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ESSAYS

MORAL, POLITICAL AND LITERARY

BY

DAVID HUME

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it with the whole state, however small its quantity may be : they digest it into every vein, so to speak, and make it enter into every transaction and contract. No hand is entirely empty of it. And as the prices of every thing fall by that means, the sovereign has a double advantage : he may draw money by his taxes from every part of the state ; and what he receives goes further in every purchase and payment.

We may infer, from a comparison of prices, that money is not more plentiful in China than it was in Europe three centuries ago. But what immense power is that empire possessed of, if we may judge by the civil and military establishment maintained by it ! Polybius tells us, that provisions were so cheap in Italy during his time, that in some places the stated price for a meal at the inns was a *semiss* a head, little more than a farthing ! Yet the Roman power had even then subdued the whole known world. About a century before that period, the Carthaginian ambassador said, by way of railery, that no people lived more sociably amongst themselves than the Romans ; for that, in every entertainment, which, as foreign ministers, they received, they still observed the same plate at every table. The absolute quantity of the precious metals is a matter of great indifference. There are only two circumstances of any importance, namely, their gradual increase, and their thorough concoction and circulation through the state ; and the influence of both these circumstances has here been explained.

In the following Essay we shall see an instance of a like fallacy as that above mentioned ; where a collateral effect is taken for a cause, and where a consequence is ascribed to the plenty of money, though it be really owing to a change in the manners and customs of the people.

ESSAY IV OF INTEREST

Nothing is esteemed a more certain sign of the flourishing condition of any nation than the lowness of interest : and with reason, though I believe the cause is somewhat different from what is commonly apprehended. Lowness of interest is generally ascribed to plenty of money. But money, however plentiful, has no other effect, *if fixed*, than to raise the price of labour. Silver is more common than gold, and therefore you receive a greater quantity of it for the same commodities. But do you pay less interest for it ? Interest in Batavia and Jamaica is at 10 *per cent.*, in Portugal at 6, though these places, as we may learn from the prices of every thing, abound more in gold and silver than either London or Amsterdam.

Were all the gold in England annihilated at once, and one and twenty shillings substituted in the place of every guinea, would money be more plentiful, or interest lower ? No, surely : we should only use silver, instead of gold. Were gold rendered as common as silver, and silver as common as copper, would money be more plentiful, or interest lower ? We may assuredly give the same answer. Our shillings would then be yellow, and our halfpence white ; and we should have no guineas. No other difference would ever be observed ; no alteration on commerce, manufactures, navigation, or interest ; unless we imagine that the colour of the metal is of any consequence.

Now, what is so visible in these greater variations of scarcity or abundance in the precious metals, must hold in all inferior changes. If the multiplying of gold and silver fifteen times makes no difference, much less can the doubling or tripling them. All augmentation has no other effect than to heighten the price of labour and commodities; and even this variation is little more than that of a name. In the progress towards these changes, the augmentation may have some influence, by exciting industry; but after the prices are settled, suitably to the new abundance of gold and silver, it has no manner of influence.

An effect always holds proportion with its cause. Prices have risen near four times since the discovery of the Indies; and it is probable gold and silver have multiplied much more: but interest has not fallen much above half. The rate of interest, therefore, is not derived from the quantity of the precious metals.

Money having chiefly a fictitious value, the greater or less plenty of it is of no consequence, if we consider a nation within itself; and the quantity of specie, when once fixed, though ever so large, has no other effect than to oblige every one to tell out a greater number of those shining bits of metal for clothes, furniture, or equipage, without increasing any one convenience of life. If a man borrow money to build a house, he then carries home a greater load; because the stone, timber, lead, glass, &c. with the labour of the masons and carpenters, are represented by a greater quantity of gold and silver. But as these metals are considered chiefly as representations, there can no alteration arise from their bulk or quantity, their weight or colour, either upon their real value or their interest. The same interest, in all cases, bears the same proportion to the sum. And if you lent me so much labour and so many commodities,

by receiving five *per cent.* you always receive proportional labour and commodities, however represented, whether by yellow or white coin, whether by a pound or an ounce. It is in vain, therefore, to look for the cause of the fall or rise of interest in the greater or less quantity of gold and silver, which is fixed in any nation.

