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L'Ami des Hommes, tom. vi.

L O N D O N :

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ADVERTISEMENT.

November, 1763.

THE following Essay was written near two years ago, and was designed as a private memorial. The Postscript was afterwards added with the same view; and the plan of both was accommodated to the situation in which the nation then was. As the method observed, however, is not materially affected by any alteration of circumstances occasioned by the Peace; and as it gives an opportunity of considering the subject in a variety of lights, the author has been advised not to alter it; but to present both the Essay and Postscript to the Public, nearly in their original form. The subject treated of, is of the utmost importance to the nation; and yet it is not uncommon to hear many people, who, however ready they are to decide in other political points, make no scruple of confessing their ignorance in this, which may justly be ranked among the most capital of all. As it must come under the deliberation of Parliament this winter, and greatly interests both the Landed Gentlemen and Merchants, we may now hope to see the general attention turned towards it; and such regulations established,

blished, in regard to our Paper Circulation, as may not only put a stop to the abuses of it, which have of late been so flagrant ; but may enable the nation, in their present involved circumstances, to draw those great advantages from it, which it is capable of affording. The author will esteem himself peculiarly happy, if any thing that is said in the following pages can in the least contribute to those important ends ; or, if his arguments are not found consistent with reason and truth, he will reckon himself greatly obliged to those who will take the trouble to detect his mistakes, as nothing is further from his intention than a desire to mislead the Public.

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E S S A Y
O N
P A P E R C I R C U L A T I O N, &c.

THE Directors of our Treasury have been so long accustomed to that most pernicious custom of borrowing money from individuals, that it is now adopted as the only system of supplying the extraordinary expences of Government, though it has pushed the nation to the very brink of a precipice. They either have not turned their minds to think of other expedients, or have never considered the nature of money, and the present extensive circulation of Paper, otherwise it would have been impossible for them not to have perceived the dangerous tendency of the immense annual loans drawn from private persons, and not to have seen that the Constitution of the State naturally pointed out a most simple and easy remedy for that intolerable grievance.

Though the practice of the bank and bankers had long proved, to a demonstration, that all branches of domestic traffick could be freely carried on by other kind of money than silver and gold; yet those who were entrusted with the management of the

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the nation's treasure, still persevered in the old narrow opinion, that nothing but gold and silver would be current in the Government's service ; or if they sometimes had recourse to paper-money, they solicited the sanction of private Persons to give their notes a currency, as though the State had no fund of credit of its own.

Now the fund of credit of the State (which is in reality the united property of the whole people) exceeds the value of any private funds. The Legislature, therefore, by engaging that fund, can give a fuller Security for what paper-money they chuse to issue, than any private man or incorporated company can do, especially as the faith of Parliament is by far more to be depended upon than that of any twenty-four Directors.

The prejudice that has been industriously propagated by bankers and monied-men, that their assistance was indispensably necessary to procure a currency to paper, has probably been the chief cause that the State has never attempted to circulate notes upon its own credit *.

Bank

* The falsehood and absurdity of the pretences of the monied men are most glaringly evident from a late transaction in Ireland. In the Year 1760, the unexpected failure of five or six of their chief banking houses filled that whole kingdom with such a distrust of private security, that there was a total stagnation of all paper currency ; and an hundred pound note, as I am assured, would not have been accepted in payment for a sixpenny loaf. Their house of Commons, in order to relieve the Public distress, came to a resolution to stand bound for 150,000 l. for three bankers, who proved that they had funds sufficient, which resolution was no sooner published, than General Credit revived, and the internal traffic of the Kingdom was carried on in the usual manner. The monied men, in this instance, could not surely, with a good grace,
boast

Bank notes being at first confounded with merchants bills, doubtless gave rise originally to this prejudice: but though it be now well known by those who have thoroughly examined our paper-circulation, that bank notes and bankers bills are really a species of money of themselves, without any respect to merchandize; yet the old prejudice still subsists among the generality of people, who seldom examine, or indeed are capable of examining, whether the notions adopted by them be founded on truth.

The bankers and monied men being sensible what a profitable monopoly this prejudice threw into their hands, studiously supported the delusion; for they knew if it were once dissipated, their gains would be quickly lessened, and their craft would fall into disrepute. In like manner the London brewers wanted to persuade the people, that Porter could be made of no other water but Thames water. In like manner, the Hudson's Bay Company, if they could, would wish to persuade the nation, that furs ought not to be brought from North America by any other conveyance than by their ships.

The meaning of the words *Public Credit* being generally misunderstood, made the people be more easily misled into the false opinion, that the security of the credit of the State depended upon the good will and ready assistance of the monied men. Nothing is more common than to hear, in places of public resort, expressions to the following pur-

boast that they were the supporters of Public Credit, when, without the security of the Legislature, they themselves had no credit at all.

pose, *Public Credit flourishes, Public Credit is low, Public Credit is in danger*; and if the generality of people should be asked the meaning of those phrases, they would immediately reply, that they refer to the state of the funds; for when they are low priced, Public Credit is low, and when they are high priced, it flourishes.

This they think an admirable solution, though in reality the rising and falling of the stocks no more affects the stability of Public Credit, than the rising and falling of commodities endangers the property of a Landholder. The forwardness of the money-lenders, to advance large sums to the Government, does neither establish public credit, nor does their refusing to lend their money upon Government security but upon the most extravagant premiums, bring it into danger. The former only shews that usurers are very ready to take advantage of the exigencies of the State, as well as of private persons, and the latter, that the Government is in pressing want of a Commodity very hard to be got, because sought for in an improper channel.

The real foundation of Public Credit rests upon the good faith of the Parliament, joined to the probability of their being able to fulfil their contracts. Public Credit therefore, whatever slight and temporary calamities the State may suffer, must ever remain firm and unshaken, while the majority of the Legislature continue honest, and do not borrow beyond what the value of the fund pledged for repayment can bear. It is then evident that Public Credit may flourish independent of the monied men, nay even in their despite; for, as the whole body of the Landed Gentlemen,
joined

joined to the millions of people in the inferior classes of life, circulate much more than the monied men, if the former acquiesced in paying and receiving any species of money, stamped by authority of Parliament, it would be absolutely impossible for the latter to stand out, or abstract themselves from any concern with such currency, unless they chose to be cut off from all traffic with their fellow subjects.

It has been observed, that Public Credit might flourish independent of the monied men; but it will even appear, that it will prosper more without their assistance, than by any joint co-operation of theirs. Very considerable profits arise from the circulating of paper, which at present are all intercepted by bankers and monied men; but by the scheme which I shall propose, the State may easily become its own banker, and thereby secure to itself the Profits arising from the circulation of its own Paper, besides the acquisition of many material advantages, which shall be more fully specified hereafter.

Incorporated banks and private bankers have been so far of use, as they accustomed the nation to the currency of paper-money; for if the Government had been the first who attempted to introduce that kind of circulation, the people, not being capable of conceiving the solid foundation of the Credit of the State, would not have accepted such payments but with discontent and murmuring. But as every one now acquiesces in payments made by paper, and the great excellency of that kind of currency, in large transactions, is universally acknowledged, it would be the height of imprudence longer to suffer private men to multiply that spe-

cies of money at their pleasure, by which, in reality, they rob the State of one half of its exertive strength.

