps, generally unexpected, alarmed the proprietors of the stock; and thus it came to exceed the magnitude proportioned to its cause.

XXV. We are now to consider how the funds were affected by the restoration of the commerce with North America: the capital which supplies one year's export to that continent must be very great—the returns are, upon the authority of a passage in the work of Dr. Adam Smith, to be taken as made in about two years and a half.\*

\* “ Their annual returns frequently do not amount to more than a third, and sometimes not to so great a proportion of what they owe.”—Wealth of Nations, B. 4. c. 7. It does not follow from this, that generally, or upon an average, that these returns were so small a part of their debt to Britain as one-third; but the contrary: it is, therefore, very probably to be taken nearly at the arithmetical mean, between one-half and one-third, or at two-fifths; or our merchants receive their returns in two years and a half on the average. Dr. S. reasoning from the above passage, makes the term to exceed three years; this seems erroneous

It is probable that the war reduced our exports of those articles proper for the consumption of the colonists, about two millions a year:—To supply which, for one year, the capi-



The getting together of the capital for the first year, tended to depress the stocks very much; that for the export of the second year was a new depressing force added to the former; perhaps, the cause of the fall it generated, was not understood, and it produced something like a panic in the market, whereby its effects were considerably augmented.—The conclusion of the second year did not bring any adequate returns; and part of the capital for the export of the third, was gotten together by a repetition of means which made money scarce, and still fur-

tal of the exporting merchants must have been two millions, added to his charge for freight, which, with the capital of the non-exporting manufacturers, and the growers and importers of raw materials for their use, might, on the whole amount to three millions and a half.—This is the most probable sum which occurs to me, to assign to the capital which was annually to be gotten together, to restore this trade, which operation as often as it was repeated, produced nearly the same effect in the stock market as an equal loan.

The decrement of the export as defined, is assumed at two millions on the following grounds:

Export of 1774 (Chalmers' Estimate, 4to, 1782)	£. 3:341
Total export mean of five years, ending 1780, <i>ibid</i>	1.642
Articles for the British Troops, not ordinarily imported by the Colonists (supposed)	301
Exports proper for the constant market	1:341
Decrease	2:000

ther lowered the stock market. At the end of two years and a half, the annual sale of the returns fully produced the money necessary to the merchant, for the purchase of the cargo to be sent over in the ensuing twelve months. His want of new capital ceased; and the depression of the price of stock it occasioned, ceased with it, and it began to rise. A second war with America, if we had no sinking fund, would produce the same events in the stock market; but probably not in the same degree, as their cause will be understood.—This incident was no mark that the state was verging towards a decline; but quite the contrary. Much money was drawn out of the stocks, and much intercepted in its passage into the market, to be employed in a more productive and profitable manner: and if we could suppose any future revolution should fling into our possession the exclusive trade of the whole Spanish and Portuguese America, the immense capital the merchants would be forced to collect, and the length of time before the returns to it could be received, would probably impress a perpetual fall upon the stocks for three or four years; which would furnish the same species of proof of national decline as that of the three first years of the last peace.

XXVI. Hence extraordinary circumstances never occurring in the market before, reduced

its prices of those years so much, that they are to be regarded as anomalous: and if afterward the value of stock had gone on increasing by the mere force of the augmentation of national wealth, to the end of the peace, the difference of their averages for the first and second half of the term would have been much too great, and the annual augment determined therefrom, anomalous in the same degree: but if we moreover suppose, that any cause had operated in the latter part of the peace, raising the prices of the market, which, like the depressing force considered before, may effectually be regarded as new in kind, and which was great in power; the difference of the averages of the first and second halves of the term would be so much further increased as to become totally anomalous: and the like would be true of the annual increment of the stock to be found from it, and of the effective interest.—And here it is clear, the apparent interest would be affected only by the difference of these anomalies, the effective by their sums.—That such a perturbing cause was in action we shall immediately see.

XXVII. This was an event (as described) new in the history of the stock market: we had acquired a sinking fund which was constantly applied to the discharge of the debt, and which, at the latter part of the term, had some preten-

sions to be called considerable: beside, an increase of commerce, the initial effect of which is, to depress the funds for a short time, but which ultimately permanently raised them, now concurred to increase the effect of that fund, &c: hence, in the two last years, the stocks rose with a celerity, of which the table presents us with no two successive examples.

XXVIII. But it is to be observed, one of these causes, at least, acted only mediately and circuitously on the price of land; and it is only when the same cause operates primarily and equally in both markets, that the effective interest made by the purchase of stock and land will be equal.—Their correspondence will cease whenever their relative circumstances greatly differ from those of the terms of peace preceding the last; that is, when the state possesses any thing more than a feeble and occasional sinking fund; but these observations may be concluded by the following—it has been shewn, that the fall of stocks, during the three first periods, does not indicate national debility; no one, it is to be presumed, will search for the marks of it: the rapid advances of their prices during the last.

XXIX. Yet it must be acknowledged, that the high rate of apparent interest produces some effects that are real; and those, in their nature,

of the most real detriment to the public: it adds enormously to the interest the nation is obliged to allow on its loans in war.

XXX. In the above observations, I have described the initial effect of a great increase of the commercial capital of a state, on the price of its funds, in a term of undisturbed peace.— And indeed it was in the last peace, that what is said thereon was drawn up; though since the commencement of the present war the table has been continued to the end thereof; and some slight additions made to my former thoughts on the subject. These principles, therefore, are not laid down to account for the events of the last three weeks: but those events are now simply compared with them; as in that term we have experienced the effects of the rapid increase of commercial capital in war.

XXXI. In this comparison, I shall first show the rate of celerity with which the capital of foreign commerce has been augmented. Nothing can better ascertain the rate of increase of mercantile capital, than the total of the exports and imports of the ledger of the Inspector-General; or the total of our commercial transactions. And in every inquiry, we must be determined by the best evidence which can be procured: and such evidence, and the conclusions founded thereon, it is irrationable to reject until

better be substituted in its room; which in this case is not to be obtained. And even those who verbally reject it, are reduced to act, in the most important concerns of human life, upon it. The exports and imports of the last twelve years, are here divided into three terms of four years each.

TERM I. PEACE 1785—88.

<i>Exports.</i>	<i>Imports.</i>	<i>Sum.</i>	<i>Differences.</i>
£. 17:033	16:316	33:349	0:717

TERM II. PEACE 1789—92.

£. 24:059	20:709	44:768	3:350
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TERM III. WAR 1792—96.

£. 26:179	22:048	48:227	4:131*
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\* The sums in this Table and hereafter, are expressed in millions, and decimals of millions: the three last places of figures, or fractions of a thousand, are neglected. The three decimal places may be read as thousands. The two first Terms are from the Table in Mr. Chalmers estimate, p. 234, edit. 1794. The accounts of the last term were as follow:

	<i>Exports.</i>	<i>Imports.</i>
1793	£. 20:390:180	£. 19:256:717
1794	26:748:967	22:288:894
1795	27:123:328	21:859:256
1796	30:454:583	*5 19:788:983

The import from the East Indies not yet ascertained, may be estimated at about five millions.

XXXII. The last four years of peace exhibit a commerce increased beyond all former example, by the gradual decline, and ultimately the virtual extinction, of that of France, by its popular revolution: which so much accelerated its natural and probable augmentation, that it was the leading cause of the actual increase.