High interest arises from *three* circumstances: a great demand for borrowing, little riches to supply that demand, and great profits arising from commerce: and the circumstances are a clear proof of the small advance of commerce and industry, not of the scarcity of gold and silver. Low interest, on the other hand, proceeds from the three opposite circumstances: a small demand for borrowing; great riches to supply that demand; and small profits arising from commerce: and these circumstances are all connected together, and proceed from the increase of industry and commerce, not of gold and silver. We shall endeavour to prove these points; and shall begin with the causes and the effects of a great or small demand for borrowing.

When a people have emerged ever so little from a savage state, and their numbers have increased beyond the original multitude, there must immediately arise an inequality of property; and while some possess large tracts of land, others are confined within narrow limits, and some are entirely without landed property. Those who possess more land than they can labour, employ those who possess none, and agree to receive a determinate part of the product. Thus the *landed* interest is immediately established; nor is there any settled government, however rude, in which affairs are not on this footing. Of these proprietors of land, some must presently discover themselves to be of different tempers from others; and while one would willingly store up the produce of his land for futurity, another desires to consume at present what should suffice for many years. But

as the spending of a settled revenue is a way of life entirely without occupation; men have so much need of somewhat to fix and engage them, that pleasures, such as they are, will be the pursuit of the greater part of the landholders, and the prodigals among them will always be more numerous than the misers. In a state, therefore, where there is nothing but a landed interest, as there is little frugality, the borrowers must be very numerous, and the rate of interest must hold proportion to it. The difference depends not on the quantity of money, but on the habits and manners which prevail. By this alone the demand for borrowing is increased or diminished. Were money so plentiful as to make an egg be sold for sixpence; so long as there are only landed gentry and peasants in the state, the borrowers must be numerous, and interest high. The rent for the same farm would be heavier and more bulky: but the same idleness of the landlord, with the high price of commodities, would dissipate it in the same time, and produce the same necessity and demand for borrowing.¹

Nor is the case different with regard to the *second* circumstance which we proposed to consider, namely, the great or little riches to supply the demand. This effect also depends on the habits and way of living of the people, not on the quantity of gold

¹ I have been informed by a very eminent lawyer, and a man of great knowledge and observation, that it appears, from ancient papers and records, that about four centuries ago, money in *Scotland*, and probably in other parts of *Europe*, was only at five *per cent.*, and afterwards rose to ten, before the discovery of the *West Indies*. The fact is curious; but might easily be reconciled to the foregoing reasoning. Men in that age lived so much at home, and in so very simple and frugal a manner, that they had no occasion for money; and though the lenders were then few, the borrowers were still fewer. The high rate of interest among the early *Romans* is accounted for by historians from the frequent losses sustained by the intruders of the enemy.

and silver. In order to have, in any state, a great number of lenders, it is not sufficient nor requisite that there be great abundance of the precious metals. It is only requisite that the property or command of that quantity, which is in the state, whether great or small, should be collected in particular hands, so as to form considerable sums, or compose a great moneyed interest. This begets a number of lenders, and sinks the rate of usury; and this, I shall venture to affirm, depends not on the quantity of specie, but on particular manners and customs, which make the specie gather into separate sums or masses of considerable value.

For, suppose that, by miracle, every man in Great Britain should have five pounds slipped into his pocket in one night; this would much more than double the whole money that is at present in the kingdom; yet there would not next day, nor for some time, be any more lenders, nor any variation in the interest. And were there nothing but landlords and peasants in the state, this money, however abundant, could never gather into sums, and would only serve to increase the prices of every thing, without any further consequence. The prodigal landlord dissipates it as fast as he receives it; and the beggarly peasant has no means, nor view, nor ambition of obtaining above a bare livelihood. The overplus of borrowers above that of lenders continuing still the same, there will follow no reduction of interest. That depends upon another principle; and must proceed from an increase of industry and frugality of arts and commerce.