The law makes it death for any private person to coin a piece of money of the smallest denomination in gold and silver ; but there is not the least difference in circulation betwixt paper-money, and gold and silver coin ; and yet, thro' an oversight in the Legislature, bankers have been suffered to issue out thousands, nay millions of pounds, of the former kind, which circulate through the nation as freely as if they were stamped with the King's image, and authorized by an act of Parliament.

If we consider the effects of this circulation, it will appear that the bankers have the power of altering the value of money as much as the Kings of France by their arbitrary edicts ; and that they have, by their past proceedings, actually done so. The price of labour, and the value of commodities, in this island, it is evident, would not be the same when there is twenty millions of pounds in circulation, as when there is forty millions ; but our bankers, by their silent, but incessant issuing of notes, have more than doubled the current specie of this island, consequently a crown will not go much further now than half a crown would have gone formerly. Thus they have, in a manner, stripped the Landed Gentlemen of great part of their incomes, as 1000 pounds a year is now of little more value than 500 pounds before this artificial increase of money ; for the price of labour and commodities has risen in a faster proportion than the Landed Gentleman's property has been improved,

If we examine the extent of this circulation, we shall find it immense. It is computed by some of our best writers on trade, that including our national debts, and all kinds of paper currency, there are notes existing in this kingdom at present, in the proportion of twenty, or rather twenty-four pounds in paper for every pound in gold and silver. Almost the whole of this artificial specie has been coined year after year by private persons, and the opportunity of a loan to the Government has been the very inlet by which they have insinuated their nominal money into circulation. Neither the whole of the gold, nor of the artificial specie is kept up in actual currency; but from the slightest attention to money-matters at present, we may perceive that there is a ten times greater quantity of the latter kind of money used, than of the former. All sums of 1000 pounds and upwards are now paid almost wholly in paper. It is nearly the same with sums of 100 pounds; nay even shopkeepers and tradesmens bills of 20 or 40 pounds are now generally paid in bankers notes. A nobleman's steward, in the remote parts of the island, writes, that of late he has received the rents of his Lord's estate chiefly in paper; and I have very certain intelligence, that for several weeks, in the months of January and February, 1760, the copper-plate presses of the B——k cast off 2000 notes a day. These plain facts evidently demonstrate the urgent necessity of speedily taking the power of this artificial coinage out of the hands of the monied men, who seem not to care how soon they unnerve the Government, provided the public distress afford them an opportunity of enlarging their fortunes. While there is a malady subsisting in the State, corrupting its very blood, in vain do we attempt to restore health by meer palliatives. If we would
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effect a cure, we must apply the remedy to the root of the evil.

The order of monied men, which has fatally borne so much sway for many years past, instead of being an ornament, strength, or advantage to the kingdom, ought to be suppressed as one of its greatest nuisances. In a sound State there ought to be no monied men out of the order of merchants and manufacturers (exclusive of the Gentlemen of landed property;) but within this half century many have risen to be monied men, without ever having been concerned in manufacture or traffic, or being possessed of land. Now such fortunes as theirs cannot otherwise have been raised than by preying upon the necessities of the State, or upon the industry of private persons, consequently the business they profess ought to be carefully restrained, if not totally suppressed by every well regulated Government.

While the bankers and monied men have been encumbering the State, and sinking the value of money by their continual issuing of notes, the Stock-brokers have been adding to the confusion and distress by their daily practices in the Alley. The greatest part of the profest money-jobbers, may most justly be stiled Public Robbers; for by their artifices they have, for these several years past, stripped individuals of more of their property than all the Highwaymen in Great Britain. Their practice is exactly similar in its effects to that of House-breakers. A Gentleman, we shall suppose, buys 1000 pounds stock for 1000 pounds, and locks up the note entitling to the stock in his scrutoire: There he may reasonably think it safe; yet the event will prove him mistaken; for the tricks of
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the money-jobbers shall have such an influence upon its value, that when he carries it to market, he will find that it is not quite worth 700 pounds. Would it have made any difference to this Gentleman to have had his scrutore broke open at home, and out of 1000 pounds cash contained in it, to have found 300 pounds carried off by thieves?

If there were no annual loan, the stocks would immediately cease to fluctuate; and, by the establishment which I shall propose, they would continually be kept up at par, or very near it, even during the war, which would give new life to trade, and save perhaps half a million annually from being sent abroad. Though the fluctuating state of the funds does not in reality affect the security of Public Credit, yet their instability and present low price is extremely prejudicial to the nation. It gives an opportunity to foreigners to draw large sums out of the Kingdom, and tempts many manufacturers and traders to forsake business, and go to Exchange Alley with their money, where at present [1762] for every 8 pence they can purchase a shilling, which is a greater profit than they can expect by following their occupations. This profit, however, few of them ever receive, for not being able to wait to realize their shilling by seeing stocks rise to par, they are obliged, by the necessity of their affairs, to sell out at much the same rate they bought in, and find themselves sufferers by having neglected industry. The brokers, however, still thrive by a succession of new bubbles; but trade, in the mean time, is daily receiving fresh wounds, and that spirit of industry, which is the very life of the State, by continually supplying new resources from agriculture, and the labour of artists, is declining more and more into a spirit
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of gaming; which subsists merely by devouring the resources already provided.

Part of every new Loan is made up by deductions out of the old funds; for the money lenders are gainers even by selling out of the old funds at one per Cent. loss, when they subscribe the same money in a new loan at two per Cent. advantage. The funds, by this means, are kept gradually sinking, and the Government, on the other hand, is obliged proportionally to augment its premiums, the burden of all deficiencies being laid at last upon the State. The Public funds at present are like a granary with a hole at bottom. While the grain is drawn out every day by that opening, it is no wonder that the heap sinks down, notwithstanding any small supplies that may be poured in at top; but if the opening were once stopped up, the granary would soon be filled by the fresh stores brought to it from all parts of the island.

In like manner the funds must immediately rise, if the Government but once ceases to make any demands for supplies from the monied men; for no part of the yearly expences of Government being drawn from thence, the number of sellers would be very few in comparison of the buyers, which is always a most certain means of raising the market. If there were to be no transfers or deductions from the funds, but those occasioned by real necessities of Stockholders, less than half a million of money brought to market would be sufficient to raise them to par; but the annual savings of all the thriving people in this island, reckoning from those in the highest stations, even down to menial servants, in great part center in the funds, and may justly be computed at more than two millions,

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consequently more money would be brought to market than could be disposed of, which would make it easy to be had at the usual moderate interest.

The true and constitutional means, therefore, of rendering loans from private persons unnecessary, and of putting it out of their power longer to overflow the nation with nominal wealth, is for the Legislature to use its own Credit at first hand, and to supply the extraordinary exigencies of Government by circulating notes of its own, which by the expedient I am to propose, may quickly be made to become current all over the nation, and have the preference to every other kind of paper security. From what has been already said, I am persuaded it has been chiefly owing to timidity, or to false prejudice, that the Legislature has allowed any interest upon Exchequer-bills, or begged the assistance of the bank to circulate them. If bank-notes, and even bankers bills, have a free currency through the nation, would any person refuse to accept of notes payable upon demand, when the good faith of the Parliament is pledged for the security of that payment, and an office erected where cash might be received whenever the notes were presented. As there never was a time when the Legislature and the Administration were in higher credit than now, I mean, a time when the Public had a higher opinion of their good faith, no season can be more proper than the present, to form such an establishment, when all ranks are fully convinced of the great necessity of supporting the Government, and are at the same time alarmed at the danger which threatens the State from new loans and incumbrances.