XXXIII. If we divide the four years of war into two parts, the sum of the exports and imports of the first two years, will be found subequal to those of the four last years of peace: having amounted to £.44:342 millions yearly. The great augment was therefore made to the commercial capital in the years 1795 and 1796; the average sum of the exports and imports of those years amounted to £.52:113 millions, and in the latter it amounted to £.55:243 millions. Much of this increase was generated by the revolution in Holland, and its effects on the Dutch trade. But it required a great and sudden addition to the mercantile capital, to provide for this augmentation of our commerce; which must have caused a great demand for money at interest, or great latent loan (as it has been above denominated), in addition to the public loans; and depressing the price of stock in the market during the last two years. The effect of a latent loan to depress the funds in peace,

when from other circumstances they had a tendency to rise, has been seen before. The public loans of the two last years, it is certain, would alone have much lowered them: but their depression was still farther increased, by the whole weight of the latent loan, against which, if peace had continued, it is not certain they would have supported themselves; although if that pressure be supposed not to have taken place, other circumstances would have raised the stocks still higher than their rate at the end of 1792.

XXXIV. In the last four years of the last peace, the commercial capital was greatly increased; but the stocks continued to rise. This may be urged as an objection to what is said of the initial effect of the increase of commercial capital, to depress the stocks; for it is of its initial effect solely that what is all along said is to be understood: but to this objection it is answered, that our sinking fund was then becoming considerable; and without such increase would have increased their prices still more.—Such a fund might completely counterbalance the initial effect of this augmentation, or go somewhat further; but there was another powerful cause in operation at that time, aiding the effect of the fund; the instability of property in France. The quantity of money remitted hither as a place of security, or brought over by

the emigrants; part of this ultimately supplied the new demands for capital as they arose; other parts of it found their way, either directly or circuitously, into the stock market, and raised its prices: the source of this supply both from France and Holland, is now relatively dried up. At the time the former part of this Tract was finished, I had not adverted to this effect of revolutionary governments, on the prices of our stocks.

XXXV. It has been laid down above, that the capital requisite to support an annual trade with North America of a given amount, exceeds that employed for the European Trade, in proportion of twenty-five to ten: if that branch of trade have increased during the war with greater celerity than the latter, the total mercantile capital has increased with greater celerity than the sum of the exports and imports, the rate supposed above:—of this I may be possibly able to say something more in a note.

XXXVI. Let us now turn our attention to the capital of domestic trade and its variations, in the present war. The initial effects of a sudden increase of it are the same as that of the capital of foreign trade. The capital required in every year, for every branch of it, will be as the quantity of the commodity or set of commodities the branch comprehends, multiplied

by their average price in the term. If this quantity remain fixed, and its price be doubled, the capital which circulates it must be nearly doubled: if that quantity be diminished one half, and its price remain fixed, one half of the capital will suffice. A large portion of this capital must be annually employed in circulating the commodities of the first necessity; and of this set of commodities food is the leading article. Davenant has given us a table, and apparently copied from the papers of Gregory King, by which, having given the deficiency of a product of the first necessity, the increase of its price is determined. As subtle as the matter seems, it is capable of very strict computation; the formation of the table requires being decyphered; that operation will be found in a note, where full circumstantial evidence will be given, that it was so calculated. It appears in this table, that if the quantity of any article of the necessaries of life be diminished as seven to ten, its price will be increased in the proportion of 26 to 10. Hence in a year of average plenty, the quantity of this article being of the average amount, or as ten, and its price as ten; the quantity of currency required to circulate it, will be as ten multiplied by ten; or as 100: and the capital of the traders dealing in it will be as 100. If the product be decreased three

tenths, its quantity will be as 7; but the prices of equal quantities being as 26, the capital required for the traders will be as 7 times 26, or as 182: or must be increased £.82 per cent. nearly.

XXXVII. The years 1795 and 1796, circumstances extremely resembling this took place, with respect to bread corn and all other species of grain. The dealers found much greater sums necessary to carry on their transactions, or a temporary increase of capital, borrowed or otherwise gotten together. The average annual value of these products, was found by Mr. Young, to amount to £41:729 millions in 1774,\* and has much increased since. If the capital required for all the dealings in these commodities, had in these two years, required an increase of £.50 per cent. only; the effect of the latent loan, necessary to make it up, would, in every market where annuities are bought and sold, have also been very great; and happening in two years when the capital for foreign commerce was also suddenly increased, the joint effects of both the latent loans, upon the rate of interest, must have exceeded every thing hitherto known; and we have seen the power of one of these alone, operating in the stock market, in the full security

\* Political Arithmetic par. 2. p. 32.

of peace to impress a fall upon it: what even at that period would have been the effects of both together? Who can say the prices would not have taken £.4 per cent. more? or that we should now for the first time have seen the stocks at £.50?

XXXVIII. There are few goods without alloy, and no evil without its alleviation. This I think proper to premise, to an observation I am now to make. I recollect it to have been advanced by Sir Nathaniel Gould, "an eminent merchant, and a director of the Bank,"\* during the administration of Sir R. Walpole, (who likewise appears to have held the tract I refer to in the highest regard) that when some branches of commerce fall off in war, the merchant carries a great part of the capital, so flung out of employ, into the stock market, and supports its prices: thus, in the peace of 1763, the average annual sum of the exports and imports having been £.27:158 millions, and in the following war £.22:562 millions; the prices of the stock market were supported by the effect of about one-sixth of the foreign mercantile capital flung out of commerce; but instead of this extraneous support of the rates of the market

\* Maseres: title to republished Tract.

every vender of stock had, in the years 1795 and 1796, two powerful sets of competitors bidding against him for money: the foreign merchants, and every one engaged in the internal corn trade, who jointly depressed the market directly or circuitously: their competition likewise raised the price of money to the state, when it was wanted for loans.

XXXIX. What part of the fall of the value of stock is to be ascribed to the joint effect of these two causes, I see no mode to estimate; great it must have been, and have much increased the effect of the public loans; which have been themselves very great. Yet hence it appears, that the latter are by no means the sole causes of that fall, and possibly even the greater part of it is not to be ascribed to their effect.— Beside the increase of capital to supply provisions in time of dearth, is attended with general dependency: its effect therefore to reduce the price of stock, when compared to that of a sudden demand for money to supply an accession of commerce, is more than in proportion to its magnitude.

XL. I come now to consider what has been the effect of increased demand for trading capital, from these two causes, on paper credit; and shall begin with the increase of that for foreign

commerce.—The currency, that is, the sum of the paper and coin required at any time to carry on the foreign commerce of the nation, will be very nearly as the sum of the exports and imports during the last five years of the last war; the annual average of the former was £. 11:758; of the latter, £. 10:161; the currency was, therefore, as £. 21:919; and such it may have been taken to have been at the return of peace. In the last four years of that peace, this aggregate amounted to £. 44:768: the currency so employed was therefore as £. 44:768, or considerably more than doubled in the ten years it continued: in order therefore to have preserved the same proportion between its two integral parts, coin and paper, the coin should have been considerably more than doubled; and, although it cannot be doubted, that a very great increase was made therein, it fell much short of the required proportion, and must have done so if not a single guinea had found its way abroad, or into the melting pot; but when we see the small differences of the exports and imports of the first six years of the peace, we may be certain, that much coin was, at times, sent abroad, as bills must have been difficult to procure, to pay individual balances: much of this was recoined by the smaller foreign princes, to obtain the tax of coinage, called “feignorage:” the

metal, indeed, might find its way back very soon, but not in the form of British coin: and, as it must be admitted, that the paper in every other branch of trade increased at least with as much celerity as the coin, hence circulating paper increased with considerably more celerity than the coin on which its circulation was founded.

