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An essay on the English national credit or, an attempt to remove the apprehensions of those who have money in the English funds / by C.L.A. Patje

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AN

ESSAY

ON THE

ENGLISH NATIONAL CREDIT:

OR,

AN ATTEMPT TO REMOVE THE APPREHENSIONS
OF THOSE WHO HAVE MONEY

IN

THE ENGLISH FUNDS.

By C. L. A. PATYÉ,

PRESIDENT OF THE BOARD OF COMMERCE AND FINANCE
AT HANOVER.

LONDON:

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1797.

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ESSAY

ON THE

ENGLISH NATIONAL CREDIT:

Entered at Stationers' Hall.



THE ENGLISH FUNDS
 BY
 J. C. M. P. P. P.
 OF THE BOARD OF COMMERCE AND FINANCE
 AT MANCHESTER
 LONDON:
 15, BROADWAY, NO. 40, WEST STREET.



TRANSLATOR'S PREFACE.

THE following short essay was written chiefly with a view of removing the apprehensions of those Hanoverians who have money in the English funds: but since it is equally interesting to every Englishman, who has property at stake, and I myself have received no small consolation from it, I have thought proper to present it to my native country in an English translation. It was written in the month of March immediately after the intelligence arrived that the bank of England had suspended its payments in cash: allowance therefore must be made for whatever alterations may have taken place since that period.

To the arguments which the author has used in support of our credit, may be added the present high course of exchange in favour of England. At the time when the bank of England suspended its payments in money, the course of exchange between England and Germany was six dollars eight German groats for every pound

sterling, which is above one and six-pence more than the pound sterling contains intrinsic value: that is, the quantity of silver contained in six dollars eight groats is above one and six-pence more than the quantity of silver contained in twenty shillings. Under these circumstances it was generally supposed, that as soon as the bills drawn on England were to be paid in London, not in silver but in paper, the English credit would be unable to keep up the high exchange, and that the paper pound sterling would suffer a similar diminution of its value to that which the French paper livres suffered when the French government ceased to make their payments in money. But such is the credit of England abroad, in spite of all the disadvantages under which we labour, that, contrary to all expectation, the exchange has not only not fallen, but has risen, and I have received this very day for a draft drawn on London six dollars ten groats and an half, which is about two shillings in the pound more than the pound sterling is intrinsically worth: the consequence of which is, that the German merchants and bankers, who have remittances to make to England, choose rather to send hard cash, and thus increase the quantity of circulating species in England, than purchase bills of exchange at so high a price; and it is confidently said that the remittances which have been made to England in gold and silver within the last month amount to not less than a million of pounds sterling. All this is the more extraordinary, as in the summer

mer of the year 1795 the exchange was not only under par, but down as low as five dollars fourteen groats: of which the consequence was, that the gold coin of England began to be exported; and had this low exchange continued, more would have been exported than the amount of the Imperial loans and the Prussian subsidy. The late stoppage of payment at Vienna produced a very different effect from the same measure in England: for no sooner was paper substituted in the place of coin, than the discount arose to an enormous amount. And the French, with all the spoils of Italy, and a most advantageous peace with the Emperor, have not been able to give value to their mandats: for on the 25th of April they stood at one per cent. and within the last three weeks have lost all currency. When we consider therefore, that the credit of England still remains unshaken, we may conclude, that though the situation of our finances is at present embarrassed, we have no reason to despair.

HERBERT MARSH.

Leipzig, May 18, 1797.

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HANOVER MARKET

Friday, May 18, 1797

AN ESSAY, &c.

THE diminution in the price of the English stocks, which are now lower than they have ever been at any period during the whole century, added to the present, though only temporary suspension of payment in cash at the bank of England, must necessarily excite universal attention. All those who are disaffected to the English nation, of which the number is very considerable, and who are probably actuated by the same motives as they who have an aversion to every man who is greater and happier than themselves, will sound the trumpet of alarm, and prophesy the approaching downfall of the British empire. Others again, who, though they have nothing either to gain or to lose from the issue of the present conflict, yet either impelled by dishonourable motives, or arguing from false premises, or making their reason subservient to their passions, are avowed patrons of the French interest, will openly rejoice at the falling of the English stocks,