Though the French are not so overrun with paper as we are ; yet the mischiefs brought upon the State by public loans, and by suffering private men to have the coinage of the artificial specie, have been complained of by some of their most judicious writers, who in vain wish for the expedient for remedying those grievances which our free Government naturally offers to us. Their sentiments will appear from the following extracts, with which I shall conclude this introductory part. “ * Ajoutons a tout cela, ce que je viens de dire, qu’il y a dans l’Etat un peuple financier, qui fait commerce & marchandize d’argent & de papiers. Ils ont tous un meme interest, de faire valoir les inven-

* To this let us add, what I have been just observing, that there is in the State a set of money-lenders, who make a traffic and merchandize of money and papers. These people have all the same interest in establishing the pernicious inventions of their professions, which is, to withdraw the real specie as much as possible out of circulation, by keeping it locked up in their strong boxes, in order to render it more rare, and by that means oblige the Public to make use of their notes, of which they make a traffic, by paying them to the bearers with a discount ; whereas if the real cash was no where concealed, and had a free circulation, payments would be made much more easily, and we should not so often be obliged to have recourse to loans.—They gloss over their proceedings so artfully, as to persuade weak people, that they are not only useful, but absolutely necessary to the prosperity of the State, which opinion makes them be suffered, notwithstanding all the disorders which they occasion in the kingdom. *Political Views upon Commerce*, 1759. If there was an agreement authorised by the Sovereign, and adopted by his subjects, (that is, established by a Legislature, to issue money nearly in the manner of bank notes, nothing would be more useful, as by that means we might undertake every thing. *Id* Never could paper be more justly entitled to the name of CREDIT. There is not in the world a bank founded upon principles so solid and secure as those which make the foundation of this credit. The most precious metals placed as a fund in a public treasury, cannot, in point of security, be compared to the whole land-property of a State. *Id*.

tions pernicieuses de leurs professions, qui est de faire disparoitre autant qu'ils le peuvent la quantité des especes circulantes, en les retenant dans leurs coffres-forts, pour les rendre plus rares, & par ce moyen obliger le Public a se servir de leurs papiers, dont ils font commerce, en les ecomptant a perte a ceux qui en sont porteurs : au lieu que si les especes monnoyées n'étoit retenues nulle part, & avoient une circulation libre, les payement se feroient bien plus facilement, & on ne seroit pas si souvent contraint d'avoir recours aux emprunts. — Ils donnent a leurs manœuvres un tour si adroit qu'ils persuadent aux esprits simples qu'ils sont des gens utiles & precieux a l'Etat, ce qui fait qu'on les tolere malgre tous les disorders qu'ils causent dans le Public. *Vues Politiques sur le Commerce*, 1759, p. 210. S'il y avoit une convention autorisée par le Souverain, & adoptée par les sujets pour former de la monnoie a peu pres semblable aux billets de banque, rien ne seroit plus utiles, puisque par ce moyen on pourroit tout entreprendre. *Id.* Jamais papier n'auroit mieux merité le nom de CONFIANCE. Il n'est pas de banque dans le monde qui soit fondée sur des principes si solides & si certains que ceux qui servent de base a cette confiance ; les metaux les plus precieux mis en depot dans un tresor public ne peuvent entrer en comparaison avec tous les biens en fond de terre d'un Etat. *Id.* p. 230. 232.

* On entend les bons & les mechants dire egale-
ment par echo, que nous ne sommes pas dans le
temps

* We hear both honest men and knaves echoing to each other, that it is not now a proper time to apply the remedies suited to the grievances of the State. How ! Should not the time of the disease be likewise the time for the remedy ? We

temps d'apporter les remèdes convenables aux maux de l'Etat. Pourquoi donc, le temps de la maladie ne seroit-il pas celui du remède? On effrayera, dit on, les gens à argent, & l'on ébranlera le crédit, c'est à dire, le crédit du Financier; car pour le crédit du citoyen il ne peut qu'augmenter à mesure que les opérations prospères du Gouvernement relèveront la confiance, & la sûreté. Eh! quel bien a fait jusques ici ce fatal crédit des Financiers? Il a fallu l'amorcer par les profits les plus onéreux, combler d'engagements de toute espèce le gouffre de sa voracité, & ses secours équivoques & perfides n'ont pas empêché qu'on n'ait épuisé en même temps, le crédit de la nation, & qu'on n'ait été forcé de charger le peuple jusqu' à l'acablement le plus absolu."

L'ami des Hommes, tom. vii. p. 304.

shall alarm, say they, the monied men, and give a shock to credit, that is, the credit of the money-lender; for as to the credit of the Citizen, it cannot fail of increasing in proportion as the prosperous measures of Government restore confidence and security. Alas! what good have we hitherto reaped from this fatal credit of the money-lenders? We have been obliged to offer the most burthensome premiums as a bait to its rapacity, to throw in contracts and engagements of every kind into its voracious gulph; and at the same time, its nominal and treacherous supplies have not prevented us from exhausting the credit of the nation, and from being forced to lay such burdens upon the people, that they are absolutely sinking under them. *The Friend of Man*, vol. vii. p. 304.

A SCHEME for supplying the Government with several millions annually, for two or three years, without any loan or new tax.

Let it be moved in the House of Commons, to issue and circulate a million in bills or notes upon the credit of Parliament, without allowing any interest upon them, or without the aid of the Bank, by appointing an office where those notes should be paid upon demand. If the motion is approved of by a majority of the two Houses, and the Bill passes into a law, the circulation of the notes may be effected in the following manner.

Let six or more Commissioners be chosen by ballot, by the House of Commons exclusively, to have the direction and management of the whole circulation. Let those Commissioners, after they have been confirmed by the King, hire the large empty apartments above the Royal Exchange for their office; and when they have fitted them up in a proper manner, and are ready to issue out their notes, let the new establishment be then published to the world by two boards, one fronting the street, and the other the inner square of the Exchange, with the following title in large capitals :

THE BANK OF THE PARLIAMENT OF GREAT BRITAIN.

The apartments above the Royal Exchange may serve for two years, when the charter of the Bank will expire; and as that charter ought never to be renewed,

renewed, the Company, upon being dissolved, will probably be glad to sell their House to the Government.

As meer names have a great influence on the common people, the very title above mentioned would tend to give the notes a general currency. But, to promote their circulation, let it be inserted in the Act, that the Parliament Notes will be accepted in payments, by all offices under the Government; and, to secure the good faith of the Commissioners, let it be declared felony for them to issue notes above the value of the sum allowed by Parliament, unless for real sums of gold and silver deposited in the hands of their Cashiers.