XLI. Let now the case of the last two years of the present war be considered—the mean sum of the exports and imports in the first two years, was extremely nearly equal to that of the four last years of peace, amounting to £.44:342; that of the following two years, 1795 and 1796, was £.52:113: and the capital and currency employed in foreign commerce must have increased, in those years, in the proportion of the latter number to the former.—Now, supposing the diminution of the national coin, by war, to be very inconsiderable, remittances being made from our stock of foreign coin and bullion, this augmentation of currency, caused by that of foreign trade, had no increase of national coin to support or assist its circulation; and the proportion of paper to coin was as great as could be supported. In the year 1796, the sum of the exports and imports amounted to £.55:243, and the currency by which that great commerce was carried on, must have been increased in propor-

tion to that sum; or its augment, from the end of 1794 to that of 1796, have been as £.10:891; with no effective increase of coins to support the circulation of that increase of paper. Here, for a particular purpose, I must note, that if our transactions in foreign commerce continue of the same amount in the whole of the present year, the demand for currency will support all this paper in circulation; or as fast as it is annihilated, new paper will be called for; which amounts to the same thing. If otherwise, it will be returned to the banks, and increase the demand for cash.

XLII. The second increase of capital was generated by the scantiness of the harvests of 1795 and 1796. During these two years much more currency was required than in the preceding, to carry on the trade in corn, and other articles of the first necessity. This want must have been chiefly made up by new paper, issued in that term, and there must have been a great demand for advances made on the banks, both in London and in the country. They were applied for by men reputed safe, and then carrying on a trade evidently attended with large gains:—enough was issued to supply the increased demand; and the banker took probably no further care, than to put into his chest a sum of money, bearing the ordinary proportion to his emission of paper: not expecting that the course



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of events would be such, that it would come upon him with any extraordinary rapidity for payment. The prices of provisions experienced a rapid fall: much less currency became requisite in this branch of trade; and these notes were returned upon the bankers, and cash demanded for them. The difficulties they were under would at any period have excited alarm, and increased the number of notes coming in, perhaps beyond their natural amount. It is possible also, that the ridiculous and execrable attempt of the people at the head of affairs in France, to land a body of convicts on the coast of Wales, might have created some apprehensions, and increased these demands, until the amount of that force was known; but an account of this must in most places have arrived with the first intelligence, or soon after it: and every man's judgment been convinced, that it was even not important enough for a feint, to draw our attention and troops to that remote part of the country, while a serious descent was made upon another. And to this cause more than its proper weight has been given, in the reasonings of some persons on this subject.

XLIII. It is highly probable, that at the commencement of this run on the private bankers, the cash in their hands did not, on an average, bear the ordinary proportion to their notes in

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circulation. For during those two years, the currency required for the supply of government, and the increase of the two capitals here considered, must have been much greater than in any preceding them: and as our coin is not increased, the whole augmentation of the former must have been in paper. Hence the cash in the hands of the bankers can have increased little or nothing; and certainly not, on the average, in proportion to the paper they flung into circulation: and the least unexpected increase of demand must have shaken many houses. But by the fall of the price of corn, the demands on them for cash must have been very great: and if we suppose our foreign commerce, in the present year, to be in any degree less, than the unprecedented magnitude of the last, the currency required to carry it on will also have become less: and part of the paper by which that commerce was supported, being now useless, will be returned to the bankers for specie.

XLIV. Hitherto the case of the private bankers has been treated on: the same circumstances which increased their emissions, must have in some degree augmented the paper of the Bank of England in circulation. The return of their own paper would somewhat have affected this great company. But Dr. A. Smith observes, that the Bank of England must pay, not only for its

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own misfortunes and prudence, but for those of other banks. "By supplying its own coffers with coin, it is indirectly obliged to supply the whole kingdom, into which coin is continually flowing from those coffers in a great variety of ways. Whatever coin is wanted to support an excessive circulation, both of Scotch and English paper money, the Bank of England is obliged to supply it."\*—Smith is here treating of the permanent bad consequences to the Bank of England, arising from the paper of certain banks in both kingdoms, permanently exceeding the natural demands for it; now the dearth of the last two years occasioned the emission of very great quantities of paper, which their reduced prices have flung out of circulation. Hence there is a temporary great excess of such paper; and it has created to the bank a temporary and great difficulty. There may, or may not, exist some decrease of our foreign commerce this year: if there do not, it is not probable the bank would have found any embarrassment in making its accustomed advances and payment, if the years 1795 and 1796 had been years of ordinary plenty and cheapness.†

\* Wealth of Nations, edit. 3, v. 1, p. 454.

† It appears from the tables of the prices of wheat given by Dr. A. Smith, that the high price in the pre-

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XLV. I now proceed to submit to general consideration, some things which I have a strong persuasion will tend to remedy these inconveniences, and prevent their recurrence. The first of the measures which probably might be adopted with advantage, is to raise our gold coin in numerical value; the rate I should determine thus—Coin is a commodity of which the state is the manufacturer, and the manufacturer must make the price of his commodities equal to the sum of that of the raw materials wrought up therein, the wages of labour, and his due profit.

XLVI. Silver is our money of account, as all accounts in England are kept in silver; it is therefore the standard metal. The cost of the gold, in a guinea, to the state, varies according to the number of shillings and twelfths (or pence) it will sell for as bullion, in the general European market. This is subject to some fluctuations: and in every seven or ten years, the average thereof ought to be taken; as one of the component parts of the value of a guinea, in silver,

sent war is contrary to former experience, from the Revolution to their termination. That upon an average, the price of corn in every preceding and following peace, having exceeded, at certain rates per cent, that of the intervening war: so well are popular clamours generally grounded, and so much truth is there sometimes found in plausible abstract arguments.

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for the next equal term—The value of the labour of coinage, and a profit thereon, taken together, form the aggregate which was formerly called here, the tax on coinage; and abroad, a feignorage. In France the feignorage was £.8 per cent. nearly. Dr. Smith has proposed that there should be such a tax imposed upon our coinage, and recommended £.4 or £.5 per cent. as the proper rate. It seems at this juncture expedient, to raise the legal value of our gold coin, to its present value in bullion, in the general European market; increased (as nearly as possible to avoid an inconvenient fraction) by a signorage of £.5 per cent. and to avoid such fractions, the least variation of the guinea should be sixpence. If the price estimated by this mode, should exceed the nearest lower payment which can be made in silver by three-pence only, the guineas might circulate at such lower price: if the excess be greater, an entire sixpence should be added. It is to be observed, that this is only giving to our gold coin its natural value in the market as a manufacture, under which description it certainly falls. It is not an expedient for a moment of difficulty; it has had the recommendation of the greatest writers, as the best permanent system for fixing the value of coin for circulation: nor is the practice an innovation,

guineas have formerly been in circulation at various prices in silver.