and alledge it as a proof, that the national credit is already destroyed. To argue with men of this description would be a waste of time, for their political enthusiasm is so great, that every argument, which is opposed to it, loses its effect. But there are men of a different character from those whom I have just described, who either having themselves money in the English funds, or knowing that their friends and relations have, apprehend that their property is insecure, merely from a want of sufficient knowledge relative to the establishment of those funds. It is to persons of this character that the author addresses the present pamphlet, in which he proposes to examine, and, if possible, to remove the cause of their uneasiness; a task which, in the present crisis, is of great importance. The capital which has been bought in the English funds by the inhabitants of the Electorate of Hanover amounts to a very considerable sum: every Hanoverian therefore, who is attached to his native country, must be anxious to know, whether this considerable sum is in danger of being lost to the country, and to the individuals, to whom it belongs. Consequently, if there are sufficient reasons to believe, that the English funds still rest on a solid basis, and that the present diminution of their price is not the result of national inability, it is an act both of justice and of humanity to assign those reasons, and thus restore the

the tranquillity of so many respectable families, who are now apprehensive of being reduced to beggary. The author of the following pages, in submitting to the decision of the public his own reasons for still placing a thorough confidence in the credit of the English nation, does not pretend to advance a single fact which is not already known. He combines only such as are both known and admitted: but, for this very reason, the arguments which he grounds on them will be the more secure.

In the first place, I advise every one not to suffer himself to be deceived by the exaggerated declarations and alarming expressions, which are so frequently uttered without foundation. It is true that they are heard even in the British parliament: but we must recollect that in this public assembly the passions are continually in agitation, and it is not to be expected from men heated by party spirit, that their representations should never exceed the bounds of strict accuracy. Further, be it observed, that those very declarations which are now heard in the British parliament, are nothing new: for an hundred years ago, when the national debt was only seventeen millions, the same dreadful picture was drawn of England, and the same prophecies of approaching ruin were pronounced, as in the present crisis,

crisis, when the debt amounts to nearly four hundred millions.

Before we proceed, we must determine what is meant by the term 'national bankruptcy:' and what that really is which the creditors of the nation have to fear. If 'bankruptcy' be defined 'an inability to pay the capital which one has borrowed,' the term is inapplicable to the English nation: for no man has a right to demand of the public the capital which he has in the funds. This every man knows before he places it there: he knows that he may sell or transfer the capital, which stands in his name, to any individual he pleases, but that the nation at large is not bound to repay it. Nay, every man may know before he purchases stock, that not only all England, but all Europe united, would be unable to pay off the English national debt, because it amounts to more than the quantity of coin which exists in Europe. Since therefore that which may occasion the bankruptcy of an individual, namely, the sudden and unexpected notice of the creditors, that the sums which have been advanced must be repaid, cannot possibly take place in respect to the debt of the English nation, it is evident that the notion of a national bankruptcy, as far as the payment of the capital is concerned,

concerned, is wholly imaginary. Nor can the creditors demand even their interest at an unseasonable time. Every man must wait the stated periods of payment: and therefore the nation can never be brought into embarrassment, either through fear, or through the distrust of its creditors. The paymasters of the nation know beforehand the interest which they have to pay, and the periods at which it must be discharged. The whole is conducted according to stated rules, which no one has in his power to alter.

It is true that individuals may deposit money in the bank, which they can redemand at pleasure; and that, when this has been done to a very considerable amount, a sudden call for payment from many creditors of the bank at the same time, occasioned either by sinister views, or by a panic fear, which sometimes seizes a whole nation, may diminish in too great a degree the quantity of ready cash, or at least excite apprehensions in government, that it will, of which we have lately had an instance. But money owed by the bank is not money owed by the nation; and therefore the public creditors have no reason to be alarmed because the bank may have less ready money at hand than is required for their immediate demands. Besides a want of ready money can no more be construed into a want of property, especially when that deficiency arises merely

merely from temporary causes, than a low course of exchange between England and a foreign country could be considered as a proof that England was in a state of poverty. Nor is the quantity of ready cash which is kept at the bank by any means to be regarded as security for the creditors of the nation; which it never can be, partly because it must be very insufficient for that purpose, and partly because no one, except the bank directors, can form the least judgment of its real amount. The security on which the creditors of the nation have to depend is of a very different kind: it is much more ample, and lies open to the view of the whole world.