Every thing useful to the life of man arises from the ground; but few things arise in that condition which is requisite to render them useful. There must, therefore, beside the peasants and the proprietors of land, be another rank of men, who, receiving from the former the rude materials, work

them into their proper form, and retain part for their own use and subsistence. In the infancy of society, these contracts between the artisans and the peasants, and between one species of artisans and another, are commonly entered into immediately by the persons themselves, who, being neighbours, are easily acquainted with each other's necessities, and can lend their mutual assistance to supply them. But when men's industry increases, and their views enlarge, it is found, that the most remote parts of the state can assist each other as well as the more contiguous; and that this intercourse of good offices may be carried on to the greatest extent and intricacy. Hence the origin of *merchants*, one of the most useful races of men, who serve as agents between those parts of the state that are wholly unacquainted, and are ignorant of each other's necessities. Here are in a city fifty workmen in silk and linen, and a thousand customers; and these two ranks of men, so necessary to each other, can never rightly meet, till one man erects a shop, to which all the workmen and all the customers repair. In this province, grass rises in abundance: the inhabitants abound in cheese, and butter, and cattle; but want bread and corn, which, in a neighbouring province, are in too great abundance for the use of the inhabitants. One man discovers this. He brings corn from the one province, and returns with cattle; and, supplying the wants of both, he is, so far, a common benefactor. As the people increase in numbers and industry, the difficulty of their intercourse increases: the business of the agency or merchandise becomes more intricate; and divides, subdivides, compounds, and mixes to a greater variety. In all these transactions, it is necessary and reasonable, that a considerable part of the commodities and labour should belong to the merchant, to whom, in a great measure, they are owing. And these commodities he

will sometimes preserve in kind, or more commonly convert into money, which is their common representation. If gold and silver have increased in the state, together with the industry, it will require a great quantity of these metals to represent a great quantity of commodities and labour. If industry alone has increased, the prices of every thing must sink, and a small quantity of specie will serve as a representation.

There is no craving or demand of the human mind more constant and insatiable than that for exercise and employment; and this desire seems the foundation of most of our passions and pursuits. Deprive a man of all business and serious occupation, he runs restless from one amusement to another; and the weight and oppression which he feels from idleness is so great, that he forgets the ruin which must follow him from his immoderate expenses. Give him a more harmless way of employing his mind or body, he is satisfied, and feels no longer that insatiable thirst after pleasure. But if the employment you give him be lucrative, especially if the profit be attached to every particular exertion of industry, he has gain so often in his eye, that he acquires, by degrees, a passion for it, and knows no such pleasure as that of seeing the daily increase of his fortune. And this is the reason why trade increases frugality, and why, among merchants, there is the same overplus of misers above prodigals, as among the possessors of land there is the contrary.

Commerce increases industry, by conveying it readily from one member of the state to another, and allowing none of it to perish or become useless. It increases frugality, by giving occupation to men, and employing them in the arts of gain, which soon engage their affection, and remove all relish for pleasure and expense. It is an infallible consequence of all industrious professions to beget

frugality, and make the love of gain prevail over the love of pleasure. Among lawyers and physicians who have any practice, there are many more who live within their income, than who exceed it, or even live up to it. But lawyers and physicians beget no industry; and it is even at the expense of others they acquire their riches; so that they are sure to diminish the possessions of some of their fellow-citizens, as fast as they increase their own. Merchants, on the contrary, beget industry, by serving as canals to convey it through every corner of the state: and, at the same time, by their frugality, they acquire great power over that industry, and collect a large property in the labour and commodities, which they are the chief instruments in producing. There is no other profession, therefore, except merchandise, which can make the moneyed interest considerable; or, in other words, can increase industry, and, by also increasing frugality, give a great command of that industry to particular members of the society. Without commerce, the state must consist chiefly of landed gentry, whose prodigality and expense make a continual demand for borrowing; and of peasants, who have no sums to supply that demand. The money never gathers into large stocks or sums, which can be lent at interest. It is dispersed into numberless hands, who either squander it in idle show and magnificence, or employ it in the purchase of the common necessities of life. Commerce alone assembles it into considerable sums; and this effect it has merely from the industry which it begets, and the frugality which it inspires, independent of that particular quantity of precious metal which may circulate in the state.

Thus an increase of commerce, by a necessary consequence, raises a great number of lenders, and by that means produces lowness of interest. We must now consider how far this increase of commerce diminishes the profits arising from that

profession, and gives rise to the *third* circumstance requisite to produce lowness of interest.