XLVII. The feignorage ought not to be fixed at too high a rate; because it would, like all other duties, be a premium upon a contraband trade; and we might be stocked with counterfeit money. The profit of this should not be so great as the hazard; although that hazard, being of life, it may be supposed that £.4 or £.5 per cent. would not be sufficient to encourage coiners.

XLVIII. A plan has appeared in some papers lately, that guineas should be issued of the intrinsic value of seventeen shillings only. This offers much larger profits to the coiner; and will cause great quantities of the old gold to be melted down; and the profits will come to the vilest of mankind. By raising the value of the guinea, considerable profit will be at first made by individuals; but they will be the fair holders of the coin.

XLIX. The issuing a proclamation to raise the value of the guinea, will produce an instant alleviation to the distress for cash for circulating paper. At the time I am writing, I am not informed of the value of gold in the European market: and perhaps am committing a considerable error, in taking it to be £.4 per cent. higher than its value in English coin; but, for illustra-

tion, let it be imagined to be so; then will the current value of the guinea, as increased by the seignorage, be raised £.9 per cent.; and the numerical value of the money in the Bank, and in the chests of the bankers, will be increased in the same proportion; which will be no inconsiderable alleviation to their present difficulty, in furnishing small quantities of coin.

L. It is said there is much of our coin which has been lately exported, on account of the rise of gold in foreign markets—Raising its value at home, by a seignorage, will draw it back again; as the profit on reimportation will be equal to the seignorage, or £.5 per cent. and the Bank may employ a due part of its bullion thus, to great advantage to itself in purchasing it back; thus replenishing its coffers with circulating coin, and by converting its apparent difficulties into evident and ostensible gain, re-establish itself in the general opinion, on at least as firm a basis as before; but this measure will by no means absorb our stock of bullion.

LI. Of this valuable stock, when any difficulty in circulation presses us, we are generally not able to avail ourselves with all the celerity which might be wished. The money produced by the machinery at the Mint, does not, I believe, exceed £.14,000 a day: the amount of the last call of the light money, during the Ame-

rican war, exceeded the sum expected by about three millions; and the temporary diminution of the circulating coin, through the slowness of the supply from the Mint, gave the Bank the greatest difficulties. The national apparatus for coining, is fully equal to all the ordinary demands for money at common times; but it ought to be improved, so as to be able, on any sudden exigence, to convert all the bullion that can be procured, into money, with the greatest celerity. Too much of it has hitherto been relatively inert in great difficulties: by means like this, it would be rendered almost instantly available.

LII. Thus, if a coinage of three millions, or any other sum, were wanted, it might with rapidity be procured: and if the Bank possessed in reserve, enough bullion to keep the Mint at work, until the first days completed fabrication were deposited in its chests; without increasing its paper as fast as it filled its reservoirs, it might daily purchase with its notes, new bullion, for daily coinage. For in return of every such emission of £.100,000, it would receive back £.105,000; the price of the bullion increased by the seignorage; and its distress for cash be diminished by the very act of multiplying its notes. Moreover, in the case supposed, by such an issue of 3 millions, the unfunded debt to the Bank would be diminished £.150,000,

which, deducting the expence of coinage, would be a neat profit to the state.

By the effects of the seignorage, it should seem that the circulating money in France, formerly bore so great a proportion to its transactions in all branches of traffic, and its paper so little.— There may be reasons why it cannot realise the whole of this effect here; yet it will probably go a considerable length toward it: thus the general commerce of the kingdom, will be less dependant on the paper of private banks, the quantity of which, three times in the last twenty years, has flung it into so much confusion; the prices of commodities of the first necessity, likewise, will thus come to depend more on the quantity of circulating coin; which speculators cannot increase at their pleasure: and by copying the artifices of the Stock Exchange, in the corn market, raise its prices indefinitely above the true proportion, on every deficiency of crops, and endanger our being involved in popular commotions, which may have the worst issues.

LIII. The resources which seem to present themselves to us from the increase of foreign commerce, I shall now *venture to treat on*. A sober rate of increase is necessary to the political vigorous health of the state; but the return of plenty to a famished man, frequently generates a dangerous disease; and the case is the same,

when a person in full health suddenly increases his accustomed quantity of nourishment. All rapid and very great changes of state are dangerous to a nation, as well as to an individual; even those called prosperous. The cause of the sudden increase of our commerce is as follows:— France and Holland are, at least for the present, struck out of the number of the great commercial nations: and their capital for trade, dissipated or annihilated. Of the three great stocks of the first class, which existed nine years ago, one only remains; that of Great Britain, for many years the first in importance, and now standing alone: and we may be almost said to possess a monopoly of the commercial market of Europe. I consider this new possession first as permanent, and secondly as transitory: in the one case it furnishes us with a constant, and in the other a temporary resource of considerable magnitude, to encounter some of our present or future difficulties.

LIV. If this increase of our trade be considered as permanent, the ancient system of taxing the exports, may be with great safety restored; for the tax upon all commodities, is paid by the ultimate consumer: in this case the British merchant will advance it, but he will be repaid by his foreign customers for that advance: receiving it back, augmented with the common

profits of stock. This will increase the balance of payment in our favour; and make foreign nations effectively pay our taxes, or become tributary to the state, as well as the merchant.

LV. But the monopoly may be transitory; and let us now inquire whether the taxation of the imports will accelerate its termination; and here let it be supposed, that the proportion of the taxes on our exports to those of the imports, subsisting in 1721, be restored. It may be thought singular to make a doubt of its effect; but the doubt is founded on the result of an experiment on a large scale, in 1722; when a great number of taxes were taken off exports and raw materials imported. From the middle of the year 1698, to the end of 1721, there intervened only ten and a half years of peace: if this be divided into three periods of three and a half years each, we see by the tables, the exports in every one, augmented perpetually with an increasing celerity. At the end of that year Sir Charles Whitworth informs us, that "near two hundred taxes"\* of the above description, were at once repealed. During the three years and an half after the repeal, the exports were still aug-

\* Whitworth's State of Trade, preface, p. 2; by 8th Geo. I. c. 15. he calls this one "of the most judicious commercial acts that ever was passed."

mented with an increasing celerity; but its rate of increase was less than in the former equal period, in the proportion of 250 to 339:\* and in the next three and a half years, the exports were again somewhat augmented, but the celerity of augmentation was absolutely retarded; and was

\* The years 1702 and the following to 1712 inclusive, were years of war: that of Anne effectively ended with that year. The years 1719 and 1720 were also years of war.— The exports for the successive terms of three and a half years, were

	Before repeal.	After.
Exports	£:24:972:—26:900:—29:891:	R33:960: R26:267
Periodical augment per cent.	£.7:72.—11:11:R13:61:R6:79:	
Variation of augment	£(X) 3:39: R(X) 2:50: R(—) 6:82:	

Here by the line of exports, we see that they were augmented in every term: by the second line, that they were augmented by an increasing rate per cent. before the repeal; and for the first term of three and a half years after it. But by the third line we see, that the periodical increase of rate was *greater before* the repeal, than in the first term after it: and that in the second term, it became *negative*.