We must distinguish the ability of the nation to pay the interest from its ability to pay the capital. The latter no one has a right to expect, and therefore, as I have already shewn, no national bankruptcy can take place on that score. Consequently, as long as the public creditors regularly receive their half-yearly dividends, they can have no reason to complain, since all their demands are fully gratified. Hitherto the dividends have been paid with the greatest exactness: and indeed the consequences would be extremely bad, if the regularity of payment should ever cease. This may take place, either by an actual suspension of the payments themselves,

selves, or by giving to the current coin a nominal value greater than its real one, or by diminishing the interest of the national debt, without leaving to the creditors the option of receiving back their capital. Either of these measures would bring down the stocks to a much lower price than that at which the greatest part of the creditors had purchased; and therefore in either of these cases, though the nation were not absolutely insolvent, yet the creditors would sustain a material loss.

The grand question, therefore, which we have to examine is the following. Is there sufficient reason to apprehend either a suspension in the payments of the half-yearly dividends, or a diminution of their value?

What may happen at a distant period, it is impossible to calculate in the present moment; and therefore the inquiry must be wholly confined to the duration of the present war, and of the peace which will immediately follow it. How long the war will continue between England and France is uncertain, and therefore no one can exactly determine what interest England will have to pay after the conclusion of it. But, be that as it may, sooner or later peace must be made; and if we may reasonably expect, that at that period the English nation will still be able to continue the regular pay-

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ments of the half-yearly dividends, we have as much consolation as we ought to expect. No man, who has lent money to another, should say, 'it is true that my interest is regularly paid at present, but it may be otherwise an hundred years hence:' and it is surely irrational to be anxiously concerned for distant possibilities, or to be uneasy, because a capital now in the funds may not last there for ever.

As it is uncertain how long the war will continue, and therefore uncertain what addition will be made before the peace to the national debt, it will be said perhaps, that during even the present war the debt may receive a very alarming augmentation. It is true that it may, but no one can affirm that it will: and when an event is uncertain, or the chances are equal on both sides, we have no more reason to prognosticate evil, than to prognosticate good. Besides, in the present case there is really more foundation for the opinion that a peace will soon be concluded, than that the war will last for many years.

Let us suppose then, that at the end of the present war the national debt amounts to four hundred millions. To pay the additional interest additional taxes must be levied: for the interest cannot be defrayed by loans, without bringing the nation to ruin. Now it is generally supposed that the taxes are already so high in England, that an augmentation
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sufficient

sufficient to defray the interest of the augmented capital, would be impracticable. But this is a mistake: for, in the first place, the taxes are not so high in England as they appear to be; and secondly, productive sources of taxation are still remaining. In support of the first assertion, I need only appeal to the excellent work of Mr. Kuettner, 'On the State of Great Britain at the beginning of the Year 1796,' in which he has very clearly shewn * that no country in Europe pays in proportion to its ability less than England. To form a judgment on this subject we must not attend merely to the complaints of individuals, but must consider the proportion which the whole income of all the English put together bears to that part of it which is annually paid in taxes. Some classes of men are indeed more affected by the taxes than others: all those who live on the interest of their money, and in general every one whose income is fixed at a certain sum, will suffer the most, because new taxes augment the price of provisions, and of course increase the expenditure of such persons without increasing their receipt. These men therefore will naturally complain, but the same complaints which we hear now were heard at the addition of new taxes, when the national debt was not one half of what it is at present: and the fault lies not with the government,

* Page 28—34.

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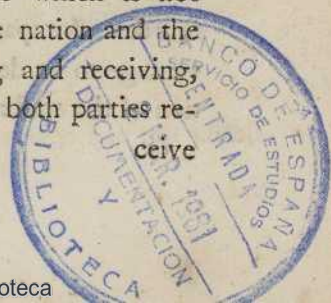
but with their own peculiar situation. If the gross produce of the nation taken in a body preserves its proportion to the expenditure, it is sufficient: and this must certainly be the case, if the nation taken at large does not lose in its opulence. Now, that the opulence of the English nation not only has not diminished, but has been continually increasing, in spite of a debt of two hundred and fifty millions, and the taxes necessary to defray the interest, is a fact, which no one can deny. It is not the quantity of interest, nor the number of the persons who have to raise it, but the ability to pay this sum, which must determine whether England is in good or bad circumstances. That this ability has hitherto existed, is evident: for otherwise the produce of the nation could not have kept it in a state of affluence. Nothing is more immediately affected by public taxes than day labour, and we all know how dear day labour is in England: yet the English manufactures can hold out the market against those of every country in Europe. By a greater extent of capital, by a more advantageous purchase of the raw materials, by a quicker and more skilful method of working them through the aid of machines, by the beauty and taste which is displayed in the manufactured goods, by the extensiveness and rapidity of their sale, and other means with which sagacity and resolution supply the English, they are enabled to defeat the bad effects of the high price of labour,

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and thus destroy the evil consequences of heavy taxes. No branch of industry, either in manufactures or in the cultivation of lands, has hitherto been ruined by the English system of taxation; on the contrary, very many of them are in a much more flourishing state than ever they were. Consequently, no man can say, that the taxes have been hitherto higher than the nation can bear.

