[002_049]

CIRCULATING ANNUITIES:*

exhibiting a Plan

For the creation, circulation and payment, of a proposed new species of Government Paper Currency under the name of *Annuity Notes*:

of which the object is—to afford facilities which are not afforded by Stock Annuities, or any other of the existing Government or other Securities, public or private, for the investment of small, temporary or fluctuating sums; whereby Money may be obtained by Government at a reduced rate of interest: The price of Stocks raised, and uniformly supported: the reduction of the rate of interest on the National Debt accelerated at the same time with the redemption of the principal: a neat addition made to the mass of National Capital, the ever-encreasing source of National Income: Frugality promoted among individuals of all ranks and denominations: the means, of providing for futurity upon the securest terms, placed for the first time within the reach of the inferior orders: and their attachment to the established Government (the basis of national security and tranquillity) strengthened by new ties.

NOTE TO TYPESETTERS: Please begin new recto.

* [Editor's Note: The work presented here is the closest it has been possible to come to the text as intended by Bentham in the summer of 1800, before he focused on producing the précis of the work 'Abstract or Compressed View of a tract intituled CIRCULATING ANNUITIES' from the beginning of August 1800. Since the only detailed contents and plan of the work overall relate to the précis rather than the unabbreviated work, Bentham's intentions regarding the organization of the latter remain unclear. The work as presented comprizes the text of nine chapters, which were all almost certainly all drafted between January and October 1800. The final three chapters are unnumbered, reflecting Bentham's uncertainty over ordering. Specific dates can be assigned to six of the chapters as follows: Ch. II (January 1800), Ch. IV (July 1800), Ch. V (May–June 1800), Ch. VI (May and July 1800), Ch. |^|. Addition to Wealth (October 1800), Ch. |^|. Rise of Prices—how to be obviated (October 1800). In relation to the two last, Bentham appears to have written discrete drafts at around the same time intended respectively for the unabbreviated work and the précis.]

Chapter I.

[002_378]

Plan

For the Constitution, Eventual Extension, Emission, and Payment, of a proposed new species of Government Paper, under the name of Annuity Notes

I. *Constitution*

Article 1. That there be issued,**{1}**[1] from his Majesty's Exchequer, in whatever quantity it shall be applied for by purchasers on the conditions herein after mentioned**{2}**[2] through the medium of such *Local* or *Sub-Offices* as are herein after mentioned,**{3}**[3] and the INTEREST or *dividends***{4}**[4] paid, in such manner as is also hereinafter mentioned,**{5}**[5] a competent number of transferrable promissory Notes,**{6}**[6] of such value or values respectively as is herein after mentioned,**{7}**[7] to be termed *Annuity-Notes*: importing, each of them, the grant of a perpetual redeemable Annuity,**{8}**[8] payable to the Purchaser or other Holder of the Note: in consideration of the *principal* sum, on the repayment of which such Annuity is made redeemable, and which accordingly constitutes the denominative *value* or *Principal* of such Note:**{9}**[9] such interest to be paid Yearly,**{10}**[10] immediately after the expiration of each year.

[002_379]

Art. 2. That the interest be capable of being computed daily,**{11}**[11] as in the case of

---

[1] The bold numerals in braces refer to Bentham's notes to this section, which appear after the text at pp. 000–000 below. For the text of this note see p. 000 below.

[2] See p. 000 below.

[3] See p. 000 below.

[4] See p. 000 below.

[5] See p. 000 below.

[6] See p. 000 below.

[7] See p. 000 below.

[8] See p. 000 below.

[9] See p. 000 below.

[10] See p. 000 below.

[11] See p. 000 below.

Exchequer Bills:—that the daily interest allowed upon the *Standard Note* (so termed with reference to any smaller or larger Notes that may come eventually to be added to the currency upon the same principle) be a farthing:**{12}**[12]—and that the principal or denominative value of such Standard Note, be £12. 16$^{s.}$ Yearly interest, 3 per cent nearly:**{13}**[13] a small sum being added to the principal for the sake of making the sums the more even, especially at the bottom of the scale.**{14}**[14]

[002_380]

Art. 3. That, each Note contain on the face or back of it a Table, whereby the value of it as encreased by Daily Interest may be seen for every day in the Year by simple inspection;**{15}**[15] also a Table whereby, in case of forbearance to receive the interest, the value of it, as encreased by Daily Interest added to Yearly interest so forborne to be received, may be seen for any number of years by a single addition;**{16}**[16] together with an indication, by means of which it may be seen (also by simple inspection) for what number of years, if any, the Interest continues unreceived.**{17}**[17]

[002_381]

Art. 4. That the Interest on each note, whenever issued, commence at the first day of each Year of our Lord: and that on Notes issued the several days after such first day, the interest to the day of issue be added to the purchase-money.**{18}**[18]

Art. 5. That the public faith be pledged, that no such Annuities shall ever be issued at a less price, (i:e: so as to bear a greater rate of interest) than the first issue:**{19}**[19] and accordingly that as often as money comes to be raised at a higher rate of interest by

---

[12] See p. 000 below.

[13] See p. 000 below.

[14] See p. 000 below.

[15] See p. 000 below.

[16] See p. 000 below.

[17] See p. 000 below. Bentham cancelled the following paragraph at this point: '7. That the rate of interest allowed be at all events inferior **{2}** to that at which Government would have to raise money at the time, by the creation of Stock in the accustomed mode:—the *difference* being the consideration—and (so far as the interests of *finance* are concerned) the *sole* proposed consideration—which can afford any inducement to Government to betake itself to this new mode of buying ready money with Annuities.'

[18] See p. 000 below.

[19] See p. 000 below.

perpetual Annuities, it shall be by the creation of Stock Annuities &c. as at present.**{20}**[20]

Art. 6. That another condition be, that at that price the issue shall be open so long as any of the redeemable Stock Annuities existing at the commencement of the issue continue unredeemed.**{21}**[21]

Art. 7. That another condition be, that such Note Annuities shall not be liable to be paid off till the whole mass of Stock Annuities, existing at the commencement of the issue, shall have been paid off.**{22}**[22]

Art. 8. That the money thus raised be carried to the existing Sinking Fund for the extinction of the National Debt.**{23}**[23]

Art. 9. That for every £3 a Year Annuity thus created, an equal portion of Stock Annuities bought in shall be extinguished, and the difference only kept alive and added to the said Sinking Fund.**{24}**[24]

[002_382]

Art. 10. That, at the outset, no other Note be issued than the standard Note with or without the half of it.**{25}**[25]

Art. 11. That by degrees the series of Notes be extended downwards, each successive Note being the half of the one immediately preceding it, until it has descended to the level of the lowest price of Silver Coin in common currency, viz. sixpence.**{26}**[26]

Art. 12. That the Notes having for their respective denominated values sums not exceeding the amount of the largest silver coin in use (viz: 5^{s}) be distinguished by the appellation of Silver Notes: all above that value being for the same purpose termed Gold Notes; and that to facilitate the separation a corresponding peculiarity of colour be given to

[20] No corresponding note has been identified. The following paragraph is in the hand of a copyist.

[21] See p. 000 below. The note-marker has been editorially supplied.

[22] See p. 000 below.

[23] See p. 000 below.

[24] See p. 000 below. Articles 10–14 are in the hand of a copyist with emendations by Bentham.

[25] See p. 000 below.

[26] See p. 000 below.

the *paper* of the *Gold Notes*.**{27}**[27]

Art. 13. That, moreover, as convenience may suggest, the series be extended, to a correspondent length or otherwise, upwards;**{28}**[28] in which case the whole series will consist of nine *terms* below the standard Note, and as many *above* it: total 19; having *two* for their common difference, values as by the annexed Table.[29]

Art. 14. That, when the credit of this Paper has been fully established,[30] and Notes of a magnitude competent to the payment of large Sums have been taken out, and introduced into the circulation, Notes already taken out by individuals be received (as Bank Notes are at present) at the several Government Offices, and reissued from thence, in the way of circulation, as they would be between individual and individual, charged with the intervening interest,**{29}**[31] to as many as may think proper to receive them at that value.

[003_061]

Art. 15.[32] That the local Offices**{30}**[33] from whence it be issued be the several Local Post Offices in Town and Country, with the eventual addition of any of the other existing local Government Offices, in such number as may be adequate to the demand.[34]

[002_382]

Art. 16. That (to save trouble in the issue of the smaller Notes, especially the *Silver*

---

[27] See p. 000 below.

[28] See p. 000 below.

[29] No such 'Table of Annuity Note Currency' survives in MS. For the Table printed in 1800 see between pp. 000 and 000 below. [To pdf 'Table of Annuity Note Currency']

[30] A note-marker appears at this point in the text, but the passage cited in the note corresponding to the following note-marker (p. 000 below) reads {.^.^. *Credit* .^.^. *fully established* .^.^. *charged with intervening interest*'}, and thus includes the note-maker.

[31] See p. 000 below.

[32] This Article does not appear in the text and is reproduced from the marginal contents sheet for this chapter at UC iii. 61, where it appears beside the corresponding marginal content. For further details see the Editorial Introdution, p. 000 above.

[33] See p. 000 below.

[34] The following Article is in the hand of a copyist with emendations by Bentham.

Notes)[35] Government reserve to itself the power of fixing the *least* quantity of Annuity-Note Money which an individual shall be admitted to take out at once,**{31}**[36] as also to prescribe the *composition* of that quantity, leaving it, however, to the customer to choose a composition as far as it is a matter of indifference.**{32}**[37]

[003_061]

Art. 17.[38] [That Government reserve to itself the power of fixing] also the fee to be paid by the purchaser on the emission of each note**{33}**[39]—and the fee on exchange of an old for a fresh Note:**{34}**[40] and to call in Notes to be exchanged.**{35}**[41]

[002_383]

Art. 18. That periodical accounts be published of the progress of the issue,**{36}**[42] as promptly and regularly, and circulated as extensively, as the prices of Stocks are at present, under heads expressive of the *day*, the *place*, the *number* of Notes of each *magnitude*, and the *total amount* issued on each day at each place, together with the *increase or decrease* of the amount, as compared with former periods, and any such any other particulars as may be of use.**{37}**[43]

[002_384]

II. *Eventual Extension*

Art. 19. That, if by this and other means, 3 per Cent Stock Annuities should ever have

[35] Bentham inserted a note-marker at this point, and in the margin noted ‘Explanation’. No corresponding note has been identified. Bentham in fact explained what was meant by ‘Silver Notes’ in note **{26}** to Art. 11, pp. 000–000 below.

[36] See p. 000 below, where Bentham combined notes **{31}** and **{32}** in a single note.

[37] No corresponding note has been identified, but see the preceding note.

[38] This Article does not appear in the text, and is reproduced from the corresponding marginal contents sheet for this chapter at UC iii. 61.

[39] See p. 000–000 below.

[40] See p. 000 below.

[41] See p. 000 below. The following paragraph is in the hand of a copyist, with emendations by Bentham.

[42] See p. 000 below.

[43] No corresponding note has been identified. In the margin, Bentham has noted: ‘Reasons for each head it [i.e. the periodical account] *contains*.’

risen to par, **{38}**[44] the produce of the issue of Note Annuities be thereupon applied to the *paying off*, instead of *buying in*, **{39}**[45] Stock Annuities—and so *toties quoties*, buying in, whenever they are *under* par, paying off, whenever they are *at* or *above* par.

Art. 20. That (inasmuch as the paying off Stock Annuities will lead to a rapid and almost immediate conversion of the whole amount into Note Annuities) **{40}**[46] immediately upon the completion of such conversion the issue of Note Annuities be discontinued. **{41}**[47]

Art. 21. That if, on the cessation of the issue of Annuity Notes, such Note Annuities (now by the supposition become the only redeemable Annuities remaining) should come to bear a *premium* to a certain amount, **{42}**[48] a fresh issue be emitted at a proportionably reduced rate of interest, **{43}**[49] and the produce thereof be applied to the paying off the Annuity Note paper of the first issue: **{44}**[50]—and so *toties quoties*. **{45}**[51]

[002_386]

Art. 22.[52] That, to preserve the operation of the existing Sinking Funds undisturbed, provision be made for replacing the amount of the reduction, upon each mass of Note Annuities so reduced, from the time the same shall have been taken into the hands of the Commissioners of the Sinking Fund: and accordingly that for every £100 worth of Annuity Notes of the second issue so redeemed and taken in, there be appropriated a perpetual Annuity of 11^{s} 10^{d}¾, being the difference between £2. 19^{s} 4^{d}¾ (the interest per Cent upon the first issue) and £2. 7^{s} 6^{d} (the interest upon the second issue): in the same manner as, for every £100 of capital created, a like annuity of £1 is appropriated and made payable under

---

[44] See p. 000 below.

[45] See p. 000 below.

[46] See p. 000 below.

[47] See p. 000 below.

[48] See p. 000 below.

[49] See p. 000 below.

[50] See p. 000 below.

[51] See p. 000 below.

[52] MS ‘21’. Bentham almost certainly wrote this and the following two articles in August 1800 for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. For further details see the Editorial Introduction, p. 000 above. The numeration of the following two articles has been silently corrected.

the existing Act {32 G. 3. ch. |^^^|}[53] to the New Sinking Fund.

Art. 23. That, immediately upon the redemption of the last parcel of Note Annuities of the first issue, the Offices be *again* opened for the emission of a 3[d] issue, at the next lowest rate of interest, suitable to the nature of Note Annuities on which interest is computed daily, say 1½ per Cent nearly: viz: by raising the price of the Standard Note from £16 to £25. 4[s]: the produce thereof to be appropriated to the redemption of the Note Annuities of the second issue, as above: with like provision, as above, in favour of the Sinking Funds: and so *toties quoties*, in as far as any such further reduction shall be deemed eligible.[002_387]

Art. 24. That inasmuch as, so long as any portion of the redeemable Annuities remains unextinguished, there will remain two parcels of Annuity Note paper bearing two different rates of interest, provision be made, that in case of the creation of any fresh portion of Capital in Stock Annuities at any time thereafter, in consequence of money borrowed for the support of a War or otherwise, powers for issuing Note Annuities to the extent of the capital so created, and at the rate of interest allowed by the then last issue of Note Annuities, shall revive.

NOTE TO TYPESETTERS: Please insert a short rule, centred, followed by a line of space.

Notes

NOTE TO TYPESETTERS: Please centre the following subsection title.

I. *Constitution*

[002_388]

{1} Art. 1. p. 000. {*That there be issued*}.[54]

[53] i.e. the Reduction of National Debt Act of 1792 (32 Geo. III, c. 55).

Issuing supposes purchasers—persons paying for it at the price set upon it, and so *taking it out in the way of issue*. That there can be no want of such purchasers, is matter of full assurance, the grounds of which will be stated, when the terms of the transaction, i:e: the particulars of the constitution of the proposed paper, have been sufficiently explained. See Ch. 4.[55]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{2} Art. 1. p. 000. {*In whatever quantity*}.

For the reasons why the quantity is left thus unlimited, see the Notes to Article 5.[56] A main object of this currency being to accelerate the extinction of the existing Stock Annuities upon advantageous terms, the Emission of it is proposed to continue [so long] as it can find purchasers upon the terms specified, never ceasing so long as any part of the existing mass of Stock Annuities remains alive.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{3} Art 1. p. 000. {*Local or Sub-Offices*}.

What Offices are here meant, and why, see in the Note to Art. 15.[57]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{4} Art 1. p. 000. {*Interest or Dividends*}.

Where the amount of interest is fixed as here, *interest* and not *dividend* is the term adapted

---

[54] Bentham usually supplied a quotation from the text at the beginning of each of note. The quotation has been editorially supplied in this case and others where where he failed so to do.

[55] See pp. 000–000 below.

[56] See p. 000 below.

[57] See pp. 000–000 below. Bentham has crossed through his original reference to '§ III. Emission. Art. 15', for which see Appendix A, p. 000 below.

to the case: the word *dividend* was originally employ'd in the case where the sum to be divided each year was liable to variation, as in the case of the profits of a trading company such as the Bank and India Companies are still, and the South Sea Company was at first.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{5} Art. 1. p. 000. {*Paid* .^.^. *as hereinafter mentioned*}:

viz: through the medium of the same *Local* Offices from whence the Annuity Notes are issued to Purchasers. To avoid overloading a paper already but too bulky, the details of the system of *payment*, any more than those which concern the mode of *emission*, are not given *at present*: they have, however, been considered; and, should they ever be called for, they will be added in the form of a *Supplement*.[58]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{6} Art. 1. p. 000. {*Transferable* .^.^. *Notes*}.

i:e: the property of them transferable from hand to hand, by simple *delivery*, as in the case of *Exchequer Bills*, *India Bonds*, *Bank Notes*, &c., and without those formalities which have been made requisite in the case of the existing *Stock Annuities*.

[002_389]

Question.—Why transferable?—*Answer*. To exempt the proposed *new* species of Annuity from those *formalities*, the expence and trouble of which serve as an insuperable bar to the purchase of *Stock Annuities*, in sums *under* a certain magnitude, and thereby shut the door of the Stockmarket altogether against those who would otherwise form the *most numerous* class of customers. See below Ch. 4.[59] *Objection*.—If the transfer be exempted from these formalities, the property will not be sufficiently secure. *Answer*. In the case of

[58] For Bentham's discussions of both emission and payment, probably drafted in November 1799, when he was assuming that the face value of his standard Annuity Note would be £6 6s., but left unrevised after he changed that value to £12 16s., see Appendix A, pp. 000–000 below.

[59] See p. 000 below.

Bank Notes, the transfer is exempt from these and all other formalities: but this exemption does not hinder the property in Bank Notes from being universally regarded as sufficiently secure. Were the transfer of Bank Notes to be subjected to these formalities, the value of Bank paper, would, instead of being encreased by the change, be very much diminished, not to say destroy'd. In instances that have been reported to me, Bank Notes have been issued in sums as large as £10,000 in one Note. £1,000 Notes are not uncommon.[60]

[002_390]

The case of *Exchequer Bills*, and that of *India Bonds*, afford two other examples: not to mention that of Navy, Transport, and Victualling Bills, and Ordnance Debentures.

In Ireland, no such thing as Stock-Books are known: the whole of the National Debt, to the amount of 25 Millions or more, rests on no other evidence than that of a transferable instrument, in the nature of an Exchequer Bill, called a Debenture.[61]

The form of the Irish Debt in this respect, being the most recent case, affords a proof grounded on experience in favour of an engagement evidenced by a transferable

---

[60] Between 1694 and 1725, the Bank of England produced part-printed bank notes, to which a clerk added by hand the name of the payee, the date, and the amount. Part-printed notes for the denomination of £1,000 were issued between 1725 and 1745. See A.D. Mackenzie, *The Bank of England Note: A History of its Printing*, Cambridge, 1953, pp. 16 n., 156, and D. Byatt, *Promises to Pay: The first three hundred years of Bank of England notes*, London, 1994, pp. 12, 21–2, 29.

[61] Bentham's assertions are not completely inaccurate. The Irish funded debt was initially made up of debentures, first issued in 1715 when the Irish Parliament, alarmed by news of the Jacobite rebellion in Scotland, approved a loan of £50,000 at 7% interest, for payment of which new duties were instituted in 1717. Periodic further issues followed at varying rates of interest, but standardly in denominations of £100, and in 1759 debentures became fully transferable. In 1789 the total of Irish debentures stood at £1,145,400, carrying a reduced interest of 3½ or 4%, while from 1779 the Irish government also issued Treasury Bills, the debt in which stood at £682,383 by the same date: see R.V. Clarendon, *A Sketch of the Revenue and Finances of Ireland and of the appropriated funds, loans and debt of the nation from their commencement*, London and Dublin, 1791, pp. 70–5, 93–143, and Appendices Nos. I and II, pp. xxii–xxviii. By the end of 1799, however, Irish public debt had increased to almost £25,662,640, of which only £7,172,740 was in the form of debentures, while £15,934,550 was in the form of government stock, £1,455,550 in Treasury Bills, and £1,100,00 in other forms of annuity: see 'Accounts and Papers relative to The Commerce, Revenue, and Expenditure of the Kingdoms of Great Britain and Ireland', 2 April 1800, p. 108, in *Commons Sessional Papers of the Eighteenth Century*, cxxx. 19–133, at 126.

A set of Bentham's 'Queries relative to Irish Debentures and d° Treasury Bills' (May 1800), is at UC iii. 14.

instrument, in contradistinction to a fixed Register. The preference given in England to a fixed Register is grounded on usage: which usage would probably be found to have taken its rise either in accident, or in circumstances of occasional convenience that do not now exist. In the early stages of the public debt, the capital was advanced to Government, [and] the correspondent Annuities purchased of Government, by incorporated Companies (the Bank and the South Sea) who were *trading* Companies. Being trading Companies, on purchasing a share in the partnership, a man's name was entered in the books as a partner, as in the case of a private partnership. The contrivance of employing a transferable instrument, to serve as evidence of the possession of a right of this sort, would perhaps be found to have been an invention of more recent date, an improvement upon the original practice. But to speak correctly on this subject would require such research as, with reference to the present proposal, would be of more curiosity than use.—For the advantages which a transferable instrument of this kind may be made to possess in this respect in comparison with an entry in a fixed Register, see that passage in the next Chapter in which the reasons for rendering an Annuity Note divisible are explained.[62]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_391]

{7} Art. 1. p. 000. {*Of such Value or Values &c.*}.

See Art. 2, 10, and 11.[63]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{8} Art. 1. p. 000. {.^.^. *Promissory Notes.* .^.^. *Grant of an Annuity*}.

Shall the instrument wear a *promissory* aspect, as in the case of a Bank Note, or a *declaratory* aspect, as in the case of an Exchequer Bill?—Both come to the same thing—the difference is not worth discussing here.

[62] i.e. Ch. II, and especially notes **{1}** and **{21}**, pp. 000 and 000 below. [To pdf 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest', and UC ii. 104–6 and 124]

[63] See pp. 000, 000, and 000 above respectively.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{9} Art. 1. page 000. {*Denominative value or Principal*}.

For example, one of the preferred Notes is a £12. 16^{s} Note: £12. 16 then, is without dispute its *denominative* value, since it is the value which is ascribed to it, and by which it is denominated. On enquiry, it will also be found to be its *true* value, inasmuch as, by the terms and nature of its constitution, the *exchangeable* value of it can never (it will be seen) be in any considerable degree, till the arrival of a distant and uncertain period, *greater* than the £12. 16: nor ever in any degree *less*.

This sum may also be termed the *principal* of the Note: since it is on the receipt and in consideration of this sum, in money, considered as principal money, that the *interest* or *annuity* is proposed to be granted: and this, moreover, is the sum that will be to be paid should the Annuity ever come to be redeemed.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_392]

{10} Art. 1. p. 000. {*Interest* .^.^. *paid Yearly*}.[64]

Question. Why *yearly* only, and not (as in the case of the existing Stock Annuities) *half-yearly*?

Answer. The Advantages resulting from a single time of payment appear considerable: no disadvantage of a nature to lessen the value of the paper, or obstruct the circulation of it.

Advantages resulting from *Yearly* payment, in contradistinction to *half-Yearly*—

1. Lessening by one half the time and thence the expence of Clerks employ’d in payment.

[64] MS add. ‘or Half-Yearly’. Bentham almost certainly made this addition in August 1800 in preparation of ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’. At the same same time presumably, he crossed out the following two paragraphs which assumed yearly payments.

2. Profit or saving by *interest forborne*: amounting to a half-year's interest upon half the amount of each year's dividend: viz: upon every million of capital, or £30,000 of Annuity, the interest of £15,000 for half a year.[65]

3. Tables of *daily and Yearly encrease of value* are hereinafter proposed to be printed on the back of the Note: (See Art. 3). Tables of this sort adapted to Yearly interest are accordingly exhibited in the Form of a proposed Annuity Note hereinafter presented to view. On the half-yearly plan, Tables for this purpose would occupy double the space, and be productive of complication in other respects.[66]

4. The interest proposed to be allowed to the Note-Holder, being all clear gain to him, Government will therefore be at liberty on the point in question, as well as other subordinate points, to prescribe its own conditions.

5. In notes below a certain magnitude, the disadvantage to the annuitant or Note-holder will vanish altogether: because the trouble of receiving being the same whether the note be large or small, the smaller the note, the greater ratio will the trouble of receiving bear to the advantage of an earlier and more frequent receipt.[67]

[002_393]

6. Yearly or half-Yearly, there are many cases in which the probability is, that it would not be applied for at the *Government* Offices: inasmuch as it would be receivable with less trouble, by the individual *who* passes it, from the *individual to whom* he passes it, as is the practise in the case of Exchequer Bills, Navy and Victualling Bills &c. and India Bonds.

On the other hand, were these Annuities ever to take the place of the Stock Annuities, and so become the only redeemable Government Annuities, (an event which it

---

[65] Bentham almost certainly redrafted the following paragraph in August 1800 in preparation of 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'. The text follows MS orig. to maintain consistency with his ensuing statement that the Form of a proposed Annuity Note had originally assumed yearly payment: see p. 000 below. Bentham's substituted paragraph was as follows: 'The computation will be less complicated, and the quantity of Letter-press requisite to exhibit it, less copious, on the Yearly than on the Half-Yearly plan. See the difference between the two plans in the proposed *Form of an Annuity Note*, as given in the annexed Table.'

[66] See p. 000 below.

[67] The following two paragraphs are in the hand of a copyist with emendations by Bentham.

will be seen is regarded as a probable one) the retardation when thus become universal might perhaps be found productive of a serious degree of inconvenience.

The case seems to be, that if the interest were made receivable half-yearly, and the operation of receiving were rendered as easy as it is capable of being rendered, the disposition to forbear receiving the interest would be very general, especially upon small notes: and that in that case, although it were made receivable half-yearly, it would neither be received half-yearly, nor so much as yearly: although if there were no possibility of receiving it so frequently as half-yearly, the unfrequency (compared with the existing practice in the case of the existing Stock Annuities) might operate as a considerable obstacle to the currency of the proposed paper. An idea that naturally presents itself in the first place, is—that the most effectual way of rendering it a common practice to forbear receiving the interest, is to render the operation of receiving it a *troublesome* one. But, upon a second thought, it will appear, not only that this is the way to hurt the currency of the paper, but that a directly opposite course has a much stronger tendency to be productive of the [002_394] effect desired. When a Note has a long arrear of interest outstanding upon it, a man will be the better disposed to take this Note, paying for it upon the expected and customary footing, in proportion to the quantum of the interest, the better assured he is of being able upon occasion to get it off his hands upon the same terms: but his chance of doing so will (it is evident) be encreased—not diminished—by whatever degree of facility has been given to the operation in the course prescribed for obtaining payment at the Government Offices. If this mode of receiving the interest is not cleared of every difficulty of which it is possible to divest it, the consequence may be—not that men will purchase the paper, and submitt to the difficulty—but that, in consideration of the difficulty, they will forbear to purchase.

As to the question between half-yearly and yearly payment, the truth is, that at a time when the yearly plan presented itself to me as the most eligible one, the example of Exchequer Bills was before my eyes, and my expectation under the head of extent went little beyond that instance. Under a view thus limited, the additional degree of bulk and complication which it would be necessary to give to the Table proposed for the back of the Note[68] formed of itself a conclusive objection against the *half*-yearly plan. It is accordingly to the Yearly plan that the proposed Tables have been adapted. On the first intro[002_395]duction of the system, perhaps, the Yearly plan might on that account be the

[68] See p. 000 n. above. [To note to UC ii. 392]

preferable one upon the whole, but as it came to be extended, complication in this respect as in others might become necessary, and, if introduced gradually, might be introduced without any very sensible inconvenience.[69]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{11} Art. 2d. p. 000. {*Interest* .^.^. *daily*}.

Question. Why *daily*? *Answer*. The great recommendation of this Paper is the enabling the Holder to pay himself for the holding it, and pay himself to the utmost, by making advantage of every the minutest portion of time: communicating thereby to the proposed source of Income (temporary or permanent *ad libitum*) an advantage which hitherto has been confined to the purely temporary source of income, afforded by Exchequer Bills, Navy &c. Bills, and India Bonds.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_396]

{12} Art 2. page 000. {*Daily Interest* .^.^. *upon the standard note* .^.^. *a farthing*}.

1. A farthing, as being a sum having a species of real money in actual circulation to express it: 2.—a farthing, as being the smallest piece: 3. the smallest piece, as being adapted to a Note of the smallest size capable of affording, at the proposed rate of interest, an interest thus expressed: 4. the smallest of all such sizes being preferred for the *standard* or experimental size, as being adapted to the pecuniary faculties of the greatest number of customers.

Exchequer Bills specify, upon the face of them, the daily interest: the amount of which, upon the £100 or Standard Bill, is at present 3d½.[70] Amount of *interest*, exactly *14*

[69] The following paragraph is in the hand of a copyist with emendations by Bentham.

[70] See, for instance, the Loans of Exchequer Bills Act of 1799 (39 Geo. III, c. 71, § 4). Bentham copied the text appearing on the face of Exchequer Bill Nº 17,545, issued in 1794 and paying a slightly lower rate of interest, at UC i. 634c: ‘This Bill entitles the Bearer to One hundred Pounds with Interest after the rate of threepence by the Day for the sum Payable out of the first Aids to be granted for the Service of the Year

times as much as in the present case. Amount of *principal*, not quite *8* times: the yearly interest allowed at present by *Exchequer Bills* being £5⅓ per Cent nearly; on the proposed *Annuity Notes*, not quite 3 per Cent.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{13} Art. 2. p. 000. {*3 per Cent nearly*}.

Neglecting fractions too small for payment, the deficiency is no more than three farthings upon 92^{d} = $7^{s.}$ 8^{d}: which sum is the full *interest*, upon the Standard Note having £12. 16^{s} for its principal: upon the *principal*, no more than 2^{s} 6^{d}. For a mass of interest, worth, at 3 per Cent, £12. $13^{s.}$ $5^{d.}$ 3^{f}⅔ and no more, a man pays £12. 16^{s}: extra charge, less than $2^{s.}$ $6^{d.}$ 0^{f}¼.[71] At the price of this small extra charge, a most fortunate degree of simplicity and convenience is given to the scale of Notes, and a degree of minute calculation altogether inconsistent with practice, saved.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{14} Art. 2. page 000. {*Sums even .^.^. at the bottom of the scale*}.

Viz: 8^{s}, 4^{s}, 2^{s}, 1^{s}, 6^{d}; instead of 7^{s}. 10^{d} 2^{f}, 3^{s}. 11^{d}. 1^{f}, 1^{s}. 11^{d}. 2^{f}½, 11^{d}. 3^{f}¼, 5^{d} 3^{f}⅞. See THE TABLE *of Annuity-Note Currency—Appendix A*.[72]

[002_397]

Question 1. Interest, why so *little* as 3 per Cent? *Answer*. Because the lower the interest, the greater the profit to Government, and 3 per Cent promises to be quite sufficient. There seems no danger that, even at a rate thus reduced, there should be any want of Customers. At this rate, the amount of the sale promises to be sufficient to buy in Stock enough to raise 3 per Cents to par even in war time: nor, upon the whole, does it appear likely that any greater quantity of this paper should be sold at 4 per Cent than what

1795; and if no such Aids should be granted before the 5^{th} day of July 1795, then out of the Consolidated Fund ’.

[71] In the text, Bentham has noted at this point: ‘Add the rate for £100’.

[72] See p. 000 below.

could equally be sold at 3. But for this, see farther Ch. 4. *Grounds &c.*[73]

[002_396v]

To compose a paper convenient for circulation there must be a certain correspondency between the quantity of interest *per diem*, the principal sum given for that annuity, and the division of which the principal and the annuity are respectively susceptible. The next highest rate of interest which would afford at the same time an interest of a farthing *per diem*, and a standard principal sum capable of being divided into all lesser notes, aliquot parts of that standard, by a system of division having two for its common measure, would [be] that which, having for the interest upon the standard Note, as above, a farthing *per diem*, by the year 7^{s}. 7^{d}¼, should have for the principal or purchase money of that interest the sum of £8. This would, it is true, afford a descending series of Notes in sums sufficiently even for practice, as may be seen in the annexed Table of Annuity Note currency, Compartment the {^}th:[74] £8 being the half (£16) of the price therein proposed for the standard Note, in the event of an assumed further reduction in the rate of interest: and consequently the rate of interest being the exact double of what it is in that case. The rate of interest in that case is 2⅜ [per Cent] nearly: the double thereof, consequently 4¾ [per Cent] nearly. But at this moment this last mentioned rate should afford no profit: for the rate of interest given upon the last Loan bargain, concluded 21 Feb. 1800, is a fraction under that rate.[75]

[002_397]

Question 2$^{d.}$ Interest why so *much* as 3 per Cent? Answer. 1. Because it appears in some degree dubious whether customers would be found in such number within a given time as wouldbe requisite to render an inferior rate, say 2½ per Cent, more profitable upon the whole.

2. A large portion, of the benefit resulting from this currency, consists in the putting

[73] See p. 000 below.

[74] No ‘Table of Annuity Note Currency’ survives in MS. For the Table printed in 1800 see between pp. 000 and 000 below., between pp. 000 and 000 below. [To pdf text file 14, ‘Table of a *Proposed* Annuity Note Currency’]

[75] By the terms of the loan concluded on 21 February 1800 government agreed to provide £157 of 3% annuities in exchange for every £100 loaned, up to a total of £20.5m., requiring annual interest repayments of

the means of placing out money at interest into the hands of the least opulent and most numerous classes, who hitherto (as will be seen |^^^|)[76] have laboured under the misfortune of seeing so great an encouragement to industry, frugality and sobriety out of their reach. On the other hand, this 2½ per Cent would be so much more than in general they can make at present: and yet after all, it can not but appear in the character of an hardship, were the economy of finance to bear, with such particular rigour, upon a source of income, which will be seen to have a more particular title than any other to be termed the *patrimony of the industrious poor*. If reasons *pro* and [002_398] and *con* should appear to weigh nearly equal in other respects, this consideration may at any rate be allowed to turn the scale.

The choice would be between the proposed 3 per cent (i:e: a trifle less than 3 per cent) and 2½ per cent, that is (as we shall see) for the sake of even money a little less than 2½ per cent. Sixteen pound (instead of £15. 4^{s}. 2^{d})—the sum in relation to which the 7^{s}.7^{d}¼ a year would be 2½ per cent precisely—would make a series of Notes little if at all less commodious than the above series at 3 per Cent.

The danger is, lest, among the lower classes in particular, the sentiment of contempt should attach itself upon the proffer of so small an annual sum as 7^{s}.7^{d}¼ by way of interest, for the investment of so considerable a sum as £16. Lest, at a time when money is not to be got at so little as 5 per Cent, because government gives more,[77] nor for more, because the Law forbids it,[78] it might seem too scant a boon to hold out to hand[s] of frugal Industry. At a future period, the case might change in this respect: accordingly, in the event of a fresh issue, the rate is proposed to be lowered. Three per cent is a rate no body could object [to], it being the par price of the great mass of Stock, and the central price, as it were, to which the prices of Annuities have a continual tendency to approach.

My leaning being in favour of 3 per Cent upon the whole, this is accordingly the rate

---

£4. 14s. 2d. per £100 of capital borrowed, equivalent to 4.71%: see the *Morning Herald*, 22 February 1800, p. 2, *The Times*, 22 February 1800, p. 2.

[76] Bentham has noted at this point 'Reference wanted'. He probably had in mind his intended discussion of 'Moral Advantages' of the plan, the only surviving extended draft of which appears in Ch. XVI of 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', pp. 000–000 below.

[77] Bentham presumably had in mind the depreciation of government stocks. If £100 in nominal value of such stock could be purchased for £50, all purchasers would henceforth receive 6% annually on the capital expended in the purchase.

[78] The maximum permissible legal rate of interest in Great Britain had been fixed at 5% since 1714 (13 Ann, c. 15).

proposed in the text: but were the principle of this currency to be approved of, the choice of the rate would be well deserving every degree of further consideration that could be bestowed on it.[79]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_399]

{15} Art 3. p. 000. {*Value* .^.^. *may be seen* .^.^. *by simple inspection*}.

See a Table of this sort, in the Form of a proposed Annuity Note, Appendix B.[80] Upon the accommodation afforded in this respect may depend the aptitude, not to say the *capacity*, of the proposed paper, in regard to general circulation. In the case of the existing Government paper, Exchequer Bills, Navy Bills, &c., on which interest is computed daily, (not to speak of India Bonds) no such facility is afforded. In these instances the demand for such facility is not indeed near so great: the sum being larger, the trouble of calculating interest bears the less *ratio* to it: and the sort of hands among which it circulates is in a manner confined to those of mercantile men, who, by professional habit, are particularly ready at accounts: and, perhaps, it may be the necessity of such readiness, a necessity that results from the want of the facility here proposed, that contributes in no small degree to confine the market for those papers within its present limits.

Thus much must indeed be confessed—that, spite of all possible facilities, the addition of uneven sums will clog the proposed currency with a degree of embarassment, the avoidance of which, if possible, would have been highly desirable. On the other hand, an embarassment saved by it is that which exists with regard to hard money, viz: the trouble of examining it, to judge whether it be good or no: and, in the instance of this proposed species, as in the instance of those existing species of paper, the trouble of counting, were it ever so much greater, will be found to disappear altogether when compared with this and the other advantages attached to the possession of paper money in contradistinction to hard cash.

[79] In the text, Bentham has noted at this point: 'Confer Art. 7. p. 17.' See p. 000 below. [i.e note **{22}** and especially UC ii. 405]

[80] See p. 000 below.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{16} Art. 3. page 000. {*Value .^.^. as encreased by .^.^. Yearly interest .^.^.*}.

See again the Form of a Note, Appendix B.[81] The practical importance of this latter Table will depend upon the probability of the forbearance in question on the part of Note-Holders in general for a course of Years. For this see Ch. 8. {*Advantages* Financial}.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_400]

{17} Art 3. p. 000. {*Indication .^.^. of .^.^. number of Years unreceived*}.

See the Form of a Note, Appendix B.[82]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{18} Art. 4. page 000. {*Interest to the day of issue .^.^. added*}. *Question*. Why?—*Answer*. 1. That all notes of the same denomination may on each day of the Year be of the same value: otherwise, among the Notes of each denomination there might be a different value for every day of the Year, Sundays and a holyday or two excepted, inasmuch as, (with those exceptions) there is not a day in the Year on which Notes of each denomination would not probably be issued: total, say 310 different values. This confusion would be highly inconvenient and obstructive to the circulation.

The interest being thus encreased by being made to commence from a day prior to emission, the price must, of course, be proportionable: otherwise, customers would universally wait till the end of the Year before they bought their Notes. Till that last day, there would be no Notes sold: and on that day there would not be time enough for

---

[81] i.e. 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest', pp. 000–000 below. [to pdf 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest']

[82] i.e. Ch. VI: see pp. 000–000 below.

supplying a three-hundredth part of the demand.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_401]

{19} Art 5.[83] p. 000. {*Never at a less price—this .^.^. a fundamental article*}.[84]

The use of this article is to afford to the proposed paper a security against depretiation. That this security is as efficient as it is simple, and that it may to every practical purpose be regarded as a perpetual and never-failing one, will be shewn in another place. See Ch. {^} {*Grounds* &c.}[85]

Steadiness of price is a property which, though certainly not essential to a paper currency (witness so many that exist without it), is, in the instance of every such paper, highly advantageous in every point of view. Being the more valuable to the possessor, a paper of which the value is exempt from fluctuation is capable of being disposed of to more advantage by the vendor. Being worth the more to individuals, it may be made worth the more to government. Being adapted to the circumstances and inclinations of the greater number of customers, the sale of it may be the more extensive. A paper exposed to the vicissitudes of the market can have such persons alone for its customers, whose inclinations dispose them, at the same time that their circumstances enable them, to become *gamesters* to the amount of the difference between the highest and the lowest price.

This may be stated as one of the properties (though certainly not as the only one, nor so much as the principal one—but at any rate as among the number of the properties) which concurr in the recommendation of Bank and Banker's papers: and which have served to introduce those barren papers into so many hands, by which Exchequer Bills, India Bonds, and other interest-yielding papers would be refused.

[002_402]

[83] In the margin, Bentham has noted at this point: 'See Brouillon IX'. No such brouillon has been identified.

[84] The italicized phrase in braces does not in fact appear in Article 5, p. 000 above, although the substance of the article corresponds to that of this note.

[85] See p. 000 below.

That which concerns the fixation of the price is the essential article: the restriction with regard to the making Loans in this shape is little more than explanatory. If it can never be issued at a less price, either Loans can never be made in it, or if they are, the apprehended mischief does not ensue, since no depression takes place in regard to the price.

No Loan can ever be made in it at a greater price, so long as any of the existing Stock Annuities continue unredeemed, because so long as any portion of those Annuities continues unredeemed, the issue is, by virtue of its next article (Art. 6), to be kept open, and no man will pay £101 for an Annuity which he has a right to claim for £100. A stipulation to this effect is not more exposed to evasion, than any other: every advantage whatsoever added to the Annuity—every thing to which the name of a *douceur* or *bonus* could be applied—would be an evasion, and such an evasion as could not be concealed. This would not hinder a quantity of the Annuity Note paper itself from being given in the way of a *bonus* on a Contract for Stock, if, for the purpose of giving a commencement to the currency of it, or for any other purpose, any advantage should present itself as derivable from such a measure.

The exigencies of government not being susceptible of any certain limitation, and future money, viz: Annuities, being all that it has to offer for the ready money it has occasion for, to attempt to set any bounds to the quantity of Annuities that shall be created by government would be an idle attempt. But so long as any one branch of the Annuity Market, and without conditions, is left open, any other may be closed, or kept open upon any such conditions as may be found advisable.[86]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_403]

{21} Art 6. p. 000. {*Issue .^.^. be kept open*}.[87]

So long as Stock Annuities are under par, the profit by the difference between the selling

[86] No text corresponding to note-marker **{20}**, p. 000 above, has been identified.

[87] The italicized phrase does not in fact correspond exactly to the text of Article 6, p. 000 above.

price and the purchasing price (as per Article 9)[88] will continue: and even supposing those Annuities raised to par, other profits and advantages will not be wanting, (for which see Chapters |^| and |^|)[89] the amount of which will encrease with the amount of the paper issued.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{21a} Art 6. p. 000. {*This* .^.^. *another* .^.^. *article* .^.^.}.[90]

The use of making it such is to compleat the security against depretiation, as afforded by the preceding article. If by one event the paper in question might be raised above par, by another it might be brought down again: and to a man who should in this way lose, for example, to the amount of 5 per cent upon it, it would make little difference, whether, having taken £100 worth of it at par, he had to part with it at 95, or whether, having taken it at £105, he had to part with it at £100.

Another use (though the effect is not quite so manifest) would be the insuring the purchaser of this paper from the disadvantage of being paid off without his consent, or, by the apprehension of being paid off, forced to accept of a reduced rate of interest, at any time prior to the end of the period here marked out. But to render this security the more conspicuous, it is made the subject of a separate stipulation in the next article.[91]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_404]

---

[88] See p. 000 above and p. 000 n. below.

[89] Bentham had in mind the profits arising in what he termed Periods II and III, that is after stock annuities had reached par: see Ch. VI, pp. 000–000 below.

[90] Neither the italicized words nor a corresponding note-marker appear in Article 6, p. 000 above, which was an addition made subsequent to the original drafting of the text. The words do appear, however, in Article 6 of ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’ as printed in 1800 (see p. 000 below), although no note is indicated there.

[91] Bentham has marked the text of this note for possible deletion, and noted: ‘*Quere an inserendum*?’, i.e. ‘Query whether to be inserted?’

{22} Art 7. p. 000. {*Note Annuities* .^.^. *not paid off till* .^.^. *Stock &c.*}

No great sacrifice—one may venture to say no sacrifice at all—would be made by the stipulation contained in this article: for, in the first place, supposing the needful surplus to be attained, the means of employing it to advantage in a similar way would not be wanting, viz: by paying off or reducing the existing 4 and 5 per Cent Stock Annuities: in the next place, a more extensive advantage would result from the application of the money to the paying off of Stock Annuities, viz: by bringing about a universal and rapid conversion of the whole existing mass of redeemable Stock Annuities into Note Annuities, in the manner that will presently be seen.

At the same time, even admitting that no superiority of advantage would be to be gained by applying of surplus monies to the paying off or reducing Note Annuities in preference to Stock (a point that would admitt of a good deal of discussion, after all), still a declaration to the effect proposed would not be by any means a superfluous one. For, that a partial advantage (and that by no means an inconsiderable one) might be obtainable, by the reduction of the rate of interest upon Note Annuities, would probably be perceptible enough. If so, the measure would, of course, be expected, and reckoned upon, unless an original declaration restricting Government from pursuing it were to be made. [002_405] The advantage thus proposed to be waived, would be apt enough to appear very considerable, and the more considerable, the more likely to be taken. The money employ'd in the purchase of Note Annuities by the original set of Note Annuitants, that is, by as many persons as became so at any period preceding the rise of Stock Annuities to par or thereabouts, would consist chiefly, if not altogether, of money so circumstanced, that if interest were not made of it in that way, no interest could be made of it in any way.[92] With persons thus circumstanced, Government, in respect of so much of their money as stood thus circumstanced, would have it in its power (it would be apt to appear) to drive a hard bargain, and force them to accept of 2½ per Cent, for example, or 2 per Cent—or any thing.

But, that no great advantage would be waived by Government's precluding itself from the making of such a bargain will appear from this simple consideration, viz: that the circumstances which (as just stated) appear to render such a bargain feasible, are no other

[92] In the margin, Bentham has noted at this point: 'Conf. Art 2. p. 10'. See p. 000 above. [i.e. note **{14}** and especially UC ii. 398]

than what equally exist at present, that is previous to any issue: and the only additional facility which government would have for the making of such hard terms at the advanced period in question, over and above what existed at the opening of the issue, is—the light, whatever it may be, which may be expected to be thrown upon the disposition of the public mind in this respect, by the experience gained in the progress of the issue.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_406]

{23} Art. 8. page 000. {*Carried to the Sinking Fund*}.

Whether to the Old or New Sinking Fund is not worth enquiry for the present.[93] By this stipulation divers points are provided for of cardinal importance.

1. One of the man objects is thus provided for, which is the acceleration of the extinction of the National Debt.

2. But for this stipulation, new funds must have been provided for the payment of the fresh masses of Annuity brought into existence by the proposed Annuity Notes. Under this stipulation, no such new funds are necessary: since in proportion as the Revenue is charged by the Note Annuities sold, it is discharged by the Stock Annuities at first bought in (afterwards paid off) with the produce of that sale.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{24} Art. 9 page 000. {.^.^. *The difference only kept alive*}.

That till 3 per Cents are at par, and the *paying-off plan* takes place of the *buying-in plan*, that there will be a difference is a self-evident truth: and another is, that this difference, whatever it may amount to in each instance, will be so much profit to Government. While I am writing, it would be about 40 per Cent: by the time the paying off plan commenced, it would be reduced to 1 per Cent, or, in a word, to its minimum, viz: ⅛ per Cent.

---

[93] For Bentham's categorization of sinking funds see p. 000 n. above. [To UC iii. 81, 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[002_407]

Supposing the progression of the price on its way from 60 up to par to be exactly regular, and supposing 40 millions to be the amount of the extra purchase which will have been made by the produce of this paper over and above the produce of the two existing Sinking Funds, by the time this rise has been effected, 20 per Cent[94] may be stated as the medium rate of this profit, up to the stage supposed, and 8 millions as the amount of it. Two hundred and forty thousand pounds a year (being 3 per Cent upon this 8 million of capital) will thus, exclusive of compound interest, be the amount of the addition made to the sinking fund.

This will be the amount of the burthen taken off in respect of the mass of Annuity due from Government to individuals.

But this, in the mean time, is not by a great deal the end of the advantage to Government.

The alleviation in respect of the Annuity taken off confines itself to the above annual sum of £240,000, corresponding to the above capital of 8 Millions. But the quantity taken off from the quantity of Annuities remaining in the market, and bearing their part in the keeping down the price, will extend (as will be seen) much farther. It may extend so far as to include the remaining 32 Millions. For whatever portion of Annuity [002_408] Note paper at any given period officiates in the character of currency, and is not kept in the same hands in the character of a permanent source of income, does not go to satisfy the demand for Stock. But (as will be seen presently) whatever portion of Annuity Note paper is sold at par, while Stock is below par and therefore yielding a higher rate of interest, is given in exchange for money that would not otherwise have found its way into the Stock market, not being capable of being invested in the purchase of a permanent source of income on the terms on which they are afforded by Stock Annuities. And this is the reason why, though in respect of the lightening of the mass of Annuities the supposed 40 millions will go no further than the 8 millions above spoken of, yet in respect to the lightening of the Stock

---

[94] In the margin, Bentham has noted: '15 per Rose.' See George Rose, *A Brief Examination into the Increase of the Revenue, Commerce, and Manufactures, of Great Britain, from 1792 to 1799*, 6th edn., London, 1799, p. 26, where Rose supposed 'the 3 per cents to be on an average at 85*l.* which is perhaps the fairest medium to take'. In his unpaginated Appendix No. 3 Rose provided an estimate of the periods during which the principal of the public debt would be paid off at average prices rising in intervals of five from from 50 to 100 inclusive.

market of the mass of saleable Annuities, and thence effecting a proportionable rise [in] the price of those Annuities compared with ready money, it will operate with the effect of the whole 40 Millions.

It will operate with that effect exactly in the same manner as the Stock purchased and extinguished with the produce of the sale of the Land Tax had at the time of the publication of the 6th edition of Mr Secretary Rose's pamphlet, [when it] produced an exoneration in the Stock Market to the amount of £12,726,000, reckoning it by the amount of Capital, [or] £381,804, reckoning it by the amount of the mass of Annuity.[95]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_409]

{25} Art. 10. page 000. {*No other note than the Standard, with or without* &c.}

The first appearance of the proposed currency, as of every thing else that is designed for popular use, can not be too simple. The standard note alone, price and value, £12. 16s, would on this account seem to claim the preference. But a sum thus considerable, would, by its magnitude, stand excluded from great multitudes of hands into which the half of it would find admittance: in which lies the advantage of small notes in comparison of large ones.[b] On the other hand, were the half of the proposed Standard—were the £6. 8s note to be issued alone, though it would command all the customers—all the money—that could be commanded by that and the larger note together, the danger is, lest, by departing from the principle of giving a sum expressed by an existing coin for daily interest, it should be found productive of a comparative degree of complication in the calculation, besides exposing the proffer to contempt by the minuteness of the advantage. On the other hand [again], introduce the two together, you combine their several advantages. The larger note gives respectability to the proffered profit: the smaller note opens the market to a more extensive class of hands: while, from the relation it bears to the larger, it derives a sort of protection against the imputation of insignificance which might have attached to it, had it stood alone.

[95] In the margin, Bentham has noted at this point 'p. 77'; i.e. Rose, *Brief Examination*, p. 77.

[b] A consideration that as yet does not seem to have generally obtained the attention it deserves.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_410a]

{26} Art. 11. page 000. {—*By degrees* .^.^. *to* .^.^. *sixpence*}.[96]

The reason for giving such an extent to the proposed currency is—that the advantages resulting from it will be in proportion to that extent. But a compleat view of these advantages can not be given, till the remainder of the plan itself has been presented to view.[97]

The use of rendering the extension gradual, is—to avoid complication and perplexity as much as possible: the ratio of 2, whether in the way of division or multiplication, being the simplest of all ratios. When the public mind has once been familiarized with the idea of a note of a certain magnitude, the introduction of a note of [half] that magnitude, i:e: of a note two of which will constitute the magnitude people are already familiarized with, can never be attended with any the smallest degree of perplexity. On the supposition of an entire and unbroken gradation from the Standard Note down to the proposed lowest Note, both inclusive, the series would be as follows—1. £12. 16^{s}; 2. £6. 8^{s}; 3. £3. 4^{s}; 4. £1. 12^{s}; 5. 16^{s}; 6. 8^{s}; 7. 4^{s}; 8. 2^{s}; 9. 1^{s}; 10. $6^{d.c}$ Were the whole amount of the currency to be exposed to issue at once—that is were it to be determined to issue 6^{d} Notes as well as £12. 16^{s} Notes in the first instance, it might be a question whether it would be eligible to load the market with such a variety of denominations: but when it is considered that by the making the degrees as insensible as possible requires that they should in this way be as numerous as possible, whatever inconvenience might otherwise have resulted from their multitude, seems to be either prevented or more than compensated by the facility of the gradation.

---

[96] The words ‘by degrees’ do not in fact appear in Article 11, p. 000 above.

[97] In a clip (UC ii. 410b) attached to the text sheet, Bentham has noted: ‘Table of Annuity No<te> Currency.

‘Series why compleat?

‘Answer.—That the circulation may have no stage at which it can stop. So that one can not bear a greater price than another—one can not be rejected, and another taken.

‘This applies exclusively to the Sub-multiples.’

[c] See the Table of Annuity Note Currency.[98]

[002_411]

Taken by itself, the idea of a Note having 6[d] for its principal, and that 6[d] carrying a three per cent interest, presents itself as absurd and ridiculous in the extreme: since two years would have to elapse before any interest, and then no more than a farthing, would be to be received on it. But, inasmuch as a mass of notes bearing interest could not be made up so as that the whole mass should bear an interest, unless each of the several notes of which the mass was composed were a note bearing interest, and bearing interest at the same rate, hence it becomes evident, in the first place, that it is as necessary that the very smallest of the Notes of which this sort of currency is composed should bear an interest as that the largest should—in the next place, that the rate of interest can not be in the minutest degree greater or less on the smallest than on the largest—and lastly, that even on the very smallest, there is no reason to fear that the minuteness of the sum receivable on the score of interest should expose the currency to contempt.

[002_412]

It is obvious that so far as these *Silver* Notes (such is the name that might be given to Notes of a less value than 5[s], the largest piece of Silver Coin in use), so far as these Silver Notes were received in the circulation, so far the embarassment and risk that attach upon the Silver Coin would be avoided: and as, in the instance of the Silver Coin, this embarassment and risk is much greater than in the instance of the gold coin,[99] hence arises a peculiar advantage resulting from this currency, in so far as it embraces in its extent the field occupied by the silver coinage. Whether it would have the effect of expelling altogether, or reducing in any considerable degree, the quantity of bad silver is another question: so far as it were really productive of this effect, it would administer a cure to an evil which has hitherto baffled in a great degree the utmost efforts of Government to overcome it.

---

[98] No 'Table of Annuity Note Currency' survives in MS. For the Table printed in 1800 see between pp. 000 & 000 below. [To pdf text file 14, 'Table of a *Proposed* Annuity Note Currency']

[99] For a discussion of the prevalence of bad silver coinage and the comparative ease of counterfeiting such coin in comparison with gold, see, for instance, P. Colquhoun, *A Treatise on the Police of the Metropolis, Explaining the various Crimes and Misdemeanours which at present are felt as a Pressure upon the Community; and Suggesting Remedies for their Prevention*, (first published in 1796) 4th edn., London, 1797, pp. 104–5.

As to the case of the Copper Coinage, it seems hardly worth considering in this view, at least in the first instance.[100]

[002_413]

The addition which a given mass of money—whether metallic money or paper money—makes to the mass of national wealth in the compass of a year is as the number of times which, in the course of that year, it is paid into any hand for productive labour performed by that hand. If this be true, it will follow that though to each successive possessor one-and-twenty shillings are worth no more than one guinea, yet to the community at large they are worth a good deal more—probably several times as much.[c]

[c] It does not follow that the National wealth can be encreased *ad libitum* by the encrease of small money—absolute or comparative.

Small money will do whatever is done by large money: but large money will not do whatever is done by small. Ten millions in Bank Notes from a thousand pound down to £1 are worth ten millions: ten millions in five notes of two millions each would not, as between individual and individual, be worth 6[d]: since though the Bank could pay it, no individual could find value to give for any such note.

Reduction of the size of the sum promised by a piece of paper money has a natural tendency to raise the credit of such money: since in proportion to the reduction it opens the market to a multitude of purchasers who would not resort to it before.[101]

[002_414]

The effect of an issue of smaller paper money of any sort than was issued before is at

---

[100] In the margin, Bentham has noted in relation to the following three paragraphs (‘The addition .^.^. to it before.’): ‘Employ’d?’. The note was almost certainly written in August 1800 in preparation of ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’, where the material does not in fact appear.