This account comprehends the first seven years after the repeal; by the end of which term, the measure must have produced its full effect on the exports: and any acceleration of their augments per cent. after that, might be attributed to other causes. It is true, that during the next term of three and a half years, they were increased to £.40.510 millions. Yet here the rate of periodical augmentation was only £11:69 per cent. very little exceeding £.11:11 per cent. the same rate before the repeal. But the secondary augment found before the repeal, hitherto appears to have come to a final pause.

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less than in any of the preceding terms. This great measure, so much applauded by Whitworth, was intended to enable the merchants, by the reduction of prices, to extend the trade of the nation: in that respect it seems to have produced no effect at all. And it is evident, that if taxing our exports, does not accelerate the term when the capitals and manufactures of France and Holland, shall again be able to enter into competition with ours, we shall, during that interval, have derived great sums from foreign nations, to pay the expenses of our own. And as these receipts shall fall off, or it becomes otherwise expedient, other taxes will be found to be substituted in their room; the foundation of the ability to discharge which, will be laid, by the preceding increased balance of payment on our foreign traffic.

LVI. And now let it be finally supposed, that our relative monopoly will terminate; and that the period of its termination will be considerably accelerated by taxing the exports. The longer it continues, or even the longer our proportion of the general commerce, shall continue of a very unaccustomed greatness, which cannot be permanently supported; the greater the proportion of the people will be, whenever a decline commences, who can acquire the means of living, solely by manufactures. By the supposi-

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tion, this new and unnatural situation will cease, and to me it seems the sooner it ceases the better. The multiplication of manufacturing poor being less, the numbers flung upon the state, unprovided for, will be less; and the distress and danger less, when this forced situation shall cease. We shall not attain indeed such apparent commercial splendor; but the calamity of our descending again, into a situation more near to our former commercial rank, and more favourable to our national manners and happiness, will be lessened. And if a tax upon exports lessens the rapidity of our advance in this new path, dangerous to our national happiness and manners, I shall reckon it an eminent advantage. A commerce moderately progressive, is a great benefit to a people; but it had better be stationary, than advance with a very great degree of rapidity.— The summit is a point where no nation can long remain, and from which it cannot but descend. In the mean while, during our present superiority, by taxing our exports, we shall make the rest of the world contribute to our expenses. It will increase the resting balance of the precious metals in our favour; and have produced two effects: it will have increased those sources of taxation, which the imposition on exports will enable us to reserve untouched; and it will have given existence to new ones, jointly to fill the vacuity beginning to take place. By the whole

amount of those taxes, and the profit the British merchant will charge to his foreign customer, for advancing them, and at the period when they shall begin to decline, by France and Holland ultimately returning, by degrees, into their former mercantile competition with us, this increased balance will be the basis of new faculties to pay other taxes to be substituted in their room.

LVII. In conclusion, I shall consider the late fall of the stocks, and endeavour to point out the best remedy to it which appears to be placed within our own power. It has been observed above, that it was caused by the joint effects of the public loans, and the two demands for the increase of trading capital: if the war continue, (and we can flatter ourselves with no sudden hope of its being brought to a termination less dangerous to us than its continuance) there seems no other prospect of raising their values, than by a large addition to the sinking fund; nor can that be acquired but by a speedy equalisation of the land-tax.

LVIII. The product of the sinking fund, for the last quarter for which the accounts are made up, was £.832:873. This includes the annual grant of £.200:000 voted in 1792; with the entire amount of which it was, in this quarter, augmented. Hence its annual amount,

without the grant, is £.2:531:492; and as constantly increased thereby £.2:731:492, and by the equalisation of the land-tax throughout the kingdom, an addition of £.1:190:486 would be made to this sum; and the total fund amounts to £.3:921:978: for I have shown in a former work, that there requires to be added to the land-tax of the northern and western counties, £.1:036:916\*, to make their payments proportional to those of the home counties, excluding Middlesex with the metropolis; or that it ought to be extremely nearly doubled to the tax of London and Middlesex, it is matter of universal belief, a considerable addition ought to be made. There are no elements known to me, on which it can be definitively assigned; but probably the augmentation from this source will not be over-rated, if we take the rate of defalcation of the tax, at present, at one half of that of the remote districts: or that the augmentation to be made is equal to half the present payment, £.307:140†, the required addition is therefore taken to be £.153:570; and the total product of the equalisation of the land-tax £.1:190:486 as above.

\* The Alteration of the Constitution of the House of Commons, and the Inequality of the Land-Tax considered conjointly, App. p. 6, No. I.

† Whit. Davenant, v. i. p. 39 table:



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LIX. The three per cents are to be regarded as the standard stock; and their prices rule that of other stocks with a more regulated certainty than is generally imagined, their values are frequently seen to vary by no arithmetical rule, but to depend chiefly upon opinion and confidence; and perhaps no measure can at present tend more to add to their stability in public opinion, than a present increase of twelve hundred thousand pounds to the sinking fund.— The more any thing elevates the spirit of the nation, the more it brings forward the vigour of its character, in time of apparent distress; and the more it surpasses the calculations of expectation, the greater effect it has in the stock-market; and what can fulfil all these conditions more fully, than such an augmentation to the fund, in a war, and at a period when our resources have by many been said to be failing us\*.

\* The price of stock rests much upon opinion; the opinion of national force and superiority of character. But since their sentiments have been exploded, under the name of English prejudices, the sense of national security has given way with them. By the new philosophy it is said to be clearly proved, that, as all men partake of one common nature, of necessity, an Arab must be as bulky as a Belgian, or an Esquimaux as tall as a German, or a Switzer: but a man who does not believe the new lights worth the taxes we pay for them, may still perhaps think that in the same degree as the profoundness of our moralists and mathematicians, as far as it is origi-

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The stock-holders had seen with what rapidity the due application of a small fund of a million, during the last peace, had been able to raise the value of their capitals; and it is to the operation of that fund, not to the amount of the excess of the exports, the rapid rise of stock in that period is chiefly to be ascribed: for, during the peace of 1763, the average of that balance was £.3:166 yearly: we possessed nothing entitled to be called a sinking fund; and on the average, the stocks fell during the whole of the term.— The balance of the last peace was of little more than half that amount: with a fund of a million only, the stocks rose from £.55 per cent. very nearly to par. The debt, it is true, is since greatly increased; but the sinking fund, by this measure, would be increased with much more than double its celerity; and its effects in the

nally their own; or the sublimity, the beauties, the vigour of our epic and dramatic poets and satyrists, exceed those of any other nation; in the same proportion for frequency and degree, do these capacities exist in the unnoted mass of either people respectively, who never come to the exercise of them: and that the like holds true of all other qualities of the mind, courage, generosity, &c. And to me it seems probable, that the different nations of Europe, having had nearly the same rudiments of a constitution to work upon originally, their differences as they now exist, have been principally generated by their characters, rather than their characters by those differences.

market at the return of peace, will probably be equal to what that of a fund of much more than two millions would have been, in the peace of 1783.