The notes, when issued out, ought to be dispersed in the remote parts of the kingdom, which would make it longer before they were offered for payment in London; and as a fund for the prompt payment of them, 100,000 l. in cash ought to be deposited in the bank, which sum will be sufficient to answer all occasional demands; for probably not above a tenth part of them would ever happen to be presented at once, or if there were, such an accident could easily be provided against.

The Bank being once established, let the Commissioners soon after petition the Parliament to order the annual interest due to the Public Creditors to be paid at their bank, which would give them the command of three millions, and that would serve as a rich fund for circulating many millions of paper, as it does at present to the Company of the Bank of England, who have the use of it without making the least acknowledgement for it. By transferring the Payments of the Dividends to the
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Parliament Bank, the Legislature could, upon that fund, issue out and circulate five millions in notes annually for two years, if the war should continue so long ; and five millions issued in that manner, would, without burthening the people, go as far in supplying the expences of the State, as six millions by the way of a loan, as there would be a saving not only of the premiums, but of the discount upon all navy and victualling bills, which last, at present, greatly enhances the expence of Government, and throws great profits into the hands of the money-dealers.

The establishment of a National Bank would also, in all probability, be a means of shortening the continuance of the war, and bringing it to a happy issue ; for if our enemies saw that we no longer borrowed money from individuals, but raised the supplies within the year, they would be more disheartened and intimidated by such an alteration in the state of our revenue, than by the loss of several battles ; and, instead of wishing to protract the war, would hasten to conclude a peace, upon just and reasonable terms.

The circulating of one million in notes, by this method, would also be found less expensive, than the allowing an interest of three per Cent. upon them, and soliciting the assistance of the Bank to give them a currency. An interest of three per Cent. upon a million of pounds is 30,000*l.* but the charge of circulating a million by a New Bank, could hardly amount to 20,000*l.* as will appear from the following calculation.

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The Salaries of six, or even nine Com- missioners, at 1000 l. each ———— }	9000
The Interest of 100,000 l. lying at the Bank to answer all demands ———— }	5000
The rent of the rooms ———— ————	500
The salaries of the Secretary, Cashiers, Clerks, &c. with the expences of Pa- per, copper-plate presses, &c. would not exceed ———— ———— }	5000
Total of the expences	<u>L. 19,500</u>

Twenty millions might also be circulated for the same expence; or rather the Government would be put to no expence at all by the national Bank; for the profits arising from the circulation of the notes, and the discounting of bills, would more than defray all the charges incident to the establishment.

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A further extension of the SCHEME, by which the proposed Bank might be rendered one of the greatest resources of Government, and a means by which great part of the national debt might be speedily paid off.

UPON the return of Peace, the Parliament Bank might soon become the chief center of all Paper Circulation, by the Commissioners being authorised to offer two per Cent. upon all their notes of 1000 or 500 l. value; which would be a means of procuring them an additional fund of gold and silver. For as the prices of stocks will then probably be above par, it would be as profitable for monied men and prosperous traders, to take for large sums circulating notes, bearing two per Cent. interest, which notes may still be used in trade, as to throw that money out on trade, by buying stock with it at the advanced price of the funds. Great part of the money received, upon the issuing such notes, may be disposed of in paying off part of the national debt, which bears an interest of four and three per Cent. and by that means the debt standing at a high interest, may gradually be transferred into a debt bearing a low interest, which, in the course of a few years, would occasion an annual saving of several hundred thousand pounds to the State. To forward this transfer, and to make a kind of glut of money, the Government may issue out two or three

D

millions

millions in paper, as there is then no drain of a foreign war to carry out our real specie; and by circulating this artificial coinage, the Commissioners of the Bank would get possession of an equivalent sum in gold and silver. Part of this sum, in real cash, being thrown back into circulation, by being paid to the Public Creditors, as a part of their principal, would occasion such a superfluous abundance of money in their hands, that they would be at a loss how to dispose of it, and would be glad to put it again into the Bank, and accept of notes for it, bearing an interest of two per Cent.

When means are justly appropriated to the ends designed by them, great and surprising effects are often produced by small, and seemingly weak, causes. I have heard of the course of large and navigable rivers being diverted by some hours labour of a single ditcher. In like manner it is capable, I think, of the clearest demonstration, that the expedient above proposed would alter the channel of the whole 120 millions of debt, by putting it in the power of the Government to cancel that debt for another at the general interest of two per Cent. It would also be a means of sinking annually a considerable part of the principal, by the surplus that would fall to the sinking fund, and for the future, would suppress, if not totally annihilate the infamous trade of jobbing in the Alley, by which the morals of the nation are most shamefully corrupted, and industry and trade so greatly burdened, that they are almost sinking under the load. If the annual interest were once lessened one million, and several millions of the capital debt paid off, which the circulation of Parliament Notes would enable the Government to do,

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the present redundancy of paper would gradually vanish, as private bankers, instead of having any opportunity for pouring out more notes, would be obliged, for fear of a bankruptcy, to retrench those which were already circulating on their credit. The Government then, upon the occasion of any future war, might, instead of applying for succours from private persons, draw almost the whole of the extraordinary supplies from the Parliament Bank, by increasing the paper circulation, which increase could again easily be retrenched upon the return of Peace.

The SCHEME further enlarged, so as to vivify commerce throughout the whole island, and facilitate the mutual intercourse of traders remotely situated from each other.

AT present, while our bankers monopolize all money transactions, no money can be transmitted from one part of the Kingdom to another, without an arbitrary and exorbitant tax, called *the price of Exchange*. This tax, though it be unavoidable in our commerce with foreign nations, may however be easily suppressed within the island, by extending the influence of the Bank in the following manner. Let the Bank Commissioners establish subordinate offices in most of the large Cities of Great Britain, as at Bristol, Liverpool, York, Manchester, Newcastle, Edinburgh, Glasgow, Aberdeen, &c. Let there be a Cashier and Clerks at each of those offices, subject to the control of the Commissioners of the Bank, in the same manner as the collectors of the different districts are accountable to the Commissioners of the Excise and Customs; and let it be declared, that prompt payment will be given for Parliament Notes at all those offices.

The establishment being thus regulated, would entirely abolish that tax levied by money dealers, for transmitting of cash from one part of the island to another; for whoever had occasion to send any money to a distant part of the Kingdom, needed only to put it into the Bank-office that was next to him,

him, and his correspondent, upon intelligence received by the post, might receive the same sum from the office lying nearest to the place of his residence. A regulation somewhat similar to that I have proposed, has already been introduced by the late Act, for the payment of seamen's wages, by the favour of which, a sailor that receives his pay at Plymouth, or any other of the King's Yards, may transmit any part of it to his relations in the remotest corners of the island, without the smallest deduction. The excellent effects of this new regulation, fully illustrate the advantages that would arise to the State, from abolishing the arbitrary tax above-mentioned, which, like bad roads to wheel-carriages, greatly obstruct the internal traffic of the Kingdom.