The next thing to be considered is, whether these taxes are capable of such an augmentation as will be sufficient to defray the increased interest of the national debt at the conclusion of the present war. As long as the money which is raised in taxes flows again into the circulating mass from which it was drawn, the capability of augmentation is so great that it would be difficult to assign a limit: as, on the other hand, the deepest source will be gradually exhausted from which water is continually drawn, but to which none returns. A certain country, which makes a part of the Germanic empire, though its resources are numerous, is now actually on the decline, and for no other reason, than because a too strict economy is observed in the public expenditure, and too little is brought again into circulation. This is an error which is not committed in England, where the nation and the government are continually giving and receiving, where both parties give much, and both parties re-

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ceive much; and, as long as the receipt of the nation keeps pace with its expenditure, it is immaterial what it gives, since the equilibrium is still preserved. It is true, that in the distribution of the taxes an inequality may take place, and government may be guilty of an act of injustice in burdening some individuals more than they can easily bear, and exempting others who are well able to pay. This was the case in France, and the fatal consequences of it are well known: but this injustice does not take place in England, nor can it, from the very constitution of the country, ever take place to any great degree. On the whole, the shoulders of the English are equally burdened; and they are so strong, that they can support a much heavier load.

Having assumed that the national debt, at the close of the present war, would amount to four hundred millions, that is to an hundred and fifty millions more than at the commencement of it, I must inquire, whether England will be able to bear, after the peace, the additional weight of taxes necessary to defray the interest of this additional debt.

Many writers on the subject of England's resources take particularly into the account the advantage to be derived, not only from the cultivation of the waste tracts, but from the conversion of

the parks into arable land. From the latter plan I think very little advantage to be derived; and I own that, when during the late scarcity of corn several gentlemen ploughed up their parks to sow wheat, it appeared to me of no more consequence than the sending one's plate to the mint, when there is a scarcity of money. But a very material and solid addition would be made to the national capital, if the present waste lands were brought into a state of cultivation, and the future harvest, which England may expect from them, affords a very pleasing prospect. This however will come too late to be taken into our present calculation. It is true that waste lands may be cultivated in England in a much shorter time than in any other country. From the moisture of the climate, and the various artificial manures which are used there, meadow land may be more easily formed than it can elsewhere: consequently an increase of cattle, without which it is impossible to augment the quantity of arable land, may be more easily obtained in England than it can in any other country. Yet, great as the advantages which England may enjoy in this respect, all these improvements will necessarily require so much time, that the benefit which the nation has to reap from them will probably come later than the period to which this essay is confined.

The great source from which an augmentation of the national income is to be derived, is its commerce. It is a fact well worthy of notice, that during the whole of this century an increase of commerce has regularly preceded an increase of public expenditure: and for this very reason, with a continual increase of taxes the nation has been continually growing richer. Within the last fifty years the taxes have not been doubled; and within the last five and twenty years the commerce of England has been increased four-fold. Yet no man, who fifty years ago foresaw the former, would have expected the latter. Suppose then (what is a very exorbitant and a very unnecessary supposition) that the taxes should be augmented to four times what they were fifty years ago, there would be no absurdity in supposing, at the same time, that the commerce would have received an eight-fold increase. Who would have imagined in the year 1774, when the quantity of raw cotton manufactured in England amounted only to a million sterling, that in the year 1791 it would have amounted to thirteen millions; or that twice as much woollen cloth would be manufactured in 1790 as there was in 1780? And who will venture to assert that the English trade and manufactures are incapable of a still greater extent? Even in the present war the enemies of England, notwithstanding their wishes to the contrary, have felt themselves under the necessity

ty of purchasing English goods, nor has the French convention, with all its despotism, been able to prevent it: for no laws, however severe, can hinder the introduction of those manufactures with which a nation cannot dispense; and for this very reason the commerce of England, and with it the national prosperity, has increased during the present war.