[101] In a related passage from a superseded draft at UC ii. 412[v], headed ‘Plan I. Value Remarks’, Bentham noted: ‘When a run is produced upon any species of paper, it is not that nobody will take or keep that species of paper—but only that there are some who will not now, of those who would before. But although A, who till now could and would bear his part in the circulation of a quantity of paper, should at any time refuse to circulate it, the circulation will not, however, be arrested by the refusal, if for every person so declining there be another who till now either was not able or not willing to take a part in the circulation, [but] now becomes both able and willing and takes a part in it accordingly.’

the same time to render [able][102] to take it a proportionable number of individuals who till then were not able, and to render [willing][103] another number who till then were not willing. A man who has never so much as £10 worth of disposable property belonging to him at any one time, never can bear any part in circulating—never can so much as take, much less keep—a £10 note. But if there were such things as £1 notes, that same individual might be never without some of this paper money in his pocket: sometimes one, sometimes two, sometimes as far as nine at once. So in regard to willingness. A man who having till now been willing as well as able to circulate a £10 note, or many ten pound notes, may now, through suspicion with regard to the solvency of the promiser, cease to be willing to circulate any one note from the same promiser to that amount. A man who would not choose by any means to stake so large a sum as £10 upon the credit of the species of paper, might, to save trouble, have no objection to stake £1 of it, or even several times that amount. The loss, in the event of its falling upon himself, would be so much the lighter: and since this, as he can [002_415] not but perceive, will be the case with every body else upon whom he would wish to pass it, the experiment of passing it not only would (as he can not but see) be so much the surer of success, but capable of being tried with more dispatch, because, being tried upon as many persons as there were notes to make up the sum, might be tried, as to the whole of it, at the same time. It is upon the capacity of passing it on with dispatch that the capacity of accepting of a piece of paper currency may depend. Certainty, however entire, of getting rid of it in a fortnight will not serve me, under a certainty of having need of cash instead of it in the compass of a week.[d]

> [d] Hence the utility and value of the *Tables*: to preclude[?] hesitation.

[002_416]

To learn what the addition is that the supposed 20 Millions worth of Annuity Notes would make to the mass of national wealth, find out the proportion which the average quantity of money kept in a year by a Banker in notes of £10 and upwards to answer draughts, bears to the average of the total quantity of money of all sorts kept by him during the same time for the same purpose.

Suppose, at any given Bankers, the amount of money of all sorts issued in payment of draughts is £10,000 a day: and that of this £10,000, £1,000 is issued in the shape of

[102] MS ‘willing’.

[103] MS ‘able’.

Bank Notes of £10 and upwards. This being the case, £1,000 is the amount of the sum which the Banker in question will be able to issue in these £10 Annuity Notes in payment of Draughts: and this over and above not only the £9,000 in smaller notes and cash, but also over and above the £1,000 in large notes, provided these large notes be reduced for a time at least to small notes. For, credit being supposed to be upon the same footing at both periods, a given quantity of hard cash will serve for the support of the same quantity of paper money promising the delivery of such cash. But the proposed Annuities, be [002_417] the amount of them what it will, do not add to the quantity of hard cash so promised—promised to be paid on demand: they do not, therefore, on being thrown in to the circulation, take any thing from the quantity of paper money which the given quantity of hard cash is able to support—to the pressure with which the total mass of paper money acts on the total mass of hard cash.

These Annuity Notes, then, so far as the Bank, in consequence of the issue of them, withdrew out of the circulation it[s] notes of £10 and upwards, replacing them by small notes, would add to the national wealth in respect of its circulating capital to an amount equal to that of the Bank Notes of £10 and upwards which it served to replace. If the Bank of England, as well as other private Banking Houses, neglected to make this change, for instance if the Bank withdrew, as it would find itself[104] obliged to do, a portion of its large notes, as above described, and at the same [time] omitted to replace them by an equal amount of small notes, then a proportionable addition would be made—not to the *quantum* of national wealth, but to its *security*: since the same quantity of hard cash would have a less quantity of paper money to support.[105]

[002_418]

Among the effects produced by the issue of small Bank notes has been not only the support of the credit of the Bank, but the absolute augmentation of the mass of national wealth, and the keeping up of the price of Government Annuities. The total mass of circulating capital is composed of the total mass of hard money and paper money taken together: whatever, therefore, adds to the quantity of paper money circulating during a given period of time, adds to the total mass of circulating capital existing for and during that period of time. But the lowering of the price of Government Annuities, being so many promises of future money, is occasioned by and proportioned to the decrease of the

[104] MS 'itself itself'.

[105] Bentham's pagination indicates that a folio is missing from the text at this point.

quantity of circulating capital which constitutes the existing mass of present money—a grant of an annuity being neither more nor less than an exchange made of a right to future money, payable in a series of future payments, in return for a sum of present money paid all of it at once. Other sources of demand for present money remaining as they were, it is impossible, therefore, to add to the mass of present money of all sorts—of circulating capital in all shapes—without adding to the price of Stocks: it is impossible to take any thing from that mass, without taking in proportion from this price.

[002_419]

It will be seen, that the smaller the principal sum of the note, the better qualified it is to serve in lieu of cash, and the greater the addition which a given sum of it makes to the mass of national wealth. One object, therefore, will be to reduce the *quantum*, the sum specified in these notes, to as small a dimension as possible. What can not be done in this way in the first instance may perhaps be effected by degrees. A note conveying an annuity of no more than a farthing every other day—or at least a farthing every day—might at the first outset appear too minute and inconsiderable to be worth purchasing. But when once a note conveying a farthing a day, for instance, had got footing in the circulation, and the habit of attaching a value to the idea had established itself, the transition from thence to a note for half the sum would be smooth and easy. The same sum which, if presented by itself and in the first instance, would have been treated with contempt, may by reference and in virtue of its relation to another sum of which it constitutes one aliquot, viz: the half, be supported upon the ground thus already made, and by its capacity of making up, with the help and addition of another such, a note of a magnitude the importance of which had got footing in men's minds.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_420]

{27} Art 12. page 000. {*Silver Notes .^.^. Gold Notes, Colour to the Gold Notes*}.[106]

The convenience resulting from this distinction will in practice be found too great to be despised. Upon the absence or presence of facilities thus trifling in appearance, the good or

[106] See p. 000 above.

ill success of a plan of this sort may be found to turn. Whether the small notes issued by the Bank of England within these few years should be for pounds or guineas is a question that at first would appear indifferent enough. As it happened, they were made for *pounds*: conformity to the other terms of the series, which are all for *pounds*, being the obvious and apparently very sufficient reason in favour of the choice. It has, however, been disapproved of by men of the first eminence in the political and commercial line, who have declared themselves decidedly of opinion that Notes for one and two guineas would have been much more convenient, so much so as that, in that event, the circulation of these smaller branches of the currency would have been much more extensive.[107]

By an invention which is just coming into use, a very splendid and distinguishable yellow colour is given to paper, the colour being mixed up, it is said, with the materials of the paper at the paper-makers, not superinduced afterwards.[108]

Where so much depends upon convenience, no points, by which general convenience can in any degree be affected, can justly be regarded as trifling ones.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_421]

{28} Art 13. page. 000. {*Series* .^.^. *extended upwards*}.

For uniformity and illustration' sake, the Table presents as many terms in the ascending series as in the descending: as many *Multiples* of the assumed Standard Note, as *Sub*-multiples. In the ascending series, however, several of the terms will probably be regarded as superfluous. The reasons which in the descending scale plead (as hath been [seen]) in favour of insensibility of gradation do not apply, in equal force at least, to the ascending scale. Contempt by reason of minuteness is out of the question: and as the sums encrease, the demand for calculation lessens, while at the same time each step conveys it into hands

[107] Bentham may have had in mind Alexander Allardyce (1743?–1801), MP for Aberdeen Burghs 1792–1801, who argued in *An Address to the Proprietors of the Bank of England. By A. Allardyce, Esq. M. P. One of the Proprietors of the Bank of England* (first published 1797), 3rd edn, London, 1798, p. 151, that one of the means that 'ought to have been tried' of avoiding the suspension of payment in specie by the Bank of England on 27 February 1797 was 'the issue of one and two guinea notes'.

[108] [Annotation to be finalized]

more and more competent to the task.

The magnitudes that would be to be omitted, to be: 1. the £6,553. 12^{s} Note: 2. the £3,276. 16^{s} Note: 3. the £1,638. 8^{s} Note—without difficulty:[109] though instances have occurred in which a sum larger than the largest of the above has been contained in a single Bank of England note.[110]

To these might not improbably be added—1. the £409. 12^{s} Note: and 2. the half of it—the £204. 16^{s} Note. As to the £819. 4^{s} Note, the £102. 8^{s} Note, the £51. 4^{s} Note, and the £25. 12^{s} Note, the use of retaining them is—that with the addition of the £1. 12^{s} Note, they make up exactly £1,000. By this means, the series might be crowned by a Note of a magnitude consecrated, as it were, by Official as well as mercantile practice; and the five [002_422] smaller Notes just enumerated would compose the change of it.

The quantum of Yearly interest yielded at the proposed rate by these five Notes put together, and consequently by the proposed £1,000, would at the rate proposed (for reasons already explained)[111] be—instead of £30 exactly, £29. 14$^{s.}$ 0$^{d.}$ 3¾^{f}—six shillings, exclusive of the fraction, less than the correct amount of interest at the precise rate of 3 per Cent.

From this summit of the series a ladder, as it were, might be let down, if it were worthwhile, to another Note of another magnitude in common use, viz: £100: for a Note to this amount would be commensurable with the regular series, not only as being so with the £1,000 of which it constitutes the tenth part, but in a more immediate way, inasmuch as the regular series affords six notes which, being added together, would compose the change of it.[e] [112]

e

[109] Above the text, Bentham has written 'Note?' in relation to the remainder of this sentence.

[110] According to Johann Wilhelm von Archenholz, *A Picture of England: containing a description of the laws, customs, and manners of England*, London, 1797 (first published in German at Leipzig in 1785), p. 238, some forty years before his writing: 'One of the directors [of the Bank of England] .^.^. had occasion for L30,000 which he was to pay as the price of an estate he had just bought; to facilitate the matter, he carried the sum with him to the Bank and took for it a single bank note.'

[111] See p. 000 above.

[112] Bentham has cancelled or crossed through the text of most of the following note, and his final intentions are unclear.

Principal	Interest
£ s	
51: 4	
25: 12	
12: 16	
6: 8	
3: 4	
0: 16	
£100: 0	

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_423]

{29} Art. 14. p. 000 {.^.^. *Credit*.^.^. *fully established* .^.^. *charged with intervening interest*}.

At the opening of the proposed Annuity Note Market and before the paper had come into General credit, the giving it currency in the Government Offices would be at once unnecessary, inefficacious, prejudicial to the end in view and dangerous to public credit:—unnecessary, because there seems no doubt of its coming into universal use without any such aid: inefficacious, because if it could not gain footing without the aid in question, neither would it be able to gain footing by means of such aid: prejudicial to the end in view, because the having recourse to a means of circulation thus forced imports a sort of consciousness that without such forced assistance it would not be able to make its own way: dangerous to public credit, because, in as far as this paper were to be received on the footing of cash in the Offices in question, a dependence would of course be placed on it as such, and a dependence which, if by any accident it ever came to be disappointed, would be attended with that unpleasant consequence. On the one hand, upon the attempt to re-issue it from the Offices, it might come to experience a refusal: while on the other hand, and of course, from whatever cause produced the refusal, it would be pouring in to the Offices to the exclusion of all other currency.

[002_424]

From all these objections the measure in question would be free, supposing the currency to be already established, and established upon its own basis. The practicability of it would not be exposed to doubt: and the advantages derived from it would be considerable.

The paper in question being, by the supposition, acceptable to every body and on all occasions, no reason can be assigned why it should be less acceptable on *this*. By receiving his money in this shape at the Exchequer, or the Navy Office, a man would save himself the trouble of an attendance on purpose to convert it into this shape at a local Annuity Note Office.

[002_425]

Supposing the disposition to accept of this paper to have become general, the faculty of receiving it as well in the way of issue as in the way of circulation would undergo a very considerable restriction, and that an insuperable one, if Government were to persist in refusing to it that acceptance which, by the supposition, is given to it by the public at large. Individuals would be obliged to keep by them in hard cash to the amount of the taxes they severally had to pay. Such would be the amount of the money which, how much soever inclined, they would be disabled from either receiving Notes for in the way of circulation or taking them out in the way of issue.

[002_424]

A circumstance that in process of time would render this extension of the Annuity Note market a matter rather of necessity than choice is—that if this paper were not to be received at the Offices in question, no paper at all would be to be had, supposing the happening of an event (which is elsewhere stated as inevitable), [namely] the expulsion of Bank of England paper from every other part of the circulation.[113] In pecuniary transactions of the magnitude of those carried on in Government Offices, the use of paper in contradistinction to cash is found so convenient, and is accordingly become so prevalent, as to be spoken of as if it were indispensable.[f]

[113] See p. 000 below.

[f] See the whole tenor of the Evidence given to both Houses of Parl[t] on the Stoppage of the Bank in Feb[y] 1797.[114]

Hence also an indication of the time for the operation: viz: when, by the substraction of Bank of England paper, the measure has acquired the character of a measure of necessity, rather than choice.

[002_425]

The necessity being established, the advantages are evident.—1. Profit or Saving on the score of interest, and 2. extension of the demand. The longer a note remained in this way in the hands of Government, the greater the sum it would pass for when delivered again out of those hands: and the greater the average quantity of this paper that, taking the year together, would be remaining in the hands of government, so much the less there would be of it for individuals, from whence there would be a proportionable encrease in the demand.[115]

NOTE TO TYPESETTERS: NOTE TO TYPESTEER: Please insert a line of space before continuing.

[114] Following the suspension of payments in specie by the Bank of England on 27 February 1797, Committees of Secrecy were established by the House of Commons and the House of Lords to report on the outstanding demands on the bank and the circumstances that had led to the suspension. The House of Commons committee reported on 3 & 7 March, 21 April, and 17 November 1797, and the House of Lords committee on 1 May 1797. Although the use of paper in preference to cash in transfers between the Bank of England and government offices is no where described as indispensable in the reports of either committee, Bentham presumably had in mind the evidence of Henry Thornton (1760–1815), banker and political economist, MP for Southwark 1782–1815, that small denominations of cash could not ‘be used in any considerable dealings’ on the part of government. Bentham may also have had in mind the evidence of Abraham Newland (1730–1807), Chief Cashier of the Bank of England 1778–1807, that ‘in the Course of a Year £.100,000 in Cash is fully sufficient to transact the Business of the Exchequer’, that only ‘about £.50,000 or 60,000’ in cash remained in the Exchequer each day, and that payments from the Bank of England to the Exchequer were made for ‘thousands’ in the form of notes but only for ‘fractional sums in Cash’. See ‘Report of the Lords’ Committee of Secrecy’, *Lords Sessional Papers* (1796–7) ii. 149–430, at 222, 214; and ‘Reports from the Committee of Secrecy on the Outstanding Demands of the Bank; and on the Restriction on Payments in Cash. Severally Reported in March, April, and November, 1797’, *Commons Sessional Papers* (1782–1802) vi. 119–92, at 188–9, respectively. See also p. 000 n. below. [‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’.]

[115] In the margin, Bentham has noted at this point: ‘Conf. Ch. 8. Advantages Financ.’, i.e. Ch. VI: see p. 000 below.

[002_426]

{30} Art 15. p. 000 {*Local Annuity-Note Office* .^.^.}. [116]

To serve as local Annuity Note Offices, I would propose the several local Post-Offices, in Town and Country, with the eventual addition of other Government Offices, established or to be established, should the business ever prove too great, whether in respect of the demand for *time*, or the demand for pecuniary *responsibility*, to be transacted by these Offices without others.

The grounds and reasons for this choice are as follows.[117]

1°. These Offices are of the number of Offices already in existence, and in existence in the Service of Government. Hence no extension of Patronage: at least no encrease in the number of *persons* in the pay of Government.

2ly.—Among the existing Offices, *this* is that in the business of which the greatest degree of *dispatch* and *punctuality* are in use. In the London Penny Post Offices,[118] 6 deliveries in a day, as registered in so many *Hour-Bills*: and not a failure, though the difference were but between hour and hour, but would be liable to be noticed: accordingly, instances of such failure are, it is believed, comparatively rare. By employing these Offices, such a degree of dispatch and punctuallity may be obtained without difficulty or effort as, if aimed at in any new Office erected for this purpose, would be liable, not

---

[116] The marginal contents corresponding to the text of all but the final paragraph of this note appear on the marginal contents sheet at UC iii. 7, headed ‘Annuity Notes. Notes to Form’, that is notes to Ch. II. Form of an Annuity Note, where Bentham also noted his intention to move the note to Ch. I. The italicized phrase in braces corresponds to the phraseology preceding note-marker **{16}** in Ch. II. ‘Form of a proposed ANNUITY NOTE on the plan of Yearly Interest’, pp. 000–000 below, while a revised version appeared in Ch. I of ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’, pp. 000–000 n. below. [to pdfs ‘Form of a proposed ANNUITY NOTE on the plan of Yearly Interest’ and ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’]

[117] The following eight paragraphs (‘1°. These Offices .^.^. these its agents’) are in the hand of a copyist with emendations by Bentham.

[118] The Penny Post, a service under which letters were delivered within London and its immediate suburbs for a fee of 1d., was initiated by private enterprise in 1680, and taken over by the General Post Office in 1682: letters were handed in to a licensed ‘receiving house’, generally a small shop or coffee house, whence they were taken to the General Post Office in Lombard Street for sorting and onward delivery to the addressee.

altogether without reason, to be regarded as visionary and impracticable.

[002_427]

Though the delivery of letters is thus expeditious to the amount of from 2 to 6 deliveries in a day, the delivery of money, viz: the money received on account of those letters, does not, it is true, occur more than once a month. The reason that takes place in the instance of the letters does not apply in the instance of the money, at least in any thing like equal force where the amount of the receipts is so small; if the deliveries of money, and consequently the attendancies for the purpose of settling the account of the money, were in any considerable degree more numerous than they are, the profit by the extra degree of dispatch would scarce equal the expence.

The recompence to the Officer is settled upon a plan more frugal than, it is believed, is to be found exemplified in the instance of any other class of Public Offices, the pay on each transaction or operation is no more than one tenth part of a penny,[119] and in the compass of that transaction are included the two distinct operations of stamping with two different stamps, besides that of occasionally giving change where change is demanded, and besides the part which each transaction has in swelling the account of time to be expended on those common operations of sorting, counting, entering and casting up which bear reference to the whole.

[Were][120] the rate of pay to be taken for the standard, that indeed would be disadvantageous in the highest degree, for it amounts to no less than 10 per cent; but to make application of the precedent in this way would be to make a very erroneous use of it; on occasions like this, pecuniary and other qualifications out of the question for the moment, for they form separate articles of consideration, the first question is: the quantity of time requisite to be expended in the discharge of the duties [002_428] of the Office being given, what is the least quantity of recompence that will be sufficient, that is that a person competent to the purpose may in general be found willing to accept of in the case in question? experience has shewn that for the quantity of time requisite to be expended on each transaction a recompence so low as this small fraction of a penny, a fraction so much below the value of the smallest piece of coin in circulation, is sufficient.

[119] [Annotation to be finalized]

[120] MS ‘Where’.

What makes the rate of pay in this instance so high, the ratio of the receiver's pay to the amount of the money received so high, is—that the Sum of money received on each transaction is so low; for a Sum 50 or 100 or even a 1,000 times as great, a recompence to the same amount might, with little or no addition, still suffice, since the time expended in the operation of receiving would scarce experience any sensible increase.

3$^{d.}$ The class of Offices proposed is more numerous and more equally distributed than any other class of Revenue Offices under Government, more so than the little temporary Offices possessed by the Vendors of Stamps, considerably more so than the Excise [Offices];[121] from these two circumstances taken together arise two advantages: the Journey of the customer for the purchase of his Annuity Note is so much the shorter, and the value necessary to be intrusted in the Shape of Annuity Notes to a given hand for a given space of time is so much the less considerable.

[002_429]

What renders dispatch—habitual dispatch—so particularly material in the present instance is—not the loss on the score of interest by tardiness of payment, but the danger of loss by non-payment: for the more frequently the hands of a receiver are emptied of money in the course of a given period, the less will be the quantity of money remaining in his hands on an average on each day of that period, and consequently the less the amount of the loss capable of being made to fall upon Government by insolvency, criminal or accidental, on the part of these its agents.

Should the system of Local Post-Offices prove eventually inadequate in point of number to the quantity of the business, the local Stamp-Offices, with or without the local Excise Offices, might be called in in aid of the class employ'd in the first instance: and, possibly, in the great seat of money transactions—the metropolis—it might be found worth while to institute a certain number of Offices that should have no other business. But, at all events, it is a matter of no small moment that the Offices pitched upon in the first instance should be taken from the class of Post-Offices: because the degree of dispatch given in the class first employ'd would naturally be the standard of the degree required from any such supplemental set of hands. In the local Post-Offices—in the London Penny Post offices more particularly, the degree of dispatch falls little if any thing short of absolute perfection: in the local Stamp Offices, the want of punctuality has been the subject of

[121] MS 'Officers'.

official complaint.[122] Yet [002_430] the difference in the two cases is matter of accident, however, and does not arise out of any difference in the nature of the two cases. The persons employ'd as Vendors of Stamps are Shopkeepers: the persons employ'd as Receivers of Letters are shopkeepers of a class not inferior to the other. The same sort of persons are the persons employ'd in both instances: the business of the Receiver and Vendor of Stamps is not more complicated, in any degree capable of influencing the point in question, than that of the Receiver and Forwarder of Letters. The persons employ'd about the Letters are Shopkeepers: the persons employ'd about the Stamps are Shopkeepers of the same class, and frequently the same individuals. It is not more difficult to count stamps than to count letters: nor to count money paid on the one account than money paid on the other. There are indeed more varieties in the sums received on account of stamps than in the sums received on account of letters: so that the account is in a proportionable degree more complicated. But in each instance the sum to be taken on account of a stamp stands indicated on the face of the stamp itself: so that the difficulty is much less in the instance of this Government commodity, than it is in the instance of the private stock of the meanest Shopkeeper.

[002_431]

So much in the case before us depends on the making a right choice in the first instance: what in this case will pass as matter of course, would in the other have been protested against as visionary and impracticable.

See farther on this head the Notes on that part of the Plan which particularly concerns the business of *payment*.[123]

[002_432]

No scruple need be made of annexing the punishment of Felony to defaults. Let it be but declared in the Act, that all money received on this account is Government money—that it belongs to Government—not in respect of the amount merely, but in respect of the individual pieces—that it is not to be mixed with other money—that it shall be kept in a separate receptacle—that not a single piece of it is ever to be lent, kept in hand, or disposed of otherwise than according to the prescribed course of transmission—in a word, that the Post Master—constituted an Annuity-Note Office Keeper—is in this respect not on the

---

[122] In the margin, Bentham has noted at this point: 'See', but has failed to supply a reference.

[123] See Appendix A, pp. 000–000 below.

footing of a Trustee, but of a Servant, all imputation of undue severity vanishes. When a Servant converts to his own use plate of his Master's which he has in charge, it is not only a felony, but a capital one. In the present instance, the species of Servant in question being possessed of a degree of pecuniary responsibility so much superior to that of a menial Servant, the omission of the capital part of the punishment will be not only proper in itself, but consistent with the course of the law in other instances.[124]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_433]

{31} Art. 16. p. 000. {—*Least quantity* .^.^. *composition &c.*}

As the advantage derived by government[?] from this currency will be in proportion to the extension of it, and its extension will be in proportion to the convenience afforded by the use of it, Government may be safely enough trusted with the adjustment of these two points. The maximum of convenience in this respect would no otherwise be to be obtained than by experience. Whatever course came to be taken on these points at the outset, if it were fixed by an inflexible rule, that rule would be exposed to be rendered an instrument of vexation. The interests by which men would be prompted to render the whole measure abortive, if possible, are as powerful as they are obvious. On the one hand, the inconvenience to individuals—on the other hand, the trouble and thence the expence to Government, might be rendered intolerable.

The greater the number of these notes, large or small, that came to be taken out at once, that is by one and the same person at one and the same application, the less the trouble upon each note: but the greater the amount in value of the least mass of notes allowed to be taken out at a time, the fewer are the hands that will be able to find the cash requisite to pay for it. In the case of the Standard Note of £12. 16^{s}, the half, the quarter or the eighth of it, there is no difficulty: no fear of the trouble's becoming an object in notes of such a magnitude: but in the case of 1^{s} Notes and sixpenny Notes it is a very different affair.

Hence too, another reason for carrying the extension downwards by smooth and

[124] In the text, Bentham has noted at this point: '☞ Apply this to the Public Receivers in general.'

insensible degrees.[125]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_434]

{33} Art. 17. p. 000. { .^.^. *Fee* .^.^. *on purchase* .^.^. *a penny*}.[126]

Shall any fee be made demandable of a purchaser—Shall the amount of that fee be a penny as proposed—on a note of this magnitude? shall it be the same for all magnitudes, or vary in any and what proportion according to the magnitude?

The objection—the only objection that occurs—is the supposed danger—lest ill humour—and thence an aversion to the commodity—should be excited on the part of the customer by the demand of any such fee. The classes specially looked to as likely to furnish customers are in a very great proportion the inferior and ignorant classes, among whom captiousness and suspicion are apt to prevail, in proportion to their ignorance.

The danger does not strike me as very formidable: the arguments on the other side present themselves as much more substantial.

The sort of person, if such there be, who, being content to give £12. 16^{s} for the Note in question, would be repelled from the market by the addition of a penny—that addition being imposed for a particular reason, and imposed at the same time—does not seem likely to have many imitators: were it to be imposed without any such reason, and more particularly were it imposed afterwards, the case might be in a small degree different: it would be so in a much greater degree, if the surcharge were made without notice given of it on the face of the Note itself.

[002_435]

[125] No text corresponding to note-marker **{32}**, p. 000 above, has been identified.

[126] The italicized words in braces in this and the following note do not in fact correspond exactly with Article 17, p. 000 above, but appear in 'Form of a proposed ANNUITY NOTE on the plan of Yearly Interest', pp. 000–000 below, for which notes **{33–5}** were originally drafted. For further details see the Editorial Introduction, p. 000 & n. above.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fraction $^1/_{3072}$ (one three thousand and seventy-second) in the following paragraph.

No Exchequer [Bill][127] can be purchased, unless by mere accident, without the payment of an additional fee: I mean the 1^s paid for Brokerage.[128] I see no reason for regarding it as probable that the payment of this fee was ever in any instance regarded as matter of complaint: much less as a grievance of such magnitude as to drive a man from the purchase. The fee taken in this instance is the most moderate of the fees known to that profession: and this whether the sum be regarded in itself, or in the proportion it bears to the value of the thing the purchase of which is procured by it. The proportion in this instance is but as one to 2,000: and in the case in question it is considerably less: a penny is but the $^1/_{3072}$ of £12. 16$^{s.}$

[002_436]

1. In favour of the imposition the principal reason is this—viz: that the greater the amount is of an imposition thus laid on the purchase of the commodity in the way of issue, the stronger, so long as the issue continues, is the assurance it affords to a Note-Holder of his being able to rid his hands of it at any time in the way of circulation: on which, amongst other reasons, is grounded that article in the plan which provides for the regular publication of the progress of the issue.[129]

2. The fee in question is so much gain to the public: and, small as it is in each individual instance, may go the greater part of the way towards defraying the expences of the establishment.

3. It can scarcely be regarded as all loss even with reference to the individual on whom it is imposed: the civility and complacency [of][130] which it will be productive will be so much gain to him: nothing has so certain a tendency to sweeten labour, whether in or out of office, as a portion of emolument, how moderate soever, infused into it at the very

[127] MS 'Note'. That Bentham had exchequer bills in mind is confirmed by the corresponding marginal content: '2. It equals not the Broker's fee on Exchequer Bills.'

[128] See T. Fortune, *An Epitome of the Stocks and Public Funds; containing Every Thing necessary to be known for perfectly understanding the Nature of those Securities, and the Mode of doing Business therein*, 5th edn., London, 1800, p. 52.

[129] i.e. Article 18, p. 000 above.

[130] MS 'with'.

time—a [002_437] penny allowed by Government on account—a fee precisely the same in amount, *absolute* as well as *relative*, as the other—would not operate in the same way with altogether equal effect, because, howsoever connected with the labour, it would not present itself at the same *time*.

As to the quantum of the fee, it seems difficult to find any precise sum, with such reasons in support of it, as shall be seen to apply to that sum to the exclusion of every other. The danger on the one hand is the checking and diminishing the issue: the danger on the other hand is—that of not affording the assistance that might be afforded, to the circulation. The result would be an undesirable one, if, while in one part of the country the issue was going on with rapidity, in another part of the country a man possessed of a Note of this sort were to find a difficulty in getting it off his hands.

Possibly, a fee rising so high as sixpence might in this view be preferable upon the whole to so small a fee as a penny. The consequence might then be that a set of middlemen might spring up (Bankers, for example) who might find their account in watching the state of the market all over the country for the purpose of buying this paper at circulation price in a district where the circu[002_438]lation went on heavily, and selling it at an *intermediate* price between the *circulation* price and the *issue* price (fee included), in a place where the issue went on briskly. In this view, the expence of *postage* would require to be taken into account.[g]

[g] If for ever, or though but for a limited time if at the outset, an exemption from postage were to be granted to this paper, it would be a great encouragement to it at the only period at which, if at all, any encouragement given to it would be an eligible measure: and it seems the only species of encouragement which, *in the view of encouragement*, ought at any time to be given to it.

Antecedently to experience, I confess myself unable, for the present at least, to come to any fixed determination on this point: another point on which I find it so much the easier to come to a determination is—that in regard to the adjustment of the quantum of this fee a degree of latitude—and that a very considerable one—might with safety and advantage be reposed or left in the hands of the Treasury by Parliament.

A slight degree of agio might indeed in this event take place now and then in regard to the price of this paper in the way of circulation: but the utmost possible limits of it would be known, they would at the worst be very narrow: and they need never be suffered to extend wider by the amount of a single farthing, beyond the latitude indispensably necessary to insure the advantage aimed at.

[002_439]

A point obvious enough is:—that the fee, if any, would require to be different in notes of different magnitudes: neither 6^{d}—nor a penny—nor scarce a farthing could be imposed upon the issue of a sixpenny Note. A scale for this purpose would require to be constructed: but the construction of it would require such discussions of detail as, in the present stage of the proposal, would probably be regarded as premature.

A certain amount might be fixed, less than which shall not be issued at the same time: suppose the £3. 4^{s} Note or the £1. 12^{s} Note: and so in regard to the payment of interest. By this means the Offices would be kept clear of the most troublesome as well as numerous classes of Customers. Silver Notes would in that case be taken out, for example, not singly by Journeyman Manufacturers, but in parcels by Masters, who at pay day would distribute them among their journeymen.

So likewise as to the changing large for small notes or *vice versâ,* or injured notes for fresh ones.

By this means interest upon the minutest Notes would be *capable* of being received at the Offices (which, as above stated, is necessary to their passing in change for large ones), though what is probable as well as desirable is that it will scarce ever be demanded.

The least note that can be issued with profit will be determined by the time occupied in the operations necessary to the issue of it. Possibly, on this account, in the silver or at least the Copper Notes, if any, the actual signature of the Local office Keeper may be dispensed with, and a stamp of some kind affixed at his office, or at the General Office, employ'd instead.[131]

---

[131] In the margin, Bentham has noted at this point: 'Conversion. If the effluents are to be deducted, afterwards may be added at least an equal number of influents. Addition into the Stock Annuities there can not be, because there are no more Stock Annuities created, but into the *Note* Ann^{s} there may be, till the conversion is compleated.'

The following two paragraphs (**{34}** Art. 17 .^.^. have kept it.') are in the hand of a copyist with emendations by Bentham.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_440]

{34} Art 17. p. 000. {*On exchanging* .^.^. *one farthing*}.

The considerations by which the impossition of this small fee was suggested, will be stated presently: against it, no reasons that appear well grounded present themselves. For a moment, the imposition may wear the aspect of a hardship, and an apprehension may arise, lest the contemplation of this hardship should operate as a check on the issue. But the hardship will, on examination, be found to be of a very questionable nature: and, as to its operating as a check, either to the circulation or to issue, if any particular individual be looked for, as one on whom it can have the effect of preventing him from becoming the holder of a note of this kind, either in the one way or in the other, such individual will hardly be to be found. Of a loss, the avoidance of which would, to each individual, appear to be altogether in his own power, the apprehension entertained can never be very great: to the *issue* it can never operate as a check, since at that period, the paper being altogether fresh, and the mode of keeping it depending altogether upon him who purchases it, it can never appear to him as an event at all to be apprehended, that it shall ever be so ill kept by him, as that nobody else will accept of it. To the *circulation* of the paper, the proposed eventual imposition can never operate as a check, because nobody will be bound to accept of any such piece of paper that does not like it, who ever does accept of it will prove, by such his acceptance of it, that by *him* at least no such apprehensions are entertained. One thing is clear—that on whomsoever the loss may eventually happen to fall, it can never fall on any person but by his own default and through his own negligence: through negligence, manifested either in *taking* the Note, in a *condition* in which he should *not* have *taken it*, or in *keeping* it in a *manner* in which he should *not* have *kept* it.

[002_441]

On the other hand, if the check afforded by the expence of this small payment were removed, the right of commanding such exchange would be convertible into an instrument of intolerable vexation, and an instrument which, in case of the expected extension of the currency downwards, would be put into the hands of the lowest of the people. Actuated by personal enmity or even by mere wantonness, not to speak of political intrigue, a few individuals, by joining together, and that without any such concert as would expose them to punishment as for conspiracy, would have it in their power to consume the whole of an

Office Keeper's time, and thus, by watching the occasions where that time could least be spared, involve in confusion the whole business of the department. On occasions like these, the fable of the Lion and the Mouse should never be out of mind.[132] It is on this ground, beyond all others, that by causes in appearance the most minute, measures of the greatest importance are liable to be thwarted and overthrown. The Maid of honour, whose tomb is shown in Westminster Abbey, and who received her death's wound by the scratch of a pin's point, is the emblem of Paper Credit.[133] In legislation, every inconvenience which is possible may be regarded as certain if it be left without a remedy. Experience, not vain fancy, is the ground of this anxiety. In the instance of the Bank currency, the faculty of retarding the rate of payment by employing coin of a smaller denomination than ordinary has been employ'd as an instrument of self-preservation.[134] Instances are frequent where rival Bankers have waged war against each other's currencies. The proposed currency has for its natural enemies the whole host of Bankers.

[002_442]

By the expedient of rendering the intimation of this fee an inseparable accompaniment to the tenor of the engagement entered into by the Note, several purposes are answered at once. It prevents contestation on the one part, extortion on the other. At the expence of a premium thus moderate, it shows the cautious purchaser how he stands insured against accidental damage: thereby removing what might otherwise be an obstacle to the acceptance of this paper. By the warning it affords, it converts into an avoidable penalty—an instrument of prevention—what would otherwise be an unavoidable tax.

To be any thing, the fee can not, in the instance of the smallest note (6^{d}), be less than

---

[132] See *Aesop's Fables*, trans. L. Gibbs, Oxford, 2002, Fable 70, pp. 85–6.

[133] Lady Elizabeth Russell (1575–1600), Gentlewoman of the Privy Chamber to Elizabeth I from 1594. Her monument in St Edmund's chapel at Westminster Abbey displayed her pointing at a skull, which gave rise to a popular belief that she had died after accidentally cutting her finger on a pin, although in all probability she died of tuberculosis. Elizabeth I (1533–1603), Queen of England and Ireland from 1558.

[134] According to Adam Smith, the Bank of England was occasionally 'reduced to the necessity of paying in sixpences': Smith, *Wealth of Nations* (*Glasgow Edition*), i. 320. Richard Cantillon (*c*. 1680–1734), banker and economist, reported that in times of crisis (for example, at the collapse of the South Sea Company in 1720) the strategies adopted by the Bank of England to maintain its credit and avert a run on the Bank by holders of notes had included paying out large sums in small-denominations, paying out in instalments, and publicly paying large amounts of money to collaborators who would secretly return it: see *Essai sur la nature de commerce en général. Traduit de l'Anglois* (written *c*. 1730), [London], 1755, pp. 424–6.

the farthing proposed for the standard note (£12. 16. 0): and in the instance of the highest note (say £1,000) it need not be much more. On the occasion of the fee to be paid on issuing, reasons have been given why, in regard to the quantum of the imposition, a considerable latitude should be given by Parliament to the Executive Government: these reasons apply to the present case with equal force.

[002_443]

To say that the obligation of exchanging shall not attach but in the case where the note in question is too much worn or defaced to pass in circulation, would not mend the matter in the smallest degree: the question whether sufficiently defaced or not would be a source of disputes altogether [in]determinable: and a note rejected one day for not being sufficiently defaced, would come back the next day with the deficiency supplied.

The Bank, it may be objected, submitts to the obligation *gratis*: and no inconvenience has ever resulted from it in practice. True: but there is no parallelism between the two cases. The lowest Bank Note is forty times the value of what is proposed for the lowest Note of the proposed currency.[135] But a more decisive answer is this. The difference between the two currencies in this respect is grounded on the difference between the two engagements. In the Bank currency, no interest is given and the principal is made payable on demand: in other words, the Holder has a right to demand cash for it. But when cash is demanded for a Note, it is then for the advantage of the Bank more than that of the individual to give another note for the cash. The obligation of changing paper for paper springs out of the obligation of changing paper for cash and is inseparable from it.

[002_444]

Paper (it may be said, and said in the way of objection) will soon be soiled and worn out by wear and tear in the rough and dirty hands through which the *Silver* notes more especially will have to pass. True: this is what it will be exposed to: but the consideration presents itself rather in the light of a recommendation than an objection. The loss will not take place in any hands that had not the power of preserving themselves from it. To government, all such losses will be so much profit: and a profit as unexceptionable as any other. A tax falls on all alike: a loss of this sort confines itself in a manner to the careless and insensible.

[135] i.e. £1 versus 6d.

[002_445]

As individuals may have their reasons for wishing to exchange in this way their respective notes, so may Government have its reasons for compelling such exchange, either in the instance of this or that individual note, or in any the largest masses. Taking into consideration the changes that time, of itself, may produce in a material of so soft and thin a texture, without the aid of negligence, it may see reason in point of justice to *call it in* at the end of a certain number of years, more especially in the instance of the silver and other small notes which, by the rapidity of their passage from hand to hand, are apt to pass through such hands as by their number alone, independently of bad keeping, may by that time be expected to reduce the currency in question to a state unfit for further circulation:[136] and supposing as here that the exchange is involuntary on the part of the Holder, the fee might be either reduced, as in the case of such notes as were high enough to admitt of a fee susceptible of reduction, or, as in the case of the small Silver notes, remitted altogether.

Here, then, is another case in which powers of a coercive texture of considerable latitude seem requisite to be reposed by Parliament in the hands of the executive Government: powers, for example, for [002_446] exacting a fee to such or such an amount on exchange, and for appointing such or such a penalty (suppose suspension of the interest) in case of non-compliance with such summons. Should the currency in question have found its way into the distant dependencies of the empire, hence again would arise a demand for further powers for proportioning the time allowed for obedience to the magnitude of the distance.

From time to time the Bank Of England are said to *call in*, as the phrase is, such and such portions of their currency, but what passes on these occasions is very different from the exercise of any such powers as it is here proposed to place in the hands of Government. What the Bank does, extends not—cannot extend—beyond simple invitation. They can not say to the holder of one of their Notes, if you do not bring in your Note for payment by such or such a time, you shall not be paid at all: for by the very tenor of the engagement—

[136] In the margin, Bentham has written the following passage for insertion, but given no indication of where to insert it: ‘In the case of forgery, the faculty of bringing the whole or any part of the currency under review would be remedy, the existence of power to that effect would be an indispensable remedy, and the knowledge of its existence would be a check upon any such attempts.’ For Bentham’s discussion of the power to call in notes in case of forgery see note **{35}**, p. 000 below.

such note being payable on demand—that is payable at what time soever the holder shall think proper to demand it, the time he keeps the note before he makes such demand may be as short a time or as long a time as he thinks fit.

[002_447]

Powers to any such effect could not be exercised after the adjustment of the terms of the agreement between Government and the Note Holder, that is, after the issue of the Note, without express authority from Parliament, nor even then without such a departure as nothing short of necessity could warrant from the rules of strict justice: because the effect would be, to add new conditions to a bargain already made.

No such powers (it is true) are either exercised or conferred in the case of Exchequer Bills: but in this respect the two cases stand upon altogether different grounds. In the one case, the utmost duration of the Annuity is extremely short: in the other, subject to the chance of redemption, it is perpetual.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_448]

{35} Art. 17. p. 000. {.^.^. *To call in Notes &c.*}

No particular reason occurrs for the creation of this power, other than the demand that may occurr for the exercise of it in the case of Forgery: but this reason will surely be acknowledged to be altogether a sufficient one. It is very material in this view that a person having or who otherwise might have in contemplation an enterprize of Forgery, should be apprized that in case of any rumour or suspicion of appearance of a forged note, the paper of that class would be capable at any time of being made to be subjected to the scrutiny of a set of eyes more competent to such investigation than the artless individual or narrow circle of individuals within whose desks it might otherwise be confined.

That a power of this sort would not be exercised wantonly, nor upon light grounds, may reasonably be inferred, if it were only from the trouble of which it would be productive on the part of those who exercise it. With regard to the Note-holders, being divested of all expence, the burthen is rendered as light as the nature of the case will admitt: and in whatever point of view it be considered, it is not possible to conceive a power that stands clearer of all temptation to abuse.[137]

---

[137] The following related note at UC ii. 449–51, which does not correspond any Article in § I of this chapter, is paginated to follow note **{35}**:

'{4} {*Fee* .^.^. *in receipt of* .^.^. *interest* .^.^.}. The same reasons which apply to the cases of purchase and exchange, apply to the case of payment of interest, but with augmented force.

'To refuse payment of interest in *any* instance, in the instance of a note even of the *smallest* magnitude—would be a violation of the principle of the engagement: it would be altogether destructive of the value of the class of notes so distinguished, and render them incapable of being made to pass in exchange for Notes of the superior classes. A barren paper would as such be essentially incapable of forming part of the same system with an interest-bearing paper: the circumstance which in the one case constitutes the value of the paper, and furnishes the inducement to accept it, would be altogether wanting. If it did not promise interest, it would promise nothing at all: principal it could not promise; for in that case it would be a paper of quite another sort. Nobody would accept it as cash, unless the money promised were promised to be paid on demand. Government, were it to do this, would be setting up [in] the Banking trade: and the measure, to say nothing of its impropriety, would be a totally different one from that which is intended.

'To put it in the power of every individual possessed of a sixpenny note or a shilling note to call upon a Local Annuity Office for the payment of the farthing's worth of interest when due, and this for any number of such notes, and without a fee, would be to expose the Officer to a still greater degree of that vexation which, in a less degree, it has already appeared might be rendered intolerable.

'There remains, as the only course that can be taken, the requiring from every person who applies for payment a fee: but that fee, as in the two former cases, to be as [small as] it can be and at the same time afford tolerably adequate recompence for the trouble attendant on the service for which it is required: and for this trouble, it has already been proved, from the example of the Local Penny Post Offices, that a sum corresponding to the smallest coin extant would not be too small and inadequate.

'A consideration that can not but here present itself at the very instant in the character of an objection, is—that an imposition even to this small amount is in one case a tax of cent per cent upon the payment pretended to be made—and in other case[s], a tax of 50 per cent, 25 per cent, 12½ per cent and so on respectively.

'The answer is that so it really would be, were this fee to be repeated upon each one of whatever number of 6^{d} notes, shilling notes, 2^{s} notes, and so forth the same individual sent in for payment at the same time, but that this should be the case is by no means necessary. For this one fee of a farthing it might be ordained that on a certain mass of Annuity Note paper (upon a joint account of the total value and number of notes composing that value) the interest might be received by the same person at the same time: suppose, for example, for a mass of small notes making up amongst them the value of the Standard Note, £12. 16^{s}, or the half of it. By this means, the apprehended embarassment and vexation would be obviated and prevented, and the value even of the smallest note kept unimpaired.

'It would be matter of subordinate consideration whether the fee for payment should be repeated *in toto* for every repetition of this value in the note sent in for payment—whether in any and what instances and in what degree it should encrease with the number of the Notes composing the sum sent in for payment, that sum remaining the same. These are matters of subordinate consideration, too minute to be worth discussing

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_452]

{36} Art. 18. page 000. {*Accounts* .^.^. *published of the progress of the issue*.}[138]

Uses of such publication.

1. That the avidity for this paper may become the stronger and more general, in proportion as the demand for it is seen to encrease.

2. That the notice thus given to the Bank and Bankers to reduce the quantity of their respective paper may be as timely, as regular, and as universal as possible.

3. That, the amount of the issue in the course of each given period being thus ascertained, an indication may be afforded of the degree to which any temporary cause of depretiation must have operated, before it can have proceeded to such a length as to subject the paper to a discount in the way of circulation.

4. That if any difficulty should happen to befal the circulation in one part of the country, while the emission was going on in the other, the difficulty might obtain relief by sending the paper to a district where the emission was going on brisk, or by orders sent from that district to the district where the circulation was going on heavily.

[002_453]

---

here. What is more, they are too minute to be settled definitively by Parliament, and at the same too intricate and difficult to comprehend rightly in the way of anticipation to be adjusted definitively without the assistance of experience. The same reason, therefore, which obtains in the case of purchase and exchange, [and] plead[s] for the trusting the adjustment of the business within certain limits to the prudence of the Executive Government, pleads again in the present case, and with augmented force.

‘Meantime, it may be observed [that] [MS ‘than’] in the provisional or experiment[al] adjustment of the quantum of this fee, by the executive Government, it is not necessary to take for the sole standard that case which affords the greatest trouble: the standard should be a medium composed of all the several cases taken together, regard being had to their probable degrees of frequency: nor should it pass unobserved that the case which is attended with the greatest trouble to the Officer of Government, the local Postmaster, is also attended with the greatest trouble to the Note-holder: and, therefore, were it not that the smaller Note-holders will be so much more numerous than the greater Note-holders, is that which is likely to be least frequent.’

[138] See p. 000 above.

5. That an indication may be afforded, and that a constant one, of the rate of progress of the Country in the career of opulence and prosperity. This intention, (it may be observed, however) would not begin to be answered till the extent of the currency in question had reached its utmost limits. Under the auspices of security, as industry and frugality went on their loan[?], savings would accumulate, and would come naturally to assume this shape. But no indication would be afforded in this way till it was ascertained how much of the encrease of this paper was owing to the encrease of money in general, and how much to the as yet unsatisfied desire of converting it into *this* from other *shapes*.

[002_454]

As to the points to be touched upon in the publication, and thence the heads under which the matter of it were to be arranged, considering the matter in a general point of view, on this ground as on all grounds, the information afforded could not be too particular or extensive.

The only caution the nature of the case seems to call for in the way of limitation, is—not to render the information so minute and pointed with regard to place and time, as to betray family secrets and disclose the amount and form of a man's property to those from whom he might have reasons for concealing it.[139]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_455]

{38} Art. 19. page 000. {*Stock Annuities* .^.^. *risen to par*}.

For the probability and probable speediness of such a result, see farther on § {^}.[140]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{39} Art. 19. page 000. {*Paying off, instead of buying in*}.

[139] No text corresponding to note-marker **{37}**, p. 000 above, has been identified.

[140] See pp. 000–000 and 000–000 below.

The change from the one plan to the other will be matter of course. The only reason for buying them in, as under the existing plan, instead of buying them off, which till the establishment of that plan was the only method of getting rid of the incumbrance, is to save the difference between the par price, which is the *maximum* of expence, and any less price for which, on each occasion, they may happen to be purchaseable. Supposing them at par, there would be nothing to be gained by buying them in, in contradistinction to the paying them off: supposing them to be above par, there would be loss, viz: just so much loss, as the excess of the price above par amounts to. But supposing them exactly at par, paying off would obviously be the course pursued in contradistinction to the buying them in—since buying in is an operation that could not be carried on any otherwise than in the proportion in which sellers happened to present themselves, whereas that of paying off would be performable to whatever amount the fund proved equal to.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_456]

{40} Art. 20. page 000. {.^.^. *Conversion*.^.^. *into Note Annuities*}.

That this conversion will be, at least may be made to be, rapid, as well as certain, will appear from[141] the following considerations.

1. That the price of Stock Annuities being by the supposition arrived at par, these Note Annuities will now yield as good an interest for money as Stock Annuities, and in that respect be as well adapted to the demand of those who would be inclined to buy into the Fund of Stock Annuities, as Stock itself: besides the superior advantages they present in other respects—the security against depretiation and the superior facility, as well in regard to the making use of the amount in the way of principal by simple payment or transfer without the trouble of selling, as in regard to the receiving of the amount of the interest in the way of circulation without the trouble of sending for it on purpose, not to mention the saving of a variety of expences on each occasion—will give to this new species of Annuities an indisputable preference. Add to which that the assurance of not being paid off against his will till the whole of the enormous quantity that will still be remaining of the Stock Annuities has been paid off, will be another source of additional

[141] In the margin, Bentham has noted at this point: ‘Shall this be done by reference?’

value to the Note Annuities as compared with Stock, especially at the outset of the paying off plan, and before the event of an entire conversion of the one into the other comes to wear the face of a probable and near result.

[002_457]

At this period then, it will be the evident interest of all holders of Stock Annuities, to convert them into Note Annuities: and being their interest, it will be as evidently in their power. A mode of doing this will be in their power, without waiting for the consent of government, and without the trouble and formality of a treaty for the purpose. S., a Stock-holder who has £100 Stock, which he wishes to convert into Notes, will sell it for £100 cash to F. (a friend of his who, having the money, does not want the Stock, but only takes it for the moment, to accommodate his friend). S., having obtained the cash, goes with it to the next Local Annuity Note Office and takes out Notes to that amount. From the Office, the Cash comes immediately into the hands of the Commissioners (the Commissioners of the Sinking Fund) who, by the conditions of the institution, are bound to produce it immediately to the Stock Market to lay it out in Stock. F. offers his £100 Stock accordingly, sells it to the Commissioners, and thus gets back the money which, for the accommodation of his friend S., he had advanced.[h]

[h] On a capital of any such small amount, the expence of Stock conversion, would, at the present rate of expence for Powers of Attorney, Brokerage and so forth, cut deep into the advantage: but as, on the other hand, the advantage resulting to Government would also, (as will be seen) be very considerable, it will be worth the while of Government to remove all such impediments, and expedite the conversion by every encouragement that can be devised.[142]

[002_458]

Under these circumstances, the interest of both parties, Government and the Stockholder, conspiring, the probability seems to be that the conversion will not be gradual or partial, but total (or at least nearly so) and simultaneous, as in the case of the famous

[142] Bentham has the following marginal content for this note for deletion in the corresponding marginal contents sheet at UC iii. 40: ‘It might then be worth while to facilitate transferrs by taking off the expence’. He has then noted ‘Answer. There would be no transfer in the case.’

reduction of the rate of interest under the administration of Mr Pelham in 1757.[143] The majority composed of the willing will undergo the conversion by consent: and the few who may be unwilling, or lie under legal disabilities, will be made to submitt to it, by being paid off with the large funds which by this time will have been accumulating in the hands of the Commissioners for this purpose.

[002_459]

Whether the accomplishment of the process were sudden or no, the progress of it could not be very tardy. For as fast as a Stockholder to the amount of (say of £1,000) was paid off against his inclination, whether by the produce of the existing Sinking Funds, or by the produce of this new fund, being by the supposition desirous of retaining his mass of Government Annuities, and having no other resource, he would betake himself to the market for Note Annuities. But by the purchase of this £1,000 worth of Note Annuities, another £1,000 would be thrown into the hands of Government, which would be employ'd in the paying off another £1,000 worth of Stock, and so on *ad infinitum*.[144]

So great would be the rapidity of the operation, seconded as it would be all the while by the produce of the existing Sinking Funds, and by the encreasing surpluses of taxes (supposing it to be a time of peace), that within a very short period Government would have made its way to the 4 and 5 per Cents by paying off the 25 Millions of 3 per Cents which, by the terms of their creation, have been constituted, as it were, a barrier for their

[143] On 20 December 1749, Parliament enacted the plan of Henry Pelham (1694–1754), Secretary at War 1724–30, Paymaster General 1730–43, leader of the administration as First Lord of the Treasury, Chancellor of the Exchequer, and Leader of the House of Commons 1743–54, to consolidate the national debt of £57,703,475 6s. 4d. 2f. by reducing the rate of interest from 4% to 3% from 25 December 1757. Under the National Debt (No. 1) Act of 1749 (23 Geo. II, c. 1), those in possession of 4% consolidated annuities who consented to this reduced rate of interest before 28 February 1750 were entitled to receive '4*l*. *per Cent.* until 25 *Dec*. 1750, and 3*l*. 10*s*. *per Cent*. until 25 *Dec*. 1757'. The National Debt (No. 2) Act of 1750 (23 Geo. II, c. 22) was passed in order to give a further three months 'to the Proprietors of Annuities, after the Rate of four Pounds *per Centum per Annum*, to subscribe in the same Manner, and upon the same Terms' as under the former statute. For detailed discussion of Pelham's plan, including its reception and efficacy, see pp. 000–000 below. [To BL Add. MS 31,235, fos. 27–30, 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. XV].

[144] Bentham considered incorporating the following paragraph in Ch. VI. Financial Advantages, pp. 000–000 below, as indicated by an instruction added to the corresponding marginal contents sheet at UC iii. 40.

defence.[145]

[002_470]

Conversion is a word used for shortness: the means of bringing about the event indicated by it is the paying off such and such masses of Stock Annuity: the purchase of a correspondent quantity of Annuity Note paper by the Stock Annuitants thus discharged, a quantity fully equal to, or more or less inferior to, the mass of Stock Annuity paid off, is a distinct operation [from the] former, and is but a consequence of it, though in practice it will probably appear to be little if any thing less than a necessary consequence. To pay off, that is discharge men and money out of one fund, is the act of Government, and in a greater or less quantity will be in the power of government; to *buy in* to the other fund is the act of the individual, and will depend on the will of the individual:—but, in this matter as in others, that will will have its rules: the course that will be taken by it will be capable of being pronounced upon with as high a degree of certainty as ever is or ever can be obtained in respect of financial computations and arrangements.

The promptitude of the conversion will accordingly depend on the plan pursued—the mode adopted—in respect to the paying off of the several masses of Stock Annuity, with money obtained by the sale of Note Annuities or from other sources.

It will depend on the cutting off of all unnecessary delays: of all delays that are not prescribed by the rules of justice and humanity—by good faith and an allowable regard for the feelings of individuals: and on the adoption of whatever expedients for acceleration are reconcileable to those rules.

[002_471]

In regard to justice, by the very terms of creation the public has always reserved to itself the unrestricted right of paying off these Annuities: paying them off in any proportions, in masses however selected for that purpose, and at any time. The expectations of the individuals concerned have of consequence, or are at least to be considered as having, squared themselves all along to the unrestricted exercise of that right: and be this as it may, the feelings of the individual will, without any exception, in this as in all questions where property is concerned, have been governed and determined

[145] For the conjectural nature of the inclusion of the remainder of this note see the Editorial Intorduction, p. 000 above.

by his expectations.

In this, as in other cases of Debtor and Creditor, no *notice*, without express stipulation, no notice is necessary as of common right, to entitle the Debtor to liberate himself by the paying of the Debt.

No [Creditor][146] can alledge it as matter of complaint, on the score of *justice* at least, that he should be paid off *earlier* than another. Not even, were he to be paid off *later*, supposing the postponement to be consistent with the tenor of the agreement:—much less, that he should be paid off *earlier*.

[002_472]

These rules being premised, and acceded to, the conversion may be rendered little less than instantaneous! It may be rendered so even without any co-operation on the part of individual Stock-holders: and, by a co-operation such as government will have the means of obtaining in its power, the conversion may receive a still further degree of certainty as well as dispatch.

The time fixed upon for the first payment to be made of money for the redemption of the Capital of a corresponding portion of Stock Annuities in this view is (suppose) the day when the interest (called *dividend*) is due: a quantity of money has been collected and reserved in a mass for that purpose: notice of the intention has been given or not, as shall have been thought fit. Take a single million, for example. But the individuals, who on these terms find themselves obliged to part with their masses of Annuity, did not desire to part with them. Their wish was to retain them. But there are no more Government Annuities in the form of Stock Annuities to be had on any terms: at least on any terms on which they would be worth having. At the same time, the market for Note Annuities on the same terms, (setting aside a small fractional deficiency not worth regarding) is still open: and this fractional deficiency is *amply* compensated for by superior facilities in regard to the mode of receiving the interest, and the mode of obtaining money or money's worth upon occasion by the transfer—i:e: the paying away the principal.[147]

[002_473]

Under these circumstances, the same day—the same hour in which a Million's worth

---

[146] MS 'Debtor' contradicts the sense of the passage.

of Stockholders[148] receive £100 of redemption money in return for their £3 Stock Annuity, they will take it to the Note Annuity Office, to purchase with it a mass of Note Annuity to the same amount. But from the Note Annuity Office, the same money might that same day, by the next if not the same hour, be handed over to the Commissioners of Redemption of the National Debt: who on that same day again, if not at that same hour, might pay those same £100s to other Stock-holders for the redemption of their £100 worth of Stock Annuities, which £100s these 2[d] Stockholders, for the same reasons as the first, would carry to the Annuity Note Office to buy a second Million's worth of Annuity Notes, as before, which 2[d] Million's worth might that same day go back again to pay off a 3[d] Million's worth of Stock Annuities, and so on without end, till the whole conversion were compleated.

But instead of this single Million by which so much may be done, the Commissioners, if they have waited till the supposed day, will have by this time to the amount of at least *eight* millions to operate with at the same time;[149] and should the conversion not have been compleated in the course of the half-year, by the end of the next another mass to the amount of *eight* millions will have been added to the former, ready to join it in the same course.