It may be proper to observe on this head, that low interest and low profits of merchandise, are two events that mutually forward each other, and are both originally derived from that extensive commerce, which produces opulent merchants, and renders the moneyed interest considerable. Where merchants possess great stocks, whether represented by few or many pieces of metal, it must frequently happen, that, when they either become tired of business, or leave heirs unwilling or unfit to engage in commerce, a great proportion of these riches naturally seeks an annual and secure revenue. The plenty diminishes the price, and makes the lenders accept of a low interest. This consideration obliges many to keep their stock employed in trade, and rather be content with low profits than dispose of their money at an undervalue. On the other hand, when commerce has become extensive, and employs large stocks, there must arise rivalships among the merchants, which diminish the profits of trade, at the same time that they increase the trade itself. The low profits of merchandise induce the merchants to accept more willingly of a low interest when they leave off business, and begin to indulge themselves in ease and indolence. It is needless, therefore, to inquire, which of these circumstances, to wit, *low interest* or *low profits*, is the cause, and which the effect? They both arise from an extensive commerce, and mutually forward each other. No man will accept of low profits where he can have high interest; and no man will accept of low interest where he can have high profits. An extensive commerce, by producing large stocks, diminishes both interest and profits, and is always assisted, in its diminution of the one, by the proportional sinking of the other. I may add, that, as low profits arise from the increase of commerce and industry, they

serve in their turn to its further increase, by rendering the commodities cheaper, encouraging the consumption, and heightening the industry. And thus, if we consider the whole connection of causes and effects, interest is the barometer of the state, and its lowness is a sign, almost infallible, of the flourishing condition of a people. It proves the increase of industry, and its prompt circulation, through the whole state, little inferior to a demonstration. And though, perhaps, it may not be impossible but a sudden and a great check to commerce may have a momentary effect of the same kind, by throwing so many stocks out of trade, it must be attended with such misery and want of employment in the poor, that, besides its short duration, it will not be possible to mistake the one case for the other.

Those who have asserted, that the plenty of money was the cause of low interest, seem to have taken a collateral effect for a cause, since the same industry, which sinks the interest, commonly acquires great abundance of the precious metals. A variety of fine manufactures, with vigilant enterprising merchants, will soon draw money to a state, if it be anywhere to be found in the world. The same cause, by multiplying the conveniences of life, and increasing industry, collects great riches into the hands of persons who are not proprietors of land, and produces, by that means, a lowness of interest. But though both these effects, plenty of money and low interest, naturally arise from commerce and industry, they are altogether independent of each other. For suppose a nation removed into the *Pacific* ocean, without any foreign commerce, or any knowledge of navigation: suppose that this nation possesses always the same stock of coin, but is continually increasing in its numbers and industry: it is evident that the price of every commodity must gradually diminish in that kingdom; since it is the proportion between money and any species of goods

which fixes their mutual value; and, upon the present supposition, the conveniences of life become every day more abundant, without any alteration in the current specie. A less quantity of money, therefore, among this people, will make a rich man, during the times of industry, than would suffice to that purpose in ignorant and slothful ages. Less money will build a house, portion a daughter, buy an estate, support a manufactory, or maintain a family and equipage. These are the uses for which men borrow money; and therefore the greater or less quantity of it in a state has no influence on the interest. But it is evident that the greater or less stock of labour and commodities must have a great influence; since we really and in effect borrow these, when we take money upon interest. It is true, when commerce is extended all over the globe, the most industrious nations always abound most with the precious metals; so that low interest and plenty of money are in fact almost inseparable. But still it is of consequence to know the principle whence any phenomenon arises, and to distinguish between a cause and a concomitant effect. Besides that the speculation is curious, it may frequently be of use in the conduct of public affairs. At least it must be owned, that nothing can be of more use than to improve, by practice, the method of reasoning on these subjects, which of all others are the most important, though they are commonly treated in the loosest and most careless manner.

Another reason of this popular mistake with regard to the cause of low interest, seems to be the instance of some nations, where, after a sudden acquisition of money, or of the precious metals by means of foreign conquest, the interest has fallen not only among them, but in all the neighbouring states, as soon as that money was dispersed, and had insinuated itself into every corner. Thus, interest in Spain fell near a half immediately after the discovery

of the West Indies, as we are informed by Garcilasso de la Vega; and it has been ever since gradually sinking in every kingdom of Europe. Interest in Rome, after the conquest of Egypt, fell from 6 to 4 *per cent.*, as we learn from Dion.