The Bank ought also to establish nine or ten offices for prompt payment in different parts of London, which offices would be a means of preventing long journies to those who wanted to change notes, and would also occasion less tumult and bustle at the center of the whole circulation at the Royal Exchange. Such offices would also be extremely convenient on another account; for those Noblemen and Gentlemen, who at present enrich private bankers, by suffering large sums to ly in their hands, would soon see the propriety of transferring their money to the National Bank, where they would receive two per Cent. for it, and might transact their affairs at those offices, with more ease, and much greater security, than at the houses of private bankers, where bankruptcies of late have not been very unfrequent. When the utility of the National Bank was once perceived, our Nobility and rich Gentry would probably make
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it a point of Patriotism, not to place any money in the hands of private bankers; and the sums of real cash that would by this means be transferred into the Parliament Bank, would add such vigour to the circulation of its notes, that they would gradually suppress the notes of our present monied men and monied Companies, and at length become the only kind of paper money circulating in the State, which would prove a greater mine of wealth to the Government in the exigencies of a war, than all the mines of America to the King of Spain.

I have avoided touching upon minute regulations, that I might not swell this present pamphlet; but as the very novelty of the proposed Scheme may occasion some scruples in the minds of those who have never turned their thoughts to consider the nature of the traffic, so studiously disguised by our monied men, I shall conclude with adding a few words in answer to some plausible objections that may be made against the establishment.

Objection I. It would be an innovation, and innovations are dangerous.

Answer. True; it would be an innovation; but the first institution of the Bank of England was a greater innovation; yet that Company was nevertheless established with success, and for several years added great vigour to the State; but as the increase of our funds has spawned a great many other private banks, both it and they have long been an incumbrance to the nation. The re-coining of our money, advised by Mr. Locke, in
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the midst of a war, was an amazing innovation ; but being executed with prudence and steadiness, it was happily accomplished, to the confusion of our enemies, and the great advantage of the State, and added more to our reputation, than either our fleets or our armies. Having instanced those two particulars, it would be wasting time to add any more in answer to this objection. I shall therefore only observe, that the circulation of Parliament Notes in room of other notes, would be effected by such an easy and insensible transition, that the innovation would be no where perceivable, but in the counting-houses of bankers, who would indeed soon feel, that the spring which filled their cisterns was diverted to supply the necessities of the State.

Object. II. The nation, remembering that the Exchequer was fraudulently shut up in the reign of Charles II. will scruple to trust it a second time.

Answer. I do not desire that they should ; but surely they would not hesitate to trust the Parliament for 15, or 20 millions of notes, when they have already trusted it for 120 millions. What else are those transfer notes given to the Public Creditors, for the sums they lend to the Government, and locked up by them in their scrutores, but so many Parliament Notes sunk out of circulation, yet bringing in an interest to the proprietors of 3, $3\frac{1}{2}$, and 4 per Cent. The people are so far from distrusting the security of those notes, that we have seen, for these two years past, that they have been contented to take annually 12 millions more of them ; though it be certain, that if the Parliament faith were to fail, they would be of less

less significance than blank lottery tickets. Were the Parliament, therefore, to add their sanction to Notes of currency, the circulation of such Notes would be established without the least obstruction or difficulty, except from the weak murmurs of the monied men. People are now so accustomed to payments in paper, and that kind of coinage is so abused, that one or two shopkeepers in G—g—w, about twelve years ago, had the assurance to issue no less than 50,000 pounds, in notes in one summer; but as they went too barefacedly to work, their notes were all returned upon them in six or seven months. This could not happen to notes issued upon the sanction of Parliament; for, exclusive of the solid security upon which their currency would be established, the consumption of the Government, which at present is so great, as to make an eighth part of the consumption of the inhabitants of the whole island, would occasion a continual rotation of paying and receiving, to a much greater amount than that of the sums in paper issued by the Parliament Bank, though the war should continue two or three years longer.

Object. III. It would be a violation of the Charter of the Bank, which stipulates that no other Bank should be authorized by Parliament during the continuance of the Bank of England.

Answer. The slightest reflection will convince any one, that the Parliament, by that stipulation, never meant to preclude themselves from using their own credit. The testimony of facts also proves, that the meaning of that stipulation has always been so understood; for what else are Ex-
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chequer bills, but so much paper money issued upon the credit of Parliament. The whole difference then, between what has been already done, and what is proposed by the present Scheme, is, whether the Parliament should content themselves with the Directors of the Bank of England as managers, or appoint managers of their own. The many advantages arising from the latter method, I hope, have been already clearly illustrated.

Object. IV. If the Parliament should supply the extraordinary exigencies of the war, by establishing a National Bank, and issuing Notes, the kingdom would be glutted with an over-abundance of that kind of money; which is already but too plentiful.

Answer. The very design of the establishment is, to prevent the nation from being over-run with a superfluous abundance of paper money. Bankers, at present, by issuing notes, draw all the cash to themselves, which they offer in a loan to the Government; and as this loan is paid at eight or ten different payments, it renders it still more easy for them to keep up the circulation of their paper.

The Government sees the cash, the people circulate the paper, and all the bankers have to do is to keep so much cash by them, as is sufficient to give a currency to their notes. According to the vulgar prejudices indeed, loans of ten or twelve millions have been raised for two or three years successively, from the meer annual savings of our wealthy traders; but this opinion, even upon the most extravagant suppositions of the extent of our trade, plainly appears to be false and

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absurd in the highest degree. Besides the opportunity which a loan affords to the bankers, of issuing notes, the very loan itself is converted into transfer notes, which exist as so much paper wealth, and lie as a burden upon the State till they be redeemed by Parliament; that is, till the debt be paid off. Now, if the Legislature, by a National Bank, were to issue five or six millions in Notes, there could be no other paper money issued that year; for the bankers would be obliged rather to abridge their paper credit, since their notes would be thrown back upon them as a useless commodity. The Notes issued by the Parliament Bank would, in part, sink out of circulation; but would leave no burden behind them, like transfer notes, that remain as evidences of a debt; and those notes that continued circulating, would only appear in the room of the present private notes, which would easily be driven entirely out of circulation by them. Thus for two, or even three years, there could not any increase of our paper specie be discovered; though the Parliament should issue out five, six, or eight millions annually, and in the mean time, Peace, in all probability, would be happily restored.

Object. V. It will occasion an universal uproar among the monied men; and it is not prudent, in the present situation of affairs, to disgust them.

Answer. I make no doubt but the monied men will clamour, that they will studiously misrepresent the Scheme, and will endeavour to fill the people with false alarms and jealousies; but the authority of Parliament, joined to the powerful influence

of truth, is sufficient to overturn all their opposition, and silence all their clamours. Their sway and influence, I confess, is at present very formidable ; but that is entirely owing to their being applied to as useful and necessary auxiliaries to the State ; for their power and interest would be *nothing*, if they were not supported by their connection with the Government. If the Government should detach itself from them, they would be, of *all men*, the most dependent ; for, as the richest of them have issued more paper obligations than they can well answer for, instead of being able to check others, they will be checked themselves, with the perpetual apprehension of such a run upon them for cash, as would end in a bankruptcy. This would force them gradually to abridge their dealings in paper, and turn themselves to some other business, which would be doubly beneficial to the State. 'Tis natural to expect that they should use their utmost endeavours to prevent the establishment of a National Bank, or if not successful in that, should labour to misrepresent the tendency of it. But should they even offer a free gift of a million to stop the passing of the act, their present ought to be rejected, as it would only prove how deeply they were interested in preventing any reformation in the present money system. Or, should they alledge, that to draw money from such a bank, would be a violation of the privileges of the House of Commons, or that the establishment itself would become a mere State bubble, for cheating the Public Creditors, the very fundamental principles of the institution would be sufficient to defeat such slanders, and make it evident to the meanest apprehension, that there was no fraud at bottom, or possibility of a fraud : the