[002_474]

I speak of what is capable of being done in the nature of the case: and what might and would be done, supposing it worth while to engage Clerks enough, and that Clerks enough were engaged accordingly.[i]

> [i] It is not here as in the case of the *Redemption of the Land Tax*: where Titles are to be examined into and settled, concurrences to be obtained, calculations made, two or three sets of Contracts drawn up and signed, and so forth.

Such might be the rapidity of the operation: supposing even that no steps were taken

[147] In the margin, Bentham has noted at this point 'Reference onwards'.

[148] MS orig 'a man'. Bentham has noted alongside the emendation 'a Million's worth of Stockholders': 'Alter hereafter accordingly', and the necessary alterations have been silently supplied.

[149] In the margin Bentham has twice noted in relation to the assertions in this paragraph: 'Correct', presumably an imperative memorandum to alter the text in accordance with his developing estimate of the demand for annuity notes in the period after stock annuities reached par, which would in turn in part determine the amount avialable to the Commissioners for paying-off stock annuitants.

for obtaining any co-operation on the part of the holders of Stock Annuities, nor any official arrangements taken for [producing][150] what degree of dispatch might be deducible from that source.

But by an obvious Official arrangement, abundance of time and labour might be saved.

The journeys backwards and forwards between Office and Office, and the intervening operations on the part of the Commissioners, are operations which, however necessary but for certain Official arrangements, may, by means of such arrangements, be rendered altogether needless.

The Office for the surrender of Stock on receipt of the redemption money being in one room, let the Office for issuing Annuity Notes on this occasion be in the next. The *Warrant* will be given as at present in the practice of the Bank: and on delivery of the Warrant, the individual will be paid either in Cash by one Clerk, or in Annuity Note paper by another, as he thinks fit.

[002_475]

As to co-operation, the means of obtaining it, in the wholesale way, are as follows.

Let Books be opened to receive Subscriptions of Stock in exchange for Annuity Notes.

The premium or inducement for subscribing, an engagement that those who thus accept of Notes of the first issue earliest, shall, on a second issue, whenever the redemption of that first issue takes place, be paid off latest. The Subscribers, with the Paper they receive, to be arranged into Classes N° 1, 2, 3 and so forth, of so many millions each, for that purpose.

The holders of 5 per Cents, who by this redemption would lose two per Cent of the 5, and the holders of 4 per Cents, who would lose *one*, might be arranged in Classes 1 and 2, *ex gratiâ*.[151] Between the others would be the *race*.

---

[150] MS ‘producible’.

[151] In the margin, Bentham has noted at this point: ‘Would they accept it? as they could not be paid[?] but as money comes in?’

Subscriptions to be receivable by letter, according to a prescribed Form, to be signed at, and transmitted by, the Local Annuity Note Offices. Forgery of a name to such letter, a punishable crime. To compensate for distance, date of Subscription to be reckoned not from the day when received, nor yet from the day when dated, for fear of ante-dating, but when, as per Postmark, *each* Letter was put into the Country Post-Office. Provision for the case of Trusteeship is matter of detail that will come of course. The case of persons absent in the East and West Indies &c. not to be forgotten: but the requisite details would take up too much room to be inserted here.[152]

[002_476]

In favour of the absent in remote parts of the globe, assent at the earliest period might be presumed, the beneficialness of the measure having been established by actual subscriptions to a certain amount.

The classes to be formed thus—Classes 1 and 2, as before. Class 3 composed of the holders of such a quantity of Stock, not more than say 4 Millions, as shall have been subscribed on any day or days prior to such a day. Class 4th composed of the superflux, if any, of Class 3d, with the Subscribers down to some subsequent day. Doubts whether a Subscriber belongs to one class or the next, to be decided by lot. Any mode of decision is good, so as it excludes the reality and the suspicion of personal partialities. That the sum in each Class should be exactly round, and the same in all classes, is neither possible nor material: nor that the arrangement of the Classes should be definitively formed in any very short span of time: since the season for acting in regard to the early formed classes can not occur till after the second emission has been issued and the conversion produced by it proceeded upon for a considerable length of time.

Little knots will occurr that must be cut in the Gordian stile. To the charge of absolute injustice, the operation is not exposed: since without injustice, every individual without exception may be paid off at any time.

[002_477]

How to proceed for the redemption of those portions of Stock whose holders forbear, purposely or otherwise, to apply for the purpose of receiving it?—From the time that the money is set apart for the purchase of the mass of Stock standing in this or that name, the

---

[152] Bentham in fact goes on to address this issue in this note: see p. 000 n. below. [To UC ii. 477.]

interest of course must cease: if the redemption of the principal, and thence the cessation of the interest, depended on the act of the Annuitant, no unwilling Annuitant would ever be paid off. Nothing but loss—clear and palpable loss—would be the result of the non-acceptance or any delay in the [acceptance][153] of the redemption-money in such case. Therefore, any such refractoriness would not be reasonably to be apprehended in any degree worth regarding: and so far as it did take place, there would be no positive loss to Government; since though in one sense the money would be lying idle, (the progress of the conversion being stopped *pro tanto*) the interest on it would be saved.

In the case of distant Absentees, power might be given to their known Agents—the existence of the trust being sufficiently verified in a manner to be prescribed—having power of Attorney in regard to Stock, although the power of transfer were not included: measures being provided for impounding the correspondent Annuity Notes in the public Offices, so as not to trust them to any Agent whose powers did not extend thus far, till the will of the proprietor could be made known.[154]

[002_478]

To other classes presenting claims to favour, on the score of humanity and commiseration, it might be not impossible to extend favour. To Widows and to Orphans of the female sex—their whole property in capital and income not exceeding a certain amount to be limited, substantiated upon Oath. But the day referred to, must be a day post, at the publication of the provision first made; and neither the day, nor if possible so much as the measure, should have been made known to any before the publication thus made of it to all. Otherwise, the favour thus meant for the true object of favour would be purchased or otherwise obtained by fraud.

[002_479]

A circumstance obvious enough, and yet too important to pass over in silence, is—that in the conversion here in question will be included of course, and without any particular steps to be taken for the purpose, the reduction of the two existing extra-rates of interest to the standard rate—the reduction of 4 and 5 per Cents, to 3 per Cents. The capitals attended with these 4 and 5 per cent rates of interest will, in as far as the terms of the respective loans admitt, be of course redeemed before any portion of that capital which

---

[153] MS 'non-acceptance' contradicts the sense of the passage.

[154] Bentham has indicated that the following paragraph might appear as a note.

carries no more than 3 per Cent, the standard rate. The amount of this partial, collateral and, as it were, indirect reduction will go near to equal, as we shall see, the amount of the celebrated reduction, the reduction so called, that was effected in M[r] Pelham's time. Precise amount £|^^^|, deducting the amount of redemption on the buying in plan already made, and together with such other as by that time shall have been made. But for the calculation, see a subsequent Chapter.[j]

[j] Chapt. |^|.[155]

Besides this collateral though large reduction, the conversion will be accompanied by another reduction, which, though universal in its extent, is comparatively very minute in its relative amount: the conversion of the Stock Capitals, which yield the 3 per Cent precisely, into the Annuity Note Capital, which yields a sum unavoidably inferior to that amount by 7[d] in every 3£ of interest on every £100 of capital. Even from this minute and fractional difference, a profit will arise by reduction of a quantity corresponding to a mass of above 4 millions' worth of capital, as will be stated in its place.[k]

[k] Chapt. |^^^|.[156]

[002_480]

Compare the plan of reduction here proposed,[157] with that pursued in M[r] Pelham's time.[l] Compare them in regard to the three capital points—profit—Dispatch—and certainty of success.

[l] A° 1749.

NOTE TO TYPESETTERS: Please note the fractions $^{1}/_{22}$ and $^{1}/_{23}$ (one twenty-second and one twenty-third) in the following paragraph.

1. Profit. The first step taken in the reduction of that time was the Resolution of the

---

[155] See pp. 000–000 below.

[156] See pp. 000–000 below.

[157] It is very probable that Bentham re-worked the remainder of this note in drafting 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Ch. XV, pp. 000–000 below, and the text sheets show evidence of cancellations, revisions, and considerations of movement of material from text to notes. For further details see the Editorial Introduction, p. 000 & n. above.

House of Commons dated 29th Nov^{r} 1749. The existing rate of interest was 4 per Cent: the rate to which it was proposed to be reduced, 3 per Cent.[m] To obtain the requisite consent a sacrifice was made: a price offered: 1 per Cent for one Year—Till Dec^{r} 1750 (£577,034) and ½ per cent for 7 Years thereafter.—Till Dec^{r} 1757 (£2,016,119). Total: £2,593,153: considerably more than 2½ million, even after allowance made for the difference between prompt and periodical payment: between $^{1}/_{22}$ and $^{1}/_{23}$ of the amount of the capital of the mass of annuity on which the reduction was to take place.[158] By the striking off of 2 Years' *bonus* in the instance of the second set of subscribers, as it were by way of punishment for what was looked upon as refractoriness, the terms were made better to the public than that first offer, but to an amount scarce worth reckoning.

[m] Sinclair, *Hist.^{y} of Revenue*. II, 111.[159]

2. Dispatch. The date of the first authoritative step taken was that of the Resolution of the House of Commons, 29th Nov^{r} 1749. From that to the 28th of Feb^{y} then next ensuing, three months was given to the Annuitants to consider whether they would accept of the terms or no: a length of notice, since an interval upon that plan necessarily was to be allowed, chargeable rather with deficiency than excess, not allowing time enough for Annuitants who might be resident habitually or casually in America, the West or the East Indies.

[002_481]

3. Certainty of success. The plan succeeded in the event: but from this circumstance alone no conclusive inference is to be drawn relative to chances in favour, considered before trial. So late as the 6th of Feb^{y} 'the scheme'(according to Sir John Sinclair) 'was likely to have failed, very few of the Stockholders having' submitted,[n] when a tract of Sir John Barnard's gave the turn to the public mind.[160]

---

[158] Bentham has written in relation to the remainder of this paragraph: 'Note?'

[159] i.e. Sir John Sinclair, *The History of the Public Revenue of the British Empire*, 2nd edn., 2 vols., London, 1790, ii. 111.

[160] Sir John Barnard (*c*. 1685–1764), MP for the City of London 1722–61, Lord Mayor of London 1737–8, was the author of *Considerations on the Proposal for Reducing the Interest on the National Debt*, London, 1750.

[n] II. 112.[161]

As it was, out of 57 millions and odd, 18 and odd remained unsubscribed: and to catch these 18 and odd, a further time of three months: from 28th Feby to 30th of May was allowed, by another Act,° by which the amount of the bonus was, however, reduced, and the non-consenters punished, as it were, for their contumacy. Whether for want of time or inclination, Stock-holders to the amount of about 3¼ Millions still stood out, and were paid off, in consequence.

° By 23. G. 2. c. 22.

[002_482]

Although none of the Stockholders had submitted, the reduction *might*, in some way or other, at some time or other, and perhaps *would*, have taken place. But in what time? At ten years' end or so, perhaps. That is to say, supposing *times* and *persons* favourable: Parliaments and its successors, Ministers and their Successors, to have been consistent for perhaps ten Years. Five or six millions a Year, perhaps: say, for round numbers, 6 millions. From the statement above given, it is evident that, taking that length of time, one and the same sum of 6 millions would have done all the business. No accumulation would have been necessary: no such thing would then have, generally at least, been reckoned upon: it is only of late Years that people have allowed themselves to see that property does accumulate. Ten vibrations of this mass would have sufficed: but at the Parliamentary rate of going, less than a year can scarce be allowed for the time of each vibration.[p]

[p] The planners of the measure could not have looked to any considerably quicker rate; for in that case, had the rate been quicker in any considerable degree, the pains taken to obtain consent would have been thrown away, and so would the money given for purchasing it.

[002_483]

Now for the parallel. 1. Profit. Upon the Pelham plan, 2½ Millions given to purchase the advantage: upon the proposed plan, nothing. Upon the Pelham plan, 2½ upon a Capital of 58 Millions. At the same rate, what would it cost to reduce the present mass of Stock Annuities a step lower?—including or not including the 4 and 5 per Cents, supposing them

[161] i.e. Sinclair, *History of the Public Revenue*, ii. 112.

to have been previously reduced *gratis* to 3 per Cents.

2. Dispatch. On the Pelham plan, time employ'd in obtaining the consent six months though supposing consent necessary, even that time was far from being sufficient for all purposes. On the proposed plan, no time necessary for that purpose. [On the Pelham plan,] on failure of such consent, time of each vibration of the moving power, one year: on the proposed plan, half an hour.

3. Certainty of success. On the Pelham plan, the success dependent on the momentary state of the public mind: requiring the concurrence and co-operation of an immense multitude. Every thing, or almost every thing, was to be done, or nothing. On the proposed plan, success not dependent on any thing: no co-operation requisite. Within a given time, more or less done of course, according to the means—according to the quantity of the moving power: but a large quantity assured, and with the smallest, something done.

M^r^ Pelham, having no effectual Sinking Fund already established, no money in hand to work with, had nothing but borrowed money, money expected to be borrowed for the purpose, to pay with. Satisfied with reducing the interest, he left the capital as he found it. M^r^ Pitt having, by fourteen years of thrift, provided himself with a vast mass of money to work with, reduction of interest and redemption of principal will go on at the same time; and will be a cause and effect to one another.

[002_484]

In M^r^ Pelham's case, the subject matter of the operation was not large enough: no such chain of successive reductions, as here—no one other reduction after the first—was in comtemplation: a reprieve from the effect of a future reduction, was a sort of premium or *bonus* not afforded by the nature of *that* case. There was no ground then and there for competition to act upon: nothing to be given for, or gained by, priority: no ground for competition to act upon in point of time.

For the other advantages attendant on, or derivable by Government from, the conversion in question, see Ch. Advantages Financial continued.[162]

[162] Bentham drafted Ch. VI. Financial Advantages as a single chapter, but decided to divide it into several discrete chapters for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'. For the discussion in question see pp. 000–000 below. The following paragraph is in the hand of a copyist with emendations by Bentham.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_459]

{41} Art 20. page. 000. {*Issue* .^.^. *discontinued*}.

Such discontinuance will be a necessary result of a fundamental point in the institution of the currency. The object *sine quâ non* of the sale of Note Annuities is to yield money for the extinction of Stock Annuities. Stock Annuities being, by the supposition, extinguished, the object is attained. Were the sale to continue beyond this mark, the security against depretiation would be taken away, and the public faith violated.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_491]

{42} Art. 21.[163] p. 000 {.^.^. *Come to bear a premium*}.

A necessary result of encreasing opulence, the inescapable accompaniment of a state of security and peace. For the probability of such a result, see farther § {^}.[164] The supply is shut up, while the demand is encreasing every day. See further § {^}.[165]

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

{43} Art. 21. p. 000 {*Reduced rate of interest*}.

The next rate next below 3 per Cent, according to the customary rate of gradation, is 2½: this is just the half of the highest legal rate (5 per Cent)[166] and is the rate allowed by some of the Country Banks, to those who deposit money with them for a time. But no rate very near to that would afford a series of Notes in sums even enough for currency. The nearest

---

[163] Bentham has marked this paragraph for possible deletion.

[164] See pp. 000–000 below.

[165] See p. 000 below.

[166] See p. 000 n. above.

capable of fulfilling that condition to advantage wants a trifle of being equal to $2^2/_5$ per Cent. Taking this for the rate of reduction, it follows that, as the quantum of interest allowed must for the sake of simplicity of computation, as above observed, remain unaltered, the principal or price of the standard note would require to be raised; and that from £12: 16^s to £16. The series afforded by this price would be commodious enough—£8—£4—£2—£1—10^s—5^s—2^s. 6^d—1^s. 3^d—7½^d.[167] Meantime, the degree of regard necessary to be paid to the evenness of the sums with a view to public convenience will not be a matter of conjecture, since the faculty of making a fresh issue to advantage depends upon a rise in the price of the original issue, and whatever rise may have taken place, universal consent regulated by universal convenience will have fixed the amount and proportions of that rise.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_460]

{44} Art. 21. p. 000. {.^.^. *Paying off* .^.^. *the first issue*}.

This mode of application comes of course, as prescribed by the fundamental condition above explained.—See above Notes to Art. 8.[p] [168]

[p] [002_666]

NOTE TO TYPESETTERS: NOTE TO TYPETETTER: Please centre the following sentence.

Observations respecting the most eligible course to be taken for the paying off of Annuity Notes.[169]

I. As there will not for a long time be any fund, existing or obtainable, adequate to the discharge of the whole mass of this debt at once, at the same time that there will every

[167] Bentham has lightly crossed through the remainder of this paragraph.

[168] See p. 000 above.

[169] This note reproduces a related passage, headed ‘Annuity Notes Ch. |^| Plan. Notes’, at UC ii. 666–8, to which Bentham refers in a memorandum added to the text at this point. Strictly speaking, the passage might have been more appropriately presented in an editorial footnote. However, given the need for annotation, it is presented as a Bentham footnote. For further details see the Editorial Introduction, p. 000 above.

year be a very considerable fund adequate to the discharge of a corresponding portion of it, the difficulty is—how from time to time to mark out the several portions for this purpose.

II. The only eligible mode seems to be by lot: for every mode importing selection will be found impracticable, besides being liable to other insuperable objections.

1. Selection of classes, however eligible it might be, would be impossible:[a] because, it being of the essence of this species of property to be capable of changing hands any number of times in a day, it would be impossible to make sure of conveying to its destination any such favour as might be intended.

[a] Take, for example, any of the classes already marked out as objects of favour by any of the existing Revenue Laws or other Laws:—Persons burthened with a certain number of children—Half-pay Officers—Widows—Orphans &c.

[002_667]

2. A mode that might appear eligible in a certain point of view at first sight, and as recommended in some degree by precedent, is—the pitching upon a certain size, viz: that size of which the amount of the issue, whether in quantity or in number, were the least, and paying off all notes of that size, because this size, being least in demand, could best be spared. But this mode would be open to several objections.

i. The chances would be many to one against any exact correspondence between the sum at command for paying off, and the amount of Annuity Note paper which, upon this plan, would be to be paid off.

ii. With reference to the persons actually demanding and purchasing it, this size of which less had been sold would be as convenient as any other size of which a greater quantity had been sold: so that the preference would be attended with no advantage.

iii. Accident, and not experienced convenience, would in good measure determine in the first instance the comparative quantities sold of the different sizes offered to sale: by the Register, the proportional sale as between size and size would be known to every body: a size of which the quantity sold had happened to be small at first would thus be avoided under the apprehension of its being soonest paid off; although, had it not been for this apprehension,[170] it might have been more convenient, and had accordingly a greater sale than some other.

[002_668]

[170] MS alt. 'had it had time'.

3. Another mode that presents itself as eligible at first sight, and as carrying with it likewise the recommendation of precedent, is—the taking the size last issued, and paying off all of that size.[b] But here, as in the former instance, the rule would operate as a prohibition, preventing individuals from meddling with notes of that size.

[b] The precedent alluded to is that of the |^^^| G. 3. c. |^^^|, the first instance of redemption that occurrs subsequently to the general reduction of interest in 1750. A portion of Stock Annuities was pitched upon, being the whole that had been created the Year before the then last Year in the funding of a portion of the floating debt. This mass was at the same time the most recently created, and the smallest that could be found: but being still too great for the amount of means in hand, no more than a fourth of it was paid off at that time, (each Stock-holder being doubtless paid off in that same proportion) but the remainder was paid off in the course of the two next Years.[171]

4. Paying off Notes in the alphabetical order of the names of the Holders would be impracticable for the reason given above: if the order as between letter and letter were foreknown, for example the order they stand in the alphabet, the choice would be illusory: there would be no Note-Holders with names beginning with the prescribed letter: if, for argument sake, evasion could be prevented, it would be still worse: all persons whose names begin with an A would stand excluded from the benefit of this currency: and the currency would be deprived of all these customers. If the letters, and thence the classes, were to be determined by lot, nothing would be gained: it would be as well that the individuals should be determined by lot.

NOTE TO TYPESETTERS: Please insert a line of space before continuing.

[002_460]

{45} Art. 21. p. 000. {.^.^. *So toties quoties*}.

Supposing the price of the article to be raised to such a degree by the shutting up of the market as to furnish customers for a fresh issue at a reduced rate, the conversion of Notes of the first issue into Notes of such second issue will take place as a necessary consequence, upon the same principle as the above explained conversion of Stock Annuities into Note Annuities of the first issue, and will probably take effect at a rate of

[171] Bentham presumably had in mind the National Debt Acts of 1765 (5 Geo. III, c. 42) and 1766 (6 Geo. III, c. 21 and 7 Geo. III, c. 26), which in combination prescribed the redemption of the entirety of the annuities granted by the National Debt Act of 1762 (3 Geo. III, c. 9).

similar rapidity. No time being assigned for the production of the effect, the supposition ought not to be regarded as an absurd one. In the Dutch provinces, interest was once (I have heard said) as low even as 2 per Cent.[172] Supposing a speedy and uninterrupted peace, five or six years might be sufficient to bring it about, were it not for the capital that might come to be drained off in the mean time by the American Funds and Land Jobbery,[173] and what seems a much more powerful drain, Colonization in the West Indies.[174]

[002_461]

In the two cases of redemption here brought to view, the subject-matter of the operation is in some respects different: in the first instance, it is the existing mass of Stock Annuities; in the other, the proposed mass of Note Annuities. Some rules and observations will be alike applicable to each: others will require discrimination to be observed in the

---

[172] See Smith, *Wealth of Nations* (*Glasgow Edition*), (Bk. I, Ch. 9) i. 108: 'The government there [i.e. in Holland] borrow at two per cent., and private people of good credit at three.'

[173] According to 'Situation of the American National Debt', *The Public Advertiser*, 7 March 1792, p. 3: 'The growing wealth and population of the United States, the ease and punctuality with which their taxes are collected and paid .^.^. and the large sums to arise from the sale of the Continental lands .^.^. render it certain that this prosperous situation will not only long continue, but encrease, and place the American Fund on as secure a footing as any in Europe'. Three funds constituted American government debt in this period: a 3% stock, a 6% stock (both with quarterly interest payments), and a further 6% stock, for which interest payments were deferred until 1800 (after which they too were paid quarterly). On 3 March 1795, a 5.5% stock (with quarterly interest payments) was established by Congress: see Fortune, *Epitome of the Stocks and Public Funds*, pp. 73–80.

The practice of 'land jobbery', i.e. speculation in the purchase of land, offered those with spare capital an opportunity for allegedly safer and very profitable investments in the form of land in the United States. According to Colborn Barrell and Henry Servanté, *A Table of the Liquidation of the American 6 per Cent. Stock, with Observations on the Progressive Population, &c. and Consequent Value of Lands in the United States of North America*, London, 1796, p. 2, for instance, 'Purchases made in these Lands cannot be attended with any Hazard of Loss, and therefore ought not to be called Speculation .^.^. but they must .^.^. produce an Improvement, even superior to the present temporary Advantages to be obtained by the Use of Money in England'. See also W. Verhoeven, *Americomania and the French Revolution Debate in Britain, 1789–1802*, Cambridge, 2013, pp. 170–1.

[174] Bentham may have had in mind the estimate of Bryan Edwards (1743–1800), planter and politician, that British capital in the West Indian colonies was worth approximately 'seventy millions of pounds sterling': see *The history, civil and commercial, of the British colonies in the West Indies*, 3 vols., London, 1793–1801, ii. 387–8.

application of them.[175]

The following rules seem to be applicable in both cases.

In the paying off of a mass of Government Annuities there are two leading objects to be attended to—1. the principle of selection to be adopted on the occasion in regard to the order of payment. 2. The mode of payment, or the course pursued for the performance of the train of operations requisite for conveying the money into the hands that have been selected.

1. If the aggregate mass of property thus circumstanced were small enough, and the compound masses of which it consists, viz: the masses of Annuity belonging to the several Annuitants, were even enough, to whatever amount the reduction were made upon each given occasion, it might apply to all such component masses without exception, and in the same proportion to each: but this not being the case, it becomes necessary to adopt some *principle* of *selection*, by which it shall [be] determined as between each of the several proprietors, in regard to which of them the operation shall take place, before it takes place in regard to the other[s].

I. In regard to the principle of selection, the following rules may have their use.

1. To avoid all imputations of partiality and corruption, the principle adopted must at all events be such as shall not put it or leave it in the power of any person to give any preference or advantage as between individual and individual.

2. It must, therefore, be such, as either to turn upon some pre-existing distinction as between class and class, or, if upon a distinction not as yet established, then upon a distinction marked out not by human decision but by chance.

[002_462]

3. An example of a principle of selection grounded on a pre-existing distinction, is that which is grounded on a coincidence in point of time.—Such a mass of Annuity as was created in such or such a Year: taking for the subject of the operation, according to the quantity of means in hand, either the entire mass of it at once, or such or such a part of it: i:e: not to violate the 2^d^ rule—such or such a part, and the same part, of each one of the

[175] What appears to be an alternative draft of this and the following seventeen paragraphs (‘In the two cases .^.^. might have been redeemed.’) is at UC ii. 465–7.

several component masses:—the several portions of Annuity belonging to the several Annuitants.

4. A distinction marked out by chance, may attach upon the individuals in question either *individually,* as in the common case of a Lottery, or in *classes*.

5. If, consistently with the avoidance of personal preferences as above mentioned, any compliance can be shewn to the calls of humanity, in favour of such and such particular classes, on whom any disadvantage attendant on the measure would bear hardest, such as Widows, and orphans of the female sex in a state of comparative indigence, it will be so much the better.

6. In such case, particular care will [be] require[d] to save the intended indulgence from being turned by collusion or other fraud out of its intended course: that the name of a person for whom it is intended may not be made use of as a cover for extending it to those not intended to be comprized in it: and that the state of comparative indigence, by which the title to the exemption is constituted, be neither falsely pretended to exist, nor really made to exist, for the purpose.

[002_463]

7. The right on the part of Government, as trustee for the public, to pay off all or any of its Creditors (subject to any restrictions as may have been inserted in the terms of the respective contracts), being in point of strict justice out of all dispute, and the advantages derivable from the operation, depending in a great degree upon the quickness of its course, if a principle of selection can be found that, consistently with the above conditions, can contribute in any degree to the acceleration of the process, it will in so far be an eligible one.

8. An example of an accelerative measure of this kind is the establishing in favour of those who shall be the earliest in contributing their assistance to the accomplishment of a first redemption, a degree of favour, proportioned to the dates of their respective acts of compliance, in respect of the temporary exemption from the disadvantages resulting from a subsequent, viz: the succeeding, redemption.

[002_464]

In matters of government more especially, precedent affords a degree of prompt satisfaction to the mind, beyond any that can be given by any, even the most impressive, chain of abstract reasoning.

In regard to the principle of selection, the following is a statement of the courses that appear to have been pursued.

The being included in an operation of this kind will have been matter of advantage or disadvantage or indifference, according as the market price of the article in question has happened to be above, below, or exactly at par.

The simplest course, where it has been practicable, has been to take at once some entire mass or masses of Annuity, the identity being constituted by coincidence in point of time:—so much as was created in such or such a Year or Years, or by such or such an Act or Acts of Parliament. Such is accordingly the course that appears to have been taken in a numerous class of instances.[176]

The eligibility of this course will depend upon the coincidence in point of quantity between any mass or masses capable of being thus redeemed, and the sum of money obtainable for the purpose at the time when the wish to effect any such redemption happens to present itself. The chances against any such exact coincidence being very great, the effect of this principle, if exclusively adhered to, would be to leave unredeemed a great deal of debt which, by calling in aid some other principle, might have been redeemed.

[002_469]

II. Mode of Operation.[177] In regard to the mode of transacting the business, the leading points to be attended to, appear to be summed up and included in the single word, *convenience*: convenience, that is the avoidance of all unnecessary consumption of money, labour, and time;—convenience, with reference to both parties—Government, the debtor; and its annuitants, the Creditors.

If notice be deemed requisite, that postpones each operation to the end of the period marked out by such notice, meaning by each operation the redemption of such a mass of

---

[176] In the margin, Bentham has noted at this point ‘Statutes.’ See p. 000 n. above, and, for further instances, the National Debt Acts of 1766 and 1768 (7 Geo. III, c. 25 and 8 Geo. III, c. 29), which in combination prescribed the redemption of the entirety of the annuities granted by the National Debt Act of 1762 (3 Geo. III, c. 12). [To note to UC ii. 668.]

[177] This title reproduces the corresponding marginal subheading.

annuities as corresponds to the mass of money which Government either has in hand at the time of giving the notice, or looks upon itself as sure of having by the day on which the period expires.

NOTE TO TYPESETTERS: Please begin new page.

[002_103]

CHAPTER II.

Form of a proposed ANNUITY NOTE on the plan of Yearly Interest

NOTE TO TYPESETTERS: Please see accompanying pdf ‘Table_Form of a proposed Annuity Note’.

[002_104]

Notes to Form of a proposed ANNUITY NOTE on the plan of Yearly Interest

{1} {*Form of a proposed Annuity note*}.[178]

In what concerns the proportions, arrangement of the matter, and other such details, the Form here submitted will, I doubt not, be found open to considerable improvements. At any rate, it may serve as a sort of rough sketch and ground-work to improve upon: and in that character may afford hints, and save labour, to more experienced hands.

[002_105]

In a general point of view, each note may be considered as divisible (being in fact contrived for the purpose of being eventually divided), into two parts: viz: the Upper part, or Head Piece: and the Tail or Body piece: which division is accordingly made to apply to the Back part as well as to the Front part of the Note.

Of this divisibility the principal use is, the affording the means of security by lodging the two parts, when divided, in the custody of two different hands, one or both of them in the character of a trustee, or in different places in the custody of the same hand, as also in case of conveyance by post or otherwise. The idea is copied from the form that of late years has (with a view principally, if not exclusively, to the case of conveyance) been given to Bank Notes, as explained in the advertisements that have been frequently

[178] The text follows MS orig. MS Alt. ‘*Form* .^.^. *proposed for an* .^.^. *Annuity note*’.

published on the subject in the Newspapers.[179] See farther on Note {^}.[180]

2. Another use is—the adding to the securities against forgery, by affording duplicates of the most material of the numbers, one in figures, the other in words at length.

3. A third use is—the presenting the same matter in two different forms with a view [to] different purposes:—an abbreviated form, for quickness of apprehension, and for dispatch in the way of circulation: and a form at full length for the purpose of certainty and fullness of explanation.

4. In the Head piece, moreover, are inserted two points of collateral information, which, not being of the essence of the engagement expressed by the instrument, but designed only for the further satisfaction of persons interested, (not to mention their being implicitly included in the others) stand not in need either of repetition or development: I mean the intimations given of the *yearly amount* of the interest, and of the *rate* of interest.

[002_106]

5. To render the reduplication compleat, of the two portraits proposed as items in the list of Securities against forgery (concerning which, see further on Note {^}),[181] one is placed in the front of the Body-piece, the other in the back of the Head-piece.

6. The impression on the Front side of the Note is proposed to be produced by an engraving in Copper, as in Bank notes: or in any material which it may be found advantageous on such an occasion to substitute for Copper, for example upon the principle invented by M[r] Professor Wilson of Glasgow, and by him explained in N° 15 of Nicholson's Philosophical Magazine:[182] concerning which, see farther on Note {^} in Ch.

---

[179] Since 1782 the Post Office had recommended that customers wishing to send bank notes by post should cut them in half and send one half first, awaiting notice of its safe arrival before posting the other: see, for instance, the Post Office advertisement in the *Morning Herald*, 29 November 1797, p. 1. While this practice reduced theft, it diminished the speed and efficiency of the service, and annoyed customers: see H. Robinson, *The British Post Office: A History*, New Jersey, 1948, p. 132.

[180] See p. 000 below. [note **{20}**]

[181] See p. 000 below. [note **{14}**]

[182] i.e. Patrick Wilson (1743–1811), Regius Professor of Practical Astronomy at the University of Glasgow 1784–99, 'Copy of a Letter from Professor Wilson, of Glasgow, on the Art of multiplying Copies of engraved Plates and Stamps in relief', *Journal of Natural Philosophy, Chemistry, and the Arts*, vol. 2, pt. 2 (May 1798), pp. 60–3. Wilson's report of the experiments he had conducted into a 'new art' of printing from

{^}, intitled Securities against Forgery.[183] The impression in the Back of the Note having been previously given in the way of ordinary printing: the portrait included, which being here proposed to be in wood will be inserted into the rest of the matter, and printed off at the same time and the same press.

[002_107]

{2} {*N*° .^.^.}.[184]

Should the extent of the proposed currency come up to expectation, in particular should it descend to the level of the Silver currency, the number of places for the figures expressive of the N° or name of each Note will come to be very considerable, and the space left for their reception will require to be proportionably encreased. This may require some variations in the mechanical arrangement of the matter of the Notes, but in other respects, instead of being an inconvenience will be rather an advantage, by affording a means of detection as against that species of Forgery which consists in the employing a genuine smaller Note for the purpose of giving it such an appearance as shall enable it to pass for a larger Note. {See Ch. {^} Securities against Forgery.}[185]

[002_108]

{3} {*Intitles the bearer &c.*}

The diction is grounded in general on that of the Exchequer Bill, so far as the two instruments coincide in substance.[186]

{4} {*Interest* .^.^. *Yearly.*}

cast glass plates noted their longevity compared to engraved copper plates, and emphasized the promise of finding ‘a refuge of singular importance against all attempts of forgery’, especially of banknotes.

[183] In the event, Bentham decided to detach his discussion of prevention of forgery from ‘Circulating Annuities’, while the surviving discussion is reproduced in Appendix F, pp. 000–000 below. For further details see the Editorial Introduction, pp. 000–000 above.

[184] This note is in the hand of a copyist, while Bentham’s autograph draft, which he cancelled to accommodate an addition to the previous note, is at UC ii. 104.

[185] See p. 000 n. above. [To note to UC ii. 106]

[186] See p. 000 n. above. [To note to UC ii. 396]

On the question as between Yearly and half-yearly interest see note {^} to Ch. {1}.[187]

{5} {7} {8} {.^.^. *not earlier than {^^^} days* .^.^. *application* .^.^. *not less than* .^.^. *{^^^} days nor more than* .^.^. *{^^^} days &c.*}

The blanks here left for the several designations in point of time can not any of them be filled up, till the last hand is put to the arrangement of the official business. The quantity of time requisite will depend on the one hand upon the quantity of the business—on the other hand upon the number of hands employ'd upon the business and the number of hours of the four-and-twenty during which each hand shall be required to keep itself employ'd. The quantity of business—of the demand for labour—will depend in great measure on the aptness of the expedients employ'd for simplifying the business, and causing the quantity of labour bestowed upon it to be bestowed to the best advantage. Among these points are several which can not be completely adjusted without such lights as nothing short of actual experience can supply. The distance in point of *time* between the several Local Offices (distributed as they will be all over the Country) and the Principal office, seated as it will be in the Metropolis, is another consideration that creates a demand for a certain degree of latitude. *Limitation* therefore, as contradistinguished [002_109] from absolute fixation, is the only mode of liquidation in this behalf that can ever be employ'd. Care must on the same account be taken to give a sufficient latitude to the powers created for this purpose by Parliament. At the same time, whatever degree of liquidation shall from time to time be determined upon and established, it will be very material that it should stand thus expressed in the body of the Note: since the extent and utility of the species of currency thus undertaken to be established will depend in no small degree on the degree in which the arrangement of this part of the business can be made to quadrate with the convenience of customers, and on the satisfactoriness of the assurances which the paper itself can be made to present to them in relation to these points.

The specification given on this head on the face of the instrument in question corresponds to the fixation of the number of days after sight on the face of a common Bill of Exchange: and it is matter of regret, though of useless regret, that in the very nature of the case it is impossible that the specification should be rendered as precise in this case as in that.

[002_426]

[187] See p. 000–000 n. above. [To Ch I, note **{10}**]

{6} {*Local Annuity-Note Office* .^.^.}.[188]

[002_434]

{9} { .^.^. *Fee* .^.^. *on purchase* .^.^. *a penny*}.[189]

[002_440]

{10} {*On exchanging* .^.^. *one farthing*}.[190]

[002_110]

{11} {*the* .^.^. *Auditor* .^.^.}.

For the purpose of authentication, were it only for appearance sake, the name of this Officer should be in the form of an *autograph*: but this autograph need not be written with a pen: a *fac simile*, engraved from the hand-writing, is as much as could be afforded in such a case. To keep on signing Notes in a number adequate to what might easily come to be the amount of the demand, would be too much for any one hand; perhaps for even a considerable number of hands; much more for the hand of this great Officer of State, whose time could so ill be spared for mechanical and subaltern operations.

Instances, it is true, are not wanting in which a much higher character still (the regal) is occupied, and that habitually, in a similar way. I speak of Treasury Warrants: but the Sum in these instances is never otherwise than considerable: nor is the issue of it a matter of course. Each issue stands upon its grounds, and may afford matter for deliberation: nor are they numerous enough to make any very material encroachment on the Royal Time.

As to the insertion of the word *me*, it may appear whimsical, but it seems to be more impressive, and to carry with it a more conspicuous mark of authenticity than the stile[?] which is most customary in this respect, according to which the supposed narrator is a person altogether unknown, the persons whose names stand as the names of subscribing witnesses not speaking of themselves but being spoken *of*, as it were, by this stranger.

---

[188] Bentham decided to incorporate this note into Ch. I. Plan: see pp. 000–000 above. For further details see the Editorial Introduction, p. 000 above. [To Ch. I, note **{30}**]

[189] Bentham decided to incorporate this note into Ch. I. Plan: see pp. 000–000 above. For further details see the Editorial Introduction, p. 000 above. [To Ch. I, note **{33}**]

[190] Bentham decided to incorporate this note into Ch. I. Plan: see pp. 000–000 above. For further details see the Editorial Introduction, p. 000 above. [To Ch. I, note **{34}**]

[002_111]

{12} {.^.^. *His Majesty's Exchequer*}.

In the case of the Exchequer Bill, a circumstance remarkable enough is—that in the whole tenor of the instrument no mention of the regal office—no recognition of the Sovereign authority of which that of the Auditor is but an emanation, happens any where to present itself:—for the mention of it unavoidably included in the reference to the Act of Parliament can scarcely be quoted in this view. The duration of [the] sort of annuity there in question being so fugitive, while in the present instance it may eventually be perpetual, the omission of this constitutional homage is not, it is true, of so much importance *there* as it would be *here*. If the credit of the paper here proposed to be created were to be regarded as capable of outliving the regal authority, it would, so far from being an additional advantage in the eye of a loyal subject, be a defect. For among the effects of the proposed measure an advantage which, though a collateral one, is surely not among the least considerable ones, is—the extending to the inferior, that is to the most numerous, classes of the people, that interest in the stability of the constitution—that is in the continuance of internal peace and happiness, which, as far as property in the existing funds extends, is already possessed by their superiors.[a]

[a] Apply this hint to the case of British India: where, the natural bonds of connection between governors and governed being so much the weaker, the demand for factitious ties, for every tie that can be devised, is so much the more urgent.

[002_112]

{13} {*Me* .^.^. *issuing Clerk*}.

For the purpose of responsibility in the accounts kept of the disposal of these valuable instruments, that each individual may be responsible for all his own acts and none but his own, it will be material that no name be ever signed by any other person than he who name it is that is thus signed, and accordingly, that if a person to whose Office it belongs to make these signatures is prevented at any time, by sickness or other cause, from officiating in the exercise of his duty, and a Deputy or substitute, as will then be necessary, officiates in his room, the name of such Deputy is the name that ought always to be signed upon the face of the note: it is on this account that the appellation of issuing Clerk is fixed upon for the official name: the name as thus expressed is applicable with equal propriety either to the Principal or to the Substitute.

Fac-similes, which are themselves counterfeits, being so much easier to counterfeit than handwriting, the Principal Office must, of course, furnish at least one written signature.

[002_113]

{14} {*Portrait* .^.^. *of the Auditor—from an engraving on Copper*.}

The use of this Portrait is to serve as a security against Forgery. Within the whole domain of the imitative arts, there is not any other subject so difficult to imitate with success, and in the instance of which a copy is so easily distinguished from the original, even by an unskilful eye, as an engraved figure of the human countenance as exemplified in the portrait of a real person, executed by an artist of the first rate.[191]

[002_114]

In this point of view the secret marks which hitherto appear to have been more or less relied on, are essentially inadequate. In these the aim is—that they shall escape the eye of a person having in contemplation the commission of this crime: that, not having been observed in the original, they shall thus fail of being inserted in the counterfeit copy, the variance of which with reference to the original shall thus be detected. But if the variance escape the observation of one whose life is at stake upon the discovery, much more certainly will this be the case with the ignorant and incurious multitude. Detection is their only aim: prevention, by far the more desirable object, is lost sight of altogether. Had the original any features in it of such a nature that a variance would be as much exposed to the observation of individuals in general, as to that of a person specially employ'd on purpose, both intentions would be answered at once: prevention in the instance of the greater number of those who might otherwise be disposed to make the attempt; detection in the instance of this or that desperate offender, should any such ever arise, whose temerity may have shut his eyes against the hazard of the enterprize.

[002_115]

The two plans—the one commonly trusted to and the one proposed—being thus different—not in detail only, but in principle—to mark the difference a pair of contrasted appellations may be of use. The one I would term the *ensnaring* plan;—the other, the

[191] Athough uncancelled, a paragraph at UC ii. 113 is omitted at this point on the basis that Bentham intended it to be superseded by that which follows, which is a redraft of the paragraph omitted.

preventive or *obstructive*. All *secret* marks are of the *ensnaring* kind: the same term may even be applied, where without employing any marks specially directed to that end, the reliance is on the probability that in the assemblage of lines and points of which the tenor of the instrument is composed, the eye or hand of an imitator may be at a fault in some instance or other which a careful scrutiny will bring to notice. The expedients here proposed (of which this is but one out of several), are all of them of an obstructive and, as it were, *repulsive* tendency. The aim is—to present the imitation as incapable of being attempted with any the smallest probability of success.

[002_116]

In the present state of this branch of the art, the expence of this security would be considerable. The number of copies capable of being worked off from a copper plate without prejudice to that sharpness on which the security may in some manner depend is limited: say, for example, 800 or 1,000. Here, then, comes in an occasion for applying to use a very ingenious invention which hitherto, for want of such an occasion, seems to have remained unapplied to practice. I mean the art whereby designs originally engraved on copper, are, by means of an intermediate mould, transferred to glass—a material much less exposed (it is said) to wear—in a state fit for furnishing impressions—in a state of sharpness—(it is said)—and numbers adequate to this or any other purpose. A reprinted account of this invention may be seen in Nicholson's Journal for May 1st 1798 N° 15: being there reprinted from a paper circulated by the Author, Professor Willson of Glasgow, with specimens which I have seen and heard spoken of by artists as adequate to the performance of what is promised.[192] It is there spoken of as a security against forgery: but in what way it is proposed to operate in that character is not mentioned. 'High elaboration'—'collateral embellishment' and 'peculiar manner of some eminent marks'—are there recommended for that purpose: but that the subject should be the portrait of a living person is not said.

[002_117]

The utility of the invention in this point of view seems to consist—not in affording any independent security against forgery—but in the affording the means of obviating the objection that might present itself on the ground of expence to the species of security already indicated.

[192] See p. 000 & n. above. [To UC ii. 106 & n, this chapter]

That, even without any such reduction, the objection on the ground of expence need not be regarded as insuperable, may be inferred from the engraved figure at present visible in Bank Notes. The figure is an emblematical one—Peace, with an olive branch, or some such personage. The wear and tear upon the portraiture of a real personage, the Governor or Cashier of the Bank, for instance, would not be more than upon the portraiture of an imaginary one. This embellishment, for whatever purpose designed—ornament or security, or both—is not denied to Bank notes of the lowest magnitude—viz: £1 Notes.[193]

[002_118]

The use of the legend is—to give room for the framing of the prohibition in such sort, that in case of prosecution, the question whether the prohibition was meant to be contravened, or no may be the less open to dispute. Resemblance, real or intended, will always be more or less open to dispute: dimensions (taking[?] sufficient latitude) dimensions and the existence of a legend to a certain effect around the supposed portrait may be so described as to be altogether clear of dispute.

An answer may now be given to the question why the Auditor of the Exchequer is chosen for the subject of the portrait rather than a person at large—the Chancellor of the Exchequer, or the Sovereign on the throne. The Auditor in contradistinction to a stranger—as being an Officer of high rank—and one whose Office is connected with the service. As it appertains to his Department to give the instrument his signature, the portrait is but a natural accompaniment to that signature. The paper in question is a species of money of which it belongs to his Department to superintend the coinage. In the case of metallic money, the image of the Sovereign stands, as it were, in the place of signature.

[002_119]

The Auditor of the Exchequer, rather than the Chancellor of that same Court, for this reason.—The portrait must be such, the imitation of which may be taken for the object of a prohibition—and of a prohibition having capital punishment for its sanction, without danger or inconvenience. The situation of the Chancellor of the Exchequer is such—that

---

[193] All printed Bank of England notes featured a vignette of Britannia, which had been adopted as the official seal of the Bank on 30 July 1694. From 1732 the vignette had taken the standard form of a seated Britannia, within a heavy frame, surmounted by a crown, and set within the note's upper left corner. Printed Bank of England notes in denominations of £1 and £2 bore this vingette following their first issue on 2 March 1797: see A.D. Mackenzie, *The Bank of England Note: A History of its Printing*, Cambridge, 1953, pp. 5–6.

the portrait of the person who fills it may be expected to be found already and at all times in the shops—in all manner of forms and sizes. Loss as well as alarm to individuals—not to speak of the still existing danger of undesigned delinquency, would be the consequence. True it is, that of the Auditor of the Exchequer it may also be expected that there should be commonly a portrait or two in the shops by different hands. But the presumption is against the existence of it in any such size as it may be requisite to mark out for the object of the proposed prohibition: and should the presumption prove erroneous, the provision respecting the licence grantable by the Officer in question will (besides covering the case of family portraits and the like) be sufficient to preserve the prohibition from being productive of any inconvenience.

As to the Sovereign, the reason above adduced in the instance of the Chancellor of the Exchequer, applies to this still more popular as well as exalted character with still superior force.

The sanction of the Sovereign, though certainly in other respects desirable, can not in this case, even on the ground of precedent, be stated as indispensable. In Exchequer Bills this sanction does not present itself in any shape.[194]

[002_120]

{15} {*N*° .^.^.}.

The N° on the note being the distinctive mark, and the only distinctive mark, by which each individual note is discriminated from all others of the same value, it becomes the more particularly necessary that this mark should be inserted as well into the Body of the Note as into the Head Piece. On this occasion, it will rest for consideration whether the series of the numbers for this purpose shall take its commencement from the first note of the whole mass of currency, or from the first note of that part only of the mass which is composed of Notes of the same value: or whether both these orders of numeration shall be employ'd together. The latter course seems unexceptionable, and may have its use: since by this means each note will have two criterions of identity instead of one, and an accidental error in one of the two numbers may receive it's correction from the other.

In either plan the space reserved for the insertion of numerical figures will require to

---

[194] No explicit evocation of royal authority appeared on the face of an Exchequer Bill. See p. 000 n. above. [To note to UC ii. 396]

be very ample, if the series descend so low as to embrace the Silver Notes. The six penny Notes alone, if issued to the amount of a Million of pounds, will require in the highest numbers no fewer than eight places of figures.

[002_121]

{16} {*Local Annuity Note Office in .^.^.*}.

The mode of exhibiting the designation of the place is in different instances so different, and the number and length of the words in some instances so considerable, that less than the two complete lines here reserved could not have been allotted for the purpose. In the most common case, the upper line of the two will serve for the Town, the other for the County.

{17} {*One thousand eight hundred and one .^.^.*}.

As a check and security against accidental error as well as against criminal falsification, it seems material that in one part at least of the Note the Date should be given in words at length; in the form of the entry made at the principal Office, room for this purpose could not well be spared; in the place here in question the quantity of room is less fully occupied; the same observation is applicable to the designation of the day and of the month, which cannot but be left in blank, for in these cases it may not be of altogether equal importance.

[002_122]

{18}{*Office Keeper*}.

The Postmaster by whom the note is supposed to be issued immediately to the purchaser, being an additional person, his signature affords an additional security against Forgery: and being a person whose handwriting is of course known in the vicinity of his Office, it will, in that vicinity at least, afford a better security than the handwriting of an officer stationed in the Metropolis. It will, moreover, add to the number and efficacy of the checks employ'd as securities for the correctness of the accounts of these Sub-Offices with the Principal Office.

[002_123]

{19} {*N.B. 1. No .^.^. higher .^.^. Interest &c. .^.^. No .^.^. Note .^.^. paid off &c.*}

For the uses and necessity of these stipulations see above Note {^} among the Notes to the plan itself.[195]

As to the reason for inserting these stipulations into the body of the instrument, it is evident that every thing that contributes to strengthen the security contributes in proportion as it is known to recommend the commodity to the customer: and, in a word, that for every article of information that can be of use in relation to this *or any other instrument*[b] no other vehicle can be so commodious (so far as space permits) as the instrument itself.

[b] Apply this to legal instruments in general:—how fruitful a source of improvement!—of improvement effectual, quiet, and unexceptionable!—if parchments for deeds were bordered with the law relative to each deed.

{20} {*N.B. 2. Head-piece .^.^. separated &c.*}

The idea of this expedient is borrowed from that which has been carried into practice with so much advantage in the instance of Bank paper. But is not the loan paid for in some sort by the amendment here proposed?—How great must have been the expence of the advertisements inserted in such numbers in the Newspapers:[196] at the same time how confined and short-lived the degree of notoriety purchased at that expence! At this moment I wish to see the mode recommended by the advertisement, and know not where to find it. All the information I am able to get, without more trouble than it is worth, is what I derive from the inspection of the Note itself: and which, for want of a couple of lines to explain the use of them, is not sufficient.

[002_124]

{21} {*Uses of such division*}.

In the case of Bank Notes, the intended uses of the division go no farther than the affording that sort of security which bears reference to the danger of *conveyance*. In the present instance, such farther uses are proposed to be derived for it as shall render this species of property not only suitable to cases of trust, still more so than even the existing Stock Annuities, which, but for this engrafted security, would naturally present themselves as possessing an advantage over the proposed Annuities in this point of view.

1. The security afforded by the Bank *books*, confines itself to that one place: the

[195] See pp. 000–000 above. [To Ch. I, notes **{19}**–**{21}**]

[196] See p. 000 n. above. [To note to UC ii. 105]

security afforded by the proposed paper, divided as is proposed, spreads itself all over the country and attends a man at his own home.

2. The security afforded by the Bank books requires a Power of Attorney—expence 11^{s} besides the Attorney's fees: or, for every party whose abode is at any distance from the spot, a journey to an indefinite degree more expensive. The security afforded by the proposed instrument strikes off this expence altogether.

3. The security afforded by the Bank books is exposed to failure by *personation*: the security afforded by the proposed instrument is not exposed to any such failure.

N.B. In cases where two Trustees are not enough, and where the magnitude of the sum is such as calls for an augmentation of the number, the Note might be made so as to be divided into three, four, or more parts, according to the number requisite. As an Indenture is tripartite, quadripartite, quinquepartite, and so forth, so might an Annuity Note be made tripartible, quadripartible, quinquepartible. A note of any of these kinds might be furnished by the Annuity Note office, in lieu of a bipartible Note in the ordinary form, for a moderate extra fee.

[002_125]

{22} {*Portrait .^.^. from an engraving on wood*.}

Each Note being, for the purposes already mentioned, {Note |^^^|} made divisible into two parts, it may be of use that each should have its portrait—that whatever degree of security against forgery the portrait may be capable of affording should be possessed by each. The principal portrait being from a plate of metal, or some other such material as requires a rolling-press to work it off, it may be of use that the additional portrait should be from an engraving in wood. The reason is, that the two branches of the art are in effect distinct arts, exercised in the way of for business by different hands. If, then, notwithstanding this additional security, the attempt be made, one of two things must happen: the two operations must either be performed by two different hands, or by the same hand. In both cases, the difficulty is by this means encreased: in the first case by the chances there are against the concurrence of two hands in the prosecution of so dangerous an enterprize, and by the encreased probability of discovery through imprudence or disagreement; in the other case, by the chances there are against the union of two such different branches of art—(and that to a degree of perfection adequate to the purpose) in one and the same hand. The smaller the number of the artists capable of bringing such an union to bear, the smaller the chance of finding among them a forgerer a person capable of attempting the commission of such a crime: and the greater the degree of talent requisite, the less the chance that a man possessed of that degree of talent should regard it as worth his while to engage in so desperate a course.

[002_126]

To this advantage of being a distinct art, the art of engraving on wood adds this advantage, viz: that its productions are capable of being worked off, and accordingly are in the ordinary course of business worked off, along with the rest of the matter, in the printing press: in which way, besides that a wooden block admitts of several times as many impressions as a metallic plate, the mode of printing it is about 50 times as expeditious and in proportion less expensive.

As to the question where this second portrait shall be, principles being already laid down, the question relative to the particular spot is scarce worth discussing.

[002_127]

{23} {[*presumptive evidence of such Forgery: punishment Death*]}.

The use of a warning of this sort, and of its insertion in the instrument itself (besides being obvious enough) has already been brought to view. See Note {^}.[197]

Concerning the diction, it may occur that it is not precise enough for legal purposes: but neither is there any necessity for its being so: a mere *reference* is all that is wanted: an *extract* would have occupied more room than can be spared.

[002_128]

{24} {*Counterfeiting this type*}.The ulterior security proposed to be afforded by this additional expedient is little more than another application of the principles already brought to view.

1. The type is proposed to be of a form such as never has yet been used, nor can ever be wanted, for any other purpose.

2. The difference it is proposed shall be of such a sort as to be susceptible of a

[197] No discussion of the use of such a warning had in fact appeared earlier in the text.

description not open to dispute. As, for example, the type employ'd is twice as tall in proportion to the width as the tallest in common use: using a type more than half as tall again shall be sufficient to subject a man to the penalty.

3. The addition thus made to the number of arts the concurrence of which is necessary to the formation of the forbidden enterprize is very considerable, the following being distinct arts the concurrence of which is necessary to the act of printing in a new type: 1.—that of the printer: 2d.—that of the letter founder: 3.—that of the engraver of the puncheons: 4. that of the maker of the matrixes. 5.—that of the finisher of the letters when cast.[c]

[c] To save words, the type of the ordinary dimensions is here spoken of as the standard of reference: but as that standard is not sufficiently ascertained for legal precision, the standard referred to in the words of the Statute should be the proposed type itself.

It is scarce necessary to observe, that the type now before the reader is not—can not be—the appropriate type proposed.

[002_129]

4. In the case where an operation is of the forbidden kind, as here, the difficulty of concealing it, affords another source of detection to those which have been already brought to view. Where, as here, the operations of a casting furnace are necessary, space, heat, light, and smell all concur in adding to the difficulty of concealment.

[002_130]

{25} {*Daily Interest* .^.^. *Table*}.

For the grounds and reasons of the insertion of this Table see above Note {^^^} in the Plan itself as delineated in Ch. {[I.][198]}.[199]

{26} {27} {28} {*No interest on the last day &c.*}

The striking off the odd farthing for the last day in every year and for the intercalary day in the Leap Year can be no object to a purchaser, and saves a deal of fractional work and complication. The other provision is a preservative against perplexity, disputes and

[198] MS '2.'

[199] See p. 000 n. above. [To Ch. I, note **{15}**]

litigation. The subject matter is but a farthing: but a law suit about a farthing costs as much as a law suit of the same kind about a hundred pound. No point, capable of giving birth to subsequent litigation, is too trifling for previous explanation. It is a sad case where the legislator, for want of having comprehended his own meaning, leaves it to be groped for by the Judge.

Possibly, in a case where the information requires to be brought down to a level with the meanest capacities, the addition of the information contained in the following words might be of use. *To make up the value of the Note for any odd day: i.e. any day which [is] not in the Table, add a farthing for every day between such odd day and the day next before it in the Table*. But the room occupied would be so great, that the better way seems to be to transfer it to the explanatory papers already referred to as kept for inspection at the Local Offices.

[002_131]

{29} {*Register of Yearly payments*}.

A provision of this sort is necessary, to prevent a note as well from receiving payment twice over, as from passing in circulation for more or less than its value.

The organization of the system of payment is a topic that will come to be discussed, should occasion call for it, in a supplement to these papers:[200] on the present occasion, it may be sufficient to observe, that the supposition is—that the money finds its way from the hands of government into those of the individual, from the Principal Office, through the medium of a Local Office, in a way similar to that in which the Note itself was issued. The road is the same, only the course of travelling is reversed. In the case of issue, the Note travels down from the Principal Office to the Local Office, and the money travels up in lieu of it. In the case of payment of interest, the Note travels up from the Local Office to the Principal Office, and the money returns with it.

[002_132]

The mode of making the entry in the Register is the last topic that comes to be considered, with a view to the prevention. The only species of forgery to which this part of the Note is exposed is that which consists in simple *obliteration*. By expunging the entry

[200] For Bentham's discussion of the payment of annuity notes see Appendix A, pp. 000–000 below.

made of a year for which interest has been received, a man might gain the amount of the interest of that year—from the addition of a year, nothing could ensue but loss.