The causes of the sinking of interest, upon such an event, seem different in the conquering country and in the neighbouring states; but in neither of them can we justly ascribe that effect merely to the increase of gold and silver.

In the conquering country, it is natural to imagine that this new acquisition of money will fall into a few hands, and be gathered into large sums, which seek a secure revenue, either by the purchase of land or by interest; and consequently the same effect follows, for a little time, as if there had been a great accession of industry and commerce. The increase of lenders above the borrowers sinks the interest, and so much the faster if those who have acquired those large sums find no industry or commerce in the state, and no method of employing their money but by lending it at interest. But after this new mass of gold and silver has been digested, and has circulated through the whole state, affairs will soon return to their former situation, while the landlords and new money-holders, living idly, squander above their income; and the former daily contract debt, and the latter encroach on their stock till its final extinction. The whole money may still be in the state, and make itself felt by the increase of prices; but not being now collected into any large masses or stocks, the disproportion between the borrowers and lenders is the same as formerly, and consequently the high interest returns.

Accordingly we find in Rome, that, so early as Tiberius's time, interest had again amounted to 6 *per cent.* though no accident had happened to drain the empire of money. In Trajan's time, money lent on mortgages in Italy bore 6 *per cent.*, on common

securities in Bithynia 12; and if interest in Spain has not risen to its old pitch, this can be ascribed to nothing but the continuance of the same cause that sunk it, to wit, the large fortunes continually made in the Indies, which come over to Spain from time to time, and supply the demand of the borrowers. By this accidental and extraneous cause, more money is to be lent in Spain, that is, more money is collected into large sums, than would otherwise be found in a state, where there are so little commerce and industry.

As to the reduction of interest which has followed in England, France, and other kingdoms of Europe that have no mines, it has been gradual, and has not proceeded from the increase of money, considered merely in itself, but from that of industry, which is the natural effect of the former increase in that interval, before it raises the price of labour and provisions; for to return to the foregoing supposition, if the industry of England had risen as much from other causes, (and that rise might easily have happened, though the stock of money had remained the same,) must not all the same consequences have followed, which we observe at present? The same people would in that case be found in the kingdom, the same commodities, the same industry, manufactures, and commerce; and consequently the same merchants, with the same stocks, that is, with the same command over labour and commodities, only represented by a smaller number of white or yellow pieces, which, being a circumstance of no moment, would only affect the wagoner, porter, and trunk-maker. Luxury, therefore, manufactures, arts, industry, frugality, flourishing equally as at present, it is evident that interest must also have been as low, since that is the necessary result of all these circumstances, so far as they determine the profits of commerce, and the proportion between the borrowers and lenders in any state.

superior industry and frugality, without raising the price of his labour

I shall conclude this subject with observing, that we have, with regard to taxes, an instance of what frequently happens in political institutions, that the consequences of things are diametrically opposite to what we should expect on the first appearance. It is regarded as a fundamental maxim of the Turkish government, that the *Grand Seigneur*, though absolute master of the lives and fortunes of each individual, has no authority to impose a new tax: and every Ottoman prince, who has made such an attempt, either has been obliged to retract, or has found the fatal effects of his perseverance. One would imagine, that this prejudice or established opinion were the firmest barrier in the world against oppression: yet it is certain that its effect is quite contrary. The emperor, having no regular method of increasing his revenue, must allow all the bashaws and governors to oppress and abuse the subjects; and these he squeezes after their return from their government. Whereas, if he could impose a new tax, like our European princes, his interest would so far be united with that of his people, that he would immediately feel the bad effects of these disorderly levies of money, and would find, that a pound, raised by a general imposition, would have less pernicious effects than a shilling taken in so unequal and arbitrary a manner.

For Hume

Johnson

June

8th

P. 368 →

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ESSAY IX

of

OF PUBLIC CREDIT

published

It appears to have been the common practice of antiquity, to make provision, during peace, for the necessities of war, and to hoard up treasures beforehand as the instruments either of conquest or defence; without trusting to extraordinary impositions, much less to borrowing in times of disorder and confusion. Besides the immense sums above mentioned, which were amassed by Athens, and by the Ptolemies, and other successors of Alexander; we learn from Plato, that the frugal Lacedaemonians had also collected a great treasure; and Arrian and Plutarch take notice of the riches which Alexander got possession of on the conquest of Susa and Ecbatana, and which were reserved, some of them, from the time of Cyrus. If I remember right, the Scripture also mentions the treasure of Hezekiah and the Jewish princes; as profane history does that of Philip and Perseus, kings of Macedon. The ancient republics of Gaul had commonly large sums in reserve. Every one knows the treasure seized in Rome by Julius Caesar, during the civil wars: and we find afterwards, that the wiser emperors, Augustus, Tiberius, Vespasian, Severus, etc. always discovered the prudent foresight of saving great sums against any public exigency.