privileges of the House of Commons could not be said to be violated, when the Bank Commissioners were actually chosen by that House, as trustees or managers for them; nor could the nation justly fear a secret collusion to rob them of their gold in exchange for paper, when it was made felony for the Commissioners to issue a single note above the sum allowed by Parliament, unless for real sums of gold and silver deposited in the hands of their Cashiers. How different is the case at present, when for every sum in gold and silver deposited in the hands of bankers, perhaps five times its value is issued in paper. The nation certainly would not be so liable to be over-run with paper money, if the issuing of that coin was confined to the Legislature, who publish to the world what sums they pledge their credit for, as it is at present, while the bankers assume the privilege of issuing it at pleasure, without giving the least intimation how much they issue. Therefore, instead of opposition to the establishment on the part of the people, we may expect their zealous and hearty concurrence in the support of it, notwithstanding any clamours or misrepresentations of the monied men.

Object. VI. If the Scheme proposed be put in execution, it will entirely ruin the trade of private banking; and it would be cruel to deprive 4 or 500 people of a livelihood, by which they are at present enabled to live in plenty and affluence.

Answer. It would neither be cruel nor injurious, to oblige any body of men, who thrive by distressing the Public, to quit their pernicious occupations, and betake themselves to some other means

means of living consistent with the welfare of the State. Hardly any public reformation can be effected, without interfering, in some manner, with the private interest of individuals ; but that is never thought any just reason why such reformation should not take place. When the war is concluded, upwards of 100,000 men will be turned out of bread, that is, will be deprived of their present means of subsistence, and obliged to look for some other ; but that is no reason why the war should be continued for ever, lest those who make it their profession should want employment. The interest of the watermen, who ply on the river Thames, was opposed to the general conveniency that would arise to the Public from building Westminster Bridge ; yet this useful undertaking was not retarded in the least on account of that trifling objection. The interest of the water-carriers in London, who were formerly a very numerous body, was also opposed to the Scheme of introducing the New River water into this metropolis. But though it was easily foreseen that their trade would be ruined, if the new scheme should take place, yet the extraordinary convenience that would accrue to the Public, from the constant and plentiful supply of water, outweighed all consideration of the private interest of those individuals, who could easily earn a livelihood by turning themselves to some other employment. The society of water-carriers, it will be allowed, is not much missed in this great city, the inhabitants of which are now better supplied with water by the New River Company, who, for a small expence, circulate it in pipes through the streets and houses in great abundance. This circulation has been attended with so many conveniences, that the trade

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of the water-carriers has long been rendered useless and obsolete; and to those who are accustomed to think only of modern times, it now seems odd that such a Society ever existed. In like manner, if a Parliament Bank should be established, and be extended in the manner above proposed, the monopolizing trade of private banking would soon be extinguished, and it would probably appear a strange paradox to Posterity, how so many false coiners came to be suffered in the beginning of this century, in all our large cities. Before the late Revolution, there was scarcely a single banker in all London, much less a banking-house in every great city; yet in those times trade flourished, the people lived in plenty, the prices of things were in general very cheap, which made our manufactures find every where a ready market, and the national stock of gold and silver kept annually increasing. If the nation could then prosper, without the aid of bankers, why should it be thought that it could not still flourish, tho' there were not a private banker in the whole island, especially as Liberty and Property are now better secured, great improvements have been added to the arts, the people now acquiesce with confidence in the good faith of the Legislature, and the riches and produce of our Colonies are ten times greater than they were in those days.

POSTSCRIPT.

October 1762.

THE preceding Essay was written eight months ago, upon the expectation of the continuance of the War; and the design of it was to prevent the nation from being longer preyed upon by the monied men, who for loans, which, in great part, consisted of imaginary specie, extorted the most extravagant premiums, especially for these two years past, when they amounted to about 40 per Cent. of the whole sum borrowed. Since the writing of the manuscript, the face of affairs is greatly changed, and we have now the happy prospect of a Peace, which, in all probability, will be both honourable and lasting.

The mischievous practices of the monied men, however, are far from ending with the war. Even in time of peace, they assume not only the coinage, but the sole direction of the circulation of all
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our paper money, which is a power too great to be left in the hands of private men, who are every day extending it more and more, to the great prejudice of the State. Though the bad consequences of this paper coinage have never been attended to at home; yet we find the Colony of Connecticut have not only remarked them, but guarded against them by a most wise law, which ordains, “ *That any Society, presuming to emit or*
“ *issue bills of credit, to be used as money in trade,*
“ *shall be punished as in case of counterfeiting; and*
“ *the utterer of such bills shall forfeit double the sum.*”
See Douglass’s Summary of American Affairs, vol. ii. p. 200.

That such a law, long before this time, has not been established in this island, I believe, has been chiefly owing to the erroneous, but general opinion, that the Bank of England was a National Bank, and that the Government had no other way of using paper money but through that Corporation. For many years past, however, this opinion has most justly been ranked among vulgar errors; and almost every one now sees, that Ashley’s punch-house has as good pretensions to be a National Punch-house, as the Bank of England to be a National Bank.

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So far from being a National Bank, it is indeed a national grievance, as it prevents the Public, while it subsists as a Corporation, from gaining annually near a million sterling, as may be concluded from the following estimate. 'Tis computed that 30 millions sterling are circulated in paper by our monied Companies and private bankers together, which might all be circulated by the State, if private persons were by law prohibited from coining that kind of money. Now if 30 millions were circulating upon the credit of the State, the Government would reap this double advantage; it would in a manner sink 30 millions of the Public debt, and next would add by that means, a million a year to the Sinking fund, by which it may be demonstrated, that the whole debt might be paid off in less than thirty years. That a National Bank would quickly be countenanced by the people, and have a more extensive circulation than all the Banks, both public and private, have at present, may, I think justly be presumed, from the example of the Bank of Amsterdam, which, as far as I can procure intelligence of it, seems a real National Bank, and one of the great props of the Republic.

It has been remarked many years ago, that the Bank of England was formed upon a very improper plan, a plan calculated much more for private than public benefit; but not to go so far back as the years 1705 and 1710, when those observations were made, I shall only give the opinion of Sir John Barnard, who, in a debate in the year 1736, expressed himself in the following manner; “ I hope it never will be found
 “ necessary for us to continue the exclusive privilege of the Bank beyond the present term (1742);” and in another place he says, “ This
 “ proposal, I hope, will have one good effect,
 “ that it will put the people in mind, that as the
 “ term the Bank has is drawing near to an end,
 “ the Public ought to begin to think of redeeming the nation from that monopoly; and therefore they ought now to begin to pay off that
 “ capital, which must be all redeemed before an
 “ end be put to their exclusive privilege.”