The English have hitherto supplied the other nations of Europe not only with better, but with cheaper goods, than those nations have been able to manufacture for themselves; and thus has England become the first commercial country in the world. Nor are there any symptoms, at present visible, from which we may apprehend a sudden alteration. It is true that all human greatness and all human institutions have their limits, which they cannot surpass, and at which they must begin to decline: but no man can affirm, that England's greatness has already reached its limit, or even that this limit is not far distant. In the present inquiry we have no concern with what may happen in a future age, but must confine ourselves to that period which I have already determined. Consequently, it would be foreign to our purpose to assume an eternal progression of the English commerce. It is sufficient consolation for the creditors of the nation,

tion, that with the public debt the commerce has hitherto received a proportional increase.

Still it will be said, England must sooner or later cease to be what it is at present. This no one will deny. The Persian, the Grecian, the Roman empires have ceased; and with them their creditors have ceased. The creditors of the English nation will likewise cease to exist. Why then should they anxiously concern themselves about a distant event, which they will not outlive? That the present proprietors of stock will not outlive this event is rendered highly probable by another consideration, namely, that a considerable addition is made every year to the quantity of money which circulates in the world*: the consequence of which is, that England in the balance of trade has every year more money to receive, whereas the rate of the interest which it has to pay remains unaltered. The national income therefore on this account likewise is continually increasing, as the income of every individual, who has merchandise to sell, must increase in proportion as the quantity of circulating coin increases: yet this cause of augmentation in the national income will produce no aug-

* Probably about fifty millions of rix-dollars, or between six and seven millions of pounds sterling.

mentation

mentation in the interest of the public debt. The capital, which now bears an interest of three per cent, will never bear a greater interest; and though thirty pounds will be of less value fifty years hence than they are at present, the proprietor of a thousand pound stock in the three per cents will receive the same sum of thirty pounds in the year 1850, as is paid in 1800. On the other hand, the English will then sell their leather, their steel, their cotton, and woollen manufactures, their tea, their sugar, and other articles, for as much more than they sell them at present, as the value of money, in consequence of the augmentation of its mass, will have diminished. The ability of the English nation therefore to pay the same interest increases every year. That this has hitherto been the case, we know from actual experience; and for the same reason an interest of four hundred millions can be more easily paid at present, than it could have been fifty years ago. This is true likewise of all other countries where the quantity of cash increases: and we can more easily raise a thousand dollars at present, than our ancestors could have done, because money is in greater abundance, and two thousand dollars are no more at present, than one thousand was formerly.

It will perhaps be objected, that though the rate of interest remains unaltered, and the ability of the English nation to pay annually a stated sum is daily increasing, yet, if the capital continues to increase, the national sources may in time be exhausted. Now it does not enter into our inquiry to consider what may be the effects of a future accumulation of debt: we are concerned only with the present period, and that which will immediately follow the close of the existing war. We are not to examine what credit may be due to the English nation an hundred years hence, but what is due to it at present. I admit that there is no great probability that the three per cents will again rise to 96, as they stood before the war; but there is wide difference between this extreme and that, which many apprehend, namely, they will never rise again to 70 or 75, or even that the interest of the national debt will soon cease to be paid.

The whole of the debt which England has contracted during the present war, is not to be considered as an absolute loss: for though the money is spent, the nation has reason to expect material advantages from the expenditure. It is true that the subsidies which have been given to Prussia and Sardinia, have been an useless expence: but it is well

well known that these were only a small part of the income of Great Britain. The money likewise expended for the troops on the continent is a loss, and it cannot be denied that it was spent with more prodigality than was necessary. But, on the other hand, it must be admitted that the war on the continent facilitated the conquests of the English in the East and West Indies; and that a great part of the money which was sent out of the kingdom to pay the troops abroad, has through different channels been again transmitted to England. The electorate of Hanover has been a considerable gainer by the sums expended to support the troops in the English pay, which were quartered during some time either in the electorate or in its neighbourhood: but it is an indisputable fact, that at least as much money as was thus brought into the electorate of Hanover, has been sent by the Hanoverians during the present war to purchase stock in the English funds. In this manner the sums which have been sent out of England, through one channel, have returned to it through another; and indeed it is obvious, that unless England had been continually receiving from abroad, it could not have continued to send so much money abroad. The expences which have been incurred for the support of the French emigrants, have likewise afforded very little advantage; and it must be acknowledged

knowledged that the French emigrants have enjoyed the benefits of English liberality, without rendering any material service. But then the sums which have been bestowed on them have been spent chiefly in England, and therefore have not been withdrawn from the circulating mass. And, if this expence be considered as a consequence of the present war, we must likewise take into the estimate the sums which have been brought over from France to England, which would otherwise have never been sent thither. The money which has been transmitted to the emperor has been advanced by way of loan; and a loan does not imply the total loss of the capital. The house of Austria is bound to pay the interest; and the court of Vienna is thus rendered in some measure dependent on the English court, which the latter may turn to its advantage,