On the contrary, our modern expedient, which has become very general, is to mortgage the public revenues, and to trust that posterity will pay off

the incumbrances contracted by their ancestors: and they, having before their eyes so good an example of their wise fathers, have the same prudent reliance on *their* posterity; who, at last, from necessity more than choice, are obliged to place the same confidence in a new posterity. But not to waste time in declaiming against a practice which appears ruinous beyond all controversy, it seems pretty apparent, that the ancient maxims are, in this respect, more prudent than the modern; even though the latter had been confined within some reasonable bounds, and had ever, in any instance, been attended with such frugality, in time of peace, as to discharge the debts incurred by an expensive war. For why should the case be so different between the public and an individual, as to make us establish different maxims of conduct for each? If the funds of the former be greater, its necessary expenses are proportionably larger; if its resources be more numerous, they are not infinite; and as its frame should be calculated for a much longer duration than the date of a single life, or even of a family, it should embrace maxims, large, durable, and generous, agreeably to the supposed extent of its existence. To trust to chances and temporary expedients, is, indeed, what the necessity of human affairs frequently renders unavoidable; but whoever voluntarily depend on such resources, have not necessity, but their own folly to accuse for their misfortunes, when any such befall them.

If the abuses of treasures be dangerous, either by engaging the state in rash enterprises, or making it neglect military discipline, in confidence of its riches; the abuses of mortgaging are more certain and inevitable; poverty, impotence, and subjection to foreign powers.

According to the modern policy, war is attended with every destructive circumstance; loss of men, increase of taxes, decay of commerce, dissipation

of money, devastation by sea and land. According to ancient maxims, the opening of the public treasure, as it produced an uncommon affluence of gold and silver, served as a temporary encouragement to industry, and atoned, in some degree, for the inevitable calamities of war.

It is very tempting to a minister to employ such an expedient, as enables him to make a great figure during his administration, without overburdening the people with taxes, or exciting any immediate clamours against himself. The practice, therefore, of contracting debt, will almost infallibly be abused in every government. It would scarcely be more imprudent to give a prodigal son a credit in every banker's shop in London, than to empower a statesman to draw bills, in this manner, upon posterity.

What, then, shall we say to the new paradox, that public incumbrances are, of themselves, advantageous, independent of the necessity of contracting them; and that any state, even though it were not pressed by a foreign enemy, could not possibly have embraced a wiser expedient for promoting commerce and riches, than to create funds, and debts, and taxes, without limitation? Reasonings such as these might naturally have passed for trials of wit among rhetoricians, like the panegyrics on folly and fever, on Busiris and Nero, had we not seen such absurd maxims patronized by great ministers, and by a whole party among us.

Let us examine the consequences of public debts, both in our domestic management, by their influence on commerce and industry; and in our foreign transactions, by their effect on wars and negotiations.

Public securities are with us become a kind of money, and pass as really at the current price as gold or silver. Wherever any profitable undertaking offers itself, how expensive however, there are never wanting hands enough to embrace it;

nor need a trader, who has sums in the public stocks, fear to launch out into the most extensive trade; since he is possessed of funds which will answer the most sudden demand that can be made upon him. No merchant thinks it necessary to keep by him any considerable cash. Bank stock, or India bonds, especially the latter, serve all the same purposes; because he can dispose of them, or pledge them to a banker, in a quarter of an hour; and at the same time they are not idle, even when in his scrutoire, but bring him in a constant revenue. In short our national debts furnish merchants with a species of money that is continually multiplying in their hands, and produces sure gain, besides the profits of their commerce. This must enable them to trade upon less profit. The small profit of the merchant renders the commodity cheaper, causes a greater consumption, quickens the labour of the common people, and helps to spread arts and industry throughout the whole society.