LX. Low as the stock market is at present, it is not to be doubted, but the existing sinking fund acts with force, and much force in the support of it; but such an augmentation would have great effect in raising its prices above their present rates; and little doubt can be made, that in the course of the next peace they would rise to par. It has been shown the effect of such a fund would be much greater than that of the last peace; which very nearly carried the market price of stock up to its nominal value. And in this case, according to the equality of chance, it must be admitted, that in ten years, from the adopting of the measure, the three per cents will be at par. To avoid fractions let them be taken to be now at £.50 per cent, I ask whether it would be possible for them to remain so low? This apparently must be answered in the negative.— For the interest of the market at the beginning of this term of ten years, being £.6 per cent, and at the end thereof £.3 per cent, its average will be some intermediate rate, as £.4 1-half per cent. Suppose now Caius to raise £.100 by the sale of £.200 stock; and let it be inquired, at what rate of interest he procures the money?

he transfers to the buyer a perpetual annuity of £.6; also a future profit of £.100, the augmentation of his capital, receivable at the end of ten years: the present value of which, on the day of contract, discounted at £.4 1-half per cent, the mean interest of the whole term, is £.64:39; equal in value to a second perpetual annuity of £.2:879. Thus he grants a value equal to a perpetuity of £.8:897, for the advance of £.100; or, procures money at that rate per cent. Nothing but the most absolute infatuation, or the most imperative necessity, can induce a man to make such contracts. The average interest of the ten years taken at £.4 1-half per cent, if it is taken indefinitely near the lowest rate of the term, £.3, or the highest £.6, the interest given by Caius for the advance to him, would have been £.8:23, and £.9:34 per cent respectively; between which, as limits, the rate on all assumption lie.

LXI. Thus the inequality of the tax affects the nation, not by its simple amount, but by raising the interest of all public loans; and in this respect, the tenantry, the artizans, manufacturers, the merchant, and the monied men of the north and west, are as much oppressed by it, as the overcharged districts, with whom they have, thus far, a common interest in the equalisation. And to these we may add, those landholders,

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who derivè the greater part of their income from other sources.

LXII. I know the immorality of the opinion, that I may, if it be in my power, absolve myself from paying a debt my necessity made me contract, because my situation then compelled me to agree to very high terms; but this is not admitted by the class of people daily growing into effective weight.—The better terms Government is able to borrow upon, so much securer the mass of annuitants will be; and so much narrower the ground on which unprincipled men may raise a clamour against the justice of the creditors claims on the state.—Too much ought not to be said upon this subject. The whole body of stockholders are interested in this equalisation, to stop the decrease of the present market value of their capitals, and, perhaps, to restore to them some considerable part of the value they have lost, and to accelerate the complete restitution of it when peace shall return. The landholders in the distant counties, who have considerable properties in the stocks are themselves highly interested in this measure.—They are not to urge, that they are thus called upon to pay an insurance for the whole; they are called upon to pay a just debt resting on one part of their property, and by the act of payment they insure the other.

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LXIII. Beside the efforts of the public enemy, there is an internal danger threatening this country—levelling and agrarian principles have been fomenting among us, and are widely diffeminated: their adherents are numerous. What enabled the infamous revolutionists of France to strip the landed gentry of all their possessions—to murder, or drive them into exile in the most deplorable poverty? Was it not the inequality of taxation of land, the foundation of their strongest battery? The levellers gained public confidence and power under pretence of attacking this inequality: the proprietors of these lands deferred their sacrifice to justice too long. If they had early in the contest, made a war of popularity upon their enemies, they would have been able to have conducted the general ferment which then took place, and to which they fell the victims, to the noblest ends; if the deputies of the nobility, after meeting in their own chamber, had passed a bill to abrogate the inequality of this taxation, and sent it down to the third estate, they would not have ventured to have rejected it.—Their dangerous ascendant would have been lost, if in order to support pretensions not founded in precedent, they had rejected a substantial relief, the obtaining of which was the best ground they could hold out to the public to justify those new claims.—

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Hereby the right of the nobility to form a separate chamber would have been an act recognised by the third estate, and the government by a king and three estates preserved. The leaders of the democratic faction, will be possibly able to use this exemption with a dexterity as iniquitous, and, perhaps, as fatal, in England, as their allies have done in France.

LXIV. This ill-omened inequality has already cost the empire one civil war: a plan of a parliamentary union between the Colonies and the Mother Country, was drawn up by a gentleman who had visited many provinces of America, and laid before Dr. Franklyn, a considerable time before the rupture,—That acute politician approved the detail of it, as sufficiently liberal in its provision for the weight of the Colonies in the House of Commons, according to the population they had then acquired; yet he rejected it as inadmissible, on account of the injustice he imputed to majorities in that house, even to their own countrymen, which, he contended, to be manifested by this inequality. To annihilate it, would diminish the hazard of a second series of intestine hostilities, far more dangerous than the first, by raising the present price of stock; alleviating future war taxes by reducing the terms on which money is to be borrowed, accelerating the return of confidence in the national strength

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at peace, by a more rapid rise of the funds; and depriving the disaffected in certain counties, of an argument which may be played off with terrible effect there, to involve every thing in confusion.

LXV. I continue to consider this equalisation as “the anchor of national hope;” and it is heartily at this juncture to be wished, when the necessity of this equitable concession is so urgent, the benefits that would result from it so great, that some leading men of the remote districts, in and out of Parliament, would form a junction, and come forward with an offer to establish it. I am sanguine in the expectation they would not be long a minority in their own counties; but some opposition they may there probably encounter.—This would be the best mode in which an event, desired for a whole century by all who had maturely weighed this matter, and regarded the interest of their country, could be brought about; but if their equitable proposition should not be supported at home, still with the accession of the weight of the aggrieved counties, they might form a majority to carry the measure into effect, although the first mode is by far the best, and it may lose half its value for want of celerity in carrying it into execution.

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LXVI. The large party which I am convinced would come in upon this public ground, might strengthen their cause against those who would hold out, by urging, that in effect, their rents having been nearly doubled since the revolution, the charge of the increased payment will exceed what they paid in the pound in the reign of William, by a very minute fraction only.

LXVII. I have very little to add on this head, which I thought I had exhausted some years ago.\* As long as the Northern and Western Counties shall desire to preserve this exemption, so long will their majority in the two Houses have a tendency to be actuated by other interests than those of the country at large, and to produce timidity and indecision in our councils. On the effect of the interest we pay for the public debt, Dr. Price has observed, "it exposes us to particular danger from *foreign* as well as *domestic* enemies, by making us fearful of war,"† and eager to conclude it when entered upon, "without gaining a full indemnification from our enemies, &c. &c."‡ The fear of endangering their favourite exemptions operates

\* It is said it would be unjust to the purchasers since the first levy: this I have considered at full in my tract on the Alteration, &c.

† Rev. Payments, v. 1. p. 207. ‡ Ib. p. 195.

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with many of the inhabitants of those counties in the same manner.

LXVIII. The apprehensions of a formidable descent upon our coast by the Enemy, and that they will be joined by the seditious among ourselves, is, I believe with reason, stated to have occasioned the hoarding of considerable sums of money: but nothing can diminish fear so much as the confidence that every measure is taken to repel danger: nothing could have a greater tendency to produce it, and thereby to bring this coin back again into circulation, than the upper and middle classes of men, and such of their dependents as they could place entire confidence in, embodying themselves and learning the use of arms, and concurring beside in every useful plan of defensive policy military knowledge will suggest to them. Let us recal the lessons which political wisdom and experience have read to us—What is the great lesson which Ferguson wrote his beautiful history of civil society, to hold forth to this and every other nation? when a rich state has long enjoyed security from external hostilities? He has said enough on one branch of this subject in several excellent passages, to spare me the trouble of entering into the argument: I shall transcribe some of them.