To the expences incurred by the present war will be probably added the losses sustained by the English commerce in the Mediterranean, from the French conquests in Italy. But the English commerce in the Mediterranean suffers only a momentary interruption; and it lies not within the power of the French to destroy it. By force of arms kingdoms may be conquered, and governments transformed: but it is not so easy to conquer

quer and transform commerce. Of this we have a remarkable instance in the United States of North America: for though with the assistance of the French they freed themselves from the dependence on England, yet England to this very day possesses almost the whole trade of the Americans. I have already observed that the prohibition of English manufactures will not prevent their introduction, because it is not easy to dispense with them; and we all know that the difficulty of procuring an article increases only the desire to obtain it. That neither the French nor the Dutch can dispense with the English manufactures is evident from the circumstance, that, after the governments of these two countries have prohibited the introduction of goods manufactured in England, they were so strongly petitioned to alter and modify the prohibition, that they were at last obliged to comply. We may conclude therefore that the French conquests in Italy will not destroy the English commerce in the Mediterranean. On the contrary, the trees of freedom have cast such a dark shade on the commerce and manufactures of all those countries in which they have been erected, that some time must elapse before they will again flourish; and if the French proceed as they have hitherto done, England will be at last the only country from which manufactures can be procured.

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That the whole money expended in the prosecution of the present war is not an absolute loss to England, will appear from the following consideration. Let us suppose that the war had not taken place, but that the French West India islands, the annual produce of which the French estimated at an hundred and eighty millions of livres, the half of St. Domingo, the Dutch West India possessions, with their settlements in Ceylon, and the Cape of Good Hope, had been offered to the English for sale, and that the sum demanded was an hundred millions of pounds sterling; would the English have hesitated to make the purchase: and if government had not been provided with a sufficient quantity of ready money, would they have scrupled to borrow it? But if the English would have readily paid an hundred millions to obtain those possessions by purchase, why should they repent of the sums which they have expended in the present war, when by those very sums the above-mentioned possessions have been obtained? It is true that the English do not go so rashly to work as the French with the incorporation of conquered countries; and it is one thing to conquer, another to retain. But if the advocates of the French nation will not admit the supposition that the Netherlands and the French conquests in Italy should ever be restored to their former sovereigns, why shall we

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we suppose that the English must restore their conquests? And, if no force can oblige the French to give up their acquisitions on the continent, I should be glad to know what force can oblige the English to abandon their acquisitions in the East and West Indies. The barbarous ravagers on the defenceless coasts of Sierra Leone and Newfoundland, the wind-defying adventurers in Bantry Bay, the Dutch fleet moored within the Texel, and the Spanish armada cruising off Cape St. Vincent, have afforded no reason to believe, that the English will soon be driven from every quarter of the globe. The English nation therefore is in the situation of a debtor who has considerably increased his debts, but at the same time has made a proportional increase of his capital. Consequently, the creditors of the English nation have no more to apprehend at present, than they had before the augmentation of the debt.

Many persons are accustomed to consider the immense sum which England has annually to pay for interest, without considering at the same time that the nation had previously received the capital. But this is unjust, and leads to very false conclusions. The dividends received by the public creditors are the interest of money employed by the nation; the former therefore have no reason to be
alarmed

alarmed if neither the capital has been spent without advantage to the nation, nor the rate of interest which the nation pays is greater than that which it gains by the use of the capital. But I have already shewn, that the former condition does not take place; and as to the latter, though six per cent. may be gained at present by purchasing in the funds, yet this six per cent. is not paid by the nation. It is a gain which results merely from the circumstance, that the proprietors of a capital of an hundred pounds in the three per cents, for instance, are willing to sell that capital for fifty pounds, the consequence of which is, that with fifty pounds an annual income of three pounds may be procured. But the nation still pays only three pounds for every hundred pounds capital.