There are also, we may observe, in England and in all states which have both commerce and public debts, a set of men, who are half merchants, half stockholders, and may be supposed willing to trade for small profits; because commerce is not their principal or sole support, and their revenues in the funds are a sure resource for themselves and their families. Were there no funds, great merchants would have no expedient for realizing or securing any part of their profit, but by making purchases of land; and land has many disadvantages in comparison of funds. Requiring more care and inspection, it divides the time and attention of the merchant: upon any tempting offer or extraordinary accident in trade, it is not so easily converted into money; and as it attracts too much, both by the many natural pleasures it affords, and the authority it gives, it soon converts the citizen into the country gentleman. More men, therefore, with large stocks

and incomes, may naturally be supposed to continue in trade, where there are public debts; and this, it must be owned, is of some advantage to commerce, by diminishing its profits, promoting circulation, and encouraging industry.

But, in opposition to these two favourable circumstances, perhaps of no very great importance, weigh the many disadvantages which attend our public debts in the whole *interior* economy of the state: you will find no comparison between the ill and the good which result from them.

First, It is certain that national debts cause a mighty confluence of people and riches to the capital, by the great sums levied in the provinces to pay the interest, and perhaps, too, by the advantages in trade above mentioned, which they give the merchants in the capital above the rest of the kingdom. The question is, Whether, in our case, it be for the public interest that so many privileges should be conferred on London, which has already arrived at such an enormous size, and seems still increasing? Some men are apprehensive of the consequences. For my own part, I cannot forbear thinking, that, though the head is undoubtedly too large for the body, yet that great city is so happily situated, that its excessive bulk causes less inconvenience than even a smaller capital to a greater kingdom. There is more difference between the prices of all provisions in Paris and Languedoc, than between those in London and Yorkshire. The immense greatness, indeed, of London, under a government which admits not of discretionary power, renders the people factious, mutinous, seditious, and even perhaps rebellious. But to this evil the national debts themselves tend to provide a remedy. The first visible eruption, or even immediate danger of public disorders, must alarm all the stockholders, whose property is the most precarious of any; and will make them fly to

the support of government, whether menaced by Jacobinish violence, or democratical frenzy.

Secondly, Public stocks, being a kind of paper-credit, have all the disadvantages attending that species of money. They banish gold and silver from the most considerable commerce of the state, reduce them to common circulation, and by that means render all provisions and labour dearer than otherwise they would be.¹

Thirdly, The taxes which are levied to pay the interest of these debts are apt either to heighten the price of labour, or to be an oppression on the poorer sort.

Fourthly, As foreigners possess a great share of our national funds, they render the public in a manner tributary to them, and may in time occasion the transport of our people and our industry.

Fifthly, The greater part of the public stock being always in the hands of idle people, who live on their revenue, our funds, in that view, give great encouragement to an useless and inactive life.

But though the injury that arises to commerce and industry from our public funds will appear, upon balancing the whole, not inconsiderable, it is trivial in comparison of the prejudice that results to a state considered as a body politic, which must support itself in the society of nations, and have various transactions with other states in wars and negotiations. The ill there is pure and unmixed, without any favourable circumstance to atone for

¹ We may also remark, that this increase of prices, derived from paper-credit, has a more durable and a more dangerous influence than when it arises from a great increase of gold and silver: where an accidental overflow of money raises the price of labour and commodities, the evil remedies itself in a little time. The money soon flows out into all the neighbouring nations: the prices fall to a level: and industry may be continued as before; a relief which cannot be expected where the circulating specie consists chiefly of paper, and has no intrinsic value.

it; and it is an ill too of a nature the highest and most important.

We have indeed been told, that the public is no weaker on account of its debts, since they are mostly due among ourselves, and bring as much property to one as they take from another. It is like transferring money from the right hand to the left, which leaves the person neither richer nor poorer than before. Such loose reasoning and specious comparisons will always pass where we judge not upon principles. I ask, Is it possible, in the nature of things, to overburden a nation with taxes, even where the sovereign resides among them? The very doubt seems extravagant, since it is requisite, in every community, that there be a certain proportion observed between the laborious and the idle part of it. But if all our present taxes be mortgaged, must we not invent new ones? And may not this matter be carried to a length that is ruinous and destructive?

In every nation there are always some methods of levying money more easy than others, agreeably to the way of living of the people, and the commodities they make use of. In Great Britain