LXIX. "If that respite from public dangers and trouble, which gives leisure for the

“ practice of the commercial arts, be continued  
“ into a difuse of national efforts ; if the indi-  
“ vidual not called to unite with his country,  
“ be left to purfue his private advantage, we  
“ may find him become effeminate, mercenary,  
“ and fenfual.”\*

“ A man, who in concert with his fellow  
“ fubjects, contends with ufurpation” (of a  
foreign or domeftic power) “ in defence of his  
“ eftate or his perfon, may in that ftruggle  
“ have found an exertion of great generofity and  
“ a vigorous fpirit ; but he, who under politi-  
“ cal eftablifhments, fupposed to be fully con-  
“ firmed, betakes himfelf, becaufe he is fafe,  
“ to the mere enjoyment of fortune, has in  
“ fact turned to a fource of corruption the ad-  
“ vantages which the virtues of the other pro-  
“ duced.—Individuals in times of corruption  
“ flatter themfelves, that they may continue to  
“ derive from the public that fafety, which, in  
“ former ages, they muft have owed to their  
“ own vigilance and fpirit, and to the exercife  
“ of every talent which could have rendered  
“ them refpected, feared, or beloved.”†

“ Ordinary eftablifhments terminate in a re-  
“ laxation of vigour, and are ineffectual to the  
“ prefervation of ftates ; becaufe they lead

\* Edit. 3. p. 416. † Ib. p. 369.

“ mankind to rely on their arts, inftead of their  
“ virtues, and to miftake for an improvement  
“ of human nature, a mere acceffion of ac-  
“ commodation or of riches.”\* This is true of  
“ all eftablifhments, where the energy of the  
“ upper and middle ranks of the whole mafs of  
“ a nation is not called into actual exercife at  
“ due intervals.

“ It is difficult to tell how long the decay of  
“ ftates might be fufpended by the cultivation  
“ of arts, on which their real ftrength and feli-  
“ city depend : by cultivating in the higher  
“ ranks thofe talents for the council and the  
“ field, which cannot without great difadvan-  
“ tage be feparated ; and in the body of the  
“ people that *zeal for their country* and that  
“ *military character* which enable them to take  
“ a fhare in defending (themfelves) their  
“ rights.”† The miserable, frigid, and ma-  
lignant philofophy of the day tells us the firft  
is prejudice, and the fecond Quixotifm.

“ In the ufe of modern arms, the novice is  
“ made to learn and to praftife with eafe all  
“ that the veteran knows ; and if to teach him  
“ were a matter of real difficulty, happy are  
“ they who are not deterred by fuch difficul-  
“ ties, and who can difcover the arts which

\* Ib. p. 372. † Ib. p. 377.

“ tend to fortify and preserve, not to enervate  
“ and ruin their country.”\*

And of the consequences of such emergencies calling upon a nation, the martial characters of the mass of which has begun to decline, from a long security and the absence of all strong apprehensions of foreign force, we may gather what the opinion of this truly philosophical politician would be, from the following and concluding extract: “When the danger shall be  
“ repelled, they retain the spirit of activity  
“ which was recently awakened, and are equally  
“ vigorous in every pursuit, whether of policy,  
“ learning, or arts.—From having appeared on  
“ the brink of ruin, they pass to the greatest  
“ prosperity.”†

Some reasons induce me to give place here to a passage from a Sermon of that profound reasoner and great divine, Dr. Barrow, to which the extracts I have produced from Ferguson, have the appearance of a commentary, although certainly not such: it is at the end of his 7th Sermon on the Creed:

“ I might consider the benefit that arises (as  
“ in the natural world, from contrary quali-  
“ ties and motions) so in the humane world  
“ even from wars and contentions; how these

\* Ib. p. 385. † Ib. p. 353.

“ rouse men from sloth, brush away divers vices,  
“ ferment and purge things into a better con-  
“ dition; but I will not strive to be so minute  
“ and subtle.

“ Here I shall conclude these sorts of argu-  
“ mentation, inferring the existence of God  
“ from common effects obvious to our sense and  
“ experience, either in the greater world of na-  
“ ture, or the lesser world of man.”—Here he considers certain ameliorating moral effects of war, as common and obvious to our sense and experience, and that the fact is capable of being urged in proof of the most important of truths.

LXX. It is but little I shall add more; arranged and implicated as our transactions in coin and paper are, public spirit and public credit  
“ must enjoy health, or sicken; must revive, or  
perish together.—And, in periods like the present, to the former, the credit of every individual, the circulating value of every the least portion of his property is indissolubly attached: on this, the falling value of the property of the man of the most frigidly degenerate indifference to the public weal, rests as its sole basis. The inhabitant of a town who should refuse his assistance to stop a fire which should break out during a high wind, and threaten to consume it intirely, would act with the same wisdom and the same virtues, as he who should refuse his per-

sonal aid to the public cause at this time. It is in vain such a one may plead that the taxes which he pays are the purchase money of his personal exemption: by the same method of reasoning, if he were on board a ship which had sprung a leak, and there were a necessity of his aid at the pump, to preserve him from sinking, he might refuse it, as being a passenger only, who had paid his passage.

LXXI. Where the embers of public spirit yet survive, though covered over with ashes, fuel may be supplied to it, and it may blaze out again with all its former ardour—where it continues to exist, there always remain powerful and almost infallible means of raising it to its due energy, and of supporting that energy. Some of them were resorted to with success in 1792; but since that time, we seem to have forgotten that there is such an art as that of raising the spirit of a great nation, and directing it to noble sentiments and ends: and every one of its most masterly precepts—every refinement of it not disavowed by moral dignity, should now be brought into practice. This crisis must effect a considerable change in the character of the nation: the desponding sentiment of inferiority, must annihilate the better part of what remains of it, or it will be raised into a firmer and more manly tone: the danger will pass away, and the

sole consequence of the effort which shall be made, will be a restoration of that masculine energy which for more than half a century has been declining by a natural decay from the want of the necessity of exercising it, artificially accelerated by a morbid and hypocritical system of petrifying principles disseminated among us;—the national character will be re-invigorated in the mass of the upper and middle classes, and in the people in general, by being called forth into actual exertion.—By a continuance of those situations which kept it in relative inactivity, it might, and perhaps must in a short period have been totally lost to us; but if we face the times as we ought, we shall find that we are not at the end of our path of prosperity and glory.



*Note on the Debt of the Bank.*

IT was not until after these sheets were written, and sent to press, that I saw an account of the amount of the Debt of the State to the Bank :

The state has a right to expect a due aid from commerce, and every lucrative appendage to commerce. Commerce aids the state by taxes duly proportioned : and that great appendage or instrument of commerce, a bank, by advances proportioned to its ability.

The capital of a bank is divided into two parts : first, fixed capital, the invariable security of the holders of its paper ; and secondly, its circulating or alienable capital ; which furnish its advances to individuals and the state, and carries on its proper commerce as in bullion.