Whence then, it will be said, does it come, that less confidence is placed at present in the national credit than formerly, and what is the reason that the price of stocks is so very low? Is not every capital considered as being in danger in proportion to the greatness of the discount which must be paid on it? And has not the price of stocks been hitherto regarded as the grand political barometer? To this I answer, that the price of stocks, though generally considered as such, is by no means a just standard of national opulence. The rising or falling of the stocks is frequently owing to causes, which

which have no immediate connexion with the prosperity or adversity of the nation: for if we attend to their prices from the year 1744 to the present time *, we shall find that their alterations have been such, that the opulence of the nation could hardly have suffered at the same time a similar variation. From the price of stocks we may judge of the quantity of ready money which is floating in market: but this quantity of ready money is not a just measure of the wealth of the nation. A man may possess very considerable property, and yet not always have a quantity of ready cash at his disposal: as, on the other hand, a man may be on the whole in very bad circumstances, and yet be able to raise money. Consequently a superfluity of cash, which necessarily increases the number of those who wish to purchase in the funds, and of course augments their price, is not an accurate criterion of the opulence of the nation at large †. And this general opulence,

* The three per cents, were

in 1744	at	80	between 1765 and 1776	at	54
1746		74	in 1783		72
1748		104	1784		53
between 1750 and 1756		106	between 1785 and 1792		96
in 1763		95	in March 1797		52

† Lord Hawkesbury, in the debate which took place relative to the payment of the bank, observed, " that a stoppage of payment was in fact no bankruptcy, that money was only the representation of wealth, and that the former might fail though the

opulence, its great extent in every quarter of the globe, the present advantageous operations of commerce, added to the future prospects of national industry and wealth, the relation which England bears to the other nations of Europe, the excellency of its constitution, and the firmness of the national character, are the securities on which the credit of England must be founded.

This credit cannot be shaken by a diminution in the number of those who wish to purchase stock, especially when it is easy to assign the cause of this diminution. It is well known that monied men in almost every part of Europe have hitherto purchased in the English funds: but since the French government has appropriated to itself all the ready cash, not only in France, but in the Netherlands, in Holland, in Germany to the west of the Rhine, and

the latter did not: that the commerce of England with foreign countries, the improvements daily made at home, and the value of estates, were a sufficient proof of national wealth: and that there was a deficiency only in the circulating medium, which was occasioned by the war, and chiefly by the late panic fear." The Solicitor General asserted likewise, "that a want of circulating cash was no proof of a want of wealth; that the extensive commerce of England required so much as rendered it more scarce than it otherwise would be; that the richest merchants therefore were unable to pay their debts in hard cash; and that the bank of England was precisely in the same situation."

in

in the greatest part of Italy, since the expences of the war have diverted all the money which could be spared in Austria, in Spain, and even in Portugal, to other purposes, and since the partition of Poland has ruined so many individuals there, it is obvious that few persons only could be left in all these countries who were able to purchase in the English funds. And when we consider how many persons are deterred from purchasing, through fear of losing the capital, how many can employ their money at present to a still greater advantage either in contracts with government or in commercial speculations; further, when we take into the estimate the machines which are constantly set to work by stock-jobbers to alter the price of stocks to their own advantage, we shall find, that, instead of having cause to be surpris'd that they are at present so low, we have rather reason to wonder that they are not still lower.

Besides, the funds have been more than once nearly as low as they are at present: and in the time of king William III. exchequer bills and tallies sold from twenty-five to sixty per cent. discount*, out of mere distrust to a nation whose three per cents in 1756 were sold for not less than 106. That the

* Smith on the Wealth of Nations, vol. iv. book v. ch. iii.

three per cents will soon fall below 50 is much more probable than it was in the year 1784, when they stood nearly as low as at present, that they would ever rise to 96. But they really did rise to 96, contrary to all expectation; and therefore no one can affirm that they will never rise again, I will not say to 96, yet to a much greater height than their present price. The money which now exists will still continue to exist; and it is well known, that additions are made to it every year. This money must be employed some way or other. But it cannot be all employed in purchasing land; and, even if it could, not every man would wish to employ it thus, because the price of estates is daily increasing, and therefore the interest to be gained by the money so employed is daily decreasing. When the war is ended, and peace and tranquillity restored, immense sums of money, which are now employed in speculations, in contributions, and other ways, will return to their usual channel. The proprietors of these sums will not suffer them to lie dead, but will put them out to interest; and they will readily purchase stock in the English funds, as they did before the war. The English will still continue to profit from their commerce with the whole world, money will still continue to flow from all quarters into England, and the stream, which has hitherto not ceased, but only suffered a temporary slowness, will again run with its usual rapidity.