To any person the least acquainted with the nature of our Public funds, and the real foundation of Public Credit, it will appear surprising that the advice of Sir John Barnard was not then followed; but the administration at that
 time

time seem neither to have had capacity nor inclination to look beyond the false system that had so long prevailed. They went on from one temporary expedient to another; and though the necessity of putting the currency of paper under some national regulation became every day more and more apparent, they even suffered the monied men to extend their power, and to appropriate to themselves advantages, which really belonged to the State, and from which the Government might have drawn considerable profit.

'Tis a just observation of an excellent writer,
 “ Qu'un Etat ne fortira jamais de son engour-
 “ dissement, & de la lethargie des usages & de
 “ l'indecision s'il n'est gouverné par des tetes tran-
 “ chantes qui voient le but, & qui y marchent
 “ a travers les broussaies, sans les prendre pour
 “ de la futaie.” If many people are not mistaken, the Government is at present under the direction of such heads; and as a most favourable opportunity again offers itself of throwing off the shackles of the monied men, and of doubling the vigour of the State, by applying to the service of the Government the resources which they have long intercepted, we may now hope that the oc-

casion will be improved, which will soon reflect a greater lustre upon the administration, than what could arise from many brilliant victories.

Hardly any thing, I think, bids so fair for effecting that purpose as the Scheme above proposed, which might be established without even seeming to be an innovation; and though the profits arising from it to the State would be very considerable; yet it would not interfere with the advantages of any, but of a few persons, whose traffic at present, though not illegal, is really unconstitutional. Instead of burdening manufactures and interrupting industry, it would ease and advance both these. It would give the Legislature such a proper command of the cash of the kingdom, as would enable it to reduce the interest of the public debts to two per Cent. and to promote manufactures and improvements, the Government could then even lend money at that interest.

As the charter of the Bank of Eng'land expires in the year 1764, that Company will, in all probability, move for a renewal of it during this Session of Parliament; but if the Government should think

think fit to establish a National Bank this winter, they might defer granting a new Charter to the Bank of England, and next year the National Bank would be able to issue and circulate notes to the amount of the whole Capital due to the Bank of England, which Corporation might then be totally and for ever suppressed. The National Bank having once succeeded in room of the Bank of England, might afterwards extend its branches, in the manner above proposed, to the remotest corners of the island, if the Legislature should think proper to enact a law like that of the Colony of Connecticut, against the circulation of all artificial bills of credit.

The spirit of banking and paper-coining is now prevailing to so great a degree, as to make such a law extremely necessary. The News-papers mention, that there is a great increase of bankers in Lombard-street; and they inform us likewise, that some persons have an intention of setting up a new Bank in Pall-mall, the Capital of which is to amount to 200,000 pounds, upon which, (according to the computation of bankers, of cir-
culating

culating five for one) a million sterling in paper may be circulated. A Gentleman declares, that last year in Scotland, he saw 800 pounds of land rents, of which only ten pounds consisted of real cash, and the method of changing a guinea in that country at present is with four five shilling notes and a shilling.

If the bankers are suffered to proceed at this rate, they alone, in a short time, will be in possession of all the gold and silver in the nation ; in which case, exclusive of the great power they would acquire, trade would be as much burdened by an over-abundance of paper specie, as it is at present by our high taxes. I know we have been often told, that the Bank of England when they next renew their Charter, intend to prevent that, by getting the private bankers laid under such restrictions, as to put it out of their power to trade so largely in bills ; but, besides that this would only be increasing the monopoly of the Bank of England, I should be glad to know where is the difference to the State, whether the coinage of the artificial

tificial money be in the hands of private bankers, or of a corporation of bankers. And if the Bank of England, for their exclusive profit, could think of prohibiting private bankers from dealing in bills of credit, why should the Legislature, for the benefit of the State, hesitate to assume the sole power of issuing such bills, which would prevent bankruptcies from being so frequent, and strengthen both public and private credit.

By establishing a National Bank this winter, an experiment may be made before the expiration of the term of the Bank of England, how the Public would relish the Parliament Notes, which in all probability would have a ready currency every where. For it cannot reasonably be presumed that people would refuse notes that are immediately convertible into money at *par*, when at present they make no scruple to accept of warrants or bills that are not by the Government converted into money till six or twelve months after.

If the Parliament Bank should be zealously patronized by the landed Gentlemen as a really Na-

tional Institution, and its notes should have a vigorous currency among manufacturers and tradesmen in the remote parts of the island, the administration might disregard the invidious insinuations, and malicious undermining of the monied men, who have not now such influence over the minds of the people, as they had twenty years ago, when they had the art to get their private interests preferred to the interest of the Public. A resolution of the country Gentlemen, at the quarter-sessions of the County, to give the preference to the Parliament Notes in all payments *, would probably secure their
currency

* Since the above was written, we have seen the country Gentlemen exert their influence very properly in putting a stop to the too diffusive circulation of private notes; consequently it would be no less in their power to promote the circulation of Parliament Notes, which instead of adding to the burdens they now bear, would be the means of easing them. The following appeared in the London Evening Post of the 1st of June, 1763, “ At a general meeting of the Commissioners of
“ supply for the county of Aberdeen, held on the 30th of
“ April last, all the Gentlemen present, except John Ding-
“ wall of Rannieston, and John Dyce of Tullygrieg, resolved,
“ that after the first Day of July next, they would not receive
“ in payment any five shilling notes, issued by any private
“ person,

currency against all the cavils of the monied men ; and in a few years we might hope to see the Parliament Notes, in as great credit as those of the Bank of Amsterdam ; that is, be preferred to cash itself.]

But if the establishment, upon trial, should not be acceptable to the generality of the nation, which is not reasonably to be apprehended, it might then be discontinued next session of Parliament, and a new Charter be granted to the Bank of England, or to any other private Company that should offer the best terms. I say, to any other Company that should offer highest for such

“ person, or any private banking Company whatever ; and they
 “ referred to the consideration of the next general meeting, to be
 “ held on the 23d of May, so much of the motion then made, as
 “ regarded the notes issued by the banking Companies in Glas-
 “ gow.” To the honour of the Gentlemen of the county of
 Aberdeen, they have been the foremost in checking the frauds
 and impositions of the money-dealers. Their example has lately
 been followed by the counties of Edinburgh and Linlith-
 gow ; and in time we may expect to see the Gentlemen in
 every county in Great Britain roused to pursue their own and
 the nation’s interest, which has too long given place to the mo-
 nied interest, that now spreads like a gangrene over the whole
 State.

a monopoly ; for it may, I think, easily be demonstrated, that the Bank of England, for a renewal of their Charter for twenty years, and the other advantages they receive from the Government, ought to give double to what they have at any time formerly given.

But as this is a subject foreign to what I am at present treating of, I shall not here enlarge upon it. I shall only make an obvious remark upon the following observation of an author, who wrote in the beginning of this century. “ In the year 1697, it was pleaded, he says, by a zealous writer for the Bank, as one way to enable them to supply the Kingdom’s occasions with money, that several branches of the King’s taxes and revenues should pass through it ; and it has been said, that they would give *a million of money* for this privilege, which has never yet been granted, but expressly prohibited by Parliament, excepting for a small time, and in an extraordinary case.”