Shall the entry be made by writing or by a stamp? The use of the stamp presents itself as being rather more expeditious, more definite in its extent in a case where a slight aberration might be productive of confusion, and capable of being more effectually secured against obliteration.

In this view various indications present themselves, mechanical, chemical, or mixt—such as, separately or conjunctively, promise to be fully adequate to the purpose.

1. The mark of the Year might be made without colour by a concave stamp, by which, as in those employ'd by the Stamp Office, the letters shall [be] forced up.

2. To prevent the *restitutio in integrum* the more effectually, the impression might be garnished here and there with small punctures, too distant from each other and too slight to affect the durability of the paper.

[002_133]

3. If this be not enough, a colour may be added to the stamp, as is done in stamping letters at the local Post-Offices.

4. For the composition of the colour two such ingredients might be selected, as that one of them would be enlivened, by any menstruum by which the other could be obliterated.

5. In the composition of the paper an ingredient might be added of such a nature as to betray by change of colour the action of any menstruum by which any colour in the mark would be discharged.

6. In the successive years, different modes of marking might be employ'd on the same instrument, and, the spaces for the years bring so small and so close, the difficulty of any obliterative experiment would be extreme. A single year's interest would scarcely be an object in the instance of the largest note that would probably be in currency: and to make the attempt a man must not only be in possession of the principal, but put to hazard the loss of the amount of it.

Of the above indications, the chemical part was suggested partly by the general and known principles of the science, partly by particular trials made long ago in this view.[201]

But in the Royal Institution, now in the vigour and ardour of Youth,[202] Government possesses an office of appropriate reference, the indication of which supersedes every thing of detail that could be suggested by an individual, whose opportunities of information do not admitt of his regarding himself as adequate to such a task.

[002_134]

As to the number of years for which spaces are provided in the Register, it is that at the end of which a given quantity of the capital placed out in this way would be doubled by the interest, at simple interest, if suffered to accumulate. When the Register has been thus filled, the Note will, of course, require to be called in and exchanged for a fresh note.

Supposing each note to have the same number of years to run in what year soever issued, the business of exchange would thus remain distributed among different years, a

---

[201] In his discussion of prevention of forgery reproduced in Appendix F, p. 000 below, Bentham referred specifically to 'that almost universal destroyer of colour .^.^. *oxy muriatic acid*' (i.e. hydrochloric acid). On several occasions in the late 1770s and early 1780s, when corresponding with his brother Samuel (1757–1831), naval architect and inventor, Bentham recommended the use of a form of invisible or 'sympathetic' ink derived from a mixture of hydrochloric acid and cobalt whenever their discussion included secret information. On 3 July 1776, *The Correspondence of Jeremy Bentham*, vol. i, ed. T.L.S. Sprigg, London, 1968 (*CW*), p. 331, for instance, Bentham briefly described his own experimental attempts to produce 'the Symp. Ink pure' by combining hydrochloric acid with regulus of cobalt, and referred Samuel to the recent findings contained within [Pierre Joseph Macquer], *A Dictionary of Chemstry. Containing the Theory and Practice of that Science .^.^. with Full Explanations of the Qualities and Modes of Acting of Chemical Remedies: and the Fundamental Principles of the Arts, Trades, and Manufactures, dependent on Chemistry*, 2 vols., London, 1771, i. pp. 346–8; ii. 626–7, 852–3. Bentham presumably evisaged that a similar chemical solution could be applied to the material on which a bank note was printed, which would appear 'a fine bluish-green when hot' but 'almost totally effaced when cold' (see ibid., ii. 627). For further exchanges between the two brothers on the use of invisible ink between September 1779 and April 1780, see *The Correspondence of Jeremy Bentham*, vol. ii, ed. T.L.S. Sprigg, London, 1968 (*CW*), pp. 279 & n., 339 & n., 372 & n., 410 & n., 419 & n.

[202] An 'Institution for diffusing the knowledge, and facilitating the general introduction, of useful mechanical inventions and improvements; and for teaching, by courses of philosophical lectures and experiments, the application of science to the common purposes of life', was founded at a meeting on 7 March 1799, largely on the initiative of Sir Benjamin Thompson (1753–1814), Count Rumford of the Holy Roman Empire from 1791, natural philosopher and philanthropist, and acquired premises at 21 Albemarle Street, Mayfair, in July of the same year: it was granted a royal charter on 13 January 1800, becoming known as the Royal Institution of Great Britain.

more convenient arrangement, it would seem, than if a single year were to be loaded with the whole.

It has been shewn above {^^^} that the form of the Daily Augmentation Table will require to wear a different form, according to the magnitude of the Note: and in the lower notes will vanish all together.[203] For the Register of payments of Interest, and the Yearly Augmentation Table, the demand will be nearly the same.

[002_135]

{30} {Yearly .^.^. Augmentation Table}.

The use of the Yearly Augmentation Table depends on the supposition that instances may occurr in which, year after year, the Holder of the Note shall have forborne to send it in for payment. In Ch. |^^^|, a class of Note-Holders will be pointed out, and that a very ample one, in the instance of which such forbearance, it will be seen, may be expected to be very general,[204] a class comprizing all those who receive and pass the species of paper in question in the way of currency—in a word, all who hold it, except those who keep it in their hands as men do Stock or Landed property, to serve as a source of income.

To relieve perplexity and obviate suspicion, it may possibly be advisable to add to the Form of the Note a N.B. to the effect following: *When the blanks in the Register of Payments are all filled up, this Note, if the principal be not paid off, may be exchanged for a fresh one, gratis*.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please begin new page.

[203] See p. 000 above. [To Ch. I, note **{26}**, and in particular UC ii. 411–12]

[204] See pp. 000–000 below. [To Ch. IV. Grounds]

[001_703]

CHAPTER III.

Parallel between the proposed paper, and other Government Securities[205]

To place the nature and principles of the proposed paper currency in the clearer point of view, it may not be amiss to bring to view the relation it bears to the different species of Government and other Securities already in existence.

1.[206] In respect of that particular feature of it according to which the interest is computed daily, the amount of such daily interest being capable of being discharged without overplus or deficiency by a competent quantity of the metallic money in use, it agrees with the Exchequer Bills: in the instance of which this mode of computation is declared upon the face of the instrument itself:[207] not to mention the other species of Government or other Securities in the instance of which the same mode of computation has been established by common consent and usage.

2. In respect of its being transferable from hand to hand without further formalities than the bare delivery practised in the instance of metallic money, it exhibits another point of agreement with the just-mentioned Government paper called Exchequer Bills, as well as with the instruments expressive of those engagements on the part of individuals or private bodies of which examples are afforded by Bank notes and the notes of Country Bankers.

3. In respect of the eventual perpetuity of the engagement, subject nevertheless to the faculty of redemption, it agrees with the existing mass of Stock Annuities: differing in this respect from Exchequer Bills.

---

[205] Bentham's decision to include a chapter drawing parallels between Annuity Notes and other paper securities appears to have been made only in the summer of 1800: see UC iii. 46 (August 1800), headed 'Annuity Notes'. Ch. |^| Grounds. Contents', which contains marginal contents for a discussion of the comparative disadvantages of other securities, that is the theme of this chapter, the text of which has not been identified. A marginal contents sheet at UC i. 605 (n.d.), headed 'Annuity Notes', contains marginal contents for a draft of Ch. IV. Grounds of Expectation &c., extending over twenty-one pages, which has not been identified, followed by contents for Ch. III. Parallel, which indicate a text of three pages corresponding to that of the first three folios of this chapter, but lack contents for the remaining two.

[206] Bentham considered reversing the order of this and the following paragraph; the original order is retained in the present volume.

[001_704]

4. In respect of its not undertaking for the payment of the principal sum it values itself at, nor imposing on any person the obligation of paying to the holder any such sum, on demand or otherwise, but depending as to this point on the free and general consent of individuals, it agrees again with the existing mass of Stock Annuities.

5. In depending upon its meeting with purchasers among individuals of certain classes, viz: the class Hoarders of money upon a small scale—i:e: a scale not large enough to be competent to the purchase of Stock Annuities with advantage, and the several classes of Possessors of temporary sums not suited to the Stock Market—and those in such numbers as to introduce it into the general mass of circulation as freely as the Bank or any other paper, and this notwithstanding that the rate of interest it yields is inferior to the rate of interest capable of being made at the time in question by the possession of Stock Annuities, it agrees with the general mass of the paper currency issued by the County Bankers.

6. In having for its mechanical substratum a paper of the texture, size and thickness proposed as being particularly adapted to the purpose of general circulation, it agrees with the existing paper of the Bank of England, as likewise (it is believed) with the general mass, if not the whole, of the abovementioned currency issued by the County Bankers: sharing with those papers the advantage they possess in this respect over the abovementioned Exchequer Bills, and in a still greater degree the existing Navy, Victualling and Transport Bills, and Ordnance debentures.

[001_705]

7. In respect of the facilities it affords for computation, substituting simple inspection to calculation—and the equivalent it affords for the distinction between gold and silver currencies, it distinguishes itself from all species of paper currency as yet in use.

8. In respect of the securities it affords against forgery, it likewise distinguishes itself from all species of paper as yet in use.

9. In affording the means of laying up money at compound interest, without trouble, delay, or expence, it also distinguishes itself from every species of paper currency or other

[207] See p. 000 n. above [To note to UC ii. 396, Ch. I]

security as yet in use.[208]

10. In framing to itself a sort of anchor or steadiment by which it stands secured, and in almost equal degree, against the opposite but connected chances of elevation and depression—in exhibiting a species of interest bearing paper of which, though bearing an interest, invariability of price is a never-failing property, it presents another characteristic by which it stands distinguished from every interest-bearing species of Government Security as yet exemplified. For this property it stands indebted to the connection given to it with a pre-existing species of Government Security, viz: the Stock Annuities: it being a property which requires two different species of securities to bring it into existence, and is incapable of being possessed by any one such security, taken by itself. It is from the pre-existence and continuance of the Old Annuities that Government derives the faculty of keeping the market constantly open for the sale of these new Annuities—keeping it constantly open, without ever forcing it.

[001_706]

11. In respect of its charging the interest upon the Consolidated Fund,[209] without any special fund of its own, it agrees with the practice in the case of Exchequer Bills in some instances.[210]

12. In respect of the application of the produce to the redemption of existing Stock Annuities, it agrees again with the principle pursued in the case of the Sale of the Land Tax.[211]

13. In respect of the unlimitedness of the amount of the issue, except in respect of such indirect limitations as are put to it by the invariableness of the price, coupled with the obligation of applying the produce to the extinction of a debt limited as to its actual amount in each given period[a]—and in respect of the security afforded against [depretiation][212] by

---

[208] In the margin, Bentham has noted in relation to the following paragraph 'Confer 13': see p. 000 below. [To UC i. 706]

[209] i.e. the government's general account at the Bank of England.

[210] See p. 000 n. above. [To note to UC ii. 396, Ch. I]

[211] See p. 000 n. above. [To note to UC iii. 81, 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[212] MS 'depredation'. The corresponding marginal summary reads: 'Amount not limited directly—only indirectly by the *price* and the application (thence security against depretiation)—new.'

that in conjunction [with] other circumstances, it stands without precedent.

[a] An unlimitedness not of the negative kind,[213] as in the case of Stock Annuities, resulting from the absence of declarations to the contrary, but a declared and fundamental unlimitedness, the result of an express and positive constitution declared at the outset, and forming one of the essential and characteristic features of the measure.

[001_707]

In respect of the circumstance of its not being issued but in a quantity regulated entirely by that of the demand at the fixed price, it stands distinguished from every species of Government security as yet exemplified.

In this respect it agrees with private paper—with the paper expressive of money engagements entered into by individuals or private bodies, with the paper of the Bank of England, Scotland and Ireland, and the paper issued by unincorporated Bankers.

It stands distinguished, on the other hand, from all those papers by this circumstance—a circumstance so much to its security and advantage, viz: in not weakening, but on the contrary strengthening, the certainty of fulfilment in regard to the engagements of the source it issues from, and this in proportion to the amount of it: viz: by the condition annexed to it that the cash received in return for it on the issue of it shall be applied in discharge of the pecuniary engagements of the same nature pre-existing on the part of the authority which issues it. The greater the quantity of paper issued by any of those Banks, the less certain is the Bank of being able to fulfil the whole mass of engagements contracted by such issue: but the greater the quantity of this Annuity Note paper issued by Government, the more certain will Government be of being able to to discharge the whole and every part of its engagements.[214]

---

[213] Bentham originally intended this note as a textual insertion at this point, but has written above it: ‘Note’.

[214] The following related passage at UC i. 708–9, headed ‘Ch. 3 Parallel or Ch. 4 Grounds’, has been in part marked for deletion and in part cancelled by Bentham: ‘The assurance which the paper holds out of being productive of the effects ascribed to it is founded on the *conjunction* of the following properties or circumstances belonging to it.

‘1. Its not being either under or over a fixed rate, nor consequently beyond the amount of the *demand* presented for it at that rate.

NOTE TO TYPESETTERS: Please begin new page.

‘2. That the money raised by it—the cash received in payment for it—is to be invariably applied to the discharge of the pecuniary engagements of same nature pre-existing on the part of the authority from which it issues, and by which the engagement of which it is expressive is contracted by, and at the time of, issuing it.

‘3. Its being issued in masses commensurate to the faculties of all proprietors—in a word, of all persons living without exception—the very poorest not excluded.

‘4. In that the payments for which it engages are made with little or no expence to the receiver, and with less trouble than, in the instance of any similar engagement on the part of the public, has ever yet been exemplified.

‘5. So also the purchase made in the instance of all transfers but the first without any trouble or expence to the purchaser, and in the instance of the first transfer, or rather purchase, with next to none.

‘6. In that, by means of the helps afforded by the tenor of it, the ascertainment of the value of it is performed with a degree of facility as yet without example in any engagement of the same nature, public or private.

‘7. In that it is guarded from falsification by securities as unexampled as the helps or facilities just mentioned.’

[002_541]

CHAPTER IV[215]

Grounds of Expectation with regard to the circulation &c. of the proposed paper[216]

To enable this Paper to answer the expectations that have been been formed of it, seven distinguishable results must take place:

1. It must meet with purchasers to take it out in the way of issue.

2. And that at the price proposed to be put upon it.

3. It must be received in circulation—

4.—And at that price—

5.—And with an addition proportioned each day to the amount of Interest due upon it.

6. It must be depretiation proof:—being current on the above footing and without discount, not only at its birth but through every stage of its existence.

7. Its currency must be universal:—not confined to this or that description of persons but extending to all descriptions.

Of its pretensions to the above attributes some judgment may already have been formed from the preceding |^^^|: they will now be subjected to a closer scrutiny.

[002_542]

1. First, then, it will meet with purchasers in the way of issue: supposing the price put upon it not to be too high: and that independently of the peculiar facilities which it possesses in regard to the faculty[?] [of] circulation: it would meet with purchasers in the way of issue, even although, for the being able to get it off in case of need, a purchaser had no better assurance nor any greater facility than what he possesses in the instance of the existing Stock Annuities.

[215] MS 'III'. See p. 000 n. above. [To note to UC i. 703, Ch. III]

[216] UC ii. 541, the folio containing the title and the first nine paragraphs of this Chapter is in a copyist's hand, but the marginal content corresponds to the marginal contents sheet for the first part of the chapter at UC i. 608 (27 July 1800).

That this part of the expectation is grounded on experience is sufficiently proved by the example just alluded to. Stock Annuities, in proportion as they are created, and offered to sale, never fail to meet with purchasers, at a suitable price to the circumstances with which that species of property is attended. Neither, therefore, will the proposed Note Annuities fail of meeting with purchasers at a price suitable to the circumstances of their case.

In the case of Stock Annuities, it is true, the title to the Annuity is created by an entry in a Book, which is fixed to a place:[217] in the case of the proposed Annuities, it is created by the delivery of a portable instrument, the proposed Annuity Note: for, as to the security, it is one and the same in both cases. But that the difference will at least not be a bar to the acceptance of the proposed paper, is proved by the example of Exchequer Bills: not to mention Navy Bills and the several other similar portable securities of which the mass of floating debt is composed.[218] In these instances, it is true, the Annuity is but for a very short term: not exceeding a year or two at the utmost: and [002_543] that more or less dependent upon events. But, at any rate, neither is that brevity nor that uncertainty attended with any advantage: and in Ireland the whole debt of the Country, the whole mass of Government Annuities to the amount of between |^^^| and |^^^| millions, and those in respect of perpetuity upon the same footing as the British Stock Annuities, were, till lately, created in the form of *Debentures*, a portable instrument not distinguishable in that respect from an Exchequer Bill.[219]

A certain quantity of these Annuities would therefore be purchased—at a suitable price—whatever be that price—although the assurance which a purchaser had of being able in case of need to get them off his hands, stood upon no better ground in point of dispatch and security against loss than that on which the like assurance in the case of Stock Annuities stands at present.

[002_544]

[2.][220] Supposing the commodity to be in other respects suited to the market—that

---

[217] i.e. the Bank of England, which maintained the register books for government annuities.

[218] See p. 000 n. above. [Note to UC xvii. 83, ‘On the Stock Note Plan’.]

[219] For Irish debentures and the proportion of Irish government debt which took that form see p. 000 n. above. [Note to UC ii. 390, Ch. I.]

[220] MS ‘II.’ Elsewhere in this chapter Bentham consistently lists the results which must occur for the measure to fulfill his expectations in Arabic numerals.

the proposed price will be no bar, although so high as not to yield quite 3 per Cent for money, while Stock Annuities, standing upon the same ground in respect of exposure to redemption, yield almost 5 per Cent, is another supposition equally warranted by experience.[221]

The total quantity of Banker's Paper (i:e: paper issued by Country Bankers, for Town Bankers issue none) has been reckoned by some persons to be somewhat less, by other very able and competent judges to be considerably more, than the quantity of Bank of England paper, which may be set down at about 12 millions.[222] Of this Country paper, a part bears the same shape as Bank of England paper, bearing no interest, but payable on demand. But [the] other part, and by far the greater, is in the shape of paper bearing interest, and not payable on demand. The rate of interest afforded by this paper is subject to considerable variation, being different not only in different places, but in the same Bank at different times. In no place, however, nor at any time, can it be so high as 5 per Cent: since if it were, nothing would be to be got by issuing the paper at that rate. A rate [002_545] nominally (as we shall see) [of] 3 per Cent, is perhaps the most common: but instances of 2½ per Cent, and that in the same way a nominal rate, are not wanting. Of the real rate, thus much may be said in general terms—that it is in every instance very considerably less: though by what precise amount—such are the nature of the circumstances by which it is reduced—it is impossible to say. In some instances where a nominal 3 per Cent is allowed, a Note has 6 months to run without any interest, before interest at that rate is to be paid upon it: so that for the first 6 months the nominal 3 per Cent amounts to nothing, and for the first twelve months it amounts to no more than 1½ per Cent, nor, indeed, correctly speaking, to so much. In other instances, the Note is payable not on demand, but at a certain number of days—say one-and-twenty—after sight: so that, besides the obligation of waiting one-and-twenty days and upwards, the advantage in respect of interest is clogged

---

[221] Bentham's point is that because of the depreciation of government annuities their nominal return of 3% was actually significantly higher. When 3% annuities traded at 60 for instance, so that £100 of 3% annuties was purchaseable for £60, the annual £3 annuity amounted to an interest of 5% on the £60 expended in its purchase.

[222] Bentham has noted in the margin 'Reference?' According to 'An Account of the Amount of Bank of England Notes in Circulation, on an Average of every Three Months, from the 25th Day of March 1797, in the Years 1797, 1798, 1799 and 1800: Distinguishing the Amount of Notes below the Value of Five Pounds', the total value of Bank of England notes in circulation in the final quarter of 1799 was £12,335,920: see *Commons Sessional Papers of the Eighteenth Century*, cxxx. 585. Bentham's annotated copy of the account is at UC i. 628.

with the trouble of two attendances—or, at any rate, if the acceptance is performed by letter, with one attendance and a correspondence, with or without the expence of double postage.[223]

[002_546]

In this way money to so large an amount is actually kept placed out at interest, upon terms which, taking every thing together, can not be regarded as being equal by a good deal in point of rate of interest to the 3 per Cent offered by the proposed paper.

It can not be said that the difference in point of security is of a nature to give any advantage to this private paper: for the promise given by the note of the individual[224] is that sort of promise of the breach of which [instances] are every now and then presenting themselves to every eye; whereas the promise contained in the creation of a mass of Government Annuities is that sort of promise of the failure of which no man living ever saw an instance.

[002_547]

By this example it is proved, that though in Government Annuities so prodigious a mass of capital is placed out at a rate of interest not only equal, but considerably superior, to 5 per Cent, yet this does not hinder but that quantities of money likewise very considerable are habitually placed out, and that even on security so much inferior to what is proposed to be given, at a rate of interest considerably inferior to that which is proposed.

But this is not all: for over and above the sum which, at a rate of interest so much

---

[223] In seeking information on the interest-bearing notes of country bankers Bentham in December 1799 Bentham consulted Francis Baring: see Correspondence (*CW*), vi. 218–20. Baring repeated the information he had given in *Observations on the Establishment of the Bank of England*, p. 18, where the practice of banks at Newcastle, whose notes ‘allowed interest to commence some months after date, and were then payable on demand’, is contrasted with those at Exeter, which ‘issued notes payable twenty days after sight, with interest to commence from the date of the Note, and to cease on the day of acceptance’, to the great disadvantage of the former, who had no time to draw upon London for replenishment of specie in case of a run. Another source of information may have been Patrick Colquhoun, since a letter from Colquhoun to Bentham of 21 January 1800 at UC i. 634f quotes the rubric a £1 bank note of 1758 from the Ship Bank of Glasgow, payable, at the option of the bank, either on demand or six months after demand, at which time the bank undertook to add 6d. in interest, that is 2½ per cent, equivalent to an annual rate of 5%. Colquhoun has noted: ‘I scarce think these notes ever circulated after they were placed in a situation to bear Interest’.

[224] MS orig. ‘in a Country Banker’s Note’.

inferior to the rate proposed, is at present placed out in the hands of Country Bankers, we shall soon see other monies, and those to a much superior amount, which might, and therefore probably would, be placed out at interest on the proposed security, and which at present are not, nor in the nature of the case could generally speaking be, placed out in these or any other individual hands.

Mean time, what is obvious enough is—that a rate of interest inferior to 3 per Cent will not be accepted of by a man who, with equal facility and security, and on terms equally advantageous in other respects, can get five per Cent. Yet as so much money is actually placed out at less than 3 per Cent, this general consideration is of itself sufficient, without entering into particulars, to prove to demonstration, that to a large proportion of the money of the Country there are circumstances by which the five per cent is rendered either unattainable or ineligible.

[002_548]

The circumstances which place the five per Cent out of the reach of such a quantity of money which, for want of being able to attain to it on terms at once practicable and eligible, is forced, as to some part of it, to content itself with less than 3 per Cent, and as to [an]other, and that the greater part, to go without interest altogether, are reducible to these three, viz:

1. Inferiority in point of magnitude to the least sum thus accepted of by government.

2. Danger of depretiation in case of transfer.

3. Want of a market sufficiently near and convenient for the purchase and sale of the security, and of a Bank or Office, at which the payment of the interest as it becomes due can, with sufficient convenience, be obtained.

[002_549]

1. Of the bar opposed by an inaccessible degree of magnitude, the most palpable and obvious example is that which presents itself in the instance of Exchequer Bills, with which the Debentures that comprize the whole of the public debt of Ireland are in this respect on a par. The Exchequer Bill or Irish Debenture is [n]ever issued for any sum under

£100.[225] It is by this cause that whatever money finds itself in any hand that hast not to the amount £100 capable of being laid out in this way at the same time stands excluded from the superior rate of interest in question altogether and at all times: and though the rate of interest, instead of being somewhat more than 5 per Cent, were as much more than 10 per Cent, the case would be still the same: and an objector would have to say: while ten per Cent is to be had, as you see it is, how can you expect that any body will accept of *three*?

[002_550]

In the case of Stock Annuities, the bar opposed by the same cause is equally real and efficient, though not equally determinate and conspicuous. In point of possibility, there is no quantity so small that a man may not find means to purchase it: but in point of advantage, when the trouble and expence attending the purchase and eventual resale of it be considered (not to speak at present of the danger of loss by depretiation, which is a separate topic), a sum much less than the abovementioned sum of £100 would in general be but ill bestowed.[226]

[002_551]

2. Another of the bars by which the superior rate of interest is placed out of the reach of a still more considerable portion of the money of the country, besides applying also to the portion above spoken of, is the *danger of depretiation*. In the instance of Stock Annuities, ten per Cent or more, for example, is no uncommon degree of depretiation for this species of property to undergo in the compass of a single year.[227] Hence it is, that exclusive of the burthens just mentioned, to gain a mass of interest to the amount of the supposed 5 per Cent a man must expose himself to a loss to double the amount.[228] The

---

[225] Although Exchequer Bills were usually issued for £100, they could be issued for both larger amounts, up to a maximum of £5,000, as in the Malt Act of 1793 (33 Geo. III, c. 11, § 41), and for smaller amounts, namely £20 and £50, as in the Loans or Exchequer Bills Act of 1793 (33 Geo. III, c. 29, § 1).

[226] Bentham added a note-marker to the text at this point and noted in the margin: ‘Note giving the Bill of costs’, but no completed draft of such a note has been identified. For the partial draft, printed in 1800, see ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’, pp. 000–000 n. below.

[227] In the margin, Bentham has noted at this point: ‘Look at the Stock Tables in the Annual Register.’ See, for instance, ‘Prices of Stock for the Year 1798’ in ‘Appendix to the Chronicle’, *Annual Register*, vol. xl (1798), 121–208, at 199, where the price of 5% government stock varied between a low of 69⅞ and a high of 84½.

[228] In the margin, Bentham has noted at this point: ‘This is the great inducement to take Bankers security in preference to Government: since so long as the Banker is solvent the money may be had again without deduction.’

degree in which this risk detracts from the relative value of the species of property in question is, it is true, the less considerable, the more compleatly a man appears to stand exempted from any call in point of obligation or advantage to remand it to the market [and] expose it again to sale. True it is, that if it be a permanent income that is the object of his demand—an income that may be regarded as perpetual for any specific occasion that he has in view as likely to call upon him to part with it—where such are the circumstances in which a man is placed, it is true, the danger may be considered as not worth regarding, and as even being made up for by the chance of an opposite result: but where the call for an equivalent in the shape of ready money presents itself as about to take place at [002_552] the end of a period of short or indeterminate duration, especially if the call present itself in the shape of a legal obligation, especially if, moreover, the circumstances of the times be such as that—depretiation to an amount more or less considerable may be regarded as morally certain (which is always the case at a time that the continuance or commencement of a war presents itself as highly probable); in cases of this sort, the bar may be regarded as insuperable. With this explanation, war time may certainly be considered as the time of all others for the giving the employment in question to what are called *permanent* sums: but it is in a still greater degree unsuitable to the purpose of giving the same employment to what are called *temporary* sums. In the former case, the question lies between gain and still greater gain: in the latter, between a small gain and a more considerable, as well as probable, loss.

[002_553]

In the instance of Exchequer Bills, it is true, the danger of depretiation is of comparatively small account. But the annuity afforded by an Exchequer Bill is not the sort of annuity which is afforded by the species of paper proposed. It is an annuity, if such it may be termed, which can in no instance be depended upon for lasting two years, and which may fall short of that term to any amount. It is, therefore, altogether unsuited to the species [of] demand afforded by a permanent sum. The probability is, indeed, that when one emission of Exchequer Bills is paid off, or before, another emission will be upon sale: but it is altogether uncertain upon what terms. Stock Annuities are subject to one species of depretiation, the Annuities granted by Exchequer Bills, to another: viz: that of being paid off at a time when, as in time of peace, an equal rate of interest is not to be obtained by the money thus replaced.

So long as war continues, true it is, that by watching the course of the market, a man whose Exchequer Bills have run out their time and been paid off, may entertain a reasonable hope of purchasing a fresh and a fresh batch upon equally advantageous terms. But to watch the course of the market in any such view is in effect to follow a particular occupation—that of a Stock-jobber: a profession which individuals at large can not in general attempt to exercise but under disadvantages of which in general they are accordingly sufficiently aware.

[002_554]

3. The want of a market commodiously situated for the purchase and resale of the commodity, and the concomitant want of a place of resort commodiously situated for the receipt of the interest when due is, with reference to the circumstances of the whole money of the Country taken together, of which the money of the metropolis is but a part, another bar to the attainment of the superior rate in question: an obstacle the force of which, how much less conspicuous soever than that of the two preceeding ones, is by no means inconsiderable.[a]

[a] If, like the proposed Annuity Notes, Exchequer Bills were to be had for sums to the amount of £12. 16[s], or the half of £12. 16[s], and that at every Local Post Office in Town and Country that is within the reach of a short or moderate walk to almost every individual, and at the same time that the payment of the interest as it became due were to be obtained on the same easy terms as that of putting a letter into the post, there seems no reason to doubt but that—notwithstanding the above features of disadvantage, by which this existing species of paper stands distinguished from the proposed Annuity Notes: I mean impermanence and the depretiation resulting from the constant necessity of forcing the market by a quantity which must be disposed of within a certain time, with or without demand—customers for that existing species of Security would be to be had at a rate of interest very considerably reduced.[229]

[002_555]

In what proportion, if in any, the money placed out at interest in the hands of Bankers is found in Masses amounting to a hundred pounds and upwards I do not pretend to know, nor will it be very easy to learn: but should the case turn out to be that money in masses thus competent to the purchase of Exchequer Bills is really placed out upon

[229] In the text, Bentham has noted at this point: ‘But the reduction would not be great: they not being perpetual but redeemable at any time.’

individual security and at the low rate of interest which that security affords, the result would be: that it is by the influence of the cause now under consideration that so much of the money as is so circumstanced is confined to that branch of the private market in preference to the securer market afforded by Government in the instance of Exchequer Bills.[230]

[002_556]

3. 4. and 5. It will be received in circulation—at the emission price—with the addition of the interest.

Admitting the two former propositions, these three will scarcely appear exposed to doubt.

That the intervening interest will be allowed is proved by experience in the instance of Exchequer Bills—and in the instance of Navy, Transport, Victualling Bills and Ordnance Debentures. It is proved, moreover, in the instance of the interest-bearing Notes of Country Bankers. It is proved *é converso* in the instance of Bills of Exchange, on which, as the day of payment approaches, the discount is diminished.—In all these instances, the ascertainment of the quantum of the interest is matter of calculation: in the instance of the proposed paper, with its Tables, it is a matter of simple inspection, performed in less time than, in the case of a guinea or a shilling, is employ'd in examining into the goodness of the coin.

[002_557]

It will be received in *circulation*, at any rate by all those who, if it did not thus present itself to their hands, would go in quest of it to an Office: it will be received at a price, though certainly not greater than the emission price, yet certainly not less. In the way of circulation, the trouble of attendance will at any rate be saved: and, should it be thought fit to require from the purchaser an emission fee, the fee [and] the trouble, it is true, will have been rendered as small as possible: little exceeding that of putting a letter into the post: but be it ever so minute, it can never fail to be sufficient to turn the scale.

Here comes in, as already observed, one of the uses of the regular (perhaps daily) accounts proposed to be published of the progress of the issue: the farther the issue is seen

[230] In the marginal contents sheet at UC i. 608 Bentham has noted against the marginal content corresponding to this paragraph: 'See 5'. For the passage in question see p. 000 above. [To UC ii. 546, this Chapter.]

to advance, the less room for doubt in respect to the receiving it in the way of circulation.

For such time, if any time there be, during which the certainty of being able to pass it off on occasion in the way of circulation can remain in suspense, it is not to be expected that an individual whose demand for the value of it in cash threatened to be speedy, (especially if enforced by obligation) should be ready to accept it as he would Bank paper. But that this state of suspense, should it ever take place, can never be of long continuance, is proved by the example of Exchequer Bills, and still more [002_558] effectually by the case of Navy Bills, when considered as standing upon that uncertain ground, from which they have been so lately raised.[231] Among the purchasers of these articles of government manufacture there are always a very considerable number whose circumstances would not admit of their becoming so, but for an assurance of being able eventually to get the article off their hands in the way of circulation. In the instance of these existing papers, there is, it is true, always a time, say for example two years, within which payment of the principal, and that from the hands of government, may to a moral certainty be expected: whereas in the instance of the proposed paper, it being the interest only that Government undertakes for, in regard to the principal there is no such assurance. But to a man to whose circumstances it is necessary that a sum to a certain amount should be in his hands in the shape of cash by the end of six months, the same sum at the end of two years is no more an equivalent, than if it were at the end of twenty. In the case of an Exchequer Bill, the Holder whose demand for cash will come upon him before the Bill becomes due and payable, is as perfectly dependent for it upon the faculty of getting it off his hands in the way of circulation, as the Holder of Stock Annuities: and as in both instances it has been proved by experience, that the faculty of getting cash for the article from individuals in the way of sale is a resource that may be depended [002_559] upon and has never been known to fail, so will it be trusted to, antecedently to special experience, in the instance of the proposed Note Annuities.

In the case of the existing Annuities this resource, it is true, has not been enjoyed, but at the expence of depretiation to a very considerable amount: but that the causes of depretiation which apply to that case do not extend to this is a proposition the proof of

[231] See p. 000 n. above. [Note to UC xvii. 83, ‘On the Stock Note plan’.]

which is at hand.[232]

Of this surely, as of any other marketable commodity, it may be affirmed, that if there be ten thousand or a thousand individuals, in the instance of each whom it is suited to his circumstances to purchase the commodity on condition of its meeting with a purchaser amongst the rest, and this be alike known to all, the security for its finding its value at market is nominally conditional, but in effect unconditional and pure.

[002_560]

The resource afforded by private security may seem for a moment to have been forgotten. But, in the first place, it will be seen presently how powerful [the] considerations are which concurr in preventing private security from constituting a resource capable of entering into competition with that which will be afforded by the proposed Government security; in the next place, no such competition between the two species of security will take place: for, the proposed currency being once established, a demand for money in the way of loan or otherwise will be as effectually supplied by this species of money as by Bank money or hard cash.

[002_561]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: In the second editorial note to the following paragraph the symbol i.e. ‘as opposed to’, appears. This symbol proves troublesome for the template: for its intended appearance please see hard copy p. 000.

6. It will be depression[233]-proof.[234] This property is not essential to the existence of a paper currency—to its acceptance in the way of circulation: for Government papers [do][235] exist without it, witness Exchequer Bills, Navy, Transport and Victualling Bills and Ordnance Debentures—and what is more, no Government paper has ever yet existed with

[232] In the margin, Bentham has noted at this point: ‘The depretiation there has for its cause the quantity of Annuities that *must* be brought to market in comparison of the money capable of purchasing them.—Here no more can be brought to market than what obtains purchasers at *that* price.’ The corresponding marginal content reads: ‘and that of Stock or Book Annuities: in which case though the right does not pass but to a loss, the loss is owing not to this circumstance, but to another: viz: the unlimited prospect of a glut.’

[233] MS orig. ‘depretiation’.

[234] Bentham has noted above this paragraph: ‘Depretiation co-temporary subsequent’.

[235] MS ‘no’.

it. But the property in question, if not indispensably essential to the circulation of this paper, will at any rate be highly conducive to it: more especially in the extent it aims at.[236]

Depretiation-proof, it must be confessed, it certainly can not be, any further than the government, of whose promises it is the vehicle, is destruction proof. And as the value of this paper will be destroyed by destruction of the government, so, by any cause that threatens immediate danger to the government, that value will be liable to be diminished: invasion, for example, or civil war.

But this consideration, besides its being grounded on an extreme case, can never be regarded as an objection against the proposed measure: since it applies not to that any more than to any other measure of government.

[002_562]

The dependency of the value of the proposed paper on the solvency[237] and security of the government would indeed be an objection, if its tendency were in any degree to impair either that solvency or that security. But its tendency is to add to both. To solvency, by the profit which it puts into the hands of government, and by the application it makes of that profit to the reduction of the debt of government. To security, by the multitude of hands it engages by the tie of interest in giving their support to government. To create and maintain an interest of this sort is a property, and that a most happy one, common to all government securities. But it is the property of all Government securities as yet known, to this country at least, to be confined in their circulation to the superior and least numerous classes. It is among the characteristic properties of the proposed new species of government security to spread itself among the inferior classes which, besides being the most numerous, are those in respect of whose attachment Government, on a variety of accounts, has most cause for apprehension. All possessors of Government securities are as such in the pay of Government: they stand engaged, and hired with their own money, to give their support to government.[b]

---

[236] In the margin, Bentham has noted at this point: 'There is no instance of a Government paper issued only in proportion to the demand—nor of which the produce is employ'd in strengthening the security, and lessening the load of the same commodity at market.'

[237] MS alt. 'duration'.

[b] See Ch. |^^^|. Advantages moral and political.[238]

[002_563]

Against depretiation from this source, the proposed paper in question is not only *as* secure as the existing government papers, but *more* so. That which those other papers engage for is principal as well as interest: that which the proposed paper engages for is not principal but interest only—interest at the rate of [three][239] per Cent. That which Government engages for when it issues a £100 Exchequer Bill, payable in a year, is to pay within that limited time cash to that amount, besides interest to the amount of between £5 and £6. That which Government would engage for the payment of within that time by issuing a hundred pound’s worth of the proposed Annuity Notes is—not the payment of this £105 and upwards, but the payment of somewhat less than £3, not so much as one thirty-fifth part of that £105. In the one case the fund drawn upon is the revenue of a single year, or some very small number of years: in the other case the fund drawn upon is the revenue of 35 successive years.

[002_564]

Setting aside the extreme cases here in question, there is but one cause of depretiation to which Government paper stands exposed: and that is, the forcing of the market. All existing Government securities stand essentially exposed to the action of this cause: the proposed paper alone does not. Of all other Government annuities that are or have been on foot in this country at least, long or short, for a definite term or an indefinite term, the quantity on sale has been proportioned, and known to be proportioned—not to the demand made by the buyer, but to the exigencies of the vendor: of the proposed Annuities, the quantity on sale is exactly adjusted to the demand on the part of the purchaser, and by a fundamental condition is rendered for ever incapable of exceeding it.

[002_565]

[238] In the event, Bentham later decided to treat moral and political advantages in two discrete chapters, while only his draft of the latter for the unabbreviated version of the work survives: see pp. 000–000 below. [To UC i. 711–17] For the two chapters as drafted for ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’, Chs. XVI and XVII, see pp. 000–000 and 000–000 below. [To UC ii. 314–16 and 302–8.]

[239] MS ‘five’ is a slip. The rate of interest envisaged on the first issue of Annuity Notes was 2.975%: see p. 000 above. [To UC ii. 396, Ch. I]

On the other side, it may be observed, that though in the way of issue the proposed paper can never be sold under the par price, it is notwithstanding a case not only conceivable but natural enough, that in the way of circulation, it may, in consequence of any sudden encrease in the demand for its correlative hard cash, cease to bear that price. That such would be the effect, in the above supposed cases of a civil war, or serious invasion, will scarce admit of doubt: and that an effect of the same nature, though to a less amount, should be produced by other causes creative of a like extra-demand, can hardly be regarded as improbable.

To this it may be answered:

1. That admitting, for argument's sake, that such a result would occasionally take place to a certain degree in the instance of the proposed paper, still this would not operate as an argument against the institution of it, unless such a result were to appear more likely to take place, or likely to take place in a greater degree, in the instance of the proposed paper, than in the instance of any of those circulating papers the utility of which is so generally felt and acknowledged. But in virtue of the article which prevents its ever being forced into the market, as all government papers and other Government securities are, it possesses such a degree of security against the sort of accident in question, as, if not perfectly effectual, at least gives it incontestably the advantage in this respect over all papers existing issuing from that source.

[002_566]

2. That though the state of things on which the objection turns is as conceivable as its opposite, yet no ground can be stated either in point of reason or experience for regarding it as likely to be ever realized. Look round where we will for a cause adequate to the production of it, we shall look in vain.

To whatever degree of extent the amount of the proposed paper may have arrived at the time of the supposed extra demand for cash, it can not have attained to it but in consequence of the proportionable preference given to it in comparison of hard cash. But the cause of that preference is a circumstance not exposed to change. It consists in this, viz: that principal with interest amounts to more than principal alone: £103 to more than £100.

But the ratio of £103 to £100 is not less at one time than another.[240]

[002_567]

In the eyes of a British subject, resident within the limits of the British Empire, it can never be capable of losing whatever superiority it may have obtained in comparison of hard cash. If, then, within those limits, and for the purpose of being thus expended within those limits, a demand for hard cash should be able to take place in contradistinction and preference to this supposed-established paper, [it][241] would be inasmuch as hard cash is without exchange convertible into bullion, and paper not. But in the eyes of the man who has bullion to sell, the superiority of this Paper to hard Cash will not be less decided than in those of any other man.

There remains, therefore, but one conceivable case in which this Paper would be capable of losing its value in comparison of cash, and that is this—A demand for bullion within some Foreign Country, and that so vast an one as to have exhausted the whole Stock of Bullion exportable from this Country (not to speak of other Countries), and to have thus come to attach itself upon cash.—That an extraordinary demand for the precious metals in comparison of goods of all sorts should ever exist to any such amount does not appear in any degree probable: the supposition does not to any such extent appear to have ever yet been realized.

Since the commencement of the present war, the demand for the precious metals for foreign use has, by a variety of concurring causes, been raised to a pitch to which it has never been known to rise before, nor seems very likely ever to rise again: and yet, in the opinion of the most competent Judges, and possessing the best means of information,[c] whatever scarcity in this way has been experienced is to be ascribed not to the copiousness of the foreign demands, but to vices inherent in the constitution [002_568] of the existing private papers; in a word, of all paper payable on demand:—to the experienced brittleness of some of the Country paper, and to the occasional scantiness of the paper of the great chartered Company,[242] coupled with its preceding copiousness, and the excess of the advances made by the Company to Government:[d] causes which, after all, would not have

[240] The two following paragraphs, together with the majority of the third and its accompanying footnote, are in the hand of a copyist.

[241] MS ‘in’.

[242] i.e. the Bank of England.

been adequate to the production of the effect, had it not been for those alarms of invasion which were prevalent at the time.[243]

[c] [002_567] See Mr Secretary Rose's Pamphlet of 1799,[244] and the evidence given to the Committees of Lords and Commons in the Reports relative to the affairs of the Bank in February and March 1797.[245]

[d] [002_568] To which might (it should seem) have been added, the want of that extension which has since been given to the market for Bank of England paper, by the emission of smaller Notes.[246] It is too evident to be disputed, though it should seem not always obvious enough to be thought of, that every diminution in the magnitude of a note introduces it into a multitude of hands, who, howsoever disposed, had laboured till then under an absolute impossibility of accepting it.

[002_569]

3. That no such extra-demand for cash, supposing it to exist, could begin to produce any depression [in] the price of the proposed paper in the way of circulation, till after it had put an entire stop to the purchase of it in the way of issue: since, the progress of the issue being (in virtue of Art. [18][247]) matter of universal notoriety, it could never happen (expence of postage out of the question—a matter that would depend entirely upon Government) that in any one part of the country a man should give £100 for such quantity

---

[243] For the suspension of cash payments by the Bank of England in February 1797 see p. 000 & n. above. [To UC cvii. 162 & n.] News of the landing of 1,400 French troops near Fishguard in Wales on 22 February 1797 and rumours of landings in other areas exacerbated fears of a large scale invasion: see, for instance, the *General Evening Post*, 25–28 February 1797, p. 1.

[244] Rose, *Brief Examination*, pp. 67–9, conceded that 'the advances made by the Bank to Government had been very large, on account of the pressing demands of public service', but argued that they had been larger in the past without producing a similar alarm, that 'the apprehensions of invasion .^.^. produced considerable effect', and that 'the stopping payment in cash at two great Banks at Newcastle was the immediate occasion of the evil'. He went on, ibid., p. 74, to reject the argument that the export of specie in loans to allies had played an important role: 'there is the strongest ground to be persuaded that the gold exported from Great Britain, in the period last mentioned [i.e. 'from the commencement of the war to the end of 1796'] did not amount in value to any thing approaching 1,000,000*l*'.

[245] See 'Report of the Lords' Committee of Secrecy', *Lords Sessional Papers* (1796–7) ii. 149–430, and 'Reports from the Committee of Secrecy on the Outstanding Demands of the Bank; and on the Restriction on Payments in Cash', *Commons Sessional Papers* (1782–1802) vi. 119–92.

[246] See p. 000 n. above. [To UC xvii. 108, 'On the Stock Note plan'.]

[247] MS '|^^^|'. See p. 000 above. [To UC ii. 383, Ch. I.]

of this paper as might in any other part of the country be to be had for £99. 19s. But, in the nature of things, setting aside the influence of the supposed extraordinary and temporary causes, the amount of the demand for this paper can not but be regularly receiving a regular and very rapid encrease. The causes why wealth in this particular shape should encrease in a greater proportion than the rest are stated in another place:[248] and since, under the auspices of civilization and good government, wealth in general always has been, and, bating the influence of the above disastrous contingencies can not but continue to be, on the encrease, the quantum of the effectual demand for wealth in this particular shape in the compass of each year could not be inconsiderable: and this even though the encrease in this species of wealth in particular was to do no more than keep pace with the encrease in the aggregate mass of wealth of which it forms a part.[e]

[e] [002_570] Call the amount of the Annuity Note paper that would have been purchased in the way of issue in the course of the year, had it not been for the supposed extra demand for Bullion, £4,000,000: if the amount of this demand does not exceed the £4,000,000, it can not have the effect of depressing the price of this paper, in the way of circulation, in the smallest degree: and if the extra-demand amounts to more, for example £5,000,000, its effect in the way of depretiation will be not in proportion to the whole £5,000,000, but in proportion to no more than the difference between that and the £4,000,000, viz: £1,000,000.

The case would certainly be different, if the £4,000,000 extra-demand in question were supposed to be confined to a space of three months, or one month, while the four or five millions' worth of Annuity Note paper that would otherwise have been purchased in the way of issue is supposed to be spread over the whole year: but of suppositions thus gratuitous there would be no end.

According to the authorities above referred to, it appears that demand on the score of supplies to foreign powers [has][249] been defrayed partly by goods of British export, partly by foreign coin purchased with such goods: and that there is reason to believe that, notwithstanding the unexampled demand for bullion for exportation that has subsisted of late years, the aggregate of the defalcation produced by that cause from

[248] See pp. 000–000 below. [To UC ii. 574–84, 156–7, 585, this chapter]

[249] MS 'have'.

> the quantity of British coin, has not amounted in a course of years to so much as £75,000.[250]

[002_571]

4. That if, for a case thus void of probability, it were worth while to look out for a remedy, a remedy, and that of the preservative kind, might easily be provided for it. I mean that of a Cash-Fund, not to exceed (suppose) a million, formed by a reserve made of a part of the profits of the operation (as per Art. 9),[251] and to be employ'd in case of need in the support of the price of the proposed paper, by either buying it in with cash, or taking it in pawn for cash, from the time that the discount upon it had risen to an amount worth regarding. Whether this million should be always dead, or whether powers should be provided for lending it out—not certainly to individuals—but to some one or more intermediate hands, such as that of the Bank of England, to enable them to lend it out to individuals as at present, according to their own rules, in the way of discount, for short terms, would be matter for ulterior consideration.[252]

A provision to this effect, insuring the proposed paper in this way, against depretiation, with or without a specific fund appropriated to the purpose, might perhaps be not amiss employ'd, in impressing the idea of its stability upon the public mind. If this could be done without any such certain expence as that of a dead fund, the more improbable the complaint, the more unexceptionable the remedy: if it were thought necessary that the expence should be incurred in advance, the probability of the complaint would then be matter for previous determination.

[002_572]

---

[250] Rose, *Brief Examination*, pp. 74–5, noted out that of nearly £8m of coin and bullion imported into Britain in 1797–8, 'there was not more than 70,000*l.* in English coin'.

[251] See p. 000 above. [To UC ii. 381, Ch. I.]

[252] In the corresponding marginal contents sheet at UC iii. 45 (28 July 1800), Bentham has added the following marginal contents, for which there is no text: '4. The annual expence would be to the amount of the interest.—This certain and constant, to ensure individuals against a very small temporary as well as improbable loss. 5. Were the Bank allowed to employ it it would be no *sure* resource. 6. If not, the interest would be lost. 7. The small variation in the price of Exchequer Bills does no harm worth regarding. 8. Government to cash Annuity Notes at all times for 2½ per Cent discount? No: Receiving them for taxes at par answers every purpose. 9. Power to Government at all times to borrow money on Exchequer Bills to the amount of Annuity Notes in hand: on a Glut, Annuity Notes would pour in to the Exchequer.'

A supposition that may still be made, is that among the effects of the proposed paper will be the expulsion of a great part—say by far the greater part—of the existing quantity of hard cash: and in that event a demand for bullion, such as in the present state of the metallic part of the currency would not affect the proposed paper currency to such a degree as to produce a discount in the circulation price, might be productive of that effect.

To this is may be answered:

1. That it does not appear in what precise way, or by what means in particular any such expulsion is ever likely to be produced.[f]

[f] [002_573] For want of any precise indication as above, it may indeed be alledged in general terms, on the authority of Adam Smith, that the expulsion of a proportionable quantity of hard cash is to be regarded as a necessary result of an extra quantity of paper currency to any considerable amount.[253]

The answer is—1. that the discussion of this topic at length would take up more room than can be afforded here.

2. That the species of paper he has in view is—not any such paper as that which is here proposed—but Bank and Bankers paper—paper payable with or without interest on demand, or at least within a short and limited time.

3. That even in its application to that paper what he advances amounts to little more than assertion[254] without proof: and that the assertion, taken in the extent he gives to it, appears neither to be grounded in the nature of the case, with respect in the efficient causes of national wealth, nor consistent with the representation given of them by himself in other points of view.

---

[253] See Smith, *Wealth of Nations* (*Glasgow Edition*), (Bk. II, Ch. II) i. 293–4, in discussion of the addition of £1m. in paper to a supply of 'circulating money' of £1m. in metal currency 'sufficient for circulating the whole annual produce of their land and labour', £200,000 of which was retained by banks as a security fund, leaving £1.8m of circulating money. According to Smith, since £1m. is a sufficient channel of circulation for the whole produce, whatever 'is poured into it beyond this sum, cannot run in it, but must overflow'. In consequence of the addition, £800,000 will be sent abroad 'in order to seek that profitable employment which it cannot find at home. But paper cannot go abroad: because at a distance from the banks which issue it, and from the country where payment can be extracted by law, it will not be received in common payments. Gold and silver, therefore, to the amount of eight hundred thousand pounds will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of the million of those metals which filled it before.'

2. That on the contrary, a demand for a certain quantity of hard cash is necessarily kept up by the cause here supposed to lessen the quantity: since no Annuity Note is ever to be issued but in exchange for cash, or in exchange for a Note or Notes to equal amount that have been purchased by hard cash.

3. That supposing any such expulsion to have taken place, it can not have taken place till after a profit has been made by the emission, and that to so great amount as to afford an ample fund for supporting the price of it in such way as hath been already hinted, against any such casual and temporary cause of depression: for other than casual or temporary such cause can never be.[255]

[002_574]

Seventhly and lastly, the circulation of the proposed species of currency will, if adapted (as it may be and is proposed to be) to purses of all lengths, be *universal*: not confined, like Exchequer Bills and the other Government Paper so often spoken of, to a local and comparatively narrow class of hands.

On this occasion, to render the satisfaction of the reader the more compleat, it may be of use to bring to view the several descriptions of persons who may be considered as *natural* Customers for this Article of Government manufacture—the *occasions* by which they are respectively called upon to become so, and the circumstances of *disadvantage* which, to persons in their respective situations, concurr in rendering the private market (I mean that which is afforded by offers of individual borrowers) less eligible than the proposed public one.

Individuals considered as natural customers for the article in question may be classed as follows:—

1. *Possessors of petty hoards*—hoards upon a small scale already laid up but not placed out at Interest.

Among these, persons who are so circumstanced that no demand for the

---

[254] MS alt. ‘opinion’.

[255] In the corresponding marginal contents sheet at UC iii. 45 (28 July 1800), Bentham has noted at this point: ‘The coinage has gone on encreasing in this reign, notwithstanding the encrease to the quantity of paper.’

The following eighteen paragraphs (‘Seventhly and lastly .^.^. *Flying* Annuities.’), though not the accompanying notes, are in the hand of a copyist with emendations by Bentham.

disbursement of such their hoards presents itself as likely to occurr within any determinate space of time, and who, in case of a suitable opportunity, would naturally be disposed to convert them into sources of permanent income, such as are afforded by the existing market for Stock Annuities to persons whose superior circumstances are adapted to the State of that market, may be distinguished by the appellation of *Customers for Permanent Annuities on a small scale*.[g]

[g] [002_575] By a small scale is meant on the present occasion, every scale, under the least on which the amount of the hoard in question would be capable of being placed out at interest in any existing branch of the public market, with adequate *security*, *profit* and *facility*.[256] In point of *security*, the only deficiency which the public market is considered as exposed to labour under is that which corresponds to the danger of depretiation. This, though it never extends to the whole of the principal, is, however, but too apt not only to swallow up the whole of the profit on the score of interest, but to swallow up a considerable part of the principal besides. In point of *profit*, the deficiency is produced partly by the expences which attend on the purchase of, and eventual resale of, that species of government security which is capable of being purchased in any quantity, partly in those which attend in the receipt of interest: viz: stamp duties on power of Attorney, fees of Brokers, and of Agents in Town and Country, or else expence and loss of time by personal attendance—a charge which, taking the country through, would (though not so apparent) be beyond comparison greater than that of agency. In point of facility, the deficiency arises from the want of a market at hand such as that which would be afforded by the Local Offices as proposed.[257]

[002_576]

This obstacle is a distinct and additional one, over and above that which is constituted by the expence. By the expence, the inducement to engage in the transaction is diminished or taken away: by the want of facility as here exemplified, the very idea of engaging in the transaction is prevented from presenting itself.

For want of the necessary *road* thus made between the source of the profit and the attention of the party capable of becoming a customer, a very considerable profit may obtain no customers, at the very time when a much less considerable one obtains them

[256] In the margin, Bentham has noted at this point, ‘Confer and refer to *suprà*’. He may have had in mind the ‘Introduction’ to the work drafted in October 1799: see Appendix A, pp. 000–000 below. [To UC ii. 30–40]

[257] Excepting the first eight words (‘This obstacle .^.^. additional one’) the following paragraph is in the hand of a copyist.

in plenty.

That sums of money to a considerable amount are thus laid by, and kept up, by the frugal and provident among the various classes of working hands—domestic Servants, Journeymen, Shopkeepers, Journeymen Manufacturers, Handicraftsmen, Petty Farmers, Day-labourers, and the like—is a matter of fact so commonly exemplified, that there are few but must have had occasion to observe instances of it. Sickness, provision for old age, extension of trade, additions to domestic convenience, prospect of advantageous purchase, Marriage, education or portioning of children, provision for widowhood, provision for unforeseen exigencies, provision for old age—all these are but a part of the objects in view, any of which, singly or in conjunction, may have had the effect of producing the degree of self-denial necessary to the sacrifice thus made of the present to the future. But whatever may be the amount of these sacrifices, where the future employment of an unproductive principal constitutes the sole reward, how much greater might it not be expected to be were the addition of interest to be thrown into the scale?

2. *Persons who* WOULD BECOME *possessors of petty hoards*, under adequate encouragement; viz: under such as would be held out to them by the proposed measure.—Among these would be a proportionable number of *Customers for permanent Annuities on a small scale*.

[002_577]

3. *Possessors of temporary sums* (whether upon the smallest or the largest scale) *under engagement*: i:e: which they lie under a legal obligation to part with, whether at a time certain or uncertain.

4. *Possessors of temporary sums waiting for permanent investment*:—(small or large)—*not* under engagement; and *waiting* for an opportunity of being employed in the shape of capital in some investment of a permanent nature: such as the purchase of Land, Stock Annuities, shares in the undertakings of incorporated companies, East India, Bank, Canal Companies &c., &c., &c., or any other source of *fixed* income.

5. *Possessors of D° waiting for temporary investment*: to be employed in some lucrative undertaking of a temporary nature, such as any particular adventure in the way of trade.

6. Possessors of *fixed income* destined for current expenditure, derived from property, and destined for current maintenance and expenditure.

7. Possessors of casual income[h] destined for current expenditure, derived from trade or profession and destined partly to serve as circulating capital in the way of trade, partly to be applied to the purpose of maintenance and current expenditure.

> [h] [002_579] The distinction is material: for as fixed income comes in in masses at the beginning of a period, and professional &c. income in driblets, day by day during the course of the same period, it will be found on calculation that on equal annual amounts there will be twice as much to dispose of in any such way as that in question in the former case as in the latter.

8. Possessions of sums for contingent expences, which, whether derived from property, profession or trade, are kept in reserve to compose a fund for contingent expences.

9. Possessors of accumulating sums as yet small but accumulating into large ones.

10. Possessors of trust-monies on private account:—Land Stewards, Receivers, Assignees of Bankrupts, Executors, Administrators, Guardians, Army and Navy Agents, Prize Agents and other Trustees of all sorts, receivers and possessors of money in virtue of their respective Trusts. Concerning these see Ch. |^|.[258]

11. Possessors of trust monies on Government account.

12. *Bankers*: a particular species of Trustees receiving and keeping other peoples money on condition of answering Draughts.

13. *Debtors, waiting for demand*.

[002_578]

These [eleven][259] last Classes taken together may be distinguished from the Customers of permanent Annuities on a small scale (noted as belonging to the two first classes) by the common appellation of customers for temporary or *Flying* Annuities.

[002_581]

The *occasions* on which a person would naturally be led to send his Cash to the next

[258] Bentham had in mind his discussion of the 'Moral Advantages' of the plan, of which no extended draft intended for 'Circulating Annuities' has been identified. For the chapter as drafted for 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' see pp. 000–000 below. [To UC ii. 314–16.]

[259] MS 'ten'.

Local Office to change it into Annuity Notes are the several sorts of occasions by which currency is in use to find its way into a man's pocket in the Lump: viz: in masses beyond what are requisite for the expenditure of the day. A sketch of these occasions as they respect the several classes of persons concerned, together with the aggregate amount of the Sums received on these several occasions within the compass of a year (the amounts taken from Mr Pitt's computation of the Income of Great Britain as printed in Mr Secretary Rose's pamphlet of 1799),[260] may be exhibited as follows.—

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following 2 lines of text.

I. Money received in the shape of fixed income—coming in in masses generally periodical as yearly, half-Yearly or quarterly.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please present the following table without the grid lines; align the numbers in the second column horizontally with the end of the text in the first column; align the numbers vertically, and underline 15,000,000 as shown to indicate that the following figure is the result of an addition.

1. Landlords' Rents for Land on the days on which such rents come respectively to be paid . . .	25,000,000
2.—D° for Houses on d° days. . .	6,000,000
3.—Tithes on D° days	5,000,000
4.—Mines Navigation and Timber . . .	3,000,000
5.—Proportion for Scotland, say . . .	1,000,000
6.—Income from professions beyond Sea . .	5,000,000
7.—Interest on Funds	15,000,000
	£60,000,000

[002_580]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following 2 lines of text.

[260] See Rose, *Brief Examination*, unpaginated Appendix No. 7, 'Computation of the Income of Great Britain, as stated by Mr Pitt, in the House of Commons, distinguishing the Part liable to be taxable under the Act'.

II. Monies received on the footing of casual income, and coming in in day by day in driblets.

Supposing the income in each instance to be received in equal proportions every day in the year, half-year or quarter and to be hoarded to the end of such year, half-year or quarter, the results will be the same, to the purpose of the quantity capable of being laid out in the manner proposed, as if the half of the amount were received in a lump in the middle of such respective year, half-year or quarter. But as the demand for current expences may be considered as running on at the same rate, the half of the above half, that is the quarter of the whole amount of income of this description, may be considered as the amount applicable to the present purpose.

The following are the entire annual sums set down opposite the respective articles in Mr Pitt's calculation,[261] the purpose of which did not require any such deduction as just indicated.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please present the following table without grid lines as shown; align the numbers in the second column horizontally with the end of the text in the first column; align the numbers vertically, and underline 10,000,000, 47,437,500 and £60,000,000 as shown to indicate that the following figure is the result of an addition/subtraction. Note the appearance of the fraction three-quarters.

1. Tenant's profits . . .		£19,000,000
2. Professions . . .		2,000,000
3. Profit on Foreign Trade, computed at 15 per Cent on a sum of |^^^| altered by a subsequent correction to £95,000 000 . .		14,250,000
4. d° Home Trade . . .		18,000,000
5. Other Trade . . .		10,000,000
Total . . .	63,250,000	
Deduct as above ¾ of £63,250,000 =	47,437,500	
Remains		£15,812,500
Add fixed income as above . . .		£60,000,000
Total of sums received in the year on the score of income, and *capable* of being employ'd within the same period in the purchase of Annuity		

[261] See ibid.

Notes . . . . [£75,812,500][262]

[002_582]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following 2 lines of text.

III. Monies received in the shape of capital, (the amounts impossible to estimate) by persons of the classes following, on the *Occasions* following:[263]

1. Landholders &c. on sale of their estates: the money to be in readiness for purposes such as the above.

2. Stockholders, on sale of Stock: the money to be in readiness till called for, for payment of debts, making purchases of Estates in the way of permanent investment, or purchases in the way of trade.

3. Farmers Master Manufacturers, and Shopkeepers, on the receipt of the produce of sales in sums too large to be placed to the account of income.

4. Capital Merchants, on the receipt of the produce of Sales in sums not large enough, or not permanent enough, or not yet ready, to be invested in the purchase of Stock or other Government Securities.

5. Creditors in general, for the amount of sums large enough to be carried to the account of capital, on the receipt of their respective debts—the money to be in readiness, as above.

6. Executors, Assignees, Prize Agents Receivers of Rents, Guardians of Minors &c. and other Trustees of all descriptions, on the receipt of their respective Trust-monies, the same lying in readiness till application be made of them for the benefit of the trust.[i]

[i] On the placing out money, being the property of minors or other persons under Guardianship, there being commonly a reason and almost always a pretence for reserving portions in the shape of cash or other currency to serve on occasion as a fund for unforeseen expences, the proposed currency being in every the minutest mass of it

[262] MS '75,812,000'.

[263] Bentham revised his numeration of the following series after drafting it, and the order in the present volume follows his pencil emendation in the text and the corresponding marginal contents sheet at UC iii. 45 (28 July 1800).

alike capable of being employ'd in the capacity of a source of income, or in that of a mass of ready money, is peculiarly adapted to this case.[264]

7. Receiver[s] of moneys for government use.

[002_583]

Such are the classes of money'd men *by whom*, and such the masses of money for which, a profit in the way of interest to the amount of three per Cent per annum would be to be obtained by the taking out and holding this paper instead of the unproductive paper of the Bank of England, in cases in which, without this help, no such profit could, or at least none such would, be made: a resource by the help of which not a 6^{d} in point of money need be kept without its profit, nor a day in point of time.

Such are the result[s] which might take place,[265] and which would take place supposing mankind in general to possess a thorough conception of their own interest: and to act up to that conception:[266] what would be done is matter of considerable uncertainty, and what a man will be less peremptory to undertake for, the more close and numerous the observations he has had occasion to make upon his own species. In any and what degree will such result take place? A point this, on which in proportion to the closeness of the observations it has fallen in a man's way to make upon the springs by which the conduct of his fellow creatures are regulated, he will be the less forward to pronounce.[j] [267]

[j] [002_584] Paper money is in so many respects so much more convenient than metallic money that, in the view of that convenience, the dangers that attend it are apt to be overlooked, and the disposition to receive it is found in practice to go beyond rather than fall short of the mark prescribed by prudence. In the American town of Baltimore, where 'there are three incorporated Banks, the number of notes issued from them is so great, (according to Mr Weld)[a] as almost to preclude the circulation of specie. Some of the notes are for so small a sum as a single Dollar, and being much more portable than silver, are generally preferred.'

[264] Bentham has noted at this point: 'This might be *decreed* in Chancery along with Stock.'

[265] MS 'be done'. The text follows cancelled MS orig.

[266] MS orig. 'shape their course without deviation by the light of reason, and to act accordingly'.

[267] In the margin, Bentham has noted at this point: 'See p.[?] 46. art. 41.[?]' His reference is to UC ii. 585, for which see p. 000 below. [This chapter]

[a] *Travels in America*, I. 45. 2^d Edit .8^vo[268]

Before the Act of Parliament[b] which prohibits on the part of individuals the issuing of Notes for a less sum than £5 in England and £1 in Scotland, Notes (according to Adam Smith)[c] were issued in Scotland for sums as low as 10^s and 5^s, and in Yorkshire even as low as 6^d: a sum as low as the lowest silver coin in circulation, and which occupies the lowest place in the proposed series of Annuity Notes. It was because the propensity to prefer paper to cash went, as it seemed to the legislature, so much beyond the mark prescribed by prudence, that the Act above mentioned was passed for the purpose of curbing it. In the currencies of North America (he adds) paper was commonly issued for so small a sum as a shilling, and filled almost the whole of the circulation. And this, although in none of these instances was any interest to be made by it.

[b] Geo. 3. ch. |^^^|.[269]

[c] Vol. II, p. 487. 8^vo.[270]

[002_156]

III. *Circumstances of comparative disadvantage* attending the private market may be reckoned up as follows: viz:

1. Trouble, expence and loss of time attending the enquiry necessary in many cases to the meeting with a fit opportunity of placing out money at interest. N.B. *In the case of the proposed market this circumstance of disadvantage is wanting altogether*.

2. Want of coincidence between the *quantum* of the sum wanted to be borrowed and that of the sum ready to be lent.—*Wanting altogether*.

---

[268] See Isaac Weld, Junior, *Travels through the states of North America, and the Provinces of Upper and Lower Canada, during the years 1795, 1796, and 1797*, 2nd edn., 2 vols., London, 1799, i. 45. There are minor inaccuracies in the rendering of the passage.

[269] See the Negotiations of Notes and Bills Act of 1775 (15 Geo. III, c. 51), continued with revisions by the Bills of Exchange Act of 1777 (17 Geo. III, c. 30), and perpetuated by the Negotiations of Certain Notes and Bills Act of 1787 (27 Geo. III, c. 16).

[270] *recte* Smith, *Wealth of Nations*, 3rd edn., 3 vols., London, 1784, i. 487 (corresponding to *Wealth of Nations* (*Glasgow Edition*), (Bk. II, Ch. II) i. 322).

3. Want of coincidence between the time for which money is wanted to be *borrowed*, and the time for which it can conveniently be *lent*.—*Wanting altogether*.

4. Difficulty of obtaining sufficient assurance respecting the competency of the security in its several points of view:—the borrower’s trustworthiness in every point, moral character and pecuniary sufficiency included:—*Wanting altogether*.

5. Trouble, expence loss of time and interest attendant on the adjustment of the pecuniary part of the security.—*Wanting altogether*.

6. Trouble, sometimes expence, loss of time and interest—attendant on the process of demanding and obtaining payment of the interest alone—or of principal and interest together, as the case may be.—*Trouble and loss of time reduced to next to nothing: expence and loss of interest, wanting altogether*.

7. Danger of loss and particular incidental inconvenience by unexpected delays in regard to payment.—*Wanting altogether*.

8. Danger and fear of the necessity of litigation.—*Wanting altogether*.

9. Unwillingness to deal with a stranger in consideration of the uncertainty respecting his trustworthiness as above defined.—*Wanting altogether*.

10. Unwillingness to deal with the individual, if a stranger, in respect of the risk of being eventually obliged, either to distress him by pressing for payment, or to submitt to loss, for want of such importunity in many cases. In the instance of a friend, in case of any apprehension on the score of want of solvency, still more on that if on that of moral trustworthiness, unwillingness still greater.—*Wanting altogether*.

11. Unwillingness in many cases to accept of interest from the individual, if a friend, especially if it be on a small sum, or for a short time.—*Wanting altogether*.

[002_157]

12. Unwillingness, through shame, to accept, and much more to demand, interest for sums and times separately trifling, how considerable soever in their collective amount.—*Wanting altogether*.

13. Embarassment, disputes, and loss of time in the computation of interest on small or fractional sums, or for short and fractional periods.—*Wanting altogether*.

14. Danger of loss by death, marriage or other change of condition on the part of the borrower, whereby, as far as mere personal security is concerned, a Security originally sufficient, may become bad or precarious.—*Wanting altogether*.

[002_585]

The amount of the sums, receivable[?], as above, in the compass of a Year on the score of capital, bid defiance to calculation.

Even[?] the sums given as received in the shape of income, are not given as the sums likely to be employ'd in the way in question, but only as the sums capable of being so employ'd. The amount of this unknown sum, resulting from the addition of a sum thus calculated to another sum greater or less, but unknown and uncalculated, is given but as a *maximum*: and is given not for the sake of the sum total, but for the sake of the particular items, the details of which may serve to afford some relief to the conception of him who reads. The *minimum* is the amount of a single Annuity Note: any sum between this minimum and that maximum may eventually prove to be the sum thus actually laid out.

Fortunately, extreme as the darkness is, no greater light is necessary: since the result of the experiment, be it ever so trifling or ever so great, will at any rate be innocent: and correspondent to every such Annuity Note so disposed of will be a portion of clear gain. It is only where a portion of inconvenience is an inevitable result, as in the case of taxes and other imposts, that the amount of the probable profit calls for the labour of the calculator.[271]

NOTE TO TYPESETTERS: Please begin new page.

---

[271] In the margin, Bentham has added the following marginal content, repeated with some variation in the marginal contents sheet at UC iii. 45 (28 July 1800), for which there is no text: 'This mode of investm^{t} will not be obstructed by that which regards loans to individuals: since this paper will itself serve for the subject matter of such loans, as Bank or Bankers paper does.—A man will take out or receive a quantity of Annuity Note paper, and lend the money in that shape to the man who wants to borrow it.' Bentham further noted: 'see 19', i.e. p. 000 above. [To UC ii. 560]

[001_251] [June 1800]

CHAPTER V.

Miscellaneous Effects of the Annuity Note Paper at different periods of its existence[272]

A delineation of the probable effects of the measure on the state of things in respect of the stock of natural wealth and population, is a task as arduous as the accomplishment of it is desirable.

A groundwork for it, and that an indispensable one, is—a determination of what, according to probability, would be the state of things in these respects setting aside the measure.

Retrospective views of this subject have been given, to the great comfort of the people as well as instruction to their rulers: the view required for the present purpose is a prospective one. The possibility of an attempt of this sort, however imperfect—the possibility of anything better than a mere random cast—is among the fruits of that body of instructive facts, as above alluded to, with which this branch of political science has of late years been enriched, by the intelligence and diligence of public men.

[001_252]

If, without the requisite cautions, that state of things that upon due investigation would appear likely to take place in consequence, and in a greater or less degree in virtue, of the proposed measure, were to be announced, the picture thus presented of them would be apt to appear extravagant and absurd. For:

---

[272] Bentham went on to exclude this chapter from 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', and it appears in the present volume because of his apparent intention to retain it as late as 29 June and 8 July 1800 (see UC iii. 17 (23/29 June 1800), headed 'Annuity Notes. Ch. |^| Effects. Contents', to which the chapter in the present volume corresponds in subtsance though not consistently in pagination; and iii. 21 (8 July 1800), headed 'Annuity Notes. Effects. Contents', where the contents for § III are repeated with revised pagination and additions. Four of the folios for § III (UC i. 79–80, 82–3) are dated 'May 1800'. Between May and July 1800, however, Bentham drafted material for only one of the three periods discussed in his earlier drafts, which are themselves reproduced in Appendices C and D, pp. 000–000 and 000–000 below. For further details see the Editorial Introduction, pp. 000–000 above. The title of the chapter is taken from UC i. 38, the first folio of the earliest of those drafts, itself reproduced in Appendix C.

1. In the statement of the effects represented as taking place in consequence of the measure, people in general, and in particular the proposer of the measure, would be apt to include all or a great part of such effects of the same[?] kind as would really take place without the measure.

2. The effects of the same kind that would really take place without the measure will, upon due examination, turn out to be of such magnitude, as, if proposed crudely and without concomitant proof, would of themselves be of such magnitude as to draw on the statement of them the imputation of extravagance.

[001_253]

Under the degree of security for property, and thence of encouragement for industry, which the present state of Laws and Manners affords in the civilized part of the world, and in the British Isles in particular, the mass of national wealth has a constant tendency to encrease.[a]

[a] A. Smith. Vol. ii. p. |^^^|.[273]

[001_254]

The institution of the proposed Annuity Note paper will be the *real* cause of a considerable addition to the mass of national wealth, and thence of a considerable reduction in the rate of interest; and the *apparent* cause of a still more considerable change in both these ways.

Under the funding system, taking the sinking fund as a part of it—under the system of borrowing and repayment—supposing the War Debt once paid off, the mass of national wealth will at the completion of the discharge find itself encreased by the war, instead of being diminished: at least in a Country like Great Britain, in which the destruction produced by war does not attach upon any part of its territory: and this without the aid of the proposed measure.

With the aid of the proposed measure, both these effects will be produced with more certainty—with more dispatch, and in a manner so sudden, as to produce, by the suddenness of the change, effects over and above what would be produced by the mere

[273] i.e. Smith, *Wealth of Nations*, 3rd edn., (Bk. IV, Ch. V) ii. 319 (corresponding to *Glasgow Edition*, i. 540).

amount of it, if spread over a greater portion of time.

The reason of the extra or neat addition thus made by war to the mass of national wealth is that the whole of the money employ'd in the redemption of the Debt, whether in the way of paying-off or buying-in, will go in addition to the mass of national wealth (and thence to the reduction of the rate of interest): whereas it is a part only, though certainly the most considerable part, of the war expenditure that operated in the diminution of the mass of national wealth.

[001_295]

The[274] rate of interest is as the quantity of future money or moveable wealth in the shape of perpetual income to be had in exchange for a given quantity of money or moveable wealth in hand.[275]

Setting aside the demands for present money in exchange for future for war purposes, and even notwithstanding the occasional magnitude of that demand, the rate of interest in Europe in general, and in England in particular, has for these last two or three Centuries been on the decrease. On the best security, it has been gradually on the decline from £12 per Cent or more, to as low as 3 per Cent; in the Dutch Provinces, as low (it has been said) as 2 per Cent.[b]

[b] A. Smith I. 139.[276]

Since the establishment of what is called the *Funding System*, i:e: the creation of Government Annuities (mostly perpetual unless and until redeemed) payable by

---

[274] Bentham has marked this paragraph for deletion in the corresponding marginal contents sheet at UC iii. 17.

[275] In the corresponding marginal contents sheet at UC iii. 17, Bentham has noted at this point: 'What it depends upon? degree of security for the enjoyment of future money? Absolute quantity of present money? Relative quantity of present money in comparison with the quantity of the produce of labour, moveable (goods) and immoveable?

'Answer. The *ratio* of the quantity of articles employable as instruments of improvement (including money applicable to the purchase of such articles) to Quere what object? The population? See Smith II. 39.'

i.e. Smith, *Wealth of Nations*, 3rd edn., (Bk. II, Ch. IV) ii. 39 (corresponding to *Glasgow Edition*, i. 353–4).

[276] See Smith, *Wealth of Nations*, 3rd edn., (Bk. I, Ch. V) i. 139 (corresponding to *Glasgow Edition*, i. 108).

Government out of the produce of taxes imposed for that purpose,[277] the rate of interest given on these securities has regulated and determined the general rate of interest: the rate of interest given by government has determined the rate of interest given by individuals. The greater the quantity of this source of income has been given by Government for a given quantity of money in hand, the greater the quantity which it has been necessary for an individual to give for a mass to the same amount, under pain of not obtaining it.

[001_296]

As government, by the encreased quantity of future wealth which it has given in return for a given quantity of present wealth at the time of its *exigencies*, that is at the time when its demand for present wealth has suddenly taken place, and so on during the continued and encreased quantity of that demand, has rendered it necessary for individuals, having occasion to purchase present money by future, to make an equal or proportionable addition to the quantity of future income which, for a present mass of wealth of a given magnitude, they have had occasion to give, so by redeeming and taking out of the market quantities of future income, and thence making such future income scarcer and less easy to be purchased, that is, accordingly and thereby, more valuable as compared with masses of present wealth, it will render it no longer necessary for individuals, having occasion to purchase present money by future, to give so much future money as they gave before, for a given mass of present money: on the other hand (what comes to the same thing), it will render it necessary for individuals having occasion to purchase future money by and with present money, to give in the shape of present money so much the higher a price for it.

[001_297]

A Government, therefore, which has been in the habit of making a periodical addition to the quantity of future money in the market, has it in its power, upon the cessation of those exigencies which gave birth to that addition, to raise the price of future income as compared with present money—in other words to lower the general rate of interest in three different proportions—

1. By making an absolute defalcation from the quantity of future income in the market.

2. By ceasing to make any addition to that quantity.

[277] See p. 000 n. above. [To note to UC cvii. 172, ‘Political Prospects’]

3. By reducing the amount of the addition which it has been in use to make.

In appearance, it may seem in this way to have effected by its own power an absolute reduction in the rate of interest: but in reality it can do little more than, at the end of a period of greater or less duration, to place that rate in the situation [in] which it would have been had it not been for the quantity of securities for future in income which [it] itself had forced in to the market at a preceding period. The utmost it can do is by paying its own debts—by redeeming the portion of future income which it has created by and in the contracting of those debts.

The mass of future income that has been poured into the market by Government is so large, that upon the taking [it][278] out of the market the reduction thus effected in the rate of interest will not only appear prodigious, but appear to have been compleatly the work of government: [001_298] whereas all or nearly all that government can do in this way by the redemption of its own debts, of the masses of debt which from time to time it has itself contracted, is to bring back things to the state they would have been [in] in this respect if no such debts ever had been contracted.

If, then, it should ever happen that Government, by the paying off of [its][279] debts, shall have reduced the rate of interest say to 1½ per Cent, it will follow that had no such debts been ever contracted by government, the rate of interest would have been reduced at least as low as that pitch by the accumulated savings of individuals.

It might seem that had no such debts been contracted during that period—had there been no such thing as *war*—none of that unproductive expence and absolute destruction which are among the effects of war, the rate of interest would have been still lower: since the quantity of present wealth saved up and accumulated would have been still greater by the amount of the whole mass so destroy'd or expended.[280]

But, on the other hand, it may be observed:

1. That as to the *consumption* occasioned of war (meaning the consumption

[278] MS 'them'.

[279] MS 'his'.

[280] In the corresponding marginal contents sheet at UC iii. 17, Bentham crossed through the content corresponding to the following three paragraphs and noted: 'A mistake.—True—not of principal lent for war expence, but only of what is raised in taxes, partly for payment of interest, partly for repayment of principal.'

intentionally made of instruments of war, independently of the *destruction* unintentionally suffered), it does not by any means operate as to the whole of it in diminution of the mass of national wealth.

[001_299]

2. Of the money or mass of wealth raised by taxes, and applied, part of it in payment of the interest, part towards the discharge and repayment of the principal, of the debt, it is not the whole that is by this means substracted from the mass of national savings, but only a part, and that by much the smallest part: since of the quantity of wealth produced in any given year, it is only a part, and that considerably the smallest part, that in the most frugal nation can be saved up: the utmost amount of savings will still be inferior to what on the score of necessary food, fewel and clothing alone must be consumed. Destruction apart, the difference in point of expenditure between peace and war turns more upon the point of *quality* than of *quantity*: in war time a great part of the consumption, which otherwise would have been applied to the purpose of individual enjoyment, being applied to the purposes of national defence.

3. Again, of the money[281] which, having been raised or engaged to be raised by taxes, present and future, for the carrying on of a year's war, is paid in the course of a year in the prosecution of the war, it is not the whole that has actually been consumed: from the whole of the value paid as above, is to be deducted the amount of mercantile profit, say £15 per Cent,[282] upon the sum representing the expence of such articles as have been furnished by Contractors and other manufacturers working on private account.

[001_300]

4. Of the money taken from the amount of national savings in each year and lent to government to be employ'd in the war expences of that year, a part may be supposed to have been deducted by the individual from the amount of the year's expenditure and added to the account of savings, by means of the premium given to frugality by the amount of the extra-interest paid by Government for the money so borrowed by it. Just before the war, but a trifle more than 3 per Cent was to be made by the purchase of Government Annuities:

---

[281] MS alt. 'labour £20,000,000 worth'.

[282] See Rose, *Brief Examination*, unpaginated Appendix No. 7, where the rate of profit on both foreign and home trade is supposed '15*l*. per Cent'.

in two some years of the war, considerably above 6 per Cent has been to be made by such purchases.[283] It must have happened in many instances that a sum which would have been spent on the purchase of the instruments of present enjoyment had no more than 3 per Cent been to be made by saving it, must have been saved up and laid up in the purchase of Government Annuities, at a time when instead of no more than 3 per Cent, upwards of 6 per Cent might thus be made. The rate of profit on stock remaining the same, the inducement to transfer a portion of movable wealth from a trading concern to the purchase of Stock Annuities, i:e: to the purchase of a perpetual source of income in the shape of interest for the purchase-money, must have been proportionably encreased.

[003_008]

Period I. *From the opening of the first issue to the arrival of 3 per Cents at par*[284]

Period II. *From the arrival of 3 per Cent Stock at par to the extinction of the last portion of redeemable Stock Annuities by its conversion into Note Annuities*

[001_071]

Period III. *From the conversion of the last portion of Stock into Note Annuities, to the conversion of the last portion of Old Note Annuities into New Annuities at a reduced rate of interest*

1. During the second period, among the effects we have seen resulting from the emission of the plan in question is that of being an instrument of steadiness, not only in regards to its own marketable value, but also to that of the mass of Stock Annuities, so long as any part

[283] Bentham's reference is to the depreciation in the price of government annuities following the outbreak of war between France and Britain on 1 February 1793. In September 1797 price of 3% consolidated annuities on the London market fell to 47$^{3}/_{4}$: see the *London Chronicle*, 19–21 September 1797, p. 288.

[284] The definitions of Periods I and II are reproduced from a marginal contents sheet at UC iii. 8. Bentham drafted considerable material relating to these two periods, which is reproduced in Appendices C and D, pp. 000–000 and 000–000 below, but is excluded from this chapter on the basis of its non-coincidence in point of time with the text and corresponding marginal contents sheet for the chapter composed in May and June 1800. For further details see the Editorial Introduction, pp. 000–000 above.

of that mass remained unchanged. This same property will accompany Annuity Note paper, to a certain degree, but not to an altogether equal degree, during this third stage of its existence.[285]

[001_072]

2. It seems natural, however, to expect, that it should experience a rise within certain limits. A £12. 16^{s} Note can never sell for less than £12. 16^{s}: because the worst that can happen to the Holder, in the event of the lot's falling upon him, is—to receive that money for his note. It can never sell for so much as £16: because for that sum the same interest may at any time be purchased by a man in the New Annuities, after the lot has fallen upon him, and expelled him from the Old.[286] It will, however, sell for more than £12. 16$^{s.}$—for £12. 16^{s} and not less would be the value of it if the lot had actually fallen upon it, and the extra value amounting to the difference between the rate of interest on the New Annuities and the rate of interest under the Old Annuities were gone: but this extra value remains as yet untouched, though liable to be expunged at any time upon the expelling.[287]

3. The amount of this premium upon the Old Annuities will be inversely as the rapidity of the operation whereby these Old Annuities are converted into the New: for, the amount of Old Annuities capable of being expelled being given, the greater proportion of that amount is expelled in a given time, the less the time which the remainder, and each part of the remainder, has to rise.

[001_073]

4. All the while, though the marketable value of this article will, by reason of the causes just mentioned, be unsusceptible of any degree of rise greater than as above, the scarcity of it in the market will be great, and encreasing with accumulated rapidity every

---

[285] In the text, Bentham cancelled the following passage at this point: 'It can never rise above par to any amount worth regarding, the probability period of its being paid off at that rate being so full in view: and for the same reason, and that the only one, neither could it fall below that price.' In the margin, he added the memorandum: 'Note about the price of 4 and 5 per Cents'. For discussion of the use of Annuity Notes to hasten the redemption of existing Government Annuities carrying interest at 4 and 5% see pp. 000–000 below. [To UC i. 102–19, this chapter]

[286] £16 was the proposed price of the Standard Annuity Note of the second issue: see note **{43}** to Ch. I, p. 000 above. [To UC ii. 491]

[287] In the margin, Bentham has noted at this point: 'Note. The only loss an Annuitant will be exposed to will be the loss of the any premium he may have paid—viz: when he comes to be paid off by lot.'

day: the effect of that scarcity will be—to produce an encreasing eagerness—not to purchase—and purchase at an advanced price—this paper of the first emission, this being no longer to be done, the event being now taken place reckoning from and after which the emission of Annuity-Note paper at the rate of interest in question is (according to Art. [20 and 21][288]) to be closed—but any such other paper of a second emission as shall be expected to succeed it—and that at a time proportioned to the apparent length of time it will appear likely to run, before the time comes for it to be redeemed.

5. Such second emission will be alternately effect and cause in relation to the redemption of the paper of the first emission. By every £500 worth of the second emission issued, £500 will be received[?], of which £400 will pay off a mass of Old Annuity equal to the mass of New Annuity created, leaving £100 neat to be employ'd in the redemption of a correspondent portion of the Old Annuity. By this means, so much more money will be forced into the market for the purchase of more New Annuities, and by the sale of them, more surplus money will be produced to be employ'd in the purchase of more of the Old Annuities: and so on in a perpetual round, or rather vibration.[289]

[001_074]

6. It might seem that the proportion of money caught by the New Annuity Note market of the money turned out of the old will be the larger, the more rapid the course which the operation takes, because the more rapid the course of the operation is—in other words the greater quantity there is at a time of money, which having been placed out at interest is now returned upon the hands of the owner without interest—the greater the difficulty will each such parcel of money experience in its endeavours to find an employment in which it can obtain interest upon terms of equal convenience and advantage in the other markets.

7. It seems, however, scarcely to be apprehended that any part of the money which is thus forced out of the Old Annuities will be kept out of the New Annuities a single day. For although the proprietor should immediately put himself upon the lookout for a more advantageous market elsewhere, yet as no such market will present itself, if at all, for some days at least, not to speak of weeks or months, he will perceive that in the mean time and while his enquiry is going on, every day during which he forebore to make the temporary

[288] MS '8 & 9': see p. 000 above. [To Ch. I, UC ii. 384]

[289] Bentham has cancelled the following paragraph.

reinvestment in question would be attended with a days interest sacrificed to no purpose.[290]

[001_075]

8. When a an expelled Old Annuitant, having thus for the sake of a temporary employment for his money bought into the New Annuities, and having in process of time met with another employment more advantageous, has determined to part with his New Annuities, for the purpose of investing his capital in the more profitable employment in question, the effect will be to make an addition, *pro tanto*, to the quantity of circulating capital of the country:—to the quantity of money and money's worth administering to trade in the quality of capital.[291]

Suppose, for instance, the amount of his property in this shape in the Old Annuities had been £5,000, producing him £150 a year upon which, finding it sufficient, he had been used to live. This £5,000 Old Annuities being paid off—This £150 being redeemed by the payment of the £5,000, and, for this £5,000, £120 a year and no more being to be purchased in the New Annuities, and an income to this amount being regarded as insufficient for his maintenance, to supply the deficiency he determines to employ his capital, and does accordingly employ it, in a different way, by throwing it into trade. But this throwing the amount into trade does not diminish, *pro tanto*, the demand for this paper on the score of permanent income: it need not, will not, be offered to any one or more persons in the lump, having a demand for it in the shape of a permanent source of income: it will be thrown into circulation and dispersed among different hands just as so much hard cash would on the same occasion be dispersed: if it were already in Notes of a degree of smallness adapted to the purpose, the very Notes themselves, which had served for income, would thus serve for capital without change: if the Notes in question happen'd not to small enough, all the difference would be, that they would be exchanged for others that were small enough.

[001_076]

9. It might seem that in proportion as a mass of Annuity Note paper were thus thrown

---

[290] In the margin, Bentham has noted at this point: 'Add. The persons thus forced out by these fresh Sinking Fund[s] will not be able to buy into the First issue: as they will find no Sellers.'

[291] In the corresponding marginal contents sheet at UC iii. 17 (23/29 June 1800) Bentham has noted in relation to this and the following paragraph: 'Observation—the[?] weight upon the Market-Price of the new issue can not be affected by the quantity.'

into circulation (which would naturally be in *small* notes), the supply of Notes of a high magnitude would be become plenty in the market, and thence the demand diminished, and notes of a low magnitude rare. But in fact, no such disproportion would take place: in the first place, because though large notes are not equal to every purpose that small ones are, yet small ones are equal to every purpose that large ones are, and amongst the rest to this purpose. £5,000 in sixpenny notes will, while[?] hoarded, afford a man the same income as the same sum in two or three notes. In the next place, because, by the proposed constitution of this currency, any note up to the largest may be changed into any number of notes down to the smallest, at no greater expence than that of the minute office fee necessary and barely sufficient to pay for such part of the Officer's time as the transaction requires to be employ'd in it.

[001_077]

10. When the extra influx of capital in this shape into trade has run itself out, a want of currency will begin to be felt, and the difficulty attendant on whatever new enterprizes had been undertaken and been carrying on in consequence of such influx, in a word what is called a stagnation in trade, will be encreasing every day: the quantity capable of presenting itself in this shape being every day reduced, partly by the natural encrease of the demand for it in the shape of a hoarded source of income, partly in consequence of the quantity of it taken out in both shapes by redemption.[c]

[c] In regard to this comparative scarcity of currency, a result which will not have taken place but in consequence of a vast positive encrease, it will rest with the Government of that day, whether to keep it or let it remain unrelieved—to let it find a relief of itself by the springing up of some species of Banker's paper, or to emitt and issue a circulating medium on the public account, without encrease, but rather to the diminution of the national burthen—for example by allowing a very low rate of interest, say 1½ [per Cent] on such paper so emitted, lending it out to the Bank of England or some such great Corporate body (not to individuals) at a somewhat higher rate, say 2 per Cent, for the Company to lend it at a still higher rate, say 3, 3½ or 4 per Cent, by discounting Bills.

[001_078]

This[292] will be an operation analogous to that of M^r Pelham: not precisely the same, the difference in the circumstances of the two cases not admitting of an exact sameness. In that time, the Creditors by reason of stock Annuities being a body consisting of a limited and, to a certain degree, unchanging number of parties, amongst whom masses of great size were in the possession of single hands (I mean those belonging the great Bodies Corporate, the Bank, and South Sea Company &c.) were capable of being treated with. In the supposed future period, the list of Creditors including every individual almost in the kingdom, and the amount of each person's debt changing every day, no such treaty would be practicable—at least with any advantage. Copying, and without variation, the course taken by Mr Pelham, Government might, it is true, offer terms to the Annuity Note Holder who, bringing in his Note to be paid off, should in consideration of such terms be willing to purchase a Note carrying the same quantum of interest, at the augmented price: such terms consisting in the guaranteeing the paper of such second emission against being paid off for a specified time: but from a stipulation to any such effect no special advantage presents itself as likely to be derived.[293]

[001_079] [May 1800]

Should the expedient proposed for accelerating the reduction be ado[pted], viz: that of subscription by classes, the different classes will bear each of them a premium to a different amount: the difference as between class and class being greater in proportion as the class stands higher in the scale.

This premium will, in the instance of each class, be the present value of an Annuity to the amount of the difference between the mass of interest upon the reduced, and that upon the unreduced rate, to continue for the number of years or months &c., which appears likely to elapse before the paper of that class will come to be paid off.

This premium will consequently be at the highest upon the opening of the 2^d issue, and as that issue approaches to a termination, and thence the reduction approaches, will of course be less and less: but the worst that can happen to the Noteholders is that the premium should disappear altogether, and that each man should receive for his Note no

---

[292] Bentham has written 'Note' above this paragraph, but it is indicated as text in the corresponding marginal contents sheet at UC iii. 17 (23/29 June 1800).

more than he paid for it.

[001_080] [May 1800]

At the commencement of this period if not before, the supply of Annuity Note paper having begun to be inadequate to the demand on the part of the customers for permanent income, customers for Note Annuities for the purpose of hoarding, the stagnant mass of Annuity Note paper will be continually attracting to itself portion after portion of the current or circulating mass. In proportion as the quantity of this interest-bearing paper is thus withdrawn out of the circulation, the force of the cause which operated to the expulsion of barren paper such as that of the Bank of England and that of the Country Bankers will grow weaker and weaker, and these several once expelled papers will in the same proportion find the market open to them, and will accordingly be re-introduced.

Of the depretiation of money and consequent enhancement of prices, so much as depended on the encrease given to the quantity of current money of all sorts by the emission of Annuity Note paper will cease, and such part of it only will continue as depends upon the frugality of individuals—upon the difference between the quantity of property produced in the year, and the quantity consumed within the same period.

[001_081]

Upon the opening of the 2[d] issue of Annuity Note paper at 2⅜ per Cent, this fresh paper will, immediately or soon after the opening, have four distinguishable sets of customers:

1. The Flying Annuitants or customers for the paper for the indiscriminate purposes of circulating money and intervening income. Had they bought in the first emission, they might have made 3 per Cent of their money. Now they can no longer make so much as 3 per Cent, they can make no more than 2⅜ per Cent. But 2⅜ per Cent is better than nothing. A man who had no money to dispose of in this way at the time of the first issue, may have some at the time of the second.

2. Among of the customers for permanent income, such whose money [has] been expelled out of the Stocks by the operation of the several Sinking Funds.

[293] The folio containing the following paragraph begins a new sequence of pagination corresponding to the marginal contents sheets is at UC iii. 17 (23/29 June 1800), which is repeated with revised pagination and

3. Among the Customers for permanent income, such individuals as, not having as yet been possessors of Government Annuities, may prefer the buying into the 2d issue to buying into the first, for the sake of the advantage held out to priority of purchase into this second issue in respect of the being so much the later exposed to be paid off.

4. Among the customers for permanent income, such as, though not yet ejected out of the first issue, may choose to make the exchange in the way of subscription, that it may be the later before they are ejected out of the 2d.

[001_082] [May 1800]

By the rise of Stock Annuities to par, Note Annuities being rendered equally suitable to the purpose of the customers for permanent income, at the same time that, by the accumulating torrent of redemption money Government Annuities of both sorts will be growing scarcer and scarcer every day, whereby that portion of the mass of Annuity Note paper which at the opening of the issue was in circulation in the hands of the Flying Annuitants will by degrees be stopped and impounded and taken out of the circulation by the Hoarding Annuitants, on the opening of the 2d issue the influx of customers for paper of this 2d issue will be as strong as was the influx of customers for the paper of the first issue.

The time during which the paper of the 2d issue maintains itself in circulation will be inversely as the eagerness of the discharged Annuitants of the first issue to reinvest their money in Annuities of the 2d issue. If the whole of the money drawn out of the first issue should return for paper of the 2d issue, there would be no paper of the 2d issue left in the circulation.

No more would there if the decrease in the money of the first issue reinvested in the 2d issue amounted to no more than the growing mass discharged from time to time by the operation of the Sinking Funds.

[001_083] [May 1800]

The[294] Annuitant of each succeeding issue will be the natural enemy of the Annuitant

---

additions at iii. 21 (8 July 1800).

[294] In the corresponding marginal contents sheet at UC iii. 17 (23/29 June 1800), Bentham noted in relation to the contents for this and the three following paragraphs: ‘The paper of the Fresh will be impounded: but this, of course, will not encrease the difficulty of getting it; so long as the 2d Issue remains open.’

of the issue next preceding: since every £100 received from the purchasers of the latter issue will go to expel from their [purchases][295] the proprietors of the former issue.

Even in one and the same issue, every succeeding purchaser is the enemy of every preceding one, since each fresh purchase goes to accelerate the period at the end of which Government will have it in its power to expel from their purchases all those purchasers.

The enmity or opposition of interests is irreconcileable and incapable of compromise: and this not only by reason of the multitude of the parties, which render them incapable of confederacy, but also because no junta of preceding purchasers to a given amount could afford to give to a junta of succeeding customers to equal amount an equivalent for not purchasing.

Such, therefore, is the plan that the success of it is incapable of being prevented, or so much as retarded, by any combination among the parties damnified, at whose expence the profit to the public at large is reaped. The reduction once begun, and persevered in, will go on of itself *ad infinitum*, without any thing to stop it but the indulgence, if any, which Government may think fit to shew, at the expence of the public at large, to the parties damnified.

[001_084]

Upon the opening of the 2[d] emission at the reduced rate, that is at the commencement of this period, the extra influx of money by the introduction of the paper of the 2[d] issue into the circulating mass in the hands of the customers for temporary income, will take a fresh start: and will keep on encreasing till the conclusion of this period. When, by the rise of the price of paper of the preceding unreduced issue, the paper of this second and reduced issue is become equally well adapted to meet the demand of the customers for permanent income, they will come in for paper of this second and reduced issue, and thus accelerate the issue of it, and the redemption of that of the first issue. But by this encrease of the demand, the price of the paper of this second emission can not be raised, since as long as any of the paper of the first emission continues unredeemed, any quantity of it will be to be had of Government at the par price.

As this *second* extra-influx of circulating money spreads, the several symptoms already brought to view on occasion of the *first* will again take place: encreased rise in the

[295] MS 'purchasers'.

price of land and other sources of permanent income: encreased rise in the wages of labour, and in the quantity of actual labour taken from the fund of capacity for labour.[296]

[001_085]

Whatever may be the pitch to which at any given period the current rate of interest (including as well the average of the general rate of interest on other securities as the rate of interest on Government security) may, by the operation of the proposed Note-Annuity paper, have been reduced, it will in no future period be ever capable of being raised above that pitch (natural calamities, involving the destruction of the Government, and the sudden destruction of property and impoverishment of the country excepted).

In a country where property, the fruit of industry and frugality, is secure, setting aside the obstacles that may come to be opposed by the exigencies of Government, in the natural course of things the rate of interest has a natural tendency to decrease: and there are no limits to the decrease. Government, by the extra demand which it is liable to have for present money in time of war, and by the extra consumption and destruction resulting from that calamitous state, and by the extra rate of interest it finds itself obliged to give during the continuance of such demand, raises thereby and sets the law to the general rate of interest: and, therefore, so long as the rate of interest given by government admitts of no rise, neither can the general rate of interest admitt of any rise.

[001_086]

But after the establishment of the proposed plan, the rate of interest on money borrowed by government need not be suffered to, nor therefore, it is to be presumed will ever be suffered to, rise.[297]

The quantity of Annuity Note paper capable of being issued, and likely to be taken out in the way of issue, has, it has been shewn, no natural limit. By a fundamental law of

---

[296] Bentham has noted in the margin at this point: ‘So on from the Table of Contents: Bankers &c.’ No explanation of his meaning appears in the marginal contents sheets at UC iii. 17 or 21, and his intention is unclear.

[297] In the margin, Bentham has noted at this point in relation to the following sentence: ‘Adjust this by Ch. Adv. Financ. Future Supplies.’ See pp. 000–000 below. [To UC i. 181–4, Ch. VI, § V. Finanical Advantages continued—Profit by saving on Supplies of future Wars]

the proposed measure, it receives a factitious limit, by being proportioned to the quantity[298] remaining of Stock Annuities, or of Note Annuities of a preceding issue. But towards this limit it will always be upon the advance, untill it reaches it: and so long as it is upon the advance, it will by the produce of it buy up within a short compass of time—buy up in less than a year—whatever Stock may have been created in return for money borrowed by government for the maintenance of a war in the compass of a year. All that it[299] will do will be to retard *pro tanto* the progress of the redemption of the paper of the preceding emission of which the issue has been closed.

Under the influence of the Income Tax, the quantity of money which there is now at the commencement of each Year occasion to raise, is not equal to half the amount of that part of the national saving of the preceding Year which would be ready to be given for the purchase of an additional mass of Government Annuities by the customers for permanent income, great as is the mass of that species of property existing at present: much less at any such future period, when in virtue of the operation of the [001_087] proposed measure, added to that of the existing Sinking Funds, the mass of that property will have undergone such large reductions, will the amount of that same demand be equal to the whole of the amount of the accumulated demand for Government Annuities for the purpose of permanent income, added to the insatiable demand for property of the same sort, at an inferior rate of interest, for the indiscriminate and interconvertible purposes of current money and temporary income.

NOTE TO TYPESETTERS: Please begin new page.

[298] MS ‘restricted to the quantity’.

[299] i.e. the new stock created for war expenditure.

[002_160]

Chapter VI.[300]

Financial Advantages

The advantages of the financial kind that may be expected from the proposed measure will require to be distinguished in the first place according to the three *periods* or stages above marked out in regard to the progress of it.[301]

§ I. *Period I. From the opening of the first issue of Annuity Notes to the arrival of 3 per Cent Stock Annuities at par*

The branches of profit or advantage that may be looked for in the course or at the conclusion of this first period may be stated as follows.

1. Profit on Sale. Profit by the difference between the price for which a 3 per Cent Annuity as secured by an Annuity Note is sold, and the price at which an Annuity to the same amount as secured by an entry in the Books of the Stock Annuities is bought in, with cash raised by the above sale—in a word, profit by difference between selling price of Note Annuities and buying price of Stock. N.B. This branch of profit ceases altogether on the termination of Period 1.[a]

> [a] [002_161] This branch of profit will have for its accompaniment, and that as we have seen already an inseparable one, the effect, and that an advantageous one, of taking out of the market a mass of Stock equal to the mass of Annuity paper issued,[302] although the burthen on Government in respect of the mass of Annuity to be paid remains the same. But though this effect is produced immediately and at all events, the

[300] MS ‘8.’ Bentham’s organization of the draft for this chapter is inconsistent, occasionally treating the sections as discrete chapters, but for the most part assuming a single chapter divided into five sections, and the latter presentation is adopted in the present volume. In ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’ Bentham allocated a separate chapter to each of §§I–III, inserted two further chapters for which no drafts intended for ‘Circulating Annuities’ have been located, and combined §§ IV and V into a single chapter: see pp. 000–000 below. For further details see the Editorial Introduction, pp. 000–000 above.

[301] Bentham had not, in fact, ‘marked out’ these periods earlier in the work, but their definitions appear in the titles to the sections of Ch. V (p. 000 above), where they are reproduced from the marginal contents sheet at UC iii. 8. Bentham repeated the definitions in the titles of §§ I–III of this chapter.

[302] In the margin, Bentham has noted at this point ‘Reference’: see Ch. I, Art. 9, p. 000 above. [To UC ii. 381]

profit resulting from it depends upon two other circumstances—viz. the having money to raise by the creation of Government Annuities, and the arrival of the period which will put into the hands of Government the power of bringing its Annuitants to consent to a reduction in the amount of their several annuities. These constitute two perfectly distinguishable branches of profit, which will be considered in their respective places.[303]

2. Profit by interest forborne to be received on Annuity Notes.

3. Profit by Notes in hand: Profit by interest of Annuity Notes received by Government in the course of circulation, while kept in the hands of Government.

4. Profit by Notes lost under circumstances which either do not admitt of, or do not call for, compensation.

5. Profit by Exchequer Bills: Profit by reduction of the rate of interest paid by Government for such moneys as it is in the habit of borrowing by annual anticipation, whether on account of the services in general, in a mass by issue of Exchequer Bills, or on account of particular branches of the service, as occasions arise, viz: by Navy Bills and other Bills of that class.

[002_162]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

Profits peculiar to Periods II and III.

6. Profit by saving upon the expences of management. Of this not till Period II comes under consideration.[304]

7. Profit by fractional interest; i:e: by the 7^{d} per £100 difference between the £3 per Cent yielded by Stock Annuities, and the £2. 19$^{s.}$ 5^{d} yielded by £100 worth of Note Annuities.

8. Profit by redemption of 4 and 5 per Cents: and thereupon by extinction of the masses of extra-interest.

[303] Bentham probably had in mind profits 9 and 10 and their discussion in §§ III and IV of this chapter: see pp. 000–000 and 000–000 below. [To UC i. 121–40, and i. 170–8, respectivley]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

Profit[s] peculiar to Period III—and quantum.

9. Profit by reduction of the rate of interest upon the mass of National Debt. Of this not till we come to the consideration of the third Period, this last being the only period to which it belongs.[305]

10. Profit peculiar to a State of war: i:e: to those Years in which money is to be raised by the creation of fresh masses of Government Annuities.—Profit on Loans—Profit or Saving by lessening the loss by those transactions, by raising the price of Government Annuities as compared with money, and thereby lessening the loss by the difference between money [received] on the Creation and Sale of Government Annuities and money paid on redemption of the same.

11. Profit by Yearly interest instead of Half-Yearly: a profit mentioned as being obvious, and capable of being realized, but not (it is supposed) to advantage.[306]

[002_163]

If, to prove the proposed measure to be an advantageous one, and advantageous to a sufficient degree to give it a claim to be carried into practice, it were necessary to prove the quantum of the advantage, or even to give a calculation that had pretension to exactness, its chance for adoption would be weak indeed. Happily for the plan, no such proof can reasonably be required: whether the profit be £10,000,000, or no more than £10,000, still, although that advantage stood alone, yet supposing it to stand clear and not to be attended with any degree of disadvantage capable of counter-balancing it, the conduct indicated would be just the same. It would be worth adopting, though the advantage were worth no more than £10,000: and it could but be adopted, though [£]100 million were the worth of the advantage.

[002_164]

---

[304] See pp. 000–000 below. [To UC i. 96–9]

[305] See pp. 000–000 below for a discussion of this subject which Bentham drafted for inclusion in this section, before moving it to § III. [To UC i. 146–55]

[306] In the margin and in the corresponding marginal contents sheet at UC iii. 43 (15 May 1800) Bentham has noted: ‘Yearly interest *Quære*?’ For Bentham’s uncertainty over whether to propose yearly or half-yearly interest see pp. 000–000 above. [To UC ii. 392–5 and notes thereto, Ch. I]

Profit. 1. Profit by difference between selling price of a £3 a year Note Annuity and buying price of a d° Stock Annuity

In the calculation of this branch of profit there is one element the quantum of which may be assumed upon unimpeachable ground. This is, the probable average price of Stock 3 per Cents taken out of the market upon the buying-in plan before the commencement of the period during which, these Annuities being at or above par, the paying-off plan will have taken place of the buying-in plan. In M[r] Secretary Rose's Finance pamphlet for 1799 this average price is stated at 85.[b] Selling price constantly 100:—buying price, on an average, £85: difference, on the profit side, £15 per Cent.

[b] 6[th] edit. pp. 26, 37 and Append. N° 3.[307]

Such being in the present instance the *rate* of profit, the quantum of profit will be as the quantum of Annuity Note paper issued and thence as the quantity of Stock bought in by the produce of the sale of Annuity Note paper by the day of the arrival of 3 per Cents at par; from which day, casual and momentary depressions apart, the profit on this score will be altogether at an end.[c]

[c] [002_165] This branch of supposed profit (it may be objected) is ideal, or rather so much loss: since the same profit would have been made by the existing Sinking Funds, and at the end of the period in question the Commissioners of those funds will have to pay so much the dearer for every million of capital they redeem.

The answer is—No: make the most of the objection, the assumed rate and mass of profit is neat profit, and the existence of it indisputable. If, at a time practically speaking the same, you sell for a million the self-same article (£30,000 a year perpetual Annuity) you purchase for £850,000, the propriety of setting down to the account of profit the £150,000 difference is altogether beyond dispute. Such is the money gained: were the amount of it afterwards thrown into the sea, the profit in the mean time would not be the less real. It is not thrown into the sea, but employ'd in buying in a correspondent portion of the National Debt:—why?—because this, according to a judgment pronounced by Parliament, approved by the Nation, and confirmed by 14 years' experience, is the most advantageous of all applications that

[307] i.e. Rose, *Brief Examination*: see p. 000 n. above. [To UC ii. 407, Ch. I]

could be made of it.[308] The first monies applied to this purpose, these first moneys from whatever source obtained, take away, no doubt of it, according to their amount, all profit [002_166] from the succeeding ones: but if this were an objection against the making this application in question of the produce of the proposed new Sinking Fund, so would it against the making the like application of the produce of the two existing ones. The ultimate object is the discharge of the Debt: for this object it is that such enormous sacrifices are made: that by means of £5 millions worth of fresh money applied to this service the object will be accomplished so much the sooner is not to be disputed. From what source soever the money comes with which the £360 millions of debt or thereabouts as yet unbought in is to be redeemed,[309] such is the nature of the case, that upon the first portion, say from 5 millions to 50 millions, a certain profit is to be made, but upon the remainder, nothing: the bargain can never be regarded as a losing one, if for a sum of 5 million, which by this fresh influx happens to be shut out of this portion of profit to the amount of £750,000, another 5 million, which would otherwise have been to be raised by taxes and taken out of the old Sinking Funds, is saved.

Another consideration that may help to show the reality of the branch of profit here assumed, is—that the sooner Stock Annuities are raised to par, the sooner will that period have been made to arrive, at which the possessors of redeemable Government Annuities may, to save themselves from being paid off, consent to accept of a reduced rate of Interest, as in M^r^ Pelham's time: for which see Period III.[310]

[002_167]

Profit 2. Interest forborne

[308] Bentham's reference is to the Sinking Fund Act of 1786, and in particular its provision that annuities redeemed with its proceeds were to be transferred to the Commissioners for the reduction of the National Debt, so that the accumulating interest might be applied to the further reduction of the debt: see p. 000 n. above.

[309] See 'Accounts and Papers relative to The Commerce, Revenue, and Expenditure of the Kingdoms of Great Britain and Ireland', in *Commons Sessional Papers of the Eighteenth Century*, cxxx. 115, where the total national debt of Great Britain on 5 January 1800 was stated as £463,833,250. After deductions made for capital provided for the service of Ireland, for the capital redeemed by the old and new sinking funds and by redemption of the land tax, the debt stood at £396,819,604. The reduction of a further £35¼m. of principal and interest charged to duties on income left a remainder, 'if the Commissioners [for the reduction of the National Debt] had applied .^.^. the Capital of the Old and New Sinking Fund purchased by them towards the Reduction of the Debt', of £361,569,604.

[310] See pp. 000–000 below. [To UC i. 130-2]

The expectation of profit by interest forborne to be received is grounded on the following proposition, viz: that in general a man will not bestow either trouble or expence, much less both, how inconsiderable soever the quantity, in compassing an end which he has it in his power to compass to equal perfection without any such trouble or expence. The trouble (not to speak of the expence) attendant in the receipt of the interest on these Annuities, has been reduced to the smallest amount possible: because the greater it had been, the greater the danger, lest, by the contemplation of it, individuals should, at the outset, have been repelled from the purchase of these Annuities: but be the reduction ever so great, still the remainder will be something: and this remainder, it may reasonably be expected, should in the ordinary state of things be sufficient to turn the scale. On the other hand, [002_168] suppose the circulation of the paper to be once established, upon the terms on which Government paper is in the habit of being received, (I speak of Exchequer Bills, Navy, Victualling and Transport Bills and Ordnance Debentures, not to speak of India Bonds) viz: the allowing for it, in addition to the amount of the principal, the amount of the interest that has become due upon it, a man by simply paying away an Annuity Note upon that footing, will receive from the individual who takes it of him, the amount of such interest, without the trouble of applying for it elsewhere.

The smaller the amount of interest or other money to be received, the greater the *ratio* which the trouble of receiving, whatever it be, will bear to it: accordingly, if there be any difference, it is in the instance of the smaller notes, and the more certainly the smaller the note, that the dependance on this forbearance will be more assured.[311]

But the disposition to forbearance will be the more steady, the more perfect and unbroken the facility of receiving the money, in the event of its being thought fit to receive, appears to be: it is the strength of the persuasion entertained by a man that the amount of a Banker's Note which he has taken in payment, would, if demanded, be paid at any time, that constitutes the ground of his forbearance to demand it.

[002_169r]

It is on this account, that whether or no the payment of the interest upon a fresh Note be deferred till after the end of the year or be divided into two payments, the first of them to take place at the end of the first half-year, at the end of the year it seems most

[311] In the corresponding marginal contents sheet at UC iii. 43 (15 May 1800), Bentham has marked the content corresponding to the following two paragraphs for deletion.

advantageous upon the whole that the *even* amount of the year's interest should be made demandable at any time.

[002_170]

In regard to the proportion of interest that would be likely to forborne thus much may be to be observed. 1. In regard to whatever portion continued to be employed as currency, the forbearance would probably be general and continual.

2. In regard to whatever part was hoarded for the purpose of furnishing *compound* interest, it could not take place. To obtain an interest upon the year's interest due on any Note, it would be necessary for a man to receive that interest, and with the money take out a fresh note, or assemblage of notes: a second year's interest is a year's interest and no more: in addition to its own amount, it does not give him the interest he might have made on the amount of this same second year's interest, by receiving it in the shape of money and employing that money in the purchase of a fresh Note carrying its interest, or (what would come to the same thing) by receiving it at once from the Office, if upon his application the Office were to furnish him with it in that shape.

3. In the case of a mass of Annuity Note paper kept in hand for the purpose of income, but without any determinate plan of accumulation in the way of compound interest, it seems difficult to say whether receipt or forbearance would be most apt to take place. The purpose of receipt might be equally answered by forbearance, viz: by paying away at each period a mass of paper to an amount equal to what the whole mass had gained in value on the score of interest by that time. But this would require provision to be made [002_171] accordingly in the composition of the sum constituted by the Notes: and which of the two masses of trouble would be the greater, that of making the provision in question, and that of receiving the interest at an Office, would depend upon circumstances.

Mean time, this consideration operates as a reason for rendering the composition of the series of notes as favourable as possible to the purpose of affording interest in the way of simple circulation, as above described,[312] without the necessity of coming upon Government for the payment of it: that is, to render the gradation of the series more regular and the *terms* or degrees in it more numerous, than might otherwise be necessary or advisable. The more compleat the series of Notes, the greater the chance it has of meeting the demand of each individual with reference to this purpose.

[002_172]

As to the quantum of this branch of profit, the principal part—that which may be regarded as certain—will depend upon the quantity of the paper thus employ'd, and upon the time during which each parcel of that quantity remains in circulation. It will depend, consequently, on the duration of this first period.

Should this period prove a short one—the probable length of it (according to a supposition that will be stated a little farther on),[313] not exceeding two or three years, this branch of profit will be proportionably inconsiderable: but whenever it vanishes, it vanishes as (will be seen) only to make way for a branch of much superior importance. So long as Stock Annuities are to be purchased under par, none of those customers for Stock Annuities whose circumstances it suits to borrow will, in respect of that portion of their money, become customers for Note Annuities, which will not be to be had but at par price. But no sooner are Stock Annuities arrived at par price, than these Note Annuities will be at least as well suited to the circumstances of the customers for Stock Annuities: and in as much as the mass of Stock Annuities will be lessened every day by the operation of the sinking fund; while the mass of Note Annuities can not be encreased [without] diminishing by at least an equal amount the mass of Stock Annuities, the owners of the continually encreasing mass of money seeking to be employ'd in the purchase [of][314] government Annuities to serve as a source of permanent income will have no other resource than to lie in wait for Annuity Notes as they pass from hand to hand, and so impound them and take them out of the circulation.[315]

[002_173]

Profit 3. Notes in hand

The third head of advantage consists in the saving or profit that may be made to accrue on the score of interest upon Annuity Notes which, after being received on Government account from individuals on the score of taxes, or otherwise in the way of circulation,

[312] See p. 000 above. [To UC ii. 556, Ch. IV]

[313] See p. 000 n. below. [To UC i. 157, this chapter § IV]

[314] MS 'for'.

[315] In the corresponding marginal contents sheet at UC ii. 43 (15 May 1800), the following content appears at this point for which there is no text: 'It will re-appear and disappear alternately, as the plan of reduction of interest is carried forwards by fresh emissions.' Bentham has noted: 'Reference onwards for particulars.' See p. 000 below.

remain at the command of Government till wanted to be re-issued.

This head of profit will again require to be distinguished into three branches.

1. Profit by Annuity Note paper lying in the Exchequer.

2. D° by d° reposing in the hands of Receivers of all classes on its way to the Exchequer.

3. D° by d° lying in the way of imprest in the several Offices of Expenditure, in readiness till re-issued.

[002_174]

1. As to the first of these three branches of profit, what the probable annual amount of it may be is compleatly out of the knowledge of the writer of these papers, but as compleatly within the knowledge of those to whom they are addressed: I mean in so far as the past is in this respect capable of serving as a guide to the future. Add together the 365 sums respectively existing in the Exchequer on the 365 days of the Year, and divide the sum by 365: the quotient will be the principal, the interest of which will thus in the course of the year be gained or saved to government, supposing the whole of the money to be in the shape of Annuity Notes. From this gross amount of principal will require to be deducted the amount of that proportion of money which is upon an average in the shape of cash: but this proportion is capable of being calculated with tolerable precision, even by the public at large, from the information that has been given on this head in the evidence laid before the two Houses of Parliament in or about the month of March 1797, on the enquiry into the affairs of the Bank.[316] The ratio of paper to cash will in the supposed period be at any rate at least as great as in any past period: and in past periods upon an average it appears to be very great indeed. In the supposed period it will naturally, [002_175] and on the supposition of due vigilance in this respect on the part of Government, be considerably greater: inasmuch as a profit to the amount of 3 per Cent per annum will thus accrue in respect of every penny of money thus received and kept in the shape of Annuity Note paper, and no profit at all in respect of whatever quantity may come to be received and kept in the shape of cash.

2. As to the second of the above three branches of profit, it will rest with

[316] See p. 000 n. above. [Note to UC ii. 424, Ch. I.]

Government whether to take it into its own hands, or to leave it in the hands of the receiver in this or that proportion, and for this or that length of time, according to circumstances.

Whatever sum it may be deemed necessary to leave in the hands of the Receiver for any length of time, whether as a fund for the answering of contingent demands or otherwise, that sum the Receiver, if the profit on the score of interest is to be his, will be sure, as [to] so much of it as is not already in the shape of Annuity Note Paper, to carry it day by day to the Local Annuity Note Office of the place, that it may come back to him in the shape of Annuity Notes. In other ways more interest would be to be made of it, were the ground altogether sure in regard to *security* as well as *time*: but in this way alone can it be perfectly sure in regard to either of these points.

[002_176]

As this would be the course taken by each such individual Receiver, on the supposition of a due attention on his part to his own interest, there is one consideration that presents itself in the character of a reason why Government should not leave the matter to the individual, but take it into its own hands. Guided solely each by his own interest, the quantity of Annuity Note paper taken out by money drawn from this source might within a given space of time come to be so great, as, in conjunction with the quantity taken out by individuals within that time, might come to produce a *glut* of this paper and sink the price. So long as it depended upon the individual, and supposing that the Annuity Note paper so purchased would be received at the Exchequer or principal Government Office at par, as must be the case, no degree of depretiation thus produced would be sufficient to prevent or so much as check the practice: since whatever were the amount of the depretiation, in the money market at large, every £100 worth of this paper being received from him by Government at £100 with the interest up to the day when so received, his profit would not be in the least diminished by it.

Government would in the other case take care that no such depretiation should ever take place, at least in any degree worth regarding: in the very first stage of such depretiation, though it were to be but a farthing upon the standard Note of £12. 16^{s}, Government would give the requisite orders for stopping the exchange.

[002_177]

It may here occurr, that if Government money were in this way to come up to the Principal Annuity Note Office to be exchanged for Annuity Notes, as well might it come up to the Exchequer, the Custom House, the Excise Office or other such Principal Office of receipt at once and there stay, without being remanded to the local Officer in the Country, by whom it would afterwards be to be remitted to the Metropolis, viz: to that one of the above mentioned principal Offices to which he is subordinate. The answer is, this the observation is just with regard to all sums but such as the nature of the service requires to be kept in the hands of the local Receiver, as a fund for the answering of contingent demands: accordingly, the sums thus excepted are the only sums in regard to which the exchange in question is proposed to be allowed.

If shared between Government and the Officer, in what mode shall the profit in question be shared: by allowing him the whole profit for such a length of time, accounting for it after that time to Government, or by allowing him a part, and but a part of it, from the first? These are questions which in the present stage of the proposal it is sufficient to start: the time would be early enough for the discussion of them at a much maturer stage.

Either plan supposes an exact account kept of the sums received by the Officer on each day, distinguishing what part in cash, and what part already in Notes, the charge against him on the score of interest to commence on the earliest day on which a return could be made to him in paper in exchange for the cash, bating such allowance in point of time as shall be thought fit to be made on the score of accidents.

[002_178]

3. In regard to the last of the above three branches, little need be said. The money being already in the shape of Annuity Note paper yielding an interest to Government, so long as it is in the hands of Government all the difficulties in regard to the conversion of it into that shape are out of the question here.

Under the existing plan, much anxiety has every now and then been entertained to prevent this or that subordinate Officer of expenditure from getting inordinate sums by way of imprest into his hands: under the proposed plan, the money being in the shape of paper, that paper yielding its interest to Government, so long as it is in the hands of any Officer or Officers keeping it on the account of Government, whether the power of disbursing it when disbursed on account of government rests with this or that Officer will make in this respect no difference: though the quantity issued from the Exchequer to this or that office upon this or that occasion should happen to be more than sufficient, in other words to be excessive, it would be no matter: since not only the temptation to produce the excess, but even the mischief of the excess if produced, would, in the proposed state of things, be done away.

[002_179]

4. Profit by Notes lost under circumstances which either do not admitt of, or do not call for, compensation

As this source of profit will go on encreasing as the quantity of Annuity Note paper encreases, and will consequently be inconsiderable in this first period, even at the close of it, in comparison of what it will be at the close of the 2^{d} period, at which time the conversion of the whole mass of Stock Annuities into Annuities secured by Annuity Note paper will have been compleated, it is to the second period that what there may be to say in regard to this source of profit may, with most propriety, be referred.[317]

[002_180]

5. Profit by reduction of the rate of interest paid on other Government paper: viz: Exchequer Bills, and Bills of the nature of Navy Bills

NOTE TO TYPESETTERS: Please note the fraction ⅓ (one-third) in the following paragraph.

With the fall in the rate of interest yielded by money lent and borrowed in Stock Annuities the fall in the rate of interest paid by Government on Exchequer Bills will at least keep pace. At present the interest paid on money thus borrowed is by the day 3^{d}½; by the year £5. 6$^{s.}$ |^^^|$^{d.}$ for every £100: Rate of interest, 5⅓ per Cent nearly. This at a time that 3 per Cent Stock is between £62 and £64.[318]

In the Year 1724,[319] the interest in the same species of papers was no more than, by the day, 2^{d}, by the Year £3. 0$^{s.}$ 10^{d}:[320] Rate of interest, a trifle (not worth reckoning) above

[317] See pp. 000–000 below. [To UC i. 93–5, this chapter § II.]

[318] The price of 3% annuities varied only between 63⅝ and 63⅞ during May 1800: see, for instance, the *Evening Mail*, 30 April–2 May 1800 and 26–28 May 1800.

[319] MS orig. ‘179|^^^|’.

[320] For the provision of exchequer bills bearing interest at 2d. per day see, for instance, the National Debt Act of Act of 1722 (9 Geo. I, c. 5, § 4).

3 per cent. Yet at this time 3 per Cent Stock was very considerably below par: i:e: below the price to which by the end of the first period it will, by the supposition, have been raised.[321]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fractions ⅓ (one-third) and $^1/_6$ (one-sixth) in the following paragraph.

The rate of profit, therefore, by the last day of the period will have risen to about 2⅓ per Cent upon whatever may be the last amount of the last portion of debt of this kind incurred on the occasion nearest to such last day: average rate for the whole of the period, $1^1/_6{}^{th}$ per Cent.[322]

[002_181]

As to the absolute quantum of profit in this head, that will, of course, depend on the amount of Exchequer Bill paper issued within the time: a quantity in regard to which any calculations or conjectures that could be given here would be of little use.[d] [323]

[d] In regard to Navy Bills, and the other Government papers of that class, nothing particular need be said: paper of this class being, since the recent improvement, placed on a footing so little different in this respect from Exchequer Bills, the rate of profit ceases to be an object.[324]

---

[321] In the margin, Bentham has noted in relation to this sentence 'Quere in Sinclair'. The answer to Bentham's query is in the negative, since Sinclair's list of stock prices included only the years 1730–88: see Appendix III, 'Abstract of the Prices of the different Stocks since the year 1730', in Sinclair, *History of the Public Revenue of the British Empire*, ii. 49–68.

[322] The contents for the following paragraph and accompanying note do not appear in the corresponding marginal contents sheet at UC iii. 43 (15 May 1800).

[323] The following paragraph at UC ii. 182 appears to have been drafted by Bentham in continuation of this discussion, although it does not appear in the corresponding marginal contents sheet at UC iii. 43, and he has noted in the margin in relation to it: '*Quere an inserendum*', i.e. 'Query whether to be inserted'.

'Profit (if taken) by difference between Yearly and Half-Yearly Interest. I have already stated that my leaning is not to assume this head of profit, and for what reasons.

'[To] [MS 'The'] form the better judgment on this question the best way will be to defer the consideration of this source of profit till it has attained its *maximum*, which will not be till the close of the second period.'

For Bentham's statement of his 'leaning' see p. 000 above, where this is the eleventh source of profit identified, and where it belongs to Period III.

[324] See p. 000 n. above. [Note to UC xvii. 83, 'On the Stock Note Plan']

Peace and war will, however, make this difference. When war ceases, and the War accounts are wound up, the issue of Navy Bills will cease: while that of Exchequer Bills, if the old established practice under this head should be persevered in, will continue in regard to a certain sum, which, however, will be growing less and less every day as the amount of the Land-tax taken out of the hands of government by Sale, encreases.[325]

This being the case, upon the above-made supposition that this first period consists of an equal portion of Years of war and Years of peace, the assumed rate of profit upon the whole period taken together will be to be reduced to half that which is assumed in the case of Exchequer Bills—because, being the same as in Exchequer Bills, it continues to be reaped for no more than half the time.

[001_088]

§ II. *Period II*[326]

Come we now to the second of the above periods, being the period intervening between the day of the arrival of 3 per Cent Stock Annuities at par, and the day of the extinction of the last parcel of the said Annuities, by its conversion into Note Annuities.

The branches of profit belonging to this period will require to be distinguished in the first place into two lots: 1. the profits transmitted to this period from period the first, and those which do not make their appearance till the commencement of this second period.

1. *Profits transmitted from Period I*

1. During the whole of this period, the first head of profit, viz. that which depends upon the difference between the selling price of Note Annuities and the buying price of Stock Annuities, i:e: upon the event of Stock Annuities being below par, ceases by the very terms of the supposition: at the same time that if, however, during the continuance of the period, any depression should be regarded as capable of taking place, which depression could at the utmost be but very inconsiderable and as it were momentary, whatever profit should correspond to such small and momentary depression would of course revive.

---

[325] See p. 000 n. above. [Note to UC iii. 81, ‘Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time’]

[326] The marginal contents sheet for this section is at UC iii. 44 (18 May 1800).

2. The second branch of profit, viz: that which regards the quantum of interest forborne to be claimed, would during the whole of this period be rather upon the encrease. The encrease, however, would be confined to such quantities of Annuity Note paper as lay in the hands of those who hoard it, keeping it as a source of permanent income as Stock Annuities are kept at present: the forbearance would consequently be but casual in regard to the number or of individuals so forbearing, and in general of no long continuance in regard to time.[327]

[001_089]

In regard to the mass of Annuity Note paper in the hands of the class of Flying Annuitants, in other words the mass habitually in circulation, being the mass on which the profit would be by far the most extensive, and steady and considerable, this branch of profit would, so far from being upon the encrease, be upon the decline.—During the whole of this period, whatever might prove the length of it (though as already stated, the expectation is that it would be short indeed), during the whole of it the hoarded part of the mass would be encreasing at the expence of the part in circulation. While by the redemption of Stock Annuities the Annuitants, as fast as they were thus expelled from the Books of Stock Annuities, were thus driven into the purchase of Note Annuities, Stock and Note Annuities taken together, the whole mass of Government engagements constitutive of a source of permanent income, would be undergoing continual reduction by the operation of the two existing Sinking Funds. By this means, the quantity of this species of vendible property capable of being kept in hand, viz: kept constantly in the hands of one and the same individual, as a source of permanent income, would be growing daily less and less. But the demand for the species of property in question, and *that* with a view to this particular use of it, will so far from being proportionably [001_090] on the decrease, be on the encrease: the demand will encrease in virtue of, and in proportion to, that uninterrupted course of increasing prosperity and accumulation, which has all along kept it on the encrease hitherto, in spite of the ravages of war, and notwithstanding the *supply* of the commodity in question poured in in such abundance by the loans made and annuities created to defray the expences of the war. While permanent income will be to be had no otherwise than from Annuity Notes, the quantity of Annuity Notes at market will be every day smaller and smaller: the customers for permanent income will, therefore, be constantly on the watch to lay hold of this paper as often as it shews itself in the circulation: and since

[327] In the text, but not in the corresponding marginal contents sheet at UC iii. 44 (18 May 1800), Bentham has

whoever wants it for this purpose must, so long as he continues to apply it to the same purpose, keep it in his own hands, that is keep it out of the circulation, the quantity remaining in circulation will by this means be daily growing less and less.

The fewer notes a given sum is composed of, the more commodious for the individual who, keeping them as a source of permanent income, has to send them in for payment of interest, and to receive them back again as the interest becomes due. It is upon the higher Notes that the encreasing scarcity will fall in the first instance; descending lower and lower—extending itself to smaller and smaller notes—as it encreases.

[001_091]

At present, [now] that the Annuities paid by Government are in the shape of Book Annuities, there is always a certain quantity at market bearing a certain proportion to the total mass. It might be supposed for a moment that as the Note Annuities came to take the place of Stock Annuities, this same proportion at least (exclusive of the Silver Notes and such other small Notes of which the smallness rendered them cumbersome to keep in hoard for interest) of the total mass of Note Annuities would always maintain its place in the circulation. The supposition, however, would prove erroneous. In the case where a man, having, as now, a thousand pound Stock Annuities, would bring it to market and sell out, a man having at the period in question a thousand pound's worth of Note Annuities would pay them away. But such payment, howsoever it might for the moment introduce the notes in question into the circulation, would not keep them there. At the first stage of its progress, or within a few stages after, each Note would find itself in the hands of some individual or other who was collecting together a certain quantity of this paper to serve him as a source of income: and from that moment it ceases as effectually to form part of the mass in circulation, as if it had never been introduced into it. Escaping by some accident out of the cage in which it had been held by one Hoarding Annuitant, the Goldfinch would make but a hop or two, before it would find itself encaged again by another hand of the same class. A transfer from one Hoarder to another does not introduce a Note into the circulation: it is only while passing from hand to hand among the Flying Annuitants that it continues to form a portion of the current or circulating Mass.[328]

[001_092]

---

marked the following paragraph for deletion.

The two masses are essentially distinct:—the *stagnant* mass, being the mass impounded by the class of Hoarding or Permanent Annuitants: and the *current* or circulating mass, being the mass continually shifted from hand to hand among the class of Flying Annuitants.

The same Note which at one time happens to form a portion of one of these masses, shall at another time belong [to] the other: but as the change will be reciprocal, accidental migration of this sort do[es] not affect the solidity of the distinction between the two masses, nor the proportional magnitude as between mass and mass.[329]

[001_093]

3. For the same reasons, the profit by Annuity Note paper kept in the hands of Government will, during this period, be on the decrease. For the same reasons that individuals, wishing to obtain this paper for the sake of the temporary advantage, will find it scarcer and scarcer, so will Government.

4. In regard to the profit by notes lost, as it runs in proportion to the quantity of paper liable to be lost,[a] it will, of course, be at its *maximum* at the termination of this second period:[b] since at that conjuncture the whole mass of redeemable Annuities existing will find itself in the shape of the proposed Annuity Notes.

[a] [001_094] Carelessness, Drunkenness, Frolick, Public Spirit, other principles of human nature, will at times concur in swelling the account of profit under this head.

Of the frolick of the Recruit who eat in the form of a Sandwich the Banknote of which his bounty money was composed, the profit was reaped by the Bank of England: it would have been reaped by the public at large, had the money been in the shape of a proposed Annuity Note.

A Master of the Rolls, whose death happened towards the middle of the present Century, (Sir Joseph Jekyll) bequeathed the bulk of his fortune, (£30,000 or £40,000 I

[328] In the corresponding marginal contents sheet at UC iii. 44 (18 May 1800), Bentham has noted at this point: ‘It does not go in payment for labour or the produce of it.’

[329] In the text, but not in the corresponding marginal contents sheet at UC iii. 44 (18 May 1800), Bentham has marked the following two paragraphs for deletion.

have heard it reckoned at), to the Sinking Fund. The Parliament of that day rejected the bequest.[330] The Parliament which we have seen holding its hands so wide expanded for the receipt of voluntary contributions would hardly have shewn the same predilection for forced contributions in preference to voluntary ones.[331] A future testator of the same stamp, should any such arise after the establishment of the proposed measure, would not be under the necessity of leaving his patriotic intentions exposed to a similar defeat. The bulk of his fortune, if invested in that shape, might thus be made an offering of at the altar of public spirit, by a clause in his will requiring his Executor to burn the Notes of which it was composed: or to make sure, in the way of a *donatio mortis causâ*,[332] by burning them with his own hands.[333]

[b] [001_095] Should it be found practicable in point of expence, to extend the series of Annuity Notes to such a depth as to embrace the whole or a part of the copper coinage, this branch of profit would receive a proportionable extension. In return for the loss, whatever it might be, corresponding to this profit, individuals would save the whole of the loss they sustain at present, and, even notwithstanding the late improvements, they seem still exposed, if not destined, to sustain by this most productive branch of the false coinage. Should the loss by worn out copper notes prove even as heavy as that by

[330] Sir Joseph Jekyll (bap. 1662, d. 1738), lawyer and politician, Master of the Rolls 1717–38, had amassed a significant fortune in land and investments, and bequeathed £20,000 of stocks to be used after his wife's death, which occurred in 1745, in redemption of the National Debt. The Will of Sir Joseph Jekyll Act of 1747 (20 Geo. II, c. 34), authorized the sale of £13,582 of this stock, the proceeds to be distributed to Jekyll's residuary legatees, who had been reduced to penury.

[331] The formal title of the Triple Assessment Act of 1798 (38 Geo. III, c. 16) was 'An Act for granting His Majesty an Aid and Contribution for the Prosecution of the War'. The Act (§§ 88–9) permitted persons to pay in advance or in excess of their estimated liability under the Act according to the trebling of their previous contributions to the assessed taxes under the Act, while such payments were to 'be deemed and taken to be the voluntary Contributions of such Person or Persons towards effecting the purposes of this Act'. According to Rose, *Brief Examination*, p. 46 & n., in 1798 Robert Peel (1750–1830), first baronet from 1800, industrialist and politician, MP for Tamworth 1790–1820, made a voluntary contribution of £10,000 in 1798. According to *A Complete State of the British Revenue for the year ending on the 5th day of January 1799: being an authentic copy of the several official accounts presented to the House of Commons*, London, 1799, 'Appendix T', p. 73, the total of voluntary contributions as defined by the Triple Assessment Act in the year was £2,357,527 13s. 10d.

[332] i.e. a gift on the occasion of death.

[333] In the corresponding marginal contents sheet at UC iii. 44 (18 May 1800), Bentham has noted at this point: 'Charles II's Bond-burnt'. [Annotation to be finalized]

false copper coin, the change would still be an improvement, inasmuch as the profit would be taken out of the hands of a set of malefactors and thrown into those of Government, that is of the nation at large. But the amount of the loss by worn out notes would in all probability amount to but a very small part of the amount of the present loss by base coinage.

It operates as a tax on carelessness and slovenliness: and a tax which, till the moment it is paid, produces no sensation of uneasiness, since the consciousness of a man's having it in his power to avoid it is a sentiment which never quits a man till the very moment when the tax happens to be incurred.

It operates at the same time as a punishment annexed to those transgressions of the minor virtues, and thereby as a prevention.

Nor can it fail in either of these characters without succeeding in the same proportion in the other: viz: as an aid to morality or as one of the lightest of all taxes.

5. During the whole of this same period, the rate of profit by reduction of the rate of interest paid by Government on Exchequer Bills (should this species of instrument be preserved) will remain exactly stationary, without either encrease or decrease. Stock Annuities, Note Annuities, Exchequer Bills, Navy &c Bills, should Bills of that sort be *in season*, every thing will be at three per cent, every thing at par, bating a fraction or so on one side or the other.

2. *Profits Indigenous*[334]

[001_096]

6. Profit by saving upon the expence of management.

This profit will, for the same reasons as in the last case, be at its maximum at the close of this same period: and this being the period at which the magnitude of it presents itself as considerable, this is what appears to be the properest time for taking it into consideration.[335]

This profit too, as well as the last, will [be] a rateable profit; so much a year per million—the expenditure upon which the saving, if any, will be made being a rateable expenditure. I speak of the £450 per million for which the Bank of England, by contract

---

[334] This heading is taken from the corresponding marginal contents sheet at UC iii. 44.

[335] In the margin, Bentham has noted in relation to the following three paragraphs 'Correct'.

with Government, charges itself annually with this expence.[336]

Suppose, as in the last case, the quantity of redeemable Annuities to be reduced to [£]400,000,000: all of it now in the shape of Note Annuities. £450 multiplied by 400 gives for the total of annual expenditure on this score, on the plan of Stock Annuities, £180,000 a year.

This, of course, while the above maximum of expenditure continues, will be the maximum amount of saving upon that expenditure. But the probable amount of saving promises to fall not very short of that maximum.[337]

The expenditure consists of two branches: expence of attending *transfers* of capital, and expence of making payments of interest.

[001_097]

The expence of attending *transferrs* is struck off altogether. No Books, no entries of transfer to be made in Books: no House-room for such entries to be made in:—no Clerks for making them.

The expence of payment is not struck off altogether: but what remains is as nothing in comparison of what is struck off.[338]

The great demand for time, trouble and expence is that which is produced by the intercourse between the Clerks who pay, and the individuals to whom payment is made. On the Note Annuity plan, this intercourse is done away altogether at the General Office: all the business done there in regard to payment consists in the written correspondence between the General Office and the several Local Sub-Offices: making up the *rouleaus* for payment—receiving the packets of Notes for payment—and sending them back with the corresponding packets of *rouleaus*: the time and trouble of writing being saved for the most part by printed forms.

---

[336] See Allardyce, *Address to the Proprietors of the Bank of England*, p. 14.

[337] Bentham appears to have been undecided as to whether part or all of the following eight paragraphs should be presented as a note.

[338] In the margin, Bentham has noted at this point: ‘Reference to Ch. 1. Art. 17’. For the Article in question see p. 000 above, and for the notes to it see pp. 000–000 above. [To UC iii. 61, and notes **{33}**–**{34}** at ii. 433–47, Ch. I]

The intercourse with the individual note-holder is carried on at the Local Office: the trouble of that intercourse—reduced to little more than the trouble of taking in a letter with which money is paid into the post, on the delivery of the Note, added to that of giving out the letter on the return of the Note—is charged upon the individual, and paid for by a small fee, comprizing a minute part of the present expence of receiving interest on Stock Annuities at a distance from the Bank, or of that expence which would amount to an equivalent for the time and trouble of attendance.

[001_098]

In the case of the existing Stock Annuities, the masses of capital belonging to the several Stock-holders being mostly in uneven sums, still more so must the portions of Interest receivable on those sums: for each mass of capital a separate calculation is necessary: the payments of interest are all made at one and the same place, by one and the same set of hands: each sum different from every other: and on each occasion the Clerk by whom the payment is made has the business to settle with the individual who applies for payment, to attend to him while the money is counted and examined, and to bear[?] with and make answer to any objections that may arise in regard to the sufficiency of the sum, and the goodness of the several pieces tendered in payment of it.[339]

The Annuity Notes being all of them for determinate sums: the interest in each case consequently a determinate sum—the several masses of interest would all of them be made up upon a uniform plan, each in a separate *rouleau*: made up in this form in the Principal Annuity Note Office in London, and in that same form dispatched to the several Local Offices in Town and Country, without any intercourse between the Clerks at such Principal Office and the individuals by whom the money is to be received.

The quantity of labour thus necessary for the payment of the interest upon a given mass of principal will be but a very small part indeed of the quantity of labour necessary for the payment of the same quantity of interest at the Bank on the present footing.

[001_099]

To make a random guess, £20,000, out of and instead of the £180,000, seems more than sufficient allowance for the whole of the expence not stuck off or transferred and

[339] Bentham has cancelled the following two paragraphs.

commuted as above.[c]

[c] [001_099] Under the Bank management, the following operations, necessary on the existing plan, are struck out as inapplicable on the proposed plan:

I. Transferr

1. Making entries in the Stock Books and attending the signature.

2. Filling up the Receipt for the consideration-money, and attending the signature.

II. Payment of Dividend

1. Making the calculation of the amount of the dividend upon receipt[?] of Capital, frequently on broken sums.

2. Making entries in the Books, and attending the signature of the Receipts therein.

3. Filling up and signing the Warrant.

4. Making payment of the sum, as indicated by the Warrant.

III. Transferr or Payment, or both.

1. Making out a blank power of Attorney, and delivering the same to the party applying for it.

2. Receiving and examining the same when filled up and returned.

3. Making entry thereof in the Books.

4. Marking Probate or Letters of Administration with a mark indicative of the Stock and amount thereof standing in the name of the Testator or Intestate.

5. Registering such marking by making entry thereof in the Books.

6. Attending searches made by Executors or Administrators after Stock supposed to be standing in the name of the Testator or Intestate.

[001_100]

7. Profit the 7th. Profit by difference in point of interest between Stock Annuities and Note Annuities: viz: the 7d, with an infinitely small fraction over, by which the interest on £100 worth of Note Annuities falls short of amounting to £3 the interest in 3 per Cent Stock Annuities.[340]

The difference in this case is taken—not for the sake of the profit, but out of

[340] Bentham has cancelled the following paragraph.

necessity, by reason of the impossibility of bringing daily interest any nearer to a coincidence with interest computed by the year. The amount of the capital equal to the 7^{d} deficiency of interest at 3 per cent is £0. 19. 5¼.[341]

But the profit, though casual and in a manner involuntary, is not the less real: the amount of it will be £291. 13$^{s.}$ 4$^{d.}$ for every million in capital bearing 3 per cent interest, that is upon every £30,000 a year interest: 7^{d} for every £3 worth of interest, and thereby for every £100 worth of principal.

The profit would in fact be considerably more extensive: since, commencing as it would at the very opening of the first issue, it would include the whole amount of the then existing mass of redeemable annuities: but reckoning it only on the 400 millions, as above, the amount of interest being £38,888, the value of that interest in principal money would be £1,296,266. 13$^{s.}$ 4$^{d.}$[342]

[001_101]

If the complicated and operose mode of proceeding thus discarded possessed any advantage upon the whole in comparison of the simple mode that would be substituted, the saving might be inconsistent with good economy, and rather apparent than real. But it has been seen already,[343] that in regard to every point of convenience, the simple mode is at least upon a par with the complicated, and that—in regard to many points—it possesses considerably the advantage.

[001_102]

8. Another source of profit, and which, whatever contingencies it may be subject to, may, in the order of importance, be intitled to one of the highest places, is that which regards the acceleration that would thus be given to the redemption of those portions of the National Debt which bear an extra rate of interest—I mean the 4 per Cents and 5 per Cents.

---

[341] Bentham has marked the following two paragraphs for deletion and noted in the margin ‘Correct this’.

[342] Bentham has cancelled the following paragraph.

[343] In the margin, Bentham has noted at this point: ‘Ch. 8 Advantages to Individuals’. Early in the process of drafting the work, probably before October 1799, he wrote a fragmentary discussion of the advantages of Annuity Notes to both individuals (UC i. 735, 729, 723, 732–4, 719, 721–2, 725–8) and to government (i. 716–18, 664–6). Excepting this reference, however, there is no evidence of any intention on his part to include such a chapter in the work in the spring of 1800. For further details see the Editorial Introduction, pp. 000–000.

In regard to the 4 per Cents, they are all of them capable of being paid off at any time:[d] they will therefore be redeemed of course, without consent, with the first moneys that came to hand after the arrival of three per cents at par.

[d] 1 Rep. To 1797: £ 42,369,293.[344] 24 Rep. To 5 Apr. 1798: £45,269,859. 17[s.] 2[d.][345]

They are in a course of redemption already, in the way of purchase. In this way a certain degree of profit by reduction is made by the redemption of these extra-interest Annuities in contradistinction to the 3 per Cent Annuities: the Annuities bearing interest at the standard rate. The rate of profit is not so great now that 3 per Cents are below par as it will be when three per Cents are at or above par, because, in consideration of the extra interest, an extra price requires to be paid for the principal. There is, however, a profit in that way, and *that* a considerable one, because the extra price of the principal is considerably less than in proportion to the extra-amount of interest. The difference results evidently from the precariousness of the duration of the extra interest. This consideration, though it takes away from the value of the Stock to the Stock-holder, does not take away from the amount of the relief afforded [001_103] to Government by the extinction of the extra-interest. Nor is the value of the bargain to Government dependent, strictly speaking, on the price of this Stock in the market—[on][346] the price given for it by individuals. It is, however, dependent on the causes by which that market price is governed: and therefore rises and falls with the opinions by which that market price is governed, in as far as that opinion is built upon solid grounds. The nearer the time of purchase is to the time by which Government will have a right to cancel or take to itself each £100 Annuity on payment of £100, the less will it be worth the while of Government to give any thing for every such £4 a year Annuity bought in, by consent, over and above what it gives for an Annuity of £3.

[001_104]

Of this mass of Annuities a certain portion (though, for the reason immediately

[344] i.e. 'First Report from the Select Committee on Finance. Debt, and Taxes', 'Appendix A. 6. A Statement of the different Funds in which the Public Debt is invested', in *Commons Sessional Papers of the Eighteenth Century*, cvii. 50*.

[345] i.e. 'Twenty-Fourth Report from the Select Committee on Finance. The Public Funded Debt and the Public Expenditure for the Year 1797', 26 June 1798, 'Appendix A. An Account of the Public Funded Debt, as the same stood on the 5th day of April 1798', in *Commons Sessional Papers of the Eighteenth Century*, cx. 360–5, at 363.

following, no more than a certain portion), viz: £25,000,000, will of course be paid off in the first instance upon the arrival of 3 per Cents at par at farthest, and before any of the 3 per Cents were are paid off.

Next in order to the above mass of 4 per Cents will be paid off the whole of the 5 per Cent Consolidated Annuities amounting to £28,125,582. 17s. 7d.[347]

These, which are the whole of the 5 per Cents existing at this moment (May 1800), would of course be paid off *in toto* before any portion of 3 or 4 per Cents were paid off, were it not for a stipulation to the contrary in the several bargains sanctioned by the several Acts creative of these 5 per Cents.[348]

In the third place would likewise come of course the 5 per Cents created on occasion of the loan called the Loyalty Loan in 1797. They would, for the reason immediately following, be paid off of course in preference to the 5 per Cent Consols above mentioned, were it not for a stipulation to the contrary in the Act passed for the sanctioning of that Loan.[e]

[e] 37 Geo. 3. c. 10.[349]

[001_105]

Of this Loyalty Loan, each Lender of £100 is intitled, at the expiration of 2 years from the signing of the definitive treaty of peace, to call upon Government either to pay him £112. 10s. in money: or to give him in lieu thereof 3 per Cent Stock Annuities to the amount of £133. 6s. 8d: upon the £112. 10s., which consequently will yield him £4 per Cent

[346] MS 'by'.

[347] See 'Twenty-Fourth Report from the Select Committee on Finance. The Public Funded Debt and the Public Expenditure for the Year 1797', 'Appendix A. An Account of the Public Funded Debt, as the same stood on the 5th day of April 1798', in *Commons Sessional Papers of the Eighteenth Century*, cx. 363.

[348] See, for instance, the National Debt Act of 1794 (34 Geo. III, c. 21, § 6): 'the said Annuities shall be irredeemable until twenty-five Millions of the Publick Debt, bearing Interest after the Rate of either three Pounds *per Centum per Annum*, or four Pounds *per Centum per Annum*, shall have been redeemed and paid off'.

[349] i.e. the National Debt Act of 1796. See William Fairman, *The Stocks Examined and Compared: or, A Guide to purchasers in the Public Funds*, 3rd edn., London, 1798, p. 14: 'The stock is irredeemable, except with the consent of the proprietors, until the expiration of three years after the Five per Cent Navy-Annuities have been paid off or reduced'.

for this £112. 10s. without being liable to be paid off along with the 4 per Cents so called: but the option as to the giving him the money or the Stock rests with Government.[350] If no such call is made, Government stands precluded from paying him off earlier than at the expiration of three years after the last portion of five per Cent Consols have been paid off: at which period, by paying him £112. 10s., (the sum given him in 5 per Cents for his £100) it will exonerate itself of interest of that sum at the rate of 5 per Cent, viz: [£]5. 12s. 6d.

Complicated as are the terms of this bargain, the period at which the redemption of the mass of Stock Annuities in question would probably take place, under the influence of the accelerative effects of the proposed measure, can not but remain involved in great uncertainty. Supposing no such claim put in, the order in which the redemption of the different masses of Stock will take place will be evidently as follows viz:

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please reproduce the following table without the grid lines, ensuring the horizontal alignment of the figures in the second column with the last line of text in the first, and the vertical alignment of all the figures.

1. Of 4 per Cents, a parcel to the amount of	25,000,000
2. Of 5 per Cent Consols the whole, amounting to	28,125,582
3. Of 4 per Cents the remainder, amounting to	20,266,859
4. Of 3 per Cents, a mass altogether unknown, viz: so much as there would be money enough for paying off in three years, say, at random	30,000,000
5. The Loyalty Loan 5 per Cents, amounting to	20,250,000
6. Lastly the remainder of the 3 per Cents, amounting to	|^^^|

[001_106]

The establishment of the Note Annuities being supposed, the probability, however, appears to [be] that within the three years allowed a claim to the above effect would really be made. Supposing the three years to be elapsed, the redemption of these five per Cents would follow of course, and thereby every £5 mass of Annuity would find itself reduced to three. By the allowance of such a claim, the reduction would only be from five per Cent to

[350] According to the National Debt Act of 1796 this option in fact rested with the Subscribers to the loan: ‘When redeemable, Subscribers may apply to have the Annuity paid off in Money, or converted into *3l. per Cent.* Annuities, at the rate of 133*l.* 6*s.* 8*d. per Cent*.’

four, and that four, being in the shape of 3 per Cents preserved thereby from the early extinction which awaits the Annuities created in the 4 per Cent shape, so as, calculating therefore the time at the expiration of which Government would be able to have made its way to these five per cents by the redemption of the other 28 million of 5 per Cents, added to the 25 Million of 4 per Cents, and the 25 million of 3 per Cents, it would be the care of the holders of these Loyalty Loan 5 per Cents to put in such their claim [in] time enough to prevent the apprehended reduction to three per Cent, yet, at the same time, no earlier than would be absolutely necessary to ward off that more copious defalcation of 2 per Cent, and substitute the defalcation of 1 per Cent in the room of it. In regard to the time of putting in such a claim, care [001_107] would moreover be taken to anticipate the supposed period, at which Government, by reason of the productiveness of the Sinking Fund or the plenty of money in the market at large, or both these causes put together, might find itself in a condition to redeem this mass of 5 per Cents altogether instead of reducing it, as above, to the 4 per Cent in the shape of 3 per Cents; since, in that event, such is the option that, in answer to the claim supposed, would of course be made by Government: and, to save themselves from a future contingent reduction of 2 per Cent out of 5, they would incur an immediate reduction to the same amount.

In the state of things introduced by the proposed Paper, the effect of this stipulation would be to establish in favour [of][351] this 20 million's worth of 5 per Cents an exemption for that space of time from the forced, and in a manner simultaneous, operation characteristic of the second Period—the conversion of the entire mass of Stock Annuities into 3 per Cent Note Annuities: unless it should so happen, that in contemplation of the certainty of experiencing that reduction at the expiration of these three years, and in consideration of the degradation of saleable value with which that certainty would be attended, the Holders of this Stock should come into terms with government, and in consideration of a proportionable indemnity, remove the obstacle which otherwise would, for the time, be an unsurmountable one to a change so beneficial to Government in point of finance.

[001_108]

The following is the amount of the annual saving on the score of interest that would take place on the reduction of these several masses of extra-interest bearing Stock just

[351] MS 'to'.

spoken of—fractional sums omitted.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please present the following table without the grid lines.

	Quantum of Stock	Rate of defalcation	Profit by defalcation
N ° 1. 4 per Cents	25,000,000	1 per Cent	250,000
N° 2. 5 per Cents	28,125,582	2 per Cent	562,200
N° 3. 4 per Cents	20,266, 859	1 per Cent	202,000
	73,392,441		1,014,200

Were it not for the proposed measure, considered in respect of the acceleration thus produced by it in regard to the paying off of the Stock Annuities, the receipt of the abovementioned mass of savings would either not have taken place at all, or at any rate would not take place so soon, by one, two, three, or some greater number of years.

It will be prevented altogether from taking place, supposing that, during the time when it should have taken place, a war comes on and continues, attended with such an addition to the expenditure as, by keeping down the price of Stocks (notwithstanding the elevating power of the two Sinking Funds), prevents 3 per Cents from rising to par, or at least from keeping at that mark for a length of time sufficient to produce any considerable effect.

[001_109]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fraction ⅓ (one-third) in the following paragraph.

On this supposition, this one branch of the profit of the measure would amount to a capital sum, equal to the principal of which the above annual sum would be the interest at 3 per Cent viz: (1,024,200 × 33⅓ =) £33,468,600.

On the opposite supposition, inasmuch as, without the benefit of the proposed plan, the annual saving in question would indeed take place, but not till the expiration of one, two, three, or some greater term of years, whereas with the benefit of the proposed plan it would take place in a manner instantaneously, the amount of profit would, on the supposition of different degrees of acceleration, as expressed by different numbers of years to the amount of 10, stand thus:

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please reproduce the following table without the grid lines, ensuring the horizontal alignment of the figures in the second column with the last line of text in the first, and the vertical alignment of all the figures.

£	
1. If brought forward one year earlier than it would have been otherwise	[1,014,200][352]
2. If two years	2,028,400
3. If three years	3,042,600
4. If four years	4,056,800
5. If five years	5,071,000
6. If six years	[6,085,200]
7. If seven years	[7,099,400]
8. If eight years	[8,113,600]
9. If nine years	[9,127,800]
10. If ten years	[10,142,000]

[001_110]

Without the benefit of the proposed measure the supposed reduction would, of course, be a work of years; and thus, supposing it to begin taking effect immediately on the very commencement of Period II, viz: the arrival of 3 per Cents at par, and the consequent substitution of the paying-off plan to the buying-in plan, and supposing the £73 millions and odd to require but six years to pay off completely, and supposing the profit on this score to go on equally through this whole span of six years, still, on this most favourable supposition, the amount would be no greater than if the whole amount were to take place at the commencement of the fourth year.

On this footing, as the greatest amount of the branch of profit here in question would be equal in round numbers to 33 millions, so would the least amount be to 3 millions, and between these two extremes the mean would be 18 millions.

[352] MS ‘1,014,000’.

[001_111]

There remains such part of the profit in question as might be derived from the accelerated extinction of the extra-interest on the 20 millions and a fraction of Loyalty loan 5 per Cents.[353]

That degree of attention to personal interest which it is reasonable to presume the existence of on the part of individuals, especially in their dealings with Government, will be sufficient to ensure their taking the most advantageous time for the putting in the claim above spoken of, by which means the whole amount of extra interest will be reduced to standard interest; and the advantage in so far placed out of the reach of the reclaiming hand of the Minister of Finance. But by this operation, out of the 2 per Cent extra interest they will have saved but one: of the other one they will have made a sacrifice. This sacrifice, if thus made, may with no inconsiderable appearance of reason be carried to the account [of] the proposed measure: because, [001_112] inasmuch as the reduction in this mass of extra interest could not, under the terms of loan, be so much as commenced before the redemption of the pre-existing £73 million's worth of extra-interest-bearing Stock has been compleated, the supposition of its not being begun upon till the commencement of some fresh war has thrown it back to an indefinite distance appears by no means an extravagant one. Subject to all these uncertainties, it may be worth while, on the ground of curiosity at least, to take a view of the amount of profit capable of being derived from this source.

The amount of one year's saving by the defalcation of the 1 per Cent upon this 20 million is [£200,000].[354]

The principal or capital corresponding to this annuity is, bating fractions, (£200,000 × 33⅓ =) [6,666,000].[355]

[353] The following two sentences, the first of which appears to have been abandoned, have been crossed through by Bentham at this point: 'To make the most natural supposition, let us suppose the proprietors to be so far attentive to their own interests as to prevent the defalcation from amounting, as on one case it would do, to 2 per Cent, and that accordingly by a timely putting in of their |^^^|.

'On the Loyalty Loan, it is to be observed, that no profit at all from the source in question can be reckoned upon.'

[354] MS '£100,000'. 1% of £20m. is £200,000, and the error carries over to most of the calculations in this and the following three paragraphs.

[355] MS '3,333,000'.

But to purchase the consent of the proprietors to the including in the plan of instantaneous redemption this portion of the Stock Annuities, instead of its being postponed for the three years of grace above spoken of, it would be necessary (as well as worth while) to allow them in ready money paid down the whole amount of the [£200,000] in question for those years: that is, to pay them down their [£600,000], instead of giving it to them in three yearly instalments of [£200,000] each.

Deducting this [£600,000] from the £3,333,000 profit above mentioned, there remains, for the neat profit of reduction upon this mass of Annuities, in a round sum, 3 Million.[f]

[001_113]

[f] Here,[356] for a moment, a question might perhaps arise, whether, consistently with the terms of the several loans, any such redemption by means of money obtained from the proposed source, could, in point of justice, be made to take place. The second mass, the 28 million of 5 per Cents, is not to be paid off till 25 million of either 3 or 4 per Cents, or both together,[357] has been paid off, but the paying off these Stock Annuities with money produced by the sale of the proposed Note Annuities is but a nominal, not a real, discharge. In proportion as Stock Annuities are redeemed, Note Annuities are created: the debt itself remains the same: what the change turns upon is the evidence by which the existence of the debt is established—a transferable piece of paper is substituted to an entry in a fixed, untransferable set of books.

The objection may seem plausible: but the answer appears not the less conclusive. A point which the objection, though tacitly, assumes, is that the effect of the bargain in question is to confine the redemption of the National Debt to money produced by savings; and, accordingly, to preclude the application of borrowed money to this purpose. But that this use of borrowed money is to be regarded as precluded is a supposition contrary to an understanding that has been acted upon and acquiesced in for these fifty years. It was from borrowed money, and that alone, that M[r] Pelham derived whatever faculty he possessed of paying off the mass of Stock-holders he had to deal with, in the event of their non-compliance with the plan of reduction with

[356] In the corresponding marginal contents sheet at UC iii. 44 (18 May 1800) Bentham has marked the marginal content corresponding to this note for deletion. In the margin of the text Bentham has noted 'Abridge'.

[357] See p. 000 n. above. [To note to UC i. 104, this section]

which, under the apprehension of such discharge, they actually complied.[358]

[001_114]

Many subordinate considerations might be brought to view which concurr in placing the right of redemption in the present case upon still stronger ground than that on which it stood in Mr Pelham's case. In that case, no new source of profit opened: Stock for Stock would have been to be created: in the present case, the means of redemption are derived not merely by the driving the permanent Annuitants on a large Scale out at one door, for the purpose of drawing them in at another on the same terms, but by the clear profit made by the sale of [Annuities][359] to the class of Permanent Annuitants upon a small scale, and the class of Flying Annuitants. More points of diversity might be added:—but the above will surely be thought sufficient.[360]

[001_116]

I have spoken of the conversion in question as being in all probability rapid in the extreme, perhaps tantamount to instantaneous.[361] The promptitude, however, will depend

---

[358] See pp. 000–000 above. [To UC ii. 480–4, Ch. I]

[359] MS 'Annuitants'.

[360] The following draft note at UC i. 115, in relation to which Bentham has marked 'Quere', may be an earlier version of this note: 'While any portion of these extra-interest-yielding Annuities is to be purchased, upon terms yielding any degree of profit in comparison of 3 per Cents, there seems no reason why the advantage, how inconsiderable soever, should be forgone. It might be otherwise, if it were necessary that a certain quantity of three per Cents should be redeemed by buying-in, before the paying-off of 3 per Cents, as it is that a certain quantity of either 3 or 4 per Cents, or 3 and 4 per Cents taken together, shall be redeemed by paying-off before any of 5 per Cents can be taken in hand. For in that case, every penny bestowed in the obtainment of the degree of advantage afforded by the purchase of 4 per Cents at their present price would be so much taken from that application of the money on which depends the acceleration of the period at which the greater degree of advantage—resulting from the discharging 4 per Cents with the same quantity of money as would be necessary for discharging an equal capital of 3 per Cents—would be brought within the reach of Government. Which course would be most advantageous upon the whole—whether to accept of the lesser advantage presenting itself to hand, or to wait for the greater but more distant and precarious advantage, would be matter of speculation and calculation. But this is not the case: 4 per Cents may be paid off at any time: without waiting for the paying-off of any 3 per Cents.'

At the foot of this passage Bentham has noted: 'True, but the time for paying the 4 per Cents off with *entire* advantage depends upon the arrival of 3 per Cents at par: and this is accelerated by the buying in of 3 per Cents in preference to 4 per Cents.'

[361] See p. 000 above. In the corresponding marginal contents sheet at UC iii. 44 (18 May 1800) Bentham has cancelled the marginal contents corresponding to this and the following eight paragraphs, and noted 'To Plan and Annotation'.

on the plan pursued in this respect by Government. If, in the instance of each parcel of Stock paid off, the progress of the redemption were to be delayed by the long notices given in Mr Pelham's Administration, or by the still long, though shorter, notices given in Lord North's Administration,[362] it would be spun into length, nor would the accomplishment of it take place till at the end of a considerable number of years.[363] An interval of |^^^| Months would necessarily take place between the completion of each Million's worth of Annuity Note money received from expelled Stock-holders, and the redemption of the corresponding fresh Million's worth of Stock. This fresh redemption would presently give occasion, it is true, to a purchase of another million's worth of Annuity note paper: and the sale of this second Million's worth of Annuity Note paper would give occasion to the redemption of a second million's worth of Stock. But, in the mean time, in the redemption of the two portions of Stock two periods of time of |^^^| Months each would be consumed by the Notices, and so on to the end.

[001_117]

The remedy, however, would be simple, effectual, and unattended with any objection on the score of hardship or any other.

As fast as a sufficient sum of money were collected, Notice might be given for all Stockholders of such or such a class, to receive their principal on such or such a day, with daily interest up to that day. Interest to cease generally speaking from that day. But in favour of persons beyond sea, whether foreigners or others, option, either confined to the said absentees or general, to take either the amount once[?] as above, in cash, without further interest, or in Annuity Note paper bearing interest from that day.

The process might thus go on without delay or interruption as fast as the vibration of the money between the Stock Market and the Note Market came to be performed. No loss whatsoever would be sustained by the Stock-holder thus expelled: in lieu of his £100 Stock Annuities, he would find himself in possession of a £100 worth of Note Annuities yielding

---

[362] For the notices given in Pelham's scheme see p. 000 & n. above. Frederick North (1732–92), 2nd Earl of Guilford, Joint Paymaster of the Forces 1766–7, Chancellor of the Exchequer 1767–82, Leader of the Administration 1770–82, Home Secretary 1783. [Annotation to be finalized]

[363] Bentham has marked the following clause and accompanying memorandum for deletion at this point: 'before the end of which a war might come and stave it off to an indefinite distance+. + *Would* War make a difference?'

the same quantum of interest, and saleable at any time with the same degree of certainty and with much less trouble, for the same sum of £100.[g]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please not the fraction ¼ (one quarter) in the following note.

[g] From this, however, must be excepted the £7[d] (with an impalpable fraction) for every £3, amounting to 2[d]¼ (with an impalpable fraction) per £; being the unavoidable difference between the *daily* interest on the Note Annuities, and the *yearly* interest on Stock Annuities, as above mentioned. If it were a case for compensation, the compensation would amount to about 19[s.] 5[d.] for every £100 Stock paid off.

[001_118]

The selection of the classes might be taken from the magnitude of the sums, as they stood in the Books at such and such a day: beginning with the lowest, the extent of the class—as measured by the greatest sum comprized in each class—to be governed by the quantity of money in hand.

Thus suppose, for instance, a million in hand ready to be applied to this purpose, and that the quantity of Stock in parcels not exceeding £50 amounts nearly to that sum. Notice to all persons holding to an amount not exceeding that amount, that their respective portions of Stock will be paid off on their application on that day, or between then and some succeeding day, with interest up to the day of application: after that day the principal to be receivable at any time, but from that day the interest to cease.

The reason in favour of this principle, is [that] Annuity Notes are more particularly suitable to the circumstances of the Annuitant, the smaller the amount of the Annuity.

The same principle of selection might be adopted *toties quoties*: except that there might be reason why the plan of beginning with the lowest should not be universally adhered to, but that the classes should rather be determined by lot. The reason is, lest those, if any such there were, who preferred continuing in the Stocks, should have recourse to fictitious transferrs for the purpose.

[001_119]

In the way of subscription, however, the business might be brought to a short issue.

Books might be open to receive subscriptions upon the terms just mentioned: the 19$^{s.}$ 5$^{d.}$ would be the douceur constituting to inducement for subscribing, instead of waiting to be paid off. Waiting to be paid off, a proprietor of £100, if he wished to become a purchaser of Stock Annuities to the amount of £100, would not get them for less than the £100: if he subscribed, he would get his £100 worth of Note Annuities, with the 19$^{s.}$ 5$^{d.}$ to put in his pocket.

Would it be worth while, however, to give a bonus—to sacrifice a mass of profit—to so considerable an amount. This would depend—in the first place, upon the amount of the other profits depending upon the acceleration of the conversion in question—in the next place, upon the degree of acceleration that would be afforded by the subscription plan.

[001_120]

§ III. *Period III. From the conversion of the last portion of Stock Annuities into Note Annuities of the first issue to the issuing of the last portion of Annuity Note paper of the second issue*[364]

I. *Profits transmitted from Periods I and II*

1. The profit by difference between selling price of Note Annuities and buying price of Stock Annuities, that source of profit which was extinguished by the extinction of that difference at the end of the Period first, is of course out of the question *here*.[a] In lieu of it comes the difference between the paying-off price of Note Annuity paper of the first emission and the selling price of Note Annuity paper of the second emission—viz: the profit which constitutes the characteristic advantage of this present period, and which will be spoken to at length after the application of the other sources of profit to the third period has been dispatched.

> [a] It may take place however, and will, in case of a fresh subsequent creation of Stock in the course of this same period.

[001_121]

2. As to Five or Six other branches of profit, viz: profit by interest forborne, profit by

[364] The marginal contents sheet for this section is at UC iii. 15 (19 May 1800).

interest of Annuity Note paper kept instead of Cash in the hands of Government, profit by Notes lost, profit by saving on the expence of management, and the profit by the fractional difference between Note-Annuity interest and Stock-Annuity interest—in all these cases the profit, being a rateable one in the shape of a per centage on the amount of the burthen in question, will, along with that burthen, and in the same proportion, be during the whole of this period on the decrease.

[001_122]

II. *Profits Indigenous*

We come now to the characteristic profit of this period:—profit by the difference between the money paid on redemption of an Annuity to a given amount [in] Annuity Note paper of the *first* issue, and money received on sale of an Annuity of the same amount by emission of Annuity Note paper of the *second* issue.[365]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fraction ¼ (one-quarter) in the following paragraph.

On the first issue, the standard quantum of Annuity, viz. an Annuity of a farthing a day, making 7^{s}. 7^{d}¼ a year, is proposed to be sold for £12. 16$^{s.}$: on the second issue, the paper of the first issue, being partly paid off and partly hoarded, is not to be had in the quantity in which it is wanted, and is grown scarce to such a degree that, no more Government Annuities being to be had at that price, there are many individuals, it is supposed, who for the same mass of Annuity would be content to give £16, under the like assurance of not being obliged to part with it but on repayment of the said purchase money of £16.

[365] Bentham has noted in the margin in relation to the following paragraph: ‘The effect of the opening of this new issue while the old is paying-off is to reduce the rate of interest upon the whole debt, without paying off any of the principal, without consuming any part of the fund employ’d in the redemption of the principal: that will be going on at the same time.

‘By employing a given mass of hard cash in paying-off a quantity of Annuity, and at the same time opening a new issue at a reduced rate of interest, the interest corresponding to the whole mass may be reduced, without the discharge of any greater quantity of principal, but at the same time without impeding what discharge may be effected by the application[?] of any additional mass or masses of money to the same purpose.’

As £12. 16s. is to £16, so is £100 to £125.

The consequence is, that for every £3 a year annuity thus sold upon the footing of the second issue, Government will receive £125: of this £125, £100 will be sufficient to pay off Annuity Note paper of the first issue to such an amount as yields the £3 a year annuity [001_123] granted for this £125 received for Annuity Note paper of the 2d issue: the difference, viz: £25, will therefore be so much clear profit, applicable, and to be applied, to the discharge of a further portion of the Annuity Note paper of the first issue.

In other words, for every £12 a year granted on the footing of the 2d issue, there will be as much money received as will pay off and extinguish, over and above a Note-Annuity of £12 a year of the first issue, a further portion of Annuity to the amount of £3.[b]

[b] [001_124] Million 1st of the first issue at 3 per Cent, carrying interest £30,000, is discharged with Cash from the Sinking Fund. The discharged proprietors of this first million come in and purchase, as far as the money extends, the first Million issued of the 2d emission. But for this repurchase they have but the £1,000,000: and the quantity of Annuity purchasable by this £1,000,000, on the footing of the 2d emission, is but £23,763.

This quantity, £23,763, they buy accordingly, and for this £23,763 a year Annuity they pay back their £1,000,000: and this £1,000,000, being the sum which Government has received as the purchase money of the £23,763 Annuity, is what Government remains bound to pay on the extinction of it. Government, having got its £1,000,000 again, employs it in extinguishing a 2d million of the 1st issue at 3 per cent: and, with the million thus received, the second parcel of discharged Note-holders of the first issue buy another £23,763 mass of Annuity, the purchase money of which will require as much money to pay it off, viz: the £1,000,000, as did the principal corresponding to the £30,000 Annuity of the first issue.

In this way, it appears that the liberation thus effected under the Annuity Note plan applies to the interest alone of the National Debt, and not in any degree to the principal. By a competent number, viz: 400, of these vibrations, a single £1,000,000 would be sufficient (setting *time* out of the question) to redeem the interest of the whole quantity of £400,000,000, the assumed amount of the capital of the redeemable National Debt:[366] reducing thereby the total amount of such interest from £12,000,000 to £9,505,200, but at the end of all this reduction on the score of interest, the amount

[366] See p. 000 n. above. [Note to UC ii. 166, this chapter]

of the reduction on the score of principal would [001_125] be no more than the single million discharged at the first stroke: the extinction of the remaining £399 million would rest, as at present, upon the several Sinking Funds.