Former experience must have nearly pointed out to the Bank, the proportion the two parts of its capital, to be employed in the two first functions, may bear to one another, with justice to the parties interested, who thus deal with it : in which case, if the state demand more than its proportional share, to be employed for advances to be made to it, it robs commerce of the due advantage it ought to receive from such an institution : on the other hand, if the merchants

find means to obtain more than their proportion; they undermine the resources of the state; embarrassing its operations for an interest primarily their own: in the promoting of which, though the whole society are in some degree benefited (if we look to an immediate increase of wealth only), yet the greater part of the benefit immediately comes to, and ultimately remains with them. And if they shall commence any struggle to obtain the application of more than this proportion of the joint amount of these two parts of the circulating capital of the bank to their exclusive use, they begin the war of private against public interests; for whatever part of the public they are, their interest is still private with respect to the whole.

In every war, the demands of the state and the foreign merchants for supplies from the bank, will be as the annual amount of their monied transactions. In the last four years of the last war, the average debt to the bank was £.6:918:564: and in the first quarter of 1783, an additional advance of about £.600:000 was made by that company, on the credit of the future product of the sinking fund. In January 1783, the debt to the bank was therefore £.7:518:564; on March 2d, 1796, that debt was £.11:132:000: As it does not appear to have been at all increased since April 1793, it

seems reasonable to expect, that the transactions between the bank and the state would be proportioned to the revenue of the latter. From the beginning of 1783, to the end of 1792, the public income increased from £.10:194 to £.14:284; the war has since greatly augmented the latter sum. The debt, therefore, to the bank, does not exceed that at the end of last war, in proportion to the increase of our revenues: it is relatively less.

The demand on the bank for advances from the merchants, at two different periods, when trade is either stationary, or increasing with the same celerity, will be (*ceteris paribus*) as the annual amount of our trade during each: that is, a double trade will generate a double demand; and so for any other proportion. But if it be more rapidly increasing at one period than at another, the great call for money for new capital, will make the application to the bank for discounts and other accommodations, more pressing, and multiplied: and the demand will increase with more celerity than in this proportion; although the bank make no variation of the circumstances under which it grants them. Thus, in the four last years of the last war, the average annual sum of the exports and imports was £.21:919: or the total transactions for foreign trade at the bank was as that sum, and was

nearly stationary. In four years of the present war, ending with 1796, the average sum of our imports and exports has been £.48:227; and if our trade had been alike stationary, the demand for discounts at the bank, on account of foreign commerce, would have been increased in the proportion of £.48:227 to £.21:991: but in the latter part of the term, our foreign commerce increased with unprecedented celerity; and in the last year the amount of the exports and imports was £.55:243.

The demand upon the bank for money on this account, was therefore, in that year, much beyond the proportion last assigned; and although that from government has increased, that for foreign commerce has increased with greater celerity. How far the wisdom of the state may determine it to limit the former, I cannot tell; but perhaps it is to be wished that no measures will be embraced, that will have a tendency to assist in fixing a monopoly of commerce here; which will utterly subvert that wholesome balance of power, which ought to be preserved between the landed, the trading, and the monied interest; and may ruin the manners, and constitution of this country: We now see enough of the miseries in which the effort to attain what they called a *colossal fortune* has involved a great nation; and the evils its delirium of folly

and crime have brought upon half the remainder of civilized society, to be a warning to us; not to attempt the same thing in another way; and to convince us that a moderate progression in prosperity is the most enviable state any generation of men can enjoy.

*Note II.*

In the determination of the rate of interest made by purchasing the Three per Cent. stocks at 50l. (to copy the popular modes of estimation as far as possible) simple interest is only reckoned: for a computation on just principles, the annuity obtained by 100l. stock, 3l. should have been supposed to have been improved at compound interest ten years, the time in which the stock is taken to rise to par; and at 4l. 10s. per cent. the mean rate of the said term; its amount thus would be £.36:873, or with the value of the capital at the sale, £.100, the purchaser may be in possession (if he pleases) of £.136:87, for the advance of 50l. forborn ten years, or make £.10:59 per cent. of his money. It would be easy to prove, by a demonstration *in form*, that the real rate is to be determined by compound interest only.

*Note to Section 35.*

A change of our system of commerce to North America, took place during the last peace, which on the whole, produced some disadvantages to the nation: the manufacturer no longer sold his goods to the exporting merchant, but mostly became the exporter himself; not managing this branch of business so well as the merchant, whose only care was directed to it, he suffered considerable losses.—Of this change, no idea was entertained when this Section was written; but it will not affect what is there laid down. These losses are of a capital, for which no returns at all were made; it was not therefore returned at a period either sooner or later than two years and a half, the distance there laid down, and consequently does not affect the justice of the term assigned.

Upon the hypothesis that the funds will rise to par at the end of ten years; and that the rate of interest will so vary, that it may be taken, for the whole term, at the arithmetic mean of its first apparent rate, be it what it may; and its last, at the end of ten years, or 3l. per cent.; the effective interest made by purchase at several rates in war, will be as in the following table:

TABLE.

Rate of interest at purchase per cent	6:00	5:50	5:00	4:50	4:00	3:50	3:00
Price of Three per Cents. - - - -	50:00	54:54	60:00	66:66	75:00	85:71	100:00
Mean interest of 10 years - - - -	4:50	4:25	4:00	3:75	3:50	3:25	3:00
Amount of ann'y 3l. for 10 years - -	36:87	36:44	36:01	35:60	35:20	34:79	34:38
Value receivable at sale 10th year -	136:87	136:44	136:01	135:60	135:20	134:79	134:38
Advance as unity value received as	2:737	2:501	2:266	2:034	1:802	1:572	1:343
Rate of interest made by purchase	10:59	9:60	8:52	7:35	6:06	4:63	3:00

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*Note on Section 36.*

If we have the quantities of an article of the first necessity produced in a given series of years, and their mean prices for those years, supposing them to have differed very much in plenty and scarcity, having given its price in any other year, the quantity may be determined by the differential calculus, and *vice versa*.

Malt is the article of this description the most proper for the operation I know, as the quantity annually made is determined by the product of the tax in successive years, or at least the variation of the proportion of that quantity, which for this operation is as sufficient.

It was from the prices and quantities of malt in four different years, thus treated, that I conclude Mr. Gregory King deduced the following equation by the method of differentials— $y = 10 \times 2 \frac{1}{3} x \times \frac{1}{2} x x \times \frac{1}{6} x x x$ , where the ordinary product being as 10, and the price as 10, and the quantity in a scarce year as  $10 - x$ , the price will be as  $y$ ; for from that equation the

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following series, given by Davenant, are generated quantities, as 10 .. 9 .. 8 .. 7 .. 6 .. 5  
 Prices - 10 .. 13 .. 18 .. 26 .. 38 .. 55  
 1st Differences 3 .. 5 .. 8 .. 12 .. 17  
 2d Ditto - 2 .. 3 .. 4 .. 6  
 3d Ditto - 1 .. 1 .. 1

The continuation of the two series each two terms beyond the fourth, proves the equation to have been deduced by him by this method, and the vestiges of like operations are discernible in many other of his calculations. If we multiply each term of the series of quantities produced by that of the series of prices standing under it, the products will be expressed by the series 110, 144, 182, 228, 275, which will be as the total selling price of the product of the year, when its quantity is of any of the amounts given; which selling price will be nearly as the capital required to circulate it.—The illustration in the article referred to, is taken from the 4th of these products.

*By the same Writer.*

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