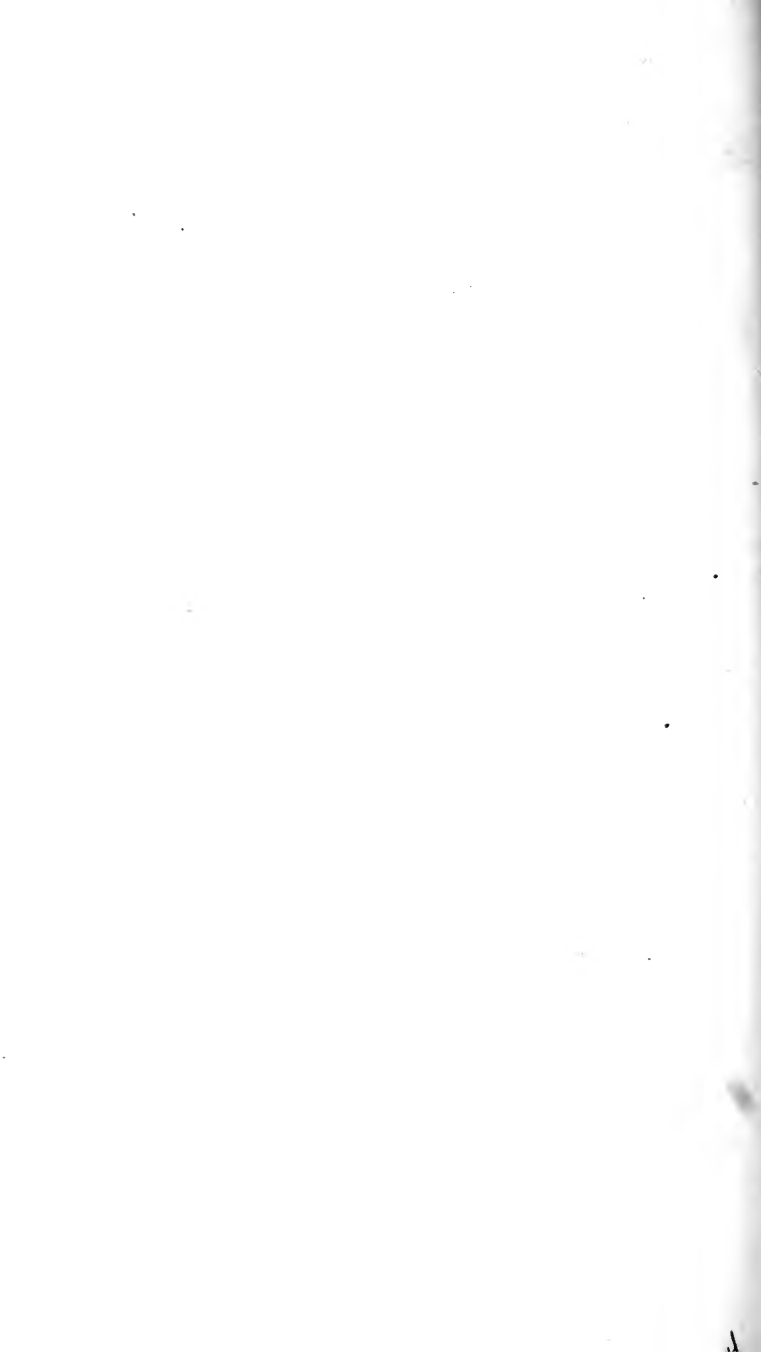
What would this author have thought, if he had seen three millions of national taxes passing through

through the hands of the Bank of England, who instead of paying any equivalent for such an indulgence, pretended that the Government was obliged to them for taking care of their money. If the Bank of England would, in the year 1697, have given a million for the handling of some branches of the King's taxes, which were then but inconsiderable, what ought they now to give, when they receive annually three millions of those taxes, which are a fund for the circulation of three or four times as many millions of paper ?

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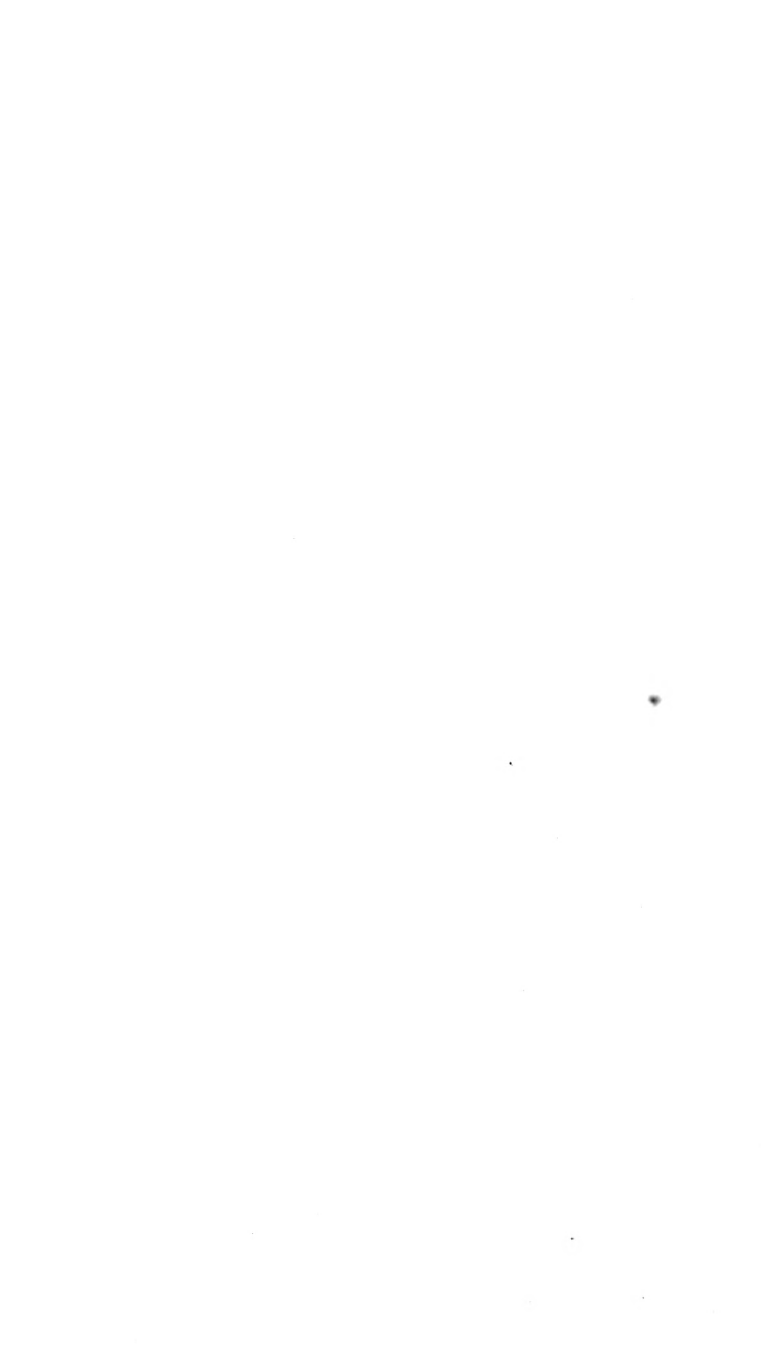












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