[001_123]

To revert to the former supposition of 400 millions of 3 per Cent Annuities (become Note Annuities) remaining at the end of the first period. For simplicity's sake, let this same amount be the amount remaining at the commencement of the third period: a supposition the more admissible supposing the conversion of Stock Annuities into Note Annuities to be nearly instantaneous, as seems likely to be the case.

At three per Cent, the mass of annuity corresponding to 400 millions of principal money is 12 millions. Supposing, therefore, the whole amount of money received by Note-holders on the paying-off of paper of the first issue to have been returned to Government for the purchase of paper of the second issue, the consequence will be, that at the time of the issuing of the last portion of paper of the last issue, the amount of the mass of Annuity payable by Government will have been reduced, by the effect of the single operation, setting aside the effect of all other concurring causes, to 9 millions.

[001_126]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fraction ⅜ (three-eighths) in the following paragraph.

The Annuitants discharged from the first issue would not be the only customers for the paper of the second issue. Note Annuities being now to be had as cheap as Stock Annuities, and the whole mass of Government Annuities, Stock and Note together, growing scarcer and scarcer every day, the Note Annuities of the first issue will be impounded, and kept up, and taken out of the circulation, all or most of them, by the customers for permanent income. But the demand, the effectual demand, for temporary income will be as considerable as ever: the rates of 2⅜ per cent and profit to be made by the holding of Annuity Notes of the 2d issue will be all so much clear gain, as much as the £3 per cent was upon the paper of the first issue: and as, in point of quantum, the mass of Annuity of the first issue had no bounds to it but what were set to it by the magnitude of the mass of Stock Annuities, to the redemption of which it was to be made subservient, so neither will that portion of Annuity of the 2d issue which will derive its existence from this single source (viz: the effectual demand on the part of the customers for temporary income) have any others bounds than what are set to it by the magnitude of the mass of Annuity note paper of the first issue, to the redemption of which it will be to be made subservient, as before.

[001_127]

Howsoever it might be with regard to the paper of the first issue considered, the rapidity of the application for paper of the 2d issue would not be exposed to doubt. The novelty of the transaction, with the obstacles opposed to its progress by the *vis inertiæ* so congenial to political as well as natural bodies, fortified by the doubts and difficulties and jealousies which are so sure to be excited by new public measures in the minds of the ignorant and prejudiced multitude, will now be out of the question. They will return to the proffered boon, with a degree of alacrity proportioned to the regret with which, after a short period of enjoyment, they had before seen it snatched out of their hands.[367]

[001_128]

The question now presents itself, how far the above supposition appears likely to be realized, viz: to the extent supposed, and in a moderate space of time, such as from one to ten[?] years.

The realization of it is no more than what seems likely to take place; and that in so small a compass of time as to be nearly instantaneous, as in the case of the 2d period: the acceleration to be effected by a sort of simultaneous *uno flatu*[368] transaction between Government and its creditors, as in Mr Pelham's time.[369]

That all the Note-holding Annuitants, as fast as their 3 per cent Annuities [are paid off] should, without exception and immediately, consent to pay the same money for an Annuity not yielding quite 2½ per cent, is not to be expected. Among those who are thus paid off will be a certain number who, if they had not been paid off by government, would have brought them to market, that is would have paid them away as currency in the course of circulation. They would not have continued to hold Note Annuities, though such Annuities had continued to yield an interest of three per Cent: much less will they now that

[367] In the corresponding marginal contents sheet at UC iii. 15 (19 May 1800), Bentham has marked the content corresponding to the following two paragraphs for deletion.

[368] i.e. 'at one blow'.

instead of the three per cent they yield not quite so much as 2½ per Cent. But to this class of casual sellers will correspond an equally numerous class of casual Purchasers, at the period supposed as at all other periods, especially where, as by the supposition, the article is, or sets out at least [001_129] with being, at a par price.

But the same causes of scarcity that have been already indicated continue to operate in full force. The demand goes on encreasing by the encrease of accumulated wealth: the supply goes on decreasing, by the operation of the two settled Sinking Funds, aided by that of the casual Sinking Fund composed of the growing surplus of the produce of taxes.[370]

NOTE TO TYPESETTERS: Please note the fraction ⅜ (three-eighths) in the following paragraph.

It is not to be expected indeed that all the Annuitants should, as fast as they are *driven out* of their 3 per Cents, come *in* to the 2⅜ per Cents: it does not follow that because a man has been content to accept of £3 a year for his £100, that he should consent to receive no more that £2. 7$^{s.}$ 6$^{d.}$ a year for a capital to the same amount. If, regard being had to the circumstances of his case, he can place out his money upon terms of greater advantage in another quarter, he will quit the old channel, and turn his money into the supposed new, and more advantageous one. But the same causes which pour the money in question into the lap of Government, make Capital plenty, and the rate of interest to be had for it low, in every channel whatsoever. The American and other foreign channels will be open to him, some of them probably at a higher rate of interest:[371] but, howsoever it may be with here and there an individual of an adventurous spirit, or enlarged views, a foreign fund will never present a basis of adequate security to the bulk of British imaginations.

[001_130]

It would be a gross error to ascribe the reduction to the sole influence of the proposed measure. At the end of a certain period, without any such aid, the existing Sinking Funds,

[369] See pp. 000–000 above. [To UC ii. 480–4, Ch. I]

[370] For Bentham's categorization of the various Sinking Funds see p. 000 n. above. [To UC iii. 81, 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time'] In the corresponding marginal contents sheet at UC iii. 15 (19 May 1800), Bentham has marked the content corresponding to the following two paragraphs for deletion.

[371] See p. 000 & n. above. [To UC ii. 460 & n., Ch. I]

settled and casual, would, according to the calculations that are in every body's hands,[372] be productive of the same effect. It would have been premature for the Committee on Finance to have called for any such reduction, much more for any Minister of Finance to announce it. But an incident so important as that of the Pelham reduction plan in the History of Finance could never be out of the sight of any Minister. What there is of appropriate efficacy in the plan of reduction here brought in view, regards *time* and *form*: the acceleration of the *time* in which the reduction may be brought about, and the form or mode in which the operation may be conducted. In proportion as the aggregate fund constituted by the several abovementioned sources of profit prove[s] productive, the point of time in which the partial liberation (not to speak at present of the total and definitive) takes effect will be brought forward, and the benefit of the liberation will be extended in advance to so many years that otherwise would not have shared in it.

[001_131]

As to the *form* or *mode of proceeding* in regard to the reduction, it is that which is adapted to the nature of the measure in other respects, and to the new shape which the measure will have given to the National Debt. The measure being adopted, and this new shape given to the redeemable part, i:e: the bulk, of the National Debt, the giving this correspondent shape to the mode of reduction, in contradistinction to that in which the Pelham reduction was brought forward, is matter of necessary consequence, not of choice.

In point of natural practicability, and natural certainty of execution, it appears to possess some advantage in comparison of the mode pursued by M^r^ Pelham as suited to the state of things existing in his time. By his plan, every thing was done or nothing: to his plan, concurrence on the part of an immense multitude of scattered individuals and other parties interested, with the delays and uncertainties essential to the obtainment of such concurrence, was necessary. The assurance, real or affected, of being able in case of exigency to borrow, and that at a reduced rate of interest, the whole of the sum necessary to pay off the whole body of Stock-holders interested, was in fact, and of necessity, an indispensable basis of that plan. The encreased magnitude of the mass, and the wide dispersion of the sharers in it, would concurr with other circumstances in giving as well to the operation of reduction as to the treaty preceding it a degree of complication much

---

[372] See p. 000 & n. above. [To UC cvii. 168 & n., 'Political Prospects'] See also Rose, *Brief Examination*, unpaginated Appendix 3.

beyond what existed at that time.[373]

[001_132]

It is a feature peculiar to the mode of reduction here proposed that it requires no consent, no concurrence, no negotiation: no respites, no delay: it is as capable of being carried into effect by degrees as all at once: by concurrence and subscription, the conclusion of it might probably, in a considerable degree, be expedited: but it would be capable of running on its course, and producing its effect, perhaps, with as much expedition as the case of M[r] Pelham's operation, without any such concurrence as that on which, in that instance, the effectuation of the plan depended.

The market for paper of the new issue is constantly open: in proportion as the money for the new issue comes in, it pays off and extinguishes the old. The quicker the new issue goes off, of course, so much the better: but if none goes off, there is no harm done. Though not a single note of the new issue should be sold for a whole year, still there is no harm done: it may, notwithstanding, sell the next year, and in any quantity.

So long as there is any of the old issue left, it will, of course, sell for a premium: but as the sale of the new issue advances, that premium will be every day less and less.

[001_133]

In this state of things, two modes of liberation would be open to Government: both capable of being pursued, if with different parcels of money, at the same time. Let us consider for a moment which, if either, would be most eligible, and in what circumstances.

At the commencement of the 3[d] Period, the annual produce of the several Sinking Funds amounts, suppose, to £10,000,000.

Suppose the whole £10,000,000 to be applied solely to the extinction of principal: to compleat this extinction would, setting aside for a moment the additional effect of compound interest, occupy a term of 40 years: and as to any acceleration [that] would be given to that result by any addition made to the amount, no greater acceleration would be produced than in the simple ratio of the additional sum so applied. If £10,000,000 would

---

[373] Bentham has noted in the margin at this point: 'The Bank accordingly stood out, and thus stopped the others.'

compleat the discharge in 40 years, £20,000,000 would compleat it in 20 years, but not sooner.

[001_134]

Suppose, on the other hand, the whole £10,000,000 to be applied solely to the *reduction of interest*: the effect produced will this way be more than in the simple ratio of the sum applied. Ten million might in this way produce much more than ten times the amount of a single million: for a single million might not be sufficient to produce any reduction at all: while by ten million the reduction might be effected with perfect certainty and in a very short space of time: instead of the 40 year[s], as in the case of extinction of principal, in a single year: and by twenty million, if it were attainable, not only the time might be accelerated, but even the rate of reduction, perhaps, [encreased].[374]

The reason is, that in the case of reduction of interest, the power of the mass thus applied, depends on the magnitude of the glut of capital produced by the application of it: when the capital is thus discharged in driblets, the discharged capitalists do not stand in each other's way, they may re-invest their respective capitals without interfering with each other, among the several other channels. But when driven out in crowds, their imaginations are subdued by the difficulty of the prospect they have before them: each beholds in every other a competitor and an adversary: the difficulty and depretiation may appear so great that their conceptions will be unable to sound the bottom. Preferring a limited loss, accompanied with a certain security in regard to the remainder, to a loss which may appear to them without limit, they will throw themselves, as they were driven out, all in a heap, at the feet of Government.

[001_135]

On the plan of *extinction of principal*, the amount of the Sinking Fund being given, nothing that could happen would be capable of accelerating the completion of it: and, supposing it to be pursued to the utmost, and the whole amount of the Sinking Fund to be thus appropriated to it, it would be absolutely and for ever preclusive of the plan of *reduction of interest*. The *extinction* of the *principal* being accomplished, there would be no *interest* left to *reduce*.

[374] MS 'reduced'.

The *reduction* plan on the contrary, so far from superseding the *extinction* plan, might scarce retard the operation of it so much as for a moment. By co-operation on the part of the Stock-holders in virtue of an agreement, the effect of it might be rendered almost instantaneous, and, even without any such co-operation, not much less than instantaneous. Concurrence would indeed be necessary: but to produce that concurrence, no treaty, no stipulation, no engagement on the part of government would be necessary. As fast as they were expelled they would be drawn back again by the same considerations that, till they were expelled, had kept them in: and in the mean time, as fast as they came in again Government, in proportion as the money came in, would remain as much at liberty to pay them off, and so drive them out again, as before.

[001_136]

It might seem for a moment, though but for a moment, that, after the redemption of the assumed ten million's worth of Annuity Note paper, to create another ten million's worth, though at a reduced rate of interest, would be, for the sake of this[?] small annual relief on the score of interest, to produce *pro tanto*, an unnecessary re-establishment and continuance of a burthen which it ought to be an object of Government, in every possible degree and by every fair means, at all times to reduce. Thus at the first moment: but at the next it would be perceived that by such fresh issue no addition whatever is made to the whole mass: inasmuch as for this fresh issue a sum of money to equal amount is received, which sum is immediately applied to the redemption of a fresh parcel of paper of the old issue to the same amount, and so on till the redemption of the paper of the first issue is compleated, and paper of the second issue, yielding the reduced mass of interest, is made to take its place.

[001_137]

The only question with Government, a question not of justice but of policy, would be, after the determination was formed to open a new issue, whether it were best to apply the money gradually as it came in to the paying off the Annuities of the first emission, or whether to let down the sluices and keep the mass for a time impounded, to the end that when let out it might act the more suddenly, and with the greater force.

The example of the policy adopted in the present state of things under the *buying-in* plan seems to plead in favour of the latter course. Under this plan, the object in view being to avoid as much as possible the raising the price of the commodity upon Government in its character of purchaser, care is taken that the sum appropriated in each quarter should be distributed among the several purchasing days as evenly as may be: if this be right, to pour the money into the market in large masses at once ought naturally to be the course, where the object is to raise the price of the commodities—to render it as scarce, as much sought after, and as dear, as possible.

This impounding, in proportion to the time that each component part of the mass is thus impounded, will be attended, it is evident, by a loss on the score of interest: but the amount of this loss will be the less, the greater the portion that can be kept of that mass in the shape of Annuity Note paper of the first issue, received by Government in the course of circulation.

[001_138]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fraction ⅜ (three-eighths) used in both of the following two paragraphs.

One head of objection presents itself to the *reduction* plan, viz. the reduction of the profit to be made by compound interest. The rate of interest upon the debt being reduced from 3 per cent to 2⅜ per cent, the total amount of interest, from £12,000,000 to £9,505,200, the amount of the two settled sinking funds would be so much the less, the accumulation so much the less rapid, the period of total extinction so much the more remote.

The difference between the unreduced amount and the reduced amount—the profit by interest saved, amounting to £2,494,800, might, it is true, and naturally would, be added to the £10,000,000 a year supposed, making for the next year after the completion of the reduction £12,494,800. This sum of £12,494,800 would, of course, be applied in the course of the next year to the paying off and extinguishing of a mass of Annuity Note paper to that amount. But the quantum of interest saved to Government by such discharge, and thus rendered applicable to the further encrease of the Sinking Funds, would be no longer as before, during the existence of the paper of the first emission, 3 per cent upon that Capital, but only 2⅜ per cent, no longer (in round numbers) £375,000, but only £297,077.

[001_139]

The answer is extremely simple: the reduction of profit to Government under this head would be merely nominal. The reduction on the annuities remaining unredeemed—remaining in the hands of individuals—would be so much real profit to Government. The reduction on the masses of annuity corresponding to the masses of capital on Annuity Note paper redeemed would be no loss at all to Government. So much less as Government has to pay with its right hand, out of the produce of taxes, into its left hand, on account of the Annuities it has redeemed and kept alive on its own account, so much the more remains in its right hand, applicable to whatever purpose it thinks fit—to this same purpose as well as any other. In other words, so much less as is paid out of what I have called the *casual* Sinking Fund into one or other of the two *settled* Sinking Funds, so much the more remains in the casual Sinking Fund, applicable to the same as well as any other purposes.

[001_140]

The extinction of a given mass of capital does not now, it is true, produce an exoneration on the score of interest to as great an amount as before. Before the operation, 10 millions of capital paid off in the course of the first year would have exonerated the nation of a mass of Annuities to the amount [of] £300,000. In consequence of the operation, the annual exoneration will be reduced from about £300,000 to about £240,000. £60,000 then, or the reduction that might have been in the course of this one year, is, therefore, the loss by the operation in this point of view. This loss will come to be repeated upon every fresh portion of capital employ'd in the course of each year in the same way. But whence comes this loss: it is because the reduction has already been effected by the operation in question not only for this first year, but for as many more years as the portion of capital in question would have had to continue. Supposing the debt would at this rate take 20 years to discharge the whole of it: i:e: 19 other such masses of £10 millions: it is a loss produced by a gain to twenty times the amount. In the one case, the £60,000 would have continued on every parcel of stock but the parcels struck off in the course of the preceding years: in the other case, it is struck off from all of them all at once.

[001_141]

During the whole of the third period, and perhaps earlier, the smaller the Notes which the customers for Annuity Note paper in the way of issue can be induced to accept, the more advantageous it will be to Government, and that on several accounts, inasmuch as it is on those several accounts so much the more advantageous to Government in a financial point of view that this paper should, in as large a proportion as possible, be in the hands of the Flying Annuitants, and so remain as part of the currency, in contradistinction to the hands of the Permanent Annuitants, hoarders of the paper for the purpose of permanent income.

1. The greater will be the mass of paper in respect of which payment of interest will be forborne to be applied for.

2. The greater also will be the mass which, in the course of the circulation, will be coming into the hands of government, and by the detention of which, to the extent of the uncalled for surpluses of each day, government will, in proportion to the time for which the paper is so detained, on the re-issue thereof make a profit by augmentation of interest, or in the persevering detention and ultimate extinction of the paper, a saving on the score of interest to the amount of the whole of the interest of each Note from the day on which it comes on this occasion into the hands of government.

3. The greater may also be expected to be the rate of profit by Notes lost: because the smaller the Note, the quicker the circulation of it; and the quicker the circulation, the meaner as well as more numerous the hands it passes through, and, therefore, the greater the wear and tear, and the more room for accidents.

[001_142]

4. Lastly, and principally, the greater the quantity of this paper that can be kept in circulation in the hands of the Flying Annuitants, the less will be the quantity left to supply the demand on the part of the Hoarders of this paper for the purpose of permanent income: the greater will, therefore, be the scarcity of this paper in the market, and the sooner will the state of things be ripe for a further reduction in the rate of interest.[c]

> [c] [001_143] The[375] influx into a subsequent issue at a reduced interest from the discharged Annuitants of a former issue at a higher rate of interest would be comparatively slow: the customers would come in with comparative reluctance: since every purchase would be accompanied by a sacrifice.
>
> The influx from the re-admitted Flying Annuitants would be rapid and unlimited: in

[375] This note reproduces a passage which Bentham incorporated into his paginated sequence for this section but the marginal contents for which does not appear in the corresponding marginal contents sheet at UC iii. 15. Strictly speaking, the passage might more appropriately have appeared in an editorial note, but appears as a Bentham note for ease of presentation and annotation.

their case there would be no sacrifice: the interest, however low, would to them be so much clear gain.

On this view of the matter, the emission of even a third issue involves no absurdity: it would involve no absurdity, although the rate were to be reduced from the 2⅜ per cent of the second issue, to what points itself out naturally as the next stage, viz: half the rate of the first issue: 1½ per cent, minus the fractional difference. The series of Notes, with their respective values, would then be the same as in the table,[376] with only this difference, that the series of interest would be to be shoved[?] up a degree higher, or that of principal sums pushed down a degree lower.

[001_144]

In what degree this 3^{d} emission confined itself to the affording a fund for the redemption of the principal, and in what degree it had the effect of reducing at the same time the rate and amount of interest, would depend in good measure upon the degree of rapidity with which the several emissions and consequent reductions came to proceed upon the heels of each other. The more rapid the reduction, the less easily would the individuals in question bring themselves to submitt to it: they would cast their money, even to a greater loss, and as it were in despair, into other channels.

But the success of the emission of the [third][377] issue depends not, by any means, upon the reflux of discharged Annuitants of the second issue: the money of the Flying Annuitants, to whom the income, impermanent as it is, and reduced as it is, is so much gain, shall pour in with a rapidity, and in a quantity, that has no certain bounds. But as fast as it pours in, so fast will the Annuities of the second issue be discharged.

Of these discharged Annuitants of the second issue, there would, at any rate, be a part who, though determined not to sit down with an income so reduced as theirs would be, on the supposition of them purchasing and retaining paper of the 3^{d} issue, but resolved to look out for the means of employing their Capital in the purchase of some other more productive source of income, would, however, find it for their advantage, or [001_145] rather find it, as it were, a matter of necessity, to take a quantity of this reduced paper of the 3^{d} issue upon the footing of Flying Annuitants, rather than see themselves totally deprived of all income, for the time which would unavoidably be to be consumed in the looking out for a more productive source of permanent income.

[376] No 'Table of Annuity Note Currency' survives in MS. For the Table printed in 1800 see between pp. 000 and 000 below. [To pdf text file 14, 'Table of a *Proposed* Annuity Note Currency']

[377] MS 'first'.

[001_146]

Advantage by Stock Annuities taken out of the market, on the principle of the Land-Tax-Selling plan[378]

For the real profit derivable from this feature of the plan, credit is taken under a subsequent head:[379] but inasmuch as the efficient cause of the profit may require some explanation, and is intimately connected with the branch of profit immediately preceding,[380] a separate head of enquiry for the better explanation of it may not be misapplied.

Take £17 million as the amount of Annuity Note paper sold within the period in question,[381] and £20 million as the amount of 3 per cent Stock Annuities bought in with the produce of the sale. Neat profit, (upon the principle laid down under the preceding head) three million: subject matter of the advantage pointed to under the present head, the remaining £17 million. Of this 17 million, not a penny is taken from the burthen of the debt: the corresponding Annuity, whether secured by a set of entries in an irremoveable Book or by a portable slip of paper, is equally to be paid. But in respect of the proportion between the amount of the demand for Government annuities and the amount of the supply capable of offering itself in satisfaction of such demand, and in respect of the price of the commodity as governed by the proportion between such demand and such supply, it is as if the 17 million's worth [001_147] in question were extinct or in the hands of government. Had it not been for the operation in question, the 20 millions thus partly extinguished and partly thrown into other hands, would all of it have been purchased by hands of the same class as those by which it was sold: Hoarders of the species of property in question for the purpose of employing it as a source of permanent income upon a large scale. In hands of this description, it would have remained in the market, furnishing, in respect of its proportion of casual Vendors, its proportion of supply to the demand kept on foot by the

---

[378] Although the marginal contents for the remainder of this section appear in the corresponding marginal contents sheet at UC iii. 15, the discussion itself was drafted for inclusion in Period I, with specific reference to Profit 9, which Bentham had listed as a 'Profit peculiar to Period III': see p. 000 above. Despite moving the sequence, Bentham failed to revise it to accord with its new position.

[379] i.e. Period III. See previous note.

[380] If Bentham had included this sequence as a discussion of Profit 9 at p. 000 above, the immediately preceding profit would have been 'Profit by redemption of 4 and 5 per Cents: and thereupon by extinction of the masses of extra-interest', for discussion of which see pp. 000–000 above. [To UC i. 102–19, this chapter]

[381] i.e. Period I, for which this discussion was originally drafted.

habitual influx of purchasers. 20 million being to 360 million, namely the present total of Government Annuities unbought in by Government,[382] as 1 to 18, the amount of the whole mass of Stock by which the customary proportion of Stock brought to market is lessened by one-eighteenth: out of the 20 millions worth of Annuities, 17 (it is true), the greater part of the mass, are still in a state to furnish their proportion of supply to the market, and what is more, actually furnishing supplies to it in a prodigiously greater proportion than before.[d] It, however, does not furnish that proportion of supply, nor any supply at all, to the class of persons having a demand, and ready to become customers for, and purchasers [001_148] of, Stock Annuities: because having, every £3 a year of it, been bought at £100, and being always capable of being sold for that sum, it can never be worth purchasing by persons in a condition to purchase and hold Stock Annuities to advantage, because, by this supposition, every such person has it in his power to purchase, of those who have Stock Annuities to sell, an Annuity to the same amount, for £85, making £15 less.[383] Accordingly, though in respect of the mass of Government Annuities outstanding, and the magnitude of the burthen produced by the obligation of imposing taxes for the payment of those Annuities, things are still circumstanced, after the operation has had its effect, as if the principal of the Debt, amounting before to 360 millions, amounted still to 357 millions, yet, in regard to the quantity of those Annuities capable of affording its proportion of supply during the period ending with the extinction of the whole debt to the quantum of the demand during the same period—in respect of the proportion between the quantity of Stock sending in its proportion to the market, to be given at the market price in exchange for money, and the quantum of money furnishing its proportion to the same market to be given at the same price in exchange for Stock—and thence, in a word, as to its effect with regard to the price of Government Annuities in that shape, it is as if the principal of the debt, [001_149] instead of amounting to the 357 millions, amounted to but 340 millions.

[d] [001_147] I speak of the portion which is in the hands of the Flying Annuitants: what is in the hands of the Hoarders of income upon a small scale is, in regard to the proportion of supply customarily furnished by it to its proper[?] market, upon the same footing as the Stock Annuities to which it succeeds.

In a word, in regard to the raising of the price of Stock Annuities to individual purchasers, the effect of the operation in question, though it amount to no more than the

[382] See p. 000 n. above. [Note to UC ii. 166, this chapter]

[383] See p. 000 n. above. [Note to UC ii. 407, Ch. I]

throwing of the 17 millions worth of Annuities in question into a different set of hands, is the same as if they were vested in the hands of Government (as the produce of the Sinking Funds is) or extinguished altogether.

Such being the effect, next and lastly comes the question, wherein consists the alledged advantage resulting from this effect?

The answer is—in the acceleration thereby given to (period III) the period at which government will have it legally and fairly in its power to bring its Annuitants to consent to make a gratuitous sacrifice of a portion of their respective Annuities to government—to reduce the quantum of its annual debt by the gratuitous consent of these its creditors: since as it is with commodities in general, so is it with the species of commodity called a Government Annuity in particular, the less there is of it to be bought in proportion to the demand, the higher is the price which a purchaser will be content to give for it; or, in other words and *é converso*, the less is the quantity of it which, for a given sum of money, he will be content to take.

But the yielding of this branch of profit, is an advantage not to be reaped till the last of our three periods: this last therefore is the period to which the probable amount of this branch of profit must, in point of order, be referred.[384]

[001_150]

Upon the whole, the effect is produced in [the][385] first period; the advantage derivable from it, in the third.

In the existence of this commodity there are two periods during which the Minister of Finance, the exclusive manufacturer of it, derives an advantage from its bearing as high a price as possible: while he is under the obligation of selling it in fresh quantities, and while he has power in his hands for calling it in: in the first case, because he gets the more money for such fresh parcels as he creates: in the other case, because he gets the more money for such parcels of the already-created mass as he consents to leave

[384] In the margin, Bentham has noted at this point in relation to the two following paragraphs, 'Employ'd?' The paragraphs do not appear in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'.

[385] MS 'this'.

unextinguished.[386]

[001_151]

The reality of this advantage will, at any rate, not appear dubious to those by whom the plan for the sale of the Land-tax was devised: since, as far as this feature of the proposed plan is concerned, it is grounded on the same principle as that wise and well concerted measure.[387]

[001_152]

Among the causes which have contributed to the late extraordinary rise in the price of Stock, must certainly be admitted the plan for the redemption of the Land Tax by means of Stock.[388] Whatever makes a clear addition to the mass of property capable of being given and ready to be given in exchange for any commodity, tends, of course, to raise the price of that commodity in the market. Before this plan was set on foot, present money was the only commodity accepted in exchange for that source of money. In virtue of this plan, another source of future money became capable of being accepted in exchange for the same commodity: so far as the exchange was effected, or generally thought to be about to be effected on these terms, a rise of in the price of the commodity in question was a necessary consequence.

Selling the Land Tax for ready money would not have been productive of the same effect:[389] nor of any beneficial effect. It would have been making an addition to the quantity of sources of future money to be disposed of. It would not have made any addition to the quantity of that mass of property which was capable of being accepted in exchange for the particular source of future money of which, for the purpose of getting the better

---

[386] In the corresponding marginal contents sheet at UC iii. 15 Bentham has marked the contents for the remainder of this discussion for deletion. For a related discussion of the issue in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' see pp. 000–000 below. [To UC ii. 222–6, i. 2, 5–7, 3, 8–9, 4]

[387] For the redemption of the land tax see p. 000 n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time'] At the head of the text sheet (UC i. 152), probably while drafting 'Abstract', Bentham has noted in relation to the following two paragraphs: 'Consult only'.

[388] See p. 000 & n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[389] Bentham has bracketed the remainder of this sentence for deletion, added a question mark, and noted in the margin: 'Quere—is there nothing to counteract this effect?'

price for it in present money, the quantity was wished to be reduced.

[001_153]

The real source of the advantage may be placed in a clear and distinct point of view in the way of illustration, by a comparison between the proposed measure on the one hand, and the recently adopted measure of the Sale of the Land Tax, together with the established practice of issuing Exchequer Bills, on the other. Before the Sale of the Land tax, what made ready money so dear as it was, in other words what made future income so cheap, was, that to obtain the ready money it wanted, Government had nothing to give but the future income which it was in the habit of creating in the shape of Stock Annuities. To lessen the quantity of that future income at market, and thereby raise or keep up the price of it, the Minister had no other recourse than that of buying it up on Government account, an operation the extent of which, for want of the means, was extremely limited. By selling the Land Tax for Government Annuities, Government bought up one species of future income with another, instead of employing so much ready money to buy it up with.

[001_154]

In setting the Land tax to sale, not for ready money but for Stock Annuities, which came to the same thing, Government invented and brought to market a commodity of its own manufacture (a species of annuity secured in a particular way) of a sort that nobody but itself could furnish, and in the several component parts of it particularly well suited to the convenience of individuals belonging to a particular class of customers.[e]

[e] [001_154] It thus comes to the same thing to Government whether it sold the commodity for the article it wanted (viz: ready money) *directly*, or for Stock Annuities (viz: the article it would have had to give for the ready money).[390]

By setting the proposed new Annuities to sale for ready money, and that money to be employ'd in the buying up of the existing Stock Annuities, Government would invent and bring to market another article of its own manufacture, and such as is not to be had any where else (a species of Annuity secured in another particular way) of again another sort that nobody but itself can furnish, viz: a perpetual daily annuity, and that to be had in slices of the smallest magnitude, such as every body who had any money at all would always be able to purchase: an article suited [001_155] to the convenience and demand of every class of purchasers without exception, and even to that of every individual.

It is obvious that an article suited to the demand of every individual can not but be a better article to bring to market—an article from which better profit is to be made, while at the same time the sale of it is more extensive, than an article which is suited to the circumstances of no more than a comparatively small number of customers.

Exchequer Annuities agree with the proposed Note Annuities in this, viz: that they yield a[n] interest; not yearly only, but daily: but they differ from them in two points: viz: that the Annuity is not perpetual, nor is it to be had but in large shares: in shares too large for the pockets of perhaps nine-tenths or nineteen-twentieths, or twenty-nine thirtieths &c., of those who have money to lay out in the purchase of daily interest.[391]

NOTE TO TYPESETTERS: Please begin new page.

[001_170]

§ IV. Financial Advantages particularly regarding the existing War[392]

I. Profit or saving by terms of Loans.

II. D° by rate of interest on Exchequer Bills.

[390] In the margin, Bentham has noted at this point: 'This is because nobody has the same[?] article to sell but Government.'

[391] In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Bentham included in sequence from this point two chapters, namely Chs. VIII. Financial Advantages—Period IV (pp. 000–000 below) and IX. Financial Advantages—Concluding Period (pp. 000–000 below). [UC ii. 204–6 and 207–20] No draft of either chapter intended for the unabbreviated version of the work has been located, and it is unlikely that any such drafts were ever written. For further details see the Editorial Introduction, p. 000 above.

[392] The marginal contents sheet corresponding to this section is at UC iii. 20 (7 July 1800), headed 'Annuity Notes. IV Contents Ch. |^^^| Financial Advantages.' In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Bentham combined this and the following section in a single chapter: see pp. 000–000 below. [To UC ii. 222–6, i. 2, 5–7, 3, 8–9, 4]

I. *Profit or saving by terms of Loans*

I. Profit or saving by terms of Loans: viz: by giving so much smaller a mass of Annuities in a given mode for a given mass of ready money received, in other words, obtaining so much larger a mass of ready money for a given mass of Annuities created and granted, than would have been given otherwise.

In proportion as the portion taken out of the mass of marketable Government Annuities suitable to the demand of the customers for Stock Annuities encreases, in that same proportion (*cæteris paribus*) will the price of those Annuities in the market rise, and thereby so much the larger a sum of ready money will be obtainable for a given mass of Annuity, by Government, or by any other party having money to raise by such means.

The effect of the measure is to take out of the mass of marketable Government Annuities suitable to the demand of the customers for Stock Annuities a mass proportioned to the quantity of Annuity Note paper sold and issued upon the proposed terms. The tendency of it to meliorate the terms of Loans, as well immediately as at all future times, is therefore, in a general point of view, manifest and indisputable. What remains is to assist the conception by bringing to view an estimate in the way of hypothesis of the specific profit by such amelioration, grounded on certain *data* to be assumed for that purpose.

[001_171]

A circumstance that renders this estimate the more instructive, is that for the purpose of estimating the rate and amount of profit under the present and the next head, it will be necessary to include in the estimate an assumption or estimate of the time by which the rise in question will have proceeded so far as to have raised Stock 3 per Cents to par, and thereby brought on the conclusion of our first period, and the commencement of the second.

The level up to which the proposed measure will have raised the price of these Stock Annuities in the course of a given period, such as the first year after the opening of the issue, will depend upon the level at which it finds that price: the level at which it would have stood, had it not been for the proposed measures. An estimate or assumption of this level must, therefore, be included in the estimate of the amount of the branch of profit now before us.

To dive into the regions of probability to any such depth as would be necessary to present a calculation in figures of the precise level at which, independently of the proposed measure, the price of 3 per Cents will stand on the day of making the bargain for the next Loan is a task, of by far too much labour for any practical conclusion that would result from it in respect of the proposed measure.

[001_172]

Observing 64 to be about the present price of 3 per Cent Consols,[393] the Stock usually assumed for the standard, I shall content myself with a simple enumeration of the principal circumstances that, in the present posture of affairs, present themselves in the character of influencing causes tending either to the raising of the price at the future period in question, or to the depressing it, with reference to the present price. Leaving to others, who have better opportunities of information, and more of that readiness of operation which is derived from habit, to investigate and determine the separate effect of these several causes, I shall proceed, for the purpose of illustration and of the subsequent calculation, to assume a price as the probable price of the indeterminate day above brought to view.

Causes of elevation, partly new in kind, partly new no otherwise than in respect of the encreased and continually encreasing quantity of their efficient force, that efficiency partly in a stationary, partly an encreasing, partly a declining state, or even recently spent: and acting partly by reduction of the quantity of Government Annuities capable of furnishing its proportion of [those] brought to market by individuals, partly by augmentation of the quantity of money capable of being brought to market by individuals for the purchase of the Annuities so brought to market as aforesaid.

[001_173]

NOTE TO TYPESETTERS: Please centre the following line of text.

I. Causes operating in diminution of the quantity of marketable Government Annuities.

---

[393] See 'Prices of Stock for the Year 1800', in 'Appendix to the Chronicle', *Annual Register*, vol. xlii (1800), 69–174, at 173, where the price of 3% consolidated stock n the period May to July 1800 inclusive varied between a low of 62 and a high of 65⅜.

1. and 2. The continually encreasing amount of the old Sinking Funds: viz: the annual Million. Customary appendage to d°, viz: the £200,000.[394]

3. The recent formation and expected continuance of the third Appropriated Sinking Fund, constituted by the produce of the Sale of the Land Tax.[395]

4. What may be termed the Unappropriated Sinking Fund, constituted by the continually encreasing amount of the surplus of taxes.

5. The Income tax: which may be considered as a third appropriated Sinking Fund, temporary and proportionably ample, established for the extinction of a certain portion of such mass of Debt as shall have been contracted in each year during the remainder of the present war.

NOTE TO TYPESETTERS: Please centre the following two lines of text.

II. Causes operating by augmentation of the mass of money capable of being bought to market for Government Annuities.

6. The continually encreasing amount of national accumulation, being the surplus of the produce of national industry in each year, after deduction of the amount of the national loss and expenditure of that year.

7. The addition made to the quantity of money (paper and metallic taken together) in circulation, by the emission of the £2 and £1 Bank Notes: the cash, the temporary want of which called them forth, having returned into the circulation upon the removal of the causes which had produced the hoarding of it: the extra quantity of paper money remaining a clear addition to the sum total of money of both kinds.

8. Reduction in the amount of money annually to be raised in the way of loan by the establishment of the annual supply to be produced within the year by the Income Tax and the Convoy Tax.[396]

---

[394] See p. 000 & n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[395] See p. 000 & n. above. [To note to UC iii. 81 'Hints, respecting the form of feeding the *Old* Sinking Fund in *War*-time']

[001_174]

Judging from these indications, my expectation would be that at the time of the next year's Loan three per Cents would (independently of the proposed measure) at the lowest be found at 65: I should rather expect to find them higher: but how many per Cent I will not undertake to say.

Were the war to last 2, 3, 4, or 5 or more years longer, the Income Tax still continuing, I should still rather expect to find Stocks above than under 65 upon an average at the time of such Loan: and this inasmuch as I should scarcely expect to see the effect of the Land-tax-selling plan compleatly expended even in that time.

Taking credit then, in behalf of the proposed Annuity-Note plan, for the whole of the rise above that mark (65) up to par (£100), I do so only [on] account of simplicity of calculation, and for want of any other precise mark to set it at.

[001_175]

Proceeding on the calculation, I make for the purpose of the calculation, the following assumptions—and deduce from them the following results.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

I. Assumptions

1. Day of making the bargain for the next Loan	26 March 1801
2. Amount of money raised by the Loan, as before	£20,500,000
3. Price (that would have been) of the Standard Stock on the said Contract day, independently of the proposed measure	65
4. Day of opening the issue of the Annuity Note paper (the Act having passed at a meeting before Christmas)	1st Jany 1801

[396] The Customs, etc. Act of 1798, also known as the Convoy Act (38 Geo. III, c. 76), required all British merchant ships to sail under the protection of convoys, and imposed new duties on goods imported and exported, and on the tonnage of shipping, in order to defray the costs. On 16 May 1798, before the passage of this act, Rose had estimated that it would raise a total of £1,378,000: see *The Parliamentary Register; or, History of the Proceedings and Debates of the Houses of Lords and Commons*, 12 vols., London, 1797–1802, vi. 156–7. On 28 July 1800, Pitt reported that the produce of the income tax for the year ending 5 April 1800 appeared to be £5,801,624: see *Parliamentary History* (1800–1) xxxv. 491–2.

5. Amount of Annuity Note paper issued and purchased between 1st Jan. 1801 and 1st Jany 1802 . .	10,000,000
6. Whereof by the Customers for permanent income on the small scale	2,500,000
7. By d° for temporary income as afforded by Annuity Note paper continuing in circulation	7,500,000
8. Actual price of Stock on the above contract day, by the rise resulting partly from the actual progress, partly from the expectation of the future progress, of the proposed measure	70
9. Price of Standard Stock on the 26th March 1802, by reason of the proposed measure concurring with the other causes of elevation	85

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

II. Results[397]

1. Medium price of Standard Stocks for the twelvemonth, as above[a]	75
[001_176] Profit by 5 per Cent (the difference between 65 and 70) upon 20½ million, the amount of the Loan contracted for 26 March 1801	£1,025,000

a

	Collateral Results	
		£
	2. Stock bought in at that price with £7,500,000 parcel of the above 10,000,000, being the produce of Annuity Note papers sold	£10,000,000

[397] Bentham changed his mind over the presentation of this table, originally listing four results, before relegating the last three to a note.

	3. D° with the remaining £2,500,000 parcel of d°	3,333,333
	4. Whereof taken out of the market as to the capital thereof, as being, by reason of the price, incapable of meeting the demand of the customers for Stock Annuities, though as to the interest it does no more (fractional interest excepted) than make good the amount of the charge established by the creation of the £10,000,000 of Note Annuities	10,000,000
	Not only taken out of the market, but placed in the hands of Government, constituting a clear addition to the Sinking Fund	3,333,333

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

A° 1802. I. Assumptions

Day of making the bargain for the Loan of this year	26 March 1802
Amount of money raised by the Year's Loan, as before	[£20,500,000][398]
Price (that would have been) of the Standard Stock on the said contract day independently of the proposed measure	65
Amount of Annuity Note paper issued and purchased between the 1st Jan^y^ 1801 and d° 1802	£10,000,000
Whereof by the Customers for permanent income on the small scale (the paper accordingly hoarded for that purpose)	2,500,000
By d° for temporary income, the paper accordingly remaining and forming part of the mass of money of all sorts in circulation	7,500,000
Actual price of Stock on the above contract day (26 March 1802) raised by the causes abovementioned from 85, the price of 1 Jan. 1802, to	90
Price of d° on the 1st Jan.y 1803, by reasons as above	100

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

[398] MS '20,5000,00'.

II Result

Profit by 25 per Cent (the difference between 65 and 90). upon 20½ million, the amount of the Loan contracted for. 26th March 1802	5,012,500

[001_177]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

A° 1803. I. Assumptions.

Day of Loan-Contract	26 March 1803
Amount of money raised by the Year's Loan, as before	20,500,000
Amount of Annuity Note paper issued and purchased between the 1st Jany 1802 and d° 1803	10,000,000
Price (*that would have been*) of Stock on said Contract day, 26 March 1803	65
Actual price of d° on d° day	100
Price of d° on the 1st Jany 1804	100

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

II Result.

Profit by 35 per Cent (difference between 65 and 100) upon 20½ million the amount of Loan contracted for on said 26th March 1803	£7,017,500

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following line of text.

Table of Profit (N° 10)[399] for five years[400]

Year 1801	Profit of this Year 2,005,000	Profit of one year 2,005,000

[399] i.e. the tenth profit enumerated at p. 000 above. [To UC ii. 162, this chapter, § I]

[400] MS orig. 'Recapitulation'.

'Profit (No 10) in War-Supplies so far as concerns Loans.'

1802	Profit of this Year 5,012,500	Profit of two years 7,017,500
1803	Profit of this Year 7,017,500	Profit of three years 14,035,000
1804	Profit of this Year 7,017,500	Profit of four years 21,052,500
1805	Profit of this Year 7,017,500	Profit of five years 28,017,000[b]

[b] N.B. The several amounts abovementioned are not quantities of ready money, but masses of Stock: but inasmuch as, long before the last of these five years, the redemption of Stock Annuities will have commenced in the way of *paying off*, viz: at par, the difference between money and Stock will, therefore, have vanished: since thenceforward every £100 Stock will require £100 in money to redeem it. The profit will consist in the saving the creation of so much Stock: the quantity of money received being the same.

[001_178]

Results serving for the illustration of the amount of a branch of profit already taken credit for in general terms without figures—viz: Profit No 1. Profit on Sale of Annuity Notes.[401]

[001_179]

Profit II[d.] *Profit on Exchequer Notes*

The uncertainties to which these Bills are subject, as well in point of quantity of money borrowed on this footing, and the lengths of time through which the interest has to run, are so great, the addition which of late has been made to that quantity is so sudden and so enormous, owing principally to causes of encrease the force of which is likely to cease as to the greatest part, if not altogether, and the contingencies by which the quantity is liable to be affected are so numerous, and so extensive and powerful as to their influence—in a word, the past, though so well known (in as far at least as concerns the amount of interest paid of late on this score in the several years) is so little capable of affording any correct indications to the future—that the use of whatever can be brought to view under this head is in a manner confined to the affording an aid to the conception: it can scarce be

[401] The passage has been abandoned at this point. In the corresponding marginal contents sheet at UC iii. 20 (7 July 1800) Bentham has noted at this point ‘A skeleton head this—Is it not duplicate[?] or already employd?’ For the profit by sale of Annuity Notes see pp. 000–000 above. [To UC ii. 164–6, this chapter, § I]

considered as capable of affording guidance to the judgment. It is principally, therefore, in the former view that in the following calculation I shall give such figures as result from the foregoing assumptions, applied to the quantities furnished by the documents that have recently been made public on occasion of the Irish Union.[402] The skeleton being thus made out, to substitute the true figures to the assumed ones upon occasion will be the task (if it should be deemed worth while to execute it) of those whose situation affords them the means of making the requisite corrections.[c]

[c] [001_156] It does not follow,[403] it may be said, that because so many men as have 20s. of money to lay out will give for every annuity of £4. 14s. 2d. the sum of £100,[404] they will each of them give the same sum for an annuity of no more than £3 a year, even in the event of their not being able to get it for less. True: it does not follow that they will do so, that is to say at this same time: but it may follow that they will at a future time, the quantity of national wealth accumulated having received an addition in proportion to that length of time. The same period that has produced a mass of hoarded money ready to be employ'd in the purchase of *this* source of income, has produced a proportionable mass ready to be employ'd in the purchase of the several other sources of income.

It is much easier for money that was destined for any of these other sources of income to be turned aside from [them and] poured in to this, than for money that was

[402] i.e. 'Accounts and Papers relative to The Commerce, Revenue, and Expenditure of the Kingdoms of Great Britain and Ireland', in *Commons Sessional Papers of the Eighteenth Century*, cxxx. The Kingdoms of Great Britain and Ireland were unified by parallel Acts of Union of the British and Irish parliaments in 1800 (39 & 40 Geo. III, c. 67 and statute of the Irish Parliament 40 Geo. III, c. 38, respectively), and the union took effect on 1 January 1801.

[403] This note reproduces a related sequence of text at UC i. 156–8, headed 'Period II. Peace and War'. Although not written for the chapter reproduced in the present volume, the marginal contents for the sequence correspond to the substance of a discussion indicated in the marginal content sheet at UC iii. 20 (7 July 1800), for which the text has not been identified, and which reads: '16. The rise in the price of Government Annuities will not take any thing from the quantity of the money that would otherwise be invested in the purchase of them.

'17. For, capital can not be turned into any of the other channels of employment so promptly as into this. It can neither be *made productive* so soon—nor so much as *applied* so soon.

'18. Will the rise of price so much as take any thing from the amount of Annuities purchased?'

Strictly speaking, the passage might more appropriately have appeared in an editorial note, but appears as a Bentham note for ease of presentation and annotation.

[404] i.e. the yearly interest payable on the Loan concluded on 21 February 1800: see p. 000 n. above. [To note to UC ii. 396v, Ch. I]

designed for this to be turned aside and poured in to any of these other sources of income. All these others require time for the application, and care to be bestowed in management: they are suited to such individuals only as can afford to wait, and choose to wait, that time, and possess faculties and exertion suitable to that care: purchase of a government annuity, more especially upon the simple plan of the Note Annuity paper, is an operation that can be performed in an instant, and by every body.

[001_157]

Again, if the price of these Government Annuities is brought up to par, it is because the number of customers desirous of, and quantity of money seeking, such property has been such as hath actually raised the commodity to that price: if the number of customers has brought it up to that price amidst all the temptations presented by the several other sources of income that come in competition with it, it is because the difficulty of obtaining a proportionable mass of income by purchase from these other sources has undergone a proportionable encrease.

Upon the whole, therefore, it does not appear that any rise in the price of Government Annuities in a given period, such as a year, seems likely to reduce the aggregate quantity of money ready to be given for the purchase of Government Annuities: perhaps neither will it so much as reduce the quantity of that income that will be ready to be purchased at the end of that same period.

According to the first proposition, it follows that as, when Stock/Government Annuities were at 63, many[?] yielding 4. 14. 2 per Cent, 26½ millions were ready to be given and were given for Government Annuities at that price, so if, in the course, say, of two years,[405] Government Annuities are at 100, yielding but 3 per cent, 20 and a half will still be ready to be given for that 3 per cent.

[001_158]

According to the second proposition it should follow, that inasmuch [as] when Government Annuities are at 63, many yielding £4. 14$^{s.}$ 2$^{d.}$ per Cent interest, 20½ millions were ready to be given and were given for Government Annuities at that price, so, if in the course of the same period Government Annuities are raised to £100, so as to yield but 3 per Cent, as much money will now be ready to be given for Government Annuities as shall be requisite for the purchase of the same mass of Annuity as at the former period, notwithstanding the great additional sum of money that will be requisite for that purpose. There will remain an effectual demand for still

[405] Bentham has noted in the margin at this point: ‘*Quere* since time must be requisite for the accumulation of the additional quantity of ready money.’

the same quantity of annuity, and an additional sum of money ready to be given for it proportioned to the elevation experienced by the price.[406]

[001_180]

§ V. *Financial Advantages continued—Profit by saving on the Supplies of future Wars*[407]

The profit on the supplies of an assumed future war depends upon what would have been the average rate of interest on the Loans of such future war, supposing the [proposed][408] measure not established.

That rate of course can not but have been much raised, (and perhaps (as it may seem for the moment), the profit by the proposed measure in proportion diminished) by the institution of the Income Tax, which henceforward may be considered as a regularly-recurring War-Tax.

It may seem at first glance that by the permanent elevation thus given to the price of Government Annuities by the measure already established, the profit which otherwise might have been derived from the proposed measure is anticipated and superseded. On a second glance this will be perceived not to be the case. Whatever elevation be given to the future price of Government Annuities by the Income Tax, the amount of elevation produced by the proposed measure will not be lessened: the one elevation will be not taken from, but *stepped*, as it were, upon the other.

NOTE TO TYPESETTERS: Please note the fraction ⅜ (three-eighths) in the following paragraph.

In a given time, the Income tax will have of itself raised the price to par, meaning the par of 3 per Cent: but, standing on the shoulders of the Income tax, the proposed measure may in the same space of time have raised the price of the same article to the par of 2⅜ per

[406] Bentham has repaginated a sequence of text at UC i. 159–62, subheaded ‘Period II. Peace and War’, in continuation of this sequence, but noted at the head of the text: ‘Superseded these sheets: but may be consulted.’

[407] The marginal contents corresponding to this section are at UC iii. 20 (7 July 1800), headed ‘Ch. Adv. Financial V. Future Wars.’, where Bentham has marked all the contents for deletion, although no such indication is given on the text sheets.

[408] MS ‘proposing’.

Cent.

[001_181]

It has been already explained that the necessary effect of the proposed Annuity Note paper is not only, from time to time, to reduce step by step the general rate of interest, on capital laid out in Government Annuities, and thence on other capital for the time, but to prevent it from ever rising above the lowest level to which it has thus been reduced:[409] unless upon the not very probable supposition that the quantity of money raised at any such future period at such reduced rate of interest should have raised the aggregate total mass of Annuity so far above its present unreduced amount, (making allowance too for the quantity of interest—and that upon the lowest of the two rates of interest which will always be subsisting—the receipt of which will be constantly forborne by reason of the paper's remaining in, and forming part of, the mass of money in circulation), as to render the ratio of the supply to the effectual demand for the article in question (Government Annuities) greater than[410] it is at present. For the only effect of the creation of the quantity of Stock Annuities in question, supposed to be created for the purpose of the supply, will be to retard *pro tanto* the conversion of the then existing mass of Annuities yielding the highest of the two then existing rates, into the mass yielding the lowest of the two rates: the first influx serving in the first place to replace the quantity of Government Annuities in the hands of the customers for permanent income that had been extinguished from the time at which that mass had been at its maximum to the then present time; in the next place to supply the intervening encrease of demand produced by the intervening amount of national accumu[001_182]lation; in the third place, when these two branches of demand have been satisfied, and the customers for permanent income have ceased to absorb and hoard Annuity Notes, and so to take it, *pro tanto*, out of the circulation, to make an addition, to the amount of the overplus, to the mass of current money; producing all the several effects, good and bad taken together, of such a supersaturation, as already above delineated.[411]

[409] Bentham has noted in the margin at this point: 'Reference to Ch. *Effects*': see pp. 000–000, 000–000 above. [To UC i. 254, 295–300, 73–86]

[410] Bentham has bracketed the following four words for possible deletion, which would destroy the sense.

[411] Bentham may have had in mind his first draft of Ch. V. Miscellaneous Effects of the Annuity Note Paper at different periods of its existence, which is reproduced in Appendix C, pp. 000–000 below, and in particular pp. 000–000 n. below. [To UC i. 49–56, Appendix C]

NOTE TO TYPESETTERS: Please note the fractions ⅜ (three-eighths) and ¾ (three-quarters) in the following paragraph.

Upon the whole, the conclusion is, that not only during the remainder of the existing war, but in such as are to come, the business, whether of defence or offence, will be to be carried on upon cheaper terms than at present: no more than 3 per Cent, 2⅜ per Cent or 1½ per Cent being paid (instead of the 4¾ per Cent paid on the last sum borrowed)[412] for such ready money as shall come to be raised for that purpose.—Whether the facility thus given to the business of war is a circumstance more likely to redound to the benefit or the detriment of the nation, upon the whole, is a field of common place discussion, in which I leave it to others to expatiate.

[001_183]

It is not the mass of Stock Annuities created for the purpose of such assumed future loan that any depretiation can attack.[413] To illustrate this let us have recourse to another set of assumptions.

Let the fresh demand for money on this score take place at the earliest period conceivable:—so as not to coincide in effect with the case already supposed, viz: that of a continuation of the existing war: a period distant by no more than a single year from the conclusion of the next peace. Let the sum required for the first year's loan be £24 million.[a]

[a] Though that, for the first year's loan of the present war, was but 4½ million.[414]

But this encrease in the supply of Government Annuities does not go near to the meeting of the demand lying in wait for the article at the same at least, if not a considerably higher, price.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please insert the following table without the grid lines. The figures underlined are to indicated that the figures below them are the result of additions.

[412] See p. 000 n. above. [Note to UC ii. 396v , Ch. I]

[413] Bentham has marked the following sentence for deletion.

In the course of the Year of peace there has been taken out of the market in the shape of capital, say:	
By the First and Second appropriated Sinking Funds	7,000,000
By the 3d or Income Tax Sinking Fund	5,000,000
By the unspent force of the 4th or Land Tax Redemption Sinking Fund	4,000,000
By the 5th, the unappropriated or Tax Surplus Sinking Fund	2,000,000
Total withdrawn from the quantity in existence	18,000,000
D° that will come to be withdrawn in the course of the year in which the Loan is made	18,000,000 36,000,000
Annual addition made during the said year of peace to the demand, taken even at no higher than its present rate	24,000,000
D° in the course of the year of renewed war as before	24,000,000 48,000,000
Total amount of the elevation force, or force tending to raise the demand, taking into the account the effect of the diminution of the supply	84,000,000

[001_184]

In this estimate we see a force to the amount of £84 millions of pounds acting in a direction to raise the price, while, by the amount of this fresh war supply, we have but £24 millions of pounds acting in a direction to depress it.

Pursuing the estimate through ever so long a time of years of future war, how long will it not be before the amount of the war supplies necessary for the year should have swollen to such a degree as to raise the rate of interest?

The perversion[?] of so much of the matter of wealth from the purposes of present and future comfort to the purposes of misery and destruction, will not be less to be regretted then that at present: all I contend for, which is the only point here in question, is—that the rate of interest, the price paid for the necessary supply of present money in

---

414 The terms of the first war loan were concluded in March 1793, and involved raising £4.5m at an interest rate of 4.167%: see, for instance, the *General Evening Post*, 26–28 March 1793, p. 1.

future money, will not be raised by it.[415]

NOTE TO TYPESETTER: Pleased begin new page.

[415] In both the margin and the corresponding marginal contents sheet at UC iii. 20 (7 July 1800) the following contents appear at this point, for which there is no text: ‘Allowance to be made for the depretiation of money on the *assumed* terms of future loans.

‘Objection—Rival powers will encrease their national wealth and War-Efforts at the same time.—Answer—Not to equal amount.’

[001_656]

CHAPTER |^|.[416]

Addition to Wealth

At the end of each year, a community is the richer in the proportion between the wealth produced and imported and the wealth consumed and exported in that same year.

As far then as money is concerned, a nation is the richer—not in proportion as the absolute quantity of money—but according to the proportion of the money spent in giving birth to articles of slow consumption (such as ground improvements, buildings and furniture) to the money spent in giving birth to articles of quick or annual consumption such as the costly kinds of meat, drink, apparel and the like.

In this way wealth is capable of receiving a continual encrease without any encrease in the quantity of money, either cash or paper.

In no other way would paper money, or even cash, make any addition to the quantity of national wealth. But when either paper money or cash, i:e: circulating capital, is added, the course it naturally takes is that of making an addition to the mass of fixed or uncirculating capital in the first instance. For it is by hands of the productive class that it is introduced, and for those productive purposes that in the first instance it is employ'd.

When national wealth receives an encrease by means of circulating capital, it is only because, and in so far as, that circulating capital is employd in the first instance in giving birth to an increase of fixed capital.

[001_657] [10 October 1800]

Thus it is, that at the first step, money adds to the mass of real wealth:[417] at the next

[416] This chapter was drafted for 'Circulating Annuities' in October 1800, and corresponds to 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. XI. Advantage by Addition to National Capital, pp. 000–000 below, on which Bentham worked in September 1800. Since Bentham never completed his draft 'Circulating Annuities', it is not possible to ascribe a definitive number to the chapters in the latter part of the work. For further details see the Editorial Introduction, pp. 000–000 above. The text of this chapter corresponds to the marginal contents sheet at UC iii. 27 (15 October 1800), headed 'Annuity Notes. Ch. XI. Addition to Wealth. Brouillon Contents'.

[417] In the corresponding marginal contents sheet at UC iii. 27 (15 October 1800), Bentham has noted at this point: 'See art.[?] 16': see p. 000 below. [To UC i. 662, this chapter]

step, it makes no real [addition] to the mass of national wealth, but only degrades the value of the mass of money of which it forms a part, and produces a rise of prices: producing the sensation of an universal tax to the amount of the rise.

Excepting the comparatively small result of additions made by machinery, for example, to the effect of labour, no addition can be made to the mass of the wealth of the commercial world but by an addition to the quantity of labour. No addition is ever made to the quantity of labour in any place, but by an addition made to the quantity of money in that place: since (excepting the narrow case of forced servitude) no man is or ought to be made to labour without money, nor otherwise than by or for money.

In this point of view then, money, it should seem, is the cause, and the cause *sine qua non,* of labour and general wealth: and in proportion to the quantity of the cause will, therefore, be the quantity of the effect. It should seem, therefore, that no addition can be made to the quantity of wealth at large than by a correspondent addition to the quantity of that particular species of wealth which is in the shape of money.

[001_658] [10 October 1800]

The truth of the matter is—that in regard to any particular species of wealth, no addition can be made (except as excepted) but by an addition to the quantity of money employ’d in giving birth to that particular species of wealth. But an addition may be made to the quantity of money employ’d in giving birth to any particular species of wealth without any addition made to the whole quantity of money taken together.

An addition may, therefore, be made to the quantity of wealth at large, without any addition to the quantity of money, or even of labour, in two ways. 1. by employing a portion of the money in giving birth to productive labour, instead of labour totally unproductive: 2. by employing it in giving birth to productive labour applied to the production of articles of slow consumption, instead of employing it in giving birth to labour applied to the production of articles of quick consumption.

In this way, it may further appear, how it may happen, and how it actually does happen, that the quantity of real wealth in a nation may be encreased by taxes. It is encreased by taxes, in proportion as, by being raised in taxes, and in virtue of the application made of the produce of those taxes, money is withdrawn from those applications of it the effect of which would be to give birth to unproductive labour or to less durably productive labour, and transferred to those applications the effect which is to give birth to productive, or more durably productive, labour.

[001_659] [10 October 1800]

A particular case, *here* supposed but elsewhere and often realized, will help to make these general positions clear.

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please note the fractions $^1/_5$ (one fifth) and $^1/_6$ (one-sixth) in the editorial note to the following paragraph.

Pressed by encreasing weight of taxes, a country gentleman makes a reduction in his establishment. He keeps a couple of Coach or Saddle-Horses the less—a stable-boy the less—a labouring gardener the less: he gives up his pinery, and converts a part of his pleasure ground into arable. He makes a ploughboy of the stable-boy, and a labourer in husbandry of the gardener, and builds a cottage for the Gardener, who marries and takes possession of it accordingly. The expence of these improvements, coming on the back of the encrease of taxes, requires a sum of money in addition to his income: this additional sum he obtains by the sale of a quantity of Stock Annuities he has, for which Stock, by reason of the effect of this part of his in the share of the taxes which has been carried to the Sinking Fund,[418] he obtains a better price by many per Cent than he would have obtained otherwise.

[001_660] [12/13 October 1800]

An influx of money which produces no addition to the mass of wealth not consisting of money, can not but produce a depretiation in the value of money, that is, a rise of prices.

An influx of money which gives birth [to] a proportionable addition[a] to the mass of wealth not consisting in money, can not produce a depretiation in the value of money—can not produce a rise of prices.

[a] Proportionable is—when, as *old* stock is to *old*, so is *new* to *new*.

Money employ'd, i:e: expended in the shape of capital, *does* produce, or at least *ought* to produce, a proportionable addition to the mass of wealth not pecuniary.

Money expended in the way of consumptive expenditure does not produce any

[418] In the margin, Bentham has noted at this point 'Between $^1/_5$ and ⅙'.

addition, or at least does not produce a proportionable addition, to the mass of wealth not pecuniary.

Money is called *circulating capital*: certain Articles of wealth that are not money are called *fixed* capital. It is, therefore, true and not true, that an addition to capital produces rise of prices.

[001_661] [12/13 October 1800]

Money, while it continues in the shape of money, does not itself *constitute* any portion, properly speaking, of the general mass of wealth in use:—not of the mass of wealth other than gold and silver—for it *is* gold and silver; not of gold and silver plate, because, by the supposition, it is not employ'd as plate.

But though it does not *constitute* any portion of the general mass of wealth in use, it does not the less contribute to the keeping up and augmentation of that mass: since it is only in exchange and in return for *money* that, in the general way of dealing, any addition to the mass of wealth valuable *per se* is made.[b]

[b] [001_206]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please centre the following two lines of text.

Compressed hints of the difference between the effect of fixed capital *added*, and circulating capital.[419]

Each Million of guineas, on being put into the hands of an expelled Annuitant, are employ'd by him in making an addition to the National Capital (in all manner of shapes but that of circulating money) by the amount of the labour produced by their first expenditure: but after that one step returning into the mass of circulating capital, they minister to productive or non-productive expenditure, and the addition made in this shape to national capital is at an end.

As to circulating capital, each million's worth of Annuity Note paper put into the hands of purchasers in the room of the guineas they pay for it distributes itself at the

[419] This heading reproduces the corresponding marginal content on the text sheet, which is repeated with a minor variation on the corresponding marginal contents sheet at UC iii. 27 (15 October 1800). There is no note-marker in the text, but the marginal content is numbered '10^{a}'.

first disbursement between productive and unproductive expenditure, in the proportions which the two modes of expenditure bear to one another, and continues so to do—so long as it continues in circulation.

The one addition[420] goes not beyond one step, goes all of it to capital—and is made at the expence of consumption, from which it is taken by taxes; but admits of no such abatement as will be mentioned in the other case from its value.

The other addition[421] takes a number of steps in a year, ministering sometimes to accumulation, sometimes to unproductive consumption—is made at no expence—i: e: taking nothing from consumption: but is continually losing of its value in proportion to what it contributes towards the rise of prices.

It can not but contribute to this effect, to the whole of its amount, except in as far as it finds a counterpoise in an one or other of three results: 1. import of goods, by being itself exported to that amount.—2. encrease of labour, by bringing into employment a quantity of capacity for labour as yet unemploy'd on the part of the existing stock of hands:—3. encrease of labour by import of labouring hands.[422]

A million's worth of dollars received by Government—(from Spain, for example, as the price of Gibraltar or Trinidad) made current by Government, and applied at the first step towards the redemption of the National Debt, would be an example of both additions put together. This, and a great deal more that might be added, is not in Adam Smith—but it belongs not the less to the science so well taught by Adam Smith.[423]

[001_207] [October 1800]

If the application of the new influx of money were confined altogether to the bringing into employment the quantity of capacity for labour as yet unemploy'd, it would contribute nothing to the rise of prices: an influx of fresh goods (the produce of the labour) would be produced by the money, equal to the value of the money, the new stock of goods bearing the same proportion to the new stock of money as the old stock of goods did to the old stock of money, and the proportion as between money and goods, and thence the price of goods and value of money as compared with goods,

---

[420] i.e. 'addition to fixed capital by redemption money'.

[421] i.e. 'addition to circulating capital by Notes issued'.

[422] In the corresponding marginal contents sheet at UC iii. 27 (15 October 1800), the following marginal content appears at this point, for which there is no text: '4. Encrease of effect of labour by skill in machinery and management.'

[423] Bentham has added the marginal subheading 'Abstract' to the text sheets containing the remainder of this note, but the text in question does not appear in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*'.

would remain unchanged.

But in a perfect degree, such supposed restriction never can take place: no considerable addition, therefore, can ever be made to the mass of money, without making a considerable addition to the rise of prices.

In proportion as any addition to the mass of money is attended with an addition to the prices of goods, no addition is made to the mass of real wealth. Thus it is that every addition to the mass of real wealth, that alone excepted which consists in money, is attended with an addition, commonly to still greater amount, to nominal and unreal wealth.

Observe that the equivalent of a sum of money in vendible articles is—not simply the value, but about 3 times the value: because a million of money in the year serves for the transfer of about three times its amount of goods in the year.

[001_208]

Price (nominal price) being the result of the proportion between goods and money, a natural supposition is, that inasmuch as encrease of money makes goods dear, decrease of money would make goods cheap, and that thus whatever inconveniences were produced by the first state of things would be cured and made up for by the second.

Unfortunately, this is not altogether the case. A case may indeed be put, and has perhaps been even realized, in which by decrease of money, goods have become cheap: but so far from curing or making up [for][424] the inconveniences of dearness, such cheapness can never take place without having been attended, or rather preceded, by mischiefs beyond comparison superior to any inconveniences produced by dearness. Take away money, you may make goods cheap: but cheapness in this case is not synonymous to plenty. Though you have emptied the country of half its goods, goods will be cheap, be perhaps at half-price, if you have emptied it of three-fourths of its money.

[001_209]

Particular sorts of goods, such as goods manufactured or manufacturable by machinery, may indeed grow cheaper, without diminution in the quantity of money and therefore without distress: but goods in general never can; and in particular provisions: i:e: those sorts of goods on which subsistence depends much more than on all other sorts of goods put together, and to the production of which machinery can

[424] MS ‘from’.

never be applied with any considerable encrease of effect.

A *fixed* income therefore, so called, is in effect essentially a *decreasing* one: and relief, if the distress admitts any, can no otherwise be administered than by a retardation in the rate of encrease, that is in the augmentation of general wealth and prosperity which is the cause of this decrease.

By taking off taxes, indeed, in as far as this can be done, a certain degree of relief may be administered: but the relief is as nothing to the burthen. The burthen amounts to the reduction of a fixed income to the half or the third of it in the compass of 50 years: whereas the amount of taxes capable of being taken off on the redemption of the Debt,[a] viz: those which go to the payment of it, amount not to a tenth part of the national income.[b]

[a] £20,000,000.[425]

[b] £217,000[,000].[426]

[001_661] [13 October 1800]

The gold and silver that comes annually into the country in consequence of the ballance of trade—what effect has it in regard to the rise of prices? Answer.—It comes in in the shape of capital, being received by Merchants by whom it is employ'd in that capacity. But it is not as yet money: and till then[427]

Circulating capital then makes no addition to wealth—no addition at least that is not productive of rise of prices—any farther than in as far as it gives birth to an addition to fixed capital, and such an addition as would not have been made otherwise.

An addition to fixed or productive capital may be productive of addition to other[428] wealth (as above) without any addition made to circulating capital.

[425] [Annotation to be finalized]

[426] See Beeke, *Observations on the Produce of the Income Tax*, p. 136, where Beeke estimates aggregate national income as £217,500,000.

[427] The sentence is abandoned at this point. The corresponding marginal content reads: 'Gold and silver received in ballance of trade produces—not the effect of money, but the counter-effect of *vendible articles*, so long as uncoined.' In the corresponding marginal contents sheet at UC iii. 27 (15 October 1800), Bentham has added at this point: 'But when cheap[?] as bullion, they flow back into the mass of money.'

[428] MS alt. 'marketable'.

As far, then, as an addition to circulating capital or money makes no proportionable addition to fixed or productive capital nor thence to wealth, so far it does no more than produce a rise of prices.

[001_662] [13 October 1800]

An influx of money must produce a degradation in the value of the old stock—i:e: a rise of prices, in proportion to its suddenness: because in proportion to its suddenness is the smallness of the time allowed for that addition to the mass of wealth not pecuniary which, as far as it goes, would serve as a counterpoise to the other addition, and prevent its *depressive* effect.

If the quantity of money were doubled in the year, the prices of vendible articles in general would be nearly doubled:—[they][429] would be *exactly* doubled, if the addition to money gave birth to no corresponding addition to the quantity of vendible articles: [they fail][430] of being exactly doubled by the amount of the extra mass of vendible articles thus produced by it.[431]

Paper[432] money issued to Prodigals, does not contribute *in toto* to the rise of prices?[433]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please begin new page.

---

[429] MS 'it'.

[430] MS 'it fails'.

[431] Bentham has noted in the text at this point: 'Probably more than doubled: as the price of goods is more than doubled by doubling of the quantity. Quere?' Bentham has noted in the corresponding marginal contents sheet at UC iii. 27 (15 October 1800): 'Addend.—Wealth non-pecuniary is the cause not the effect of pecuniary wealth.

'It is by a change of application, not by an increase of quantity, that pecuniary wealth adds to non-pecuniary.'

[432] In the corresponding marginal contents sheet at UC iii. 27 (15 October 1800), Bentham has noted in relation to this paragraph: 'See art.[?] 3.', i.e. p. 000 above. [To UC i. 657, this chapter]

[433] In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Bentham included in sequence from this point two chapters, namely Chs. XII. Advantage by Addition to Commercial Security, pp. 000–000 below, and XIII. Particular Interests concerned, pp. 000–000 below. [To UC ii. 240–52, 254 and 256–70] No draft of either chapter intended for inclusion in 'Circulating Annuities' has been identified, and it is unlikely that any such drafts were ever written. For further details see the Editorial Introduction, p. 000 above.

[001_010]

CHAPTER |^|.

Rise of Prices—how to be obviated[434]

That in certain events, among the results produced by the proposed measure would be, besides the certain addition that we have seen coming in to fixed and other intrinsically productive capital, would be an addition to that part of the circulating capital which consists in money (paper and cash included)—that such an addition would actually take place in proportion to the amount of the proposed Annuity Note paper issued and retained in the circulation, deducting such portion, if any, of the mass of money (paper and cash together) as should come to be driven out of the circulation by such proposed paper—and that such neat addition so made, whatever might be the *nominal* amount of it (one, ten, twenty, forty millions) would be as real as if made by so much gold and silver coin—are propositions, the truth of which will appear clear enough:[a]—but—[whether][435] any such addition to money would be productive of an addition to the mass of real national wealth, to any such amount—or would be so much as an innocent, not to speak of a beneficial, result—will also appear with but too sufficient evidence. For, instead of an addition to the mass of real wealth, the effect of by far the greater part, if not the whole, of such neat addition to the money part of capital, would be the degradation of its own value as well as that of the mass into which it flowed—in other words, *a rise of prices*.[b]

[a] [001_013] [18 August/1 September 1800]

At the time that *Yorkshire* had a paper currency as low as sixpences, a house was built that cost £100, labour as well as materials paid for entirely in these sixpences:—the house built, the issuers of this paper absconded, not paying a farthing in the pound. The paper thus lost the whole of its value: but the house did not tumble down, nor did it become of less value than if it had been paid for in gold and silver. The difference

[434] This chapter corresponds to ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’ Ch. XIV. Rise of Prices—how to Obviate, pp. 000–000 below. It appears that in drafting the chapter Bentham was uncertain whether he intended the draft for the unabbreviated version of the work or for his Abstract of it, but at the same time was drafting another version specifically for inclusion in the latter at UC ii. 271–83, which is reproduced in the present volume at pp. 000–000 below. For further details see the Editorial Introduction, pp. 000–000 above. The marginal contents sheet for this chapter is at UC iii. 58 (19 October 1800), headed ‘Annuity Notes. Rise of Prices Contents’.

[435] MS ‘that’.

is—that had it been paid for in gold and silver, the *gold and silver*, so long as there was any of it left in the country, would have remained ready to have built *other* houses: whereas, in the case of the *paper*, so soon as it had built that *one* house, there was an end of it.

For twenty years together, a certain Bank, having for capital £100,000 worth of gold, kept circulating that gold, and by the help of it another £100,000 of paper, promising on demand, to the Bearer, so much gold. At the end of the twenty years, gold to the amount of this £100,000 was shipped by the Bank and lost: the Bank thereupon broke, and, paying nothing in the pound, its paper would not go for any thing.—The addition made in the 20 years to the mass of National Wealth by the paper was here, it is evident, equal to the addition made by the gold.

The only advantage the gold possessed in all that time over the paper, was—that, if gold plate had been wanted during that time, and had not been obtainable by any other means with equal advantage, coined *gold* would have been capable of being melted and thereby converted into *plate*: which is what the paper would not have been capable of. This might amount to a *real* advantage, in a conceivable state of things:—but what does it amount to in the actual state of things?

[001_014] [11 September 1800]

The addition made to that mass by a nominal £100 worth of the most degraded paper—by the French Assignats for example[436]—by a paper which indeed, in not being received on a footing with the smallest portion of gold and silver—was, so long as it continued to be received on a footing with a sixpenny piece of silver, as real an addition to the mass of circulating capital as would have been made by an additional

[436] Introduced by the revolutionary government in December 1789 in order to meet its immediate debts, assignats were originally treasury bonds, bearing 5% interest, and secured on recently confiscated church lands. Within one year the National Assembly had on the one hand decreed that assignats constituted legal currency, exchangeable for specie at par, and, on the other, trebled the quantity issued, from 400 million livres to 1,200 million livres. See D.M.G. Sutherland, *The French Revolution and Empire: The Quest for a Civic Order*, Oxford, 2003, pp. 85–6. Further large-scale issues produced a rapid decline in the value of the currency, which was worth a mere 24% of its face value by December 1794, by which time severe price inflation and food riots had occurred in Paris: see D. Woronoff, *La République bourgeoise de Thermidor à Brumaire, 1794–1799*, Paris, 1972, p. 19. The currency was abolished early in 1796, and replaced by mandats territoriaux in March 1796 at a rate of thirty assignats to one mandat. The mandats were also secured on land confiscated during the revolution, but faced similar problems and depreciated rapidly. In February 1797 mandats ceased to be legal tender. See F. Aftalion, *The French Revolution: An Economic Interpretation*, Cambridge, 1990, pp. 173–7.

sixpenny piece.

[b] [001_015] [19 October 1800]

Language,[437] so frequently the source of delusion, had exercised its delusive power, I must confess, in my own instance. *Capital* (said I to myself) *is the source of wealth. Money is capital: for it is circulating capital. Every addition to the mass of money is, therefore, an addition to the mass of wealth. Four hundred millions is the amount of the addition that will be made to the mass of national capital, sooner or later, by the redemption of the National Debt. If five-and-twenty millions be the amount of the Annuity Note paper coming into and remaining in circulation, and the quantity of this money, cash and paper together, be not diminished, this makes another addition to that amount to the mass of national capital: together, four hundred and twenty-five millions*.

On a closer scrutiny, I perceived at length that nothing could be more different in respect of the effect on the amount of the mass of national wealth than the addition to capital at large by money paid to the public creditors in redemption of National Debt, and the addition, to that part of the circulating capital of the country which consists of money, by Annuity Note paper issued and retained in the circulation. The former addition, the addition in money, bore the test of examination:—the latter addition—the addition in paper, in great measure vanished:—not because it was in paper—for had it been in cash it would have vanished in equal proportion—but because made in circumstances which would not admitt of its being productive of a correspondent addition to the mass of real wealth—to the mass of vendible commodities.

[001_016] [19 October 1800]

Another source of illusion was—the intimacy of the connection between wealth, labour, and money in the chain of causes and effects. No wealth but from labour:—no labour worth regarding, in this point of view, but from money. What is it that calls capacity of labour into act but money? What is it that works stand still for, but money?—what is it that sets them a-going again, but money? What is it that sets fresh works a-going, but fresh money?—That there are improvements going on to the amount we see, is because there is so much money:—that we see no more improvements going on than we see, is because we have no more money than what we have. What conclusion then more natural—or to an exterior view more irrefragable,

[437] No content corresponding to this note appears in the corresponding marginal contents sheet at UC iii. 58 (19 October 1800).

than that—so far at least as augmentation of wealth is concerned—money is that thing of which there can not be too much.

All this, however, is but illusion. Quantity of wealth in a country—quantity of real wealth, depends—not on the *quantity* of money, but on the *application* of it. To what quarter soever money is seen to be applied in a fresh stream, or in an encreasing quantity, *there* indeed it is seen to abound: but if by such abundance a clear addition to the mass of national wealth is really produced, it is not by reason of any addition to the absolute quantity of money in the country, but by reason of an addition to the quantity of which an application operating in addition to the mass of real wealth is thus made.

[001_011] [19 October 1800]

To avoid loading with theoretical disquisitions a proposal thus practical in its design, and swelling it to an immeasurable bulk, I will content myself on the present occasion with stating the result in question as *hypothetical*: reserving the proof of it, if necessary, for some other place.

Stating it thus in the way of admission and confession (for doubtless the proposal would have stood much clearer of difficulty and objection, had no such result been to be apprehended), I will proceed at once to state the course of proceeding by which all danger on this score may be kept from converting itself into the apprehended inconvenience.

In the mean time, the notions generally current on the subject, though (I am inclined to suspect) neither perfectly clear, nor correct, nor even consistent with themselves, extend thus far at least as to present the proposition in question in a point of view not unfavourable to acceptance, viz: that too sudden an influx of money of any kind may do more harm than good—more harm by addition to prices than good by addition to the mass of wealth.

[001_012] [19 October 1800]

What renders the topic of peculiar importance is that the rise of prices has grown to be the peculiar grievance of the period of time at which the last hand comes to be put to the present papers: and though this pressure has evidently for its cause, in part at least, the succession of an indifferent season to a bad one, a cause which, of course, is hoped and expected to be but a temporary one, yet in other part also it would be found to result from the influx of money and from other causes of inconvenience from which the indisputable encrease of general prosperity can not be kept altogether clear by the utmost exertions of human prudence.

Assuming then, that things are come to such a pass that a rise of prices to a degree beyond what would otherwise have taken place appears about to take place unless prevented, in consequence of the operation of this paper, I shall proceed directly to enquire by what necessary and proper and sufficient means provision may be made to that end.

[001_649] [15 October 1800.]

Labour, operating upon land and the produce of land, is the source and only source of wealth. No addition therefore—no real addition—can ever be made to the mass of wealth, but through the medium of a correspondent[c] addition to either to the *quantity*, or to the *efficiency* of labour.[438]

[001_650] [17 October 1800]

[c] By a *corresponding* addition to the mass of vendible articles I understand such an addition, whatever that be, as shall do as much towards lowering or keeping down the price of such articles as the supposed addition of money does towards raising them. This I suppose to be—not an *equal* addition, but a *proportionable* one: i:e: an addition in vendible articles which shall be in the same proportion to the standard mass of vendible articles as the addition in money bears to the standard mass of money. It has been stated in another place,[a] that the mass of circulating money may be considered as being about a third part of the mass of income. What precise proportion the mass of vendible commodities bought and sold within the year may bear to the total of income received in the compass of the year is a point which it does not appear very easy to ascertain. If they be regarded as equal, the error does not seem likely to be very great. On these suppositions, the addition in vendible commodities corresponding to an addition in money to the amount of a million, will be—not one million's-worth, but three million's-worth.

[a] Ch. |^^^|.[439]

[001_649]

[438] In the margin Bentham noted an intention to provide notes on 'quantity' and 'efficiency', but no such notes have been located.

[439] Bentham had in fact made this point in his first draft of the work: see Appendix A, p. 000 below. [To UC i. 428]

Taking the commercial world together, no real addition can be made within a given compass of time—say a year—to the quantity of wealth of the commercial world but by a correspondent addition to the quantity or efficiency of labour. To the quantity of labour no addition can be made in the year, but in so far as there exists in the world a quantity of *capacity* in regard to labour, as yet unemploy'd, but capable of being within the year employ'd and brought into *act*.

In the case of a particular country, Great Britain for example, the enriching powers of money have a less restricted range. Within the given compass of a year it may add to wealth not only by adding to the quantity or efficiency of labour on the part of the existing stock of hands, but also by adding to the stock of labouring hands or of wealth ready produced, by imports made from foreign parts.

[001_651] [17 October 1800]

Taking into account both these extensions, it has still its limits: so that notwithstanding all possible extensions it may be pronounced—that whatever addition made to the mass of money in the compass of the year is not attended in the same compass of time with a *correspondent* addition to the mass of vendible commodities within the country by means of a *correspondent* addition either to the mass of those commodities produced in the country, whether by native or imported hands, or to the mass of those commodities imported from foreign parts within the time, can make no further real addition to the mass of wealth—can make no other addition than a nominal one—can not do otherwise than produce a correspondent rise of prices.

[001_652]

During a given period—say, as before, a year—the price of vendible commodities of all sorts is determined by the proportion of the mass of vendible commodities of all sorts to the mass of money of all sorts. Let the quantity of money be doubled, the quantity of vendible commodities remaining the same, the price of vendible commodities of all sorts taken together is made twice as great at least, and perhaps much more. In what greater proportion, if any, is a point by no means easy to investigate.

[001_653]

If all incomes could be raised in the exact proportion of the rise of prices and at the same times, the rise of prices would not be attended with any positive inconvenience: so much only of the effect of the fresh influx of money as was productive of this result, so much would be to be deducted from the accession to real wealth. The misfortune is that it is in but a very imperfect degree that this supposition can be ever realized. Incomes from salary remain without encrease.[440] Incomes from salary can not be raised but by an express act, unpopular in its nature, and never obtainable till long after the demand, on the part of Government. Incomes from rent of lands and houses must wait for their encrease at any rate till the expiration of whatever leases the property happens to be burthened with. Incomes from interest of money lent, so far from encrease, are exposed to decrease from the operation of the same causes. Incomes from trade, i:e: from labour combined with profit of Stock, are subject in this respect to an infinity of variations and contingencies. Incomes from profession are sometimes free to rise to the new level, but more frequently, perhaps, chained[?] down by the fixity of the pieces of coin or masses of money customarily given in the way of fees. By a fortunate position it may happen that a man shall be enabled to derive a positive profit over and above an indemnity from the loss: but in by far the more common instances this can not be done, and the difference remains as a burthen in the nature of a tax on income, but beyond comparison heavier than any that has been or can be imposed by government.

[001_654]

There are three cases, and but three, in which a given mass of money of the supposed fresh influx, say Annuity Note paper, will not be productive of any rise of prices:

1. If, within the same compass of time, it comes to be productive of a correspondent mass of vendible articles—whether by addition to the quantity of labour or to the efficiency of it.

2. If, within the same time, it has the effect of expelling out of the circulation other paper money to an equal amount.

3. If, within the same time, it has the effect of expelling out of the circulation cash to the same amount, whether by causing it to remain unemploy'd, or to be melted (viz: for conversion into bullion or plate) or exported.

Exclude all these suppositions, the influx in question makes a clear unballanced addition to the mass of money in circulation:—admitt any one of them, it fails of doing so.

---

[440] Bentham had in mind the salaries of public servants.

[001_655]

As to its expelling other paper, to the extent of its own quantity, which may swell to the amount of that of the existing mass of other paper and beyond—that the result of such a substitution would be of a beneficial nature to the community at large, is shown in Chapters XI[441] and XV:[442]—that it is a material consequence of the extension of the proposed paper, is shewn in Ch. XV: and that, should it not take place of itself, it is such as may with little hardship and no injury, be brought about by positive law, is shown also in the last-mentioned chapter.

[001_017]

As to expelling cash—the word (which is used for shortness mainly) points to *violence* and thence to damage. But in the result itself, supposing it to take place,[443] there would be nothing that was otherwise than advantageous. If in any degree it expelled cash it could only be in as far as it was preferred to cash. If it expelled cash altogether it could only be by being regarded by every body as preferable to cash. But to say that it is preferred by every body to cash is to say, in other words, that it is of greater value than so much cash: the difference between the one value and the other would be so much profit created by the proposed paper. What is thus true of the whole community taken together, that is of all its members taken collectively, could not have been otherwise than true of each of them taken separately. Coercion being altogether out of the question, not a man of them would have parted with his share without obtaining for it in exchange something that, at least with reference to his own interests or at least conceptions, was of superior value. The damage to the community by such expulsion would be no greater than the damage done to a Baker by the expulsion that takes place every day as he sells off his bread—the

---

[441] Bentham's reference is to the Chapter 'Addition to Wealth' in the present volume, pp. 000–000 above, which corresponds to 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', Ch. XI. Advantage by addition to National Capital, pp. 000–000 below.

[442] That Bentham had in mind an intended chapter 'Particular Interests concerned' is clear from his clarification in the corresponding marginal contents sheet at UC iii. 58. It appears that Bentham only decided to include such a chapter in the autumn of 1800, when his focus had shifted to completing 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', and no draft intended for 'Circulating Annuities' has been located. In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' the chapter appears as Ch. XIII. The same applies to almost immediate second reference to 'Ch. XV'.

[443] In the marginal content corresponding to this paragraph on the text sheet at UC i. 17, i.e. 'It would do no harm if it expelled cash'. Bentham added, then crossed out, 'but it is not probable'.

expulsion of bread out of his shop. The cause would be the same, and so would the effect.

[001_018]

By the expulsion of the whole five-and-forty million's worth of cash, were it possible, not a particle would be taken from the mass of real, *serviceable* national wealth; on the contrary, *more* than the whole five-and-forty million's worth, with a profit to boot, would be added to that mass:—the five-and-forty millions, *plus* the 15 per Cent, or whatever may be the rate of profit on mercantile transactions in this instance.

Cash, while it remains in the form of cash—metallic money [no][444] more than the paper money which conveys the promise of it—is not of the smallest value in the way of *use*. What value it retains consists merely of value in the way of exchange: in respect of which value it is not merely equalled but, by the supposition, even exceeded by the paper which has expelled it and taken its place. By being melted into bullion, and thence made into plate, it regains, it is true, that value in the way of use to which alone it is indebted for its value in the way of exchange, but then it is no longer in the shape of cash.

[001_026] [19 October 1800]

By the addition thus made to the mass of vendible commodities,[445] the mass of money remaining without corresponding encrease, the mass of vendible commodities taken together it may appear (considering the matter in this point of view) should be made cheaper.

But the effect of the addition thus made to the mass of vendible commodities by bullion is different from the effect produced by the addition of any other sort of article: for, bullion being convertible into money in the literal sense, and without exchange, an encrease in the quantity of bullion can scarcely take place to any considerable amount without producing a correspondent addition to the mass of money. Bullion, like any other article, is subject to the depretiation resulting from a glut. When, therefore, the supposed fresh influx of bullion has met with all the custom that can be afforded to it by the demand for plate—i:e: by that quantity of demand which the quantity of wealth of other kinds is adequate to the production of—a demand for that additional quantity which the

---

[444] MS 'any'.

[445] Bentham appears to have been undecided as to whether this and the folowing five paragraphs ('By the addition .^.^. in any degree.') should be presented as a note.

circumstances of the inhabitants of the country taken together put them in a condition to *afford*, and wherever it can not with a certain degree of profit be sent out of the country for the purchase of other goods, it must seek some other employment, or be kept to a loss.

[001_027]

But bullion, being the material of which metallic money consists, has a means of employment which no other vendible article possesses and which, under any degree of glut, secures it against being disposed of to a loss beyond a certain mark. For by the regulation of the public Mint, he who is in possession of a certain quantity of bullion has it always at his command to obtain for it a certain quantity of coined money: [446] it is thus an article, and the only article, the owner of which can at all times, and in any quantity and at a known price, command the sale. Therefore, though bullion itself can not be forced upon people as cash may, nor are people in general disposed to accept of it as cash, it is, however[?], that sort of thing the possessor of which to a sufficient amount can never be long in want of any thing that can be had for cash: since by carrying it to the mint he can at any time convert it into the corresponding quantity of cash.

When, therefore, the stock of bullion in the market happens to be so great that a man who wants to sell his bullion can not find a purchaser for it among individuals—can not get cash for it from an individual to superior or equal advantage—he takes it to the Mint, where in a certain regulated proportion he has it always in his power to get cash for it.

[001_028] [19 October 1800]

In this way it is that an answer may be found to a question for which I have in vain endeavoured to find an answer in Adam Smith and other books—in what mode is it—under what circumstances, and by the operation of what causes—and in what quantities and proportions—is it that coined money, in fresh and fresh quantities, finds its way into the world. In this way it is, that a certain *ratio* or proportion will always be found

---

[446] The value of the guinea had been set at 21s. in 1717 by proclamation of George I: see *A Proclamation, Declaring the Rates at which Gold shall be Current in Payments*, 22 December 1717. As 44½ guineas were to be cut out of each pound troy of gold, this made the official price of bullion at the Mint £3 17s. 10½d. per troy ounce: see, for instance, Joseph Harris, *An Essay upon Money and Coins. Part II. Wherein is shewed, That the established Standard of Money should not be violated or altered, under any pretence whatsoever*, London, 1758, p. 54; Sir James Steuart, *An Inquiry into the Principles of Political Oeconomy: being an essay on the science of Domestic Policy in Free Nations*, 2 vols., London, 1767, i. 559.

subsisting in a country, between the quantity of vendible commodities exclusive of bullion—the quantity of bullion—and the quantity of coined money, or at least the quantity of money. In this way it is, that a glut of bullion will always have a tendency at least to produce an encrease in the quantity of money, of all sorts taken together, though a glut of any other sort of vendible commodity will not have that tendency in any degree.

[001_029]

In practice, though the addition to the stock of money in the course of the present reign has been so great, and though the quantity of bullion that has from time to time been experiencing the sort of glut above spoken of must accordingly have been so great, as also the number of individuals by whom it has been experienced, yet in practice it has not been by individuals that the influx of money into the Mint has in general been supplied, but by the Bank of England. The reason is—that by reason of certain circumstances particular to the situation of that great and opulent company, it is enabled to make purchases of bullion to advantage at a certain price, in circumstances in which individuals in general would not be able to make such purchases to equal advantage at that price. And thus it is, that although it can not have been but by and through the hands of individuals that those additions have from time to time been supplied—yet the supply has passed from the hands of the individual not immediately, but through the medium of the Bank.

By being expelled out of the circulation of this particular country, the cash is not driven out of the world: it remains in the shape of bullion or plate somewhere, and wherever it remains it regains its value in the way of use, leaving its value in the way of exchange replaced, and with encrease, by the paper which has expelled it. If it remains unexported, then there is so much more bullion and plate in the country in consequence of the proposed measure than there [001_019] would have been without it: if it goes out of the country, any part of it, so much the better still: for it is not—can not—be sent out of the country, but in exchange for other things, which in the country into which they are thus imported are of still superior value.[d]

[d] That gold and silver are articles of transcendent value, is not to be disputed:—that *in all ordinary cases* by means of a certain quantity of them you can have a proportionable quantity of any thing else at pleasure, which is what can not be said of any other sort of thing—is not less indisputable: it is to this universal exchangeability and to the physical properties for which they are indebted to it that gold and silver owe a no small part of their of their value. But still their value, how transcendent soever,

has its limits: and to say that a guinea's worth of *gold* is worth a farthing more than a guinea's worth of *dung* would be, in *political economy*, as flagrant an absurdity, as in *physics* it would be to say that a pound of lead was heavier than a pound of feathers:—in both it would be a contradiction in terms.

[001_020]

Though two millions' worth of gold and silver is not worth a farthing more than two millions' worth of any thing else, no imputation results from hence on the exultation testified by public men at observing in how [large] a degree what is called the balance of trade is in favour of this country. Gold and Silver, though they do not constitute a larger share of wealth in general than a mass of other articles to the same value, serve as an index of the magnitude of the mass of general wealth: so that where we find the import of gold and silver for a length of time on the encrease, we may be sure enough that the mass of wealth of all kinds taken together is also on the encrease. Wealth of other kinds creates at the same time a demand for gold and silver and the means of satisfying it. As a nation gets rich in other things, it will naturally and invariably get rich in gold and silver. Of this or that individual this may be more or less true, according to his individual tastes and fancies:—but of a nation it will be invariably so. As a man's stock of general wealth encreases, he naturally finds himself disposed to add to the quantity of gold and silver utensils that entered into the composition of his stock. In no other shape can he make a more eligible addition to it: in no other article are the qualities of beauty, utility and durability to be found united in a higher degree. Seduced by the pride of discovery, Adam Smith, by taking his words from the kitchen, throws an ill grounded ridicule on the preference given to gold and silver, as if it were the smallness of their quantity that was the sole or chief cause of that preference.[447] He forgets that there is scarce a use to which either copper, tin or lead are employ'd at present, to which gold or silver could not be applied, were there but enough of them, and in most cases with vast advantage.

[001_021]

---

[447] See Smith, *Wealth of Nations* (*Glasgow Edition*), (Bk. IV, Ch. I) i. 439–40: 'We do not, however, reckon that trade disadvantageous which consists in the exchange of the hardware of England for the wines of France; and yet hardware is a very durable commodity, and was it not for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. .^.^. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be remembered, as much as the furniture of the kitchen. Increase the use for them .^.^. and you will infallibly increase the quantity; but if you attempt, by extraordinary means, to increase the quantity, you will as infallibly diminish the use and even the quantity too, which in those metals can never be greater than what the use requires.'

Thus much however must be confessed, that supposing the encrease of general wealth to be clearly ascertained and as clearly held up to view by other means, the ballance of trade is a matter of the most perfect insignificance. To suppose that the trade of that nation which exports more gold and silver than it imports is a *losing* trade, or that [there] ever was or can be such a thing as a losing trade, is to fall into the absurdity—the contradiction in terms—above held up to view. One nation may gain more by its trade than another, because in exchange of a given quantity of its own labour it may obtain the produce of a greater quantity of the labour of another: but to suppose [that to][448] either side the trade can be any other than a gainful one, is to suppose what is impossible. If the millions of silver which Spain exports to England costs less labour than the goods she receives from thence in return, England is, it is true, a gainer by the exchange, but Spain is a still greater.

[001_022]

In the way of objection, a case may be started as a possible one (for the probability of it will not be easily made out by the assignment of any specific adequate causes), that a sudden demand for cash may come to present itself, which the paper that had taken the place of cash would not be able to satisfy. Five million's worth of cash is wanted—what is to be done if not so much as a single million's worth is to be found?

Wanted—by whom, and for what purpose, and in case of non-supply of what kind and to what amount will be the damage? to all these questions, were it necessary, wou'd answer be to be given, for the objection to stand its ground: but an observation or two will be enough to save that trouble. By the expulsion of the cash from the circulation, the quantity of Bullion and plate in the country is not diminished, but rather encreased, and Bullion and plate are the very materials, and the only materials, of which cash is made—and made in very large quantities in a short time. But, by the supposition, the proposed paper has all along been preferred to cash on all occasions—as well in payment for bullion and plate, as in payment for every thing else: and of the proposed paper there neither is, nor can be any want. Therefore, although the whole quantity of cash in the country should be driven out of the circulation by the proposed paper, yet, by such expulsion, any inconvenience that could be supposed to take place for want of cash would, so far from

[448] MS 'than'.

being augmented, be obviated and averted.[449]

[001_023]

If, then, the whole amount of the cash in circulation were to be expelled out of it by the proposed paper, it would only be so much the better: and the greater the degree in which any such effect took place, the greater would be the advantage. In what degree it would actually take place, it does not seem possible to determine: but that, in spite of every thing which could be done by, or desired in this way on the part of, the proposed paper, a large proportion of the cash in circulation would remain unexpelled, will be evident enough.

1. An encrease in the quantity of paper itself could not be kept up but by the medium of cash:—of the cash requisite to be paid for it by those who take it out in the way of issue.

2. Cash is the form in which the interest on the capital of the proposed paper would be to be paid and received, in so far as such interest is demanded of the public Offices. Paper, it is true, *might*, and probably, it should seem, *would*, be taken in payment of such interest at those very Offices, in a certain quantity, and that probably enough not an inconsiderable one. But the proportion is matter of contingency, depending upon public taste and humour, and other causes equally out of the reach of calculation. In the eyes of the multitude more especially, *Metal*—the original—is more flattering to sense than *paper*—the substitute: and in the former instance the association between money, the type, and wealth of all kinds, the thing typified, is closer, than in the latter.

[001_024]

Whatever be the value set upon the paper, the value of cash can never be taken away. So long as the paper is to be had in any quantity for a quantity of cash of the same nominal value, that is during the continuance of the first issue, the cash can never obtain any considerable preference, it can never obtain a preference beyond that which would be given by the trouble and time consumed in one case, saved in the other—the trouble of putting a letter for London into the post, and the time of waiting for an answer.

If, from and after the opening of the second issue, the paper of the first issue should

[449] In the corresponding marginal contents sheet at UC iii. 58, Bentham has noted at this point: ‘Though it would not stay long in the shape of bullion, it would come in in the shape of cash, if it found no demand elsewhere.’

come to bear a premium, still the maximum of that premium would have *known*, and those not very ample, *limits*:[450] and a nominal thousand pounds' worth of cash would as surely be worth a thousand pound without the premium, as the nominal thousand pounds' worth of the paper would be worth the thousand pound and the premium put together.

Cash, and cash alone, is the subject matter of all existing pecuniary Contracts: cash and cash alone, unless by virtue of a conceivable special stipulation in favour of the proposed paper, would continue to be the subject matter of all future pecuniary contracts. Except as just excepted, every man who owes a thousand pounds will have it in his power to acquit himself of the debt, with or without the consent of the Creditor, by payment or tender of a thousand-worth's of cash: no man will have it in his power to acquit himself of any such debt, without the consent of the creditor, by the payment of a thousand pound's worth, or any other quantity, however so great, of the proposed paper.[451]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please insert a short rule, centred.

[003_ 058]

12. Preventive Measures

If it neither expells cash nor paper to an amount equal to its own, paper to that amount should either be expelled by measures taken on purpose, or the quantity of this paper in circulation should be restrained.—Course to be taken for this purpose.

Remedies proposed in the order in which they would come to be applied.

[450] i.e. the difference between the rate if interest on the first and second issues.

[451] The corresponding marginal contents sheet at UC iii. 58 continues with eight marginal contents referring to six pages of text. Corresponding text has been located for only one of these contents, which indicates a note to be inserted. In the absence of almost all the text, the marginal contents themselves are reproduced between two short rules, with the text of the note inserted in place of the content describing it. Strictly speaking, the contents might have been more appropriately presented as an editorial note, but for ease of presentation they are presented as text.

13. 1. The tax on Country Bankers paper to be encreased in a prohibitive view.[452]

13.[e] This would be no more than pursuing a track already opened.

[e] [002_277] By the tax recently imposed on Country Banker's paper, Government has already taken to itself a share in the profit on that paper.[453] In so far as Banker's paper came to be extruded by the proposed government paper, this comparatively minute profit would fall, of course, to be deducted from the sum total of profits promised by the proposed measure.

By the first return, the produce of this tax amounted to about £10,000.[454] This being, as it should seem, for one quarter, the profit for the year would at that rate be about £40,000. If the case be, that in the first instance the tax had been evaded in any degree, by the stopping up of the loop-holes a source of improvement and profit and addition will be considered as remaining open to that amount, and the thus assumed amount of £40,000 will in proportion be too small. On the other hand, supposing the tax to have been productive in any degree of the effect of a prohibition—in other words to have operated in any degree in diminution of the amount of the paper in question, the assumed amount of £40,000 a year will in proportion be too large.

[003_058]

14. 2. *Bank Notes* to be no longer received at the Government Offices.

15.—3. if that be not enough, taxed or prohibited.

16. If that be not yet enough, so that not only cash is expelled, but the amount of the

[452] The tax in question was introduced by the Stamps Act of 1799 (39 Geo. III, c. 107, §§ 1–2), which imposed duties of 2d. on promissory notes for £1 or £1 1s., and ½d. on notes for 5s., which duties were doubled insofar as such notes were payable elsewhere than the place where issued. By § 3 of the Act, the Bank of England was exempted from its provisions.

[453] Bentham re-used and abridged this folio, deleting the second paragraph and supplying a one sentence précis and sub-footnote in its stead, for inclusion in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', p. 000 n. below.

[454] See 'An Account of the Income of, and charges upon, the Consolidated Fund, in one year, from April 1799 to April 1800', in *Commons Papers of the Eighteenth Century*, cxxix. 469–85, at 480, where the produce of the duty for the quarter ending on 5 January 1800 was recorded as £9,821 18s. Bentham provided an exact figure and fuller reference in the corresponding chapter of 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Bentham see p. 000 n. below.

proposed paper swells beyond the amount of all other money expelled (paper and cash together) the quantity of this paper in circulation will itself be to be checked.

17.—viz: by no longer issuing Annuity Notes below a certain magnitude.

18. This would be better than stopping the issue altogether (which could not be done without a previous modification of the plan) and would to the present purpose be productive of the same effect.

19. Reference to Ch. IV. (*Grounds* &c.) for proof that the quantity of paper in *circulation* might be limited in any degree by this means.[455]

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please insert a line of space followed by a short rule centred and another line of space.

[001_036] [17 October 1800]

In proposing the quantity of money of all sorts already in circulation as the standard of reference in respect of the quantity to be suffered to exist after and in consequence of the introduction of the proposed paper, I would not be understood to mark out for prohibition that degree of extension which the mass in question would have received in the natural course of things, and laying out of the case the degree of extension that, unless prevented in the manner proposed, might have resulted from the particular operation of the proposed measure. The proper object of endeavour is—not absolutely to prevent all rise of prices—since to prevent that might be to prevent that encrease of opulence and consequent national security of which, in a certain degree, the rise of prices seems to be an inseparable accompaniment: but only that degree of rise, which had it not been for the preventive caution in question, might have had the proposed measure for its sole efficient cause.[f]

[455] No such discussion appears in the chapter to which Bentham refers as drafted for either ‘Circulating Annuities’, pp. 000–000 above, [To UC ii. 541–77, 579, 578, 581, 580, 582–4, 156–7, 585] or in the corresponding chapter of ‘Abstract or Compressed View of a Tract intituled *Circulating Annuities*’ as partially printed in 1800, pp. 000–000 below, or in Bentham’s manuscript draft thereof at UC ii. 84–92]

[f] [001_025]

In the main, the positions contained in these papers will be found accordant with the doctrine of Adam Smith. To a classic of such high and deserved repute, by a simple reference, could it have been given, a great deal of dry and obscure discussion might have been spared. Such reference would accordingly have been made had the views given of the subject in that work appeared uniformly just, adequate and intelligible.

For my own part I must confess, I never was able to obtain what to me appeared a clear insight into this part of the subject, from the instructions of Adam Smith. Metaphors taken from wheels and water seemed to take the place too often of definition and exemplification.[456] The *Paradoxical*, though not at the expence of *truth*, seemed sometime to obtain the preference over the *simple* and *instructive*. Multiplicity of words appeared sometimes to have been employ'd in the course of the efforts produced, as it were, by distress, for want of the few words, which, had the views been perfectly clear, would have superseded the multiplicity with advantage.

[001_037] [18 October 1800]

All this while, let it never be out of mind that it is only the paper of the open issue that can contribute any thing in addition to the mass of money in circulation—and that no part of the paper even of such open issue can stay in the circulation, but upon the supposition that the rate of interest it yields is so low as to be rejected by all customers for Government Annuities for the purpose of permanent income: at the same time that there exists no other species of Government security from which permanent income at a superior rate of interest can be obtained, and that the quantity of this only remaining species is diminishing every day, while the quantity of wealth capable of purchasing it is encreasing at a rate of similar rapidity.[457]

---

[456] See Smith, *Wealth of Nations* (*Glasgow Edition*), (Bk. II, Ch. II) i. 289: 'The great wheel of circulation of circulation is altogether different from the goods which are circulated by means of it.' The metaphor of money as a wheel is repeated at ibid., 291–2, 296. In his reference to 'water' Bentham had in mind Smith's argument, ibid., i. 293–4, that excess money must 'overflow' the 'channel of home circulation': see p. 000 n. above. [Note to UC ii. 573, Ch. IV]

[457] In 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*' Bentham included in sequence from this point two chapters, namely Chs. XV. Reduction of Interest—Proposed Mode compared with Mr. Pelham's (pp. 000–000 below) and XVI. Moral Advantages (pp. 000–000 below). [To BL Add. MS 31,235, fos. 27–30 and UC ii. 314–16 respectively] No draft of either chapter for the unabbreviated version

NOTE TO TYPESETTERS: NOTE TO TYPESETTER: Please begin new page.

of the work has been identified, and it is unlikely that any such drafts were ever written. For further details see the Editorial Introduction, p. 000 above.

[001_711]

CHAPTER |^|[458]

Political Advantages

The political, or (as it may be termed more specifically) the constitutional advantage that presents itself to view as derivable or, what is more, necessarily resulting, from the proposed measure, is as simple as it is impressive:—the giving to the inferior classes of the people an additional interest in the stability of the existing constitution, and of the government that maintains it.[459]

This head of advantage may be considered under three aspects in some respects different in respect of its application to the circumstances of the principal branches of the British empire: Great Britain—Ireland—and British India.

[001_712]

1. The giving to a particular class of individuals this salutary interest is a collateral result that has been often pointed out as attendant on the main effects, advantageous and disadvantageous, of the extension of the credit of Government, and with it, of the amount of the national debt: and, howsoever it has been found with the direct effects, the approbation bestowed upon this collateral one, appears to have been bestowed by persons of all ways of thinking without reserve.[460]

---

[458] The text follows MS. The intended enumeration of this chapter is uncertain: for further details see the Editorial Introduction, pp. 000–000 above. For the corresponding chapter in 'Abstract or Compressed View of a Tract intituled *Circulating Annuities*', i.e. Ch. XVII. Constitutional Advantages, see pp. 000–000 below. [To UC ii. 302–8] At one stage Bentham intended to deal with moral and political advantages of the Annuity Note currency in a single chapter: see p. 000 & n. above. [To note to UC ii. 562, Ch. IV]

[459] Bentham has noted above the following paragraph: 'Postpone'.

[460] Bentham probably had in mind David Hume (1711–76), philosopher and historian, who predicted that the consequence of the escalating national debt would be that, 'either the nation must destroy public credit, or public credit will destroy the nation. It is impossible that they can both subsist, after the manner they have hitherto managed, in this, as well as in some other countries', but conceded that since 'Public securities are become with us a kind of money, and pass as readily at the current price as gold and silver', they benefitted merchants directly by supplying apparently risk-free gain, helped 'to spread arts and industry throughout the whole society', and were 'of some advantage to commerce, by diminishing its profits, promoting circulation, and encouraging industry': see 'Of Public Credit' (first published in *Political Discourses*, Edinburgh, 1752,

To form a comparative estimate between the value of the security obtained in that past instance, and the value of the security obtainable in the proposed instance, would be of little point: they enter not into competition: each is best adapted to the circumstance of its own time. It was the money'd interest—the pecuniary strength of the country that was then wanting for an ally in favour of the government—which was at that time more particularly necessary to the state. It is the arms and affections of the lower orders that require at present to be secured, in favour of not only of the government, but of the constitution itself. With respect to the great monied interest, the requisite security is obtained already: it is the little monied interest alone that yet remains to be secured. Happily the path is not only smooth in itself, but, in the present instance, made smoother still by the experience of a whole age.

[001_713]

There are plans which would be liable to be impeded or even defeated by any communication made of them to the descriptions of persons upon whom the action of them was meant to be pointed: more especially when those persons stand in the relation of adversaries to the persons to whose lot it falls to arrange the plan in question and carry it into execution. This demand for secresy is a defect in any plan whatsoever: military ones themselves not excepted, which are the instances in which the demand is particularly apt to have place. It is a defect, because it involves a chance of failure, and a chance the magnitude of which is sufficiently indicated by experience. In many cases it is inseparable and inevitable, but, being always a defect, the more effectually a plan can be rid of it, the better.

This plan is not of that number. It may be proclaimed by sound of trump—not only the plan itself, but this particular use and aim of it—and yet not a creature of those on whom it is designed to act, be able to withstand its influence.

The advantage to the individual from the acceptance of this paper is palpable, certain and immediate—the advantage to the supposed cause from the rejection of the paper, is uncertain, remote, depending on contingency upon contingency: the chance which any single individual can give himself of hurting its credit is of itself nothing: to amount to any thing his exertions must be seconded by the concurrent and persevering exertions of

pp. 123–41), in *Essays, Moral, Political, and Literary*, ed. E.F. Miller, Indianapolis, 1985, pp. 349–65, at 360–1, 353–4.

innumerable multitudes, composed of individuals each of whom must make a sacrifice

[001_714]

2. In Ireland, the use is still the same: the demand is there much greater.[461] The proportion in number of petty to great money-holders is there larger: the disposition to turbulence and anarchy as yet more proven.[462]

The transition is yet smoother. Ireland, like Britain has her debt: but of the whole |^^^| millions which comprize her debt no part exists in any other shape than paper:[463] paper which can hardly, it is true, be considered as constituting part of the currency, but which is prevented from doing so by nothing but its magnitude. To reduce the magnitude of the paper—and thus to render it in the common phrase *every body's money*—this, and the furnishing it out with the little mechanical[?] facilities so often spoken of, on which so much depends in reality, and so little in appearance, is all the innovation that will *there* require to be made.[464]

The instrument here proposed to be employ'd as an instrument of support and steadiment[465] is the same that has been employ'd—with how fatal a success is but too well known—as an instrument of subversion and destruction, in France. So many purchasers of the so-stiled national domains, so many circulators of paper secured [on] those domains—so many receivers of goods obtained by robbery—so many hired defenders of that most monstrous of all recorded robberies.[466]

[001_715]

[3.] Once[467] more British India—What a sheet-anchor to British dominion—to the

---

[461] In the margin, Bentham has noted at this point: 'Annuities evidenced by Debentures, Instruments capable of circulation by their portability, disqualified from it by the magnitude of the sum, were the only Annuities existing at the commencement of the present war.' See p. 000 n. above. [To note to UC ii. 390, Ch. I]

[462] Bentham was writing in the aftermath of the Irish rebellion of May–October 1798.

[463] See p. 000 n. above. [To note to UC ii. 390, Ch. I]

[464] Bentham had in mind the 'Daily Interest or Augmentation, Table' on Annuity Notes to facilitate the calculation of current value: see p. 000 above. [To pdf 'Form of a Proposed Annuity Note']

[465] MS orig. 'preservation'.

[466] Bentham had in mind French assignats and mandats: see p. 000 n. above. [To note to UC i. 14, Ch. |^|. Rise of Prices—how to be obviated]

[467] Bentham has crossed out this and the following three words. The marginal subheading 'Ch. |^^^| Moral advantages' is either a slip, or indicates that he drafted the Chapter when intending to deal with moral and constitutional advantages in the same chapter: see p. 000 n. above.

mildest, the most upright, the most steady, and yet most honourable, most improvable of all governments—if, in process of time, the subjects of that remote, most expanded, and most expansive branch of the British Empire, could be led to invest the bulk of their fortunes and their hopes in a paper bearing the image and superscription of a British Governor General! Every individual who passed this money, every individual, in a word, who had any money—would thus be, and without imputation of corruption, a pensioner of the British Government, by his own money and to the amount of his own money. What an augmentation of currency, capital and wealth! what a reduction in the rate of interest paid *there* by Government![468]—But these are trifles in comparison of the augmented security and the assurance of internal peace.

If, in process of time, and by degrees, the same currency could be made to reach[?] itself into the surrounding regions, what an instrument of conciliation, and security for external peace![469]

[001_716]

In process of time, it seems not improbable, but that this productive paper may find custom even among foreigners: I mean amongst the inhabitants as well as subjects of foreign states.

Even the Bank paper, unproductive as it is, has sometimes been known to pass on foreign ground.

Private paper of this country—the paper of private merchants—passes of course in foreign countries among their brethren in trade. But what private can be, or be so much as regarded as being, equal in solidity to this public paper?

It could scarcely be expected to circulate publickly in a foreign country: the government of a foreign country would scarce permitt it—if it did, the quantity found at home might come to be the smallest part of it?

But were even the possession of it to be prohibited, the cases are few indeed in which a prohibitory law would be more difficult to enforce. Spite of prohibitions, the bulkiest

[468] [Annotation to be finalized]

[469] The remainder of this chapter consists in a short sequence headed ‘Foreigners. Advantages Political’, paginated 1–3, in relation to which Bentham has noted ‘Not for Abstract’.

articles of British manufacture cease not to swarm in the dominions of the most desperate enemies of Great Britain: [001_717] articles containing millions of times the bulk in the same value.

How valuable in particular would be this fruit of British good faith in that wretched country from which good faith has been banished together with so many other virtues.[470] Here would be treasures encreasing without care, and which would need no earth to cover them from robbery, private or public.

That foreign money to the amount of many millions has all along been invested in the purchase of Stock Annuities is universally known and recognized. But, as Stock Annuities, by reason of the registration of the names of the proprietors, and the other formalities they are subject to, stand more or less exposed to the hand of government, they constitute a species of property scarcely to be confided in by an enemy, foreign or domestic.

For a moment, the circumstance by which the faculty of eluding the hand of government is thus afforded to enemies of all descriptions may be regarded as an undesirable one: but when it is considered how much more efficient the forfeiture in question is in the character of a prohibition, excluding foreign money from this market, than in the character of a resource, [001_718] it will be seen that there is beyond comparison more to be gained than lost, by admitting our worst enemies, to contribute in this way whatsoever they may be able and willing to contribute to the raising of our funds, to the supply of our public necessities, and to the extinction of our public debt.[471]

In Hindostan, men are reckoned only by scores of millions: in China, by hundreds of millions. In China, the seal of the British East India Company upon a bale of goods commands universal confidence. In process of time, what should hinder that confidence

---

[470] i.e. France.

[471] In the text, Bentham has cancelled the following paragraph at this point, having incorporated a discussion of Hindustan earlier in the chapter: 'But without travelling out of the sphere of British influence, what a market does Hindostan open to this species of currency, whether of home manufacture, or imitated from thence by the local government? The rate of interest, howsoever reduced of late years by good government, security and encreasing opulence, remains still at a pitch which, compared with the British rate, may be deemed enormous. How powerful the security which such an additional tie would afford to the British empire in that distant region! how powerful the remedy to the inconveniences which there attach upon the local currencies!'

from extending itself in a certain degree to the stamp of the British government upon an Annuity Note?