It

It is true that, as a considerable number of foreigners have capitals in the English funds, a great part of the money which is paid for the interest of the national debt is drawn out of the kingdom. What proportion this part bears to the whole, political writers are not agreed. Some suppose it to be a fourth*, others only an eighth part†. Let us assume the former, which is perhaps the more probable supposition, because an immense number of foreigners, especially Dutch, Flemings, French, and Germans, have purchased in the English funds during the present war, partly because their money could no longer be employed with safety in France, and partly because the low price of the English funds has enabled them to purchase on advantageous terms. Now it must be admitted that, if a fourth part of the money paid annually for the interest of the national debt is sent out of the kingdom, the quantity of circulating species must annually receive a considerable diminution. But, on the other hand, we must not forget, that before any foreigner can receive interest from England, he must first have sent thither his capital, which does not lie dead, but is advantageously employed there. Besides, it is an indisputable fact, that the balance of trade in favour of

* Taube on the English Manufactures. Vienna, 1778. Vol. ii. page 251.

† Kuettner on the State of Great Britain, page 60.



England is so great, that the sums which foreigners are obliged to remit to England far surpasses what the English have to send abroad for the interest of the capitals which foreigners have in the funds. For the exportations exceed at present the importations not less than five millions, which is much more than a fourth part of the interest of the national debt. Consequently, even if the interest received by foreigners for their capitals in the English funds be as great as I have assumed, England will be so far from being impoverished, that it will be continually growing richer.

For this reason, the ability of the English nation to pay, not only the present, but even still greater taxes, is daily increasing. This ability does not extend indeed to all those who have a fixed income in money, because their receipt remains the same, while the necessity of expenditure is augmenting. But it is certainly true of the nation taken in a body, and especially of merchants, manufacturers, and in general of every branch of men who live by industry. And there is no country in the world where men of this description are so numerous as in England; and no country in which the number of those who lead an idle life, and live merely from the interest of their money, are so few as in England. The English have a natural propensity, not only to commercial speculations, but to enterprises of every kind, in

which

which money is required. Thence arises the never-ceasing circulation of money in England, and that division of property which is found in hardly any other country: thence arises the more equal division of the taxes, grounded on the admirable constitution of England, and thence the general ability of the nation to pay those taxes.

It is frequently asserted that, when foreigners have intrusted their money with another nation, they lie in some measure at the mercy of that nation. Now I admit that this assertion is true, when the nation to which the money is intrusted is either notoriously frivolous, or has a government which acknowledges no other law than its will. And it affords just matter of surprize, that so many persons of property suffered themselves to be duped by Law's System of Finance under Louis XV. when the richest men were reduced to beggary; and again in the present age, in which the assignats sanctioned by the existing government of France have been reduced to the value of waste paper. But the creditors of England are in a widely different situation: for we know, both from the history of the former part of this century, and our own experience of the present, with what scrupulous accuracy they have hitherto been paid, with what jealousy the payments are constantly watched, and with what care every paper pound
sterling

sterling is preserved, which the maiden honour of England guarantees.

The legislative power of England, on the authority of which the regularity of these payments depends, has itself the greatest interest in retaining and supporting the precision which has been hitherto observed. In that country there is not a despot, who can convert to his private purposes the interest due to the public creditors; but a sovereign who, by the constitution of the country, as well as by his own benevolence, must be induced to promote the general welfare: a sovereign, who cannot enrich himself by impoverishing the creditors of the nation, and whose own interest it is to place private property, whether it consists in money, or in land, in a state of equal security. The representatives of the nation are for the most part creditors of the nation, and therefore know, not only of what general importance it is to support the credit of the nation, but that they cannot vote for the non-payment of the interest which is due, without voting against themselves. Their own fortunes therefore are pledged as security for the creditors at large.

Every foreigner who has purchased in the English funds, has made the English his bankers, who employ his capital, and pay him an half-yearly dividend.

dend. All such persons are interested in supporting the credit of their bankers; and their bankers are not less interested in supporting their own credit. For if they should ever cease to pay the dividends, the injury which foreigners would receive might in time be repaired: but England would sustain a shock from which it would never recover. Thus debtor and creditor are mutually concerned in the attainment of the same end; and the pecuniary interest of all Europe is at present so concentrated in England, that if there were no security in that country, I know not in what country security could be found.

THE END.

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THE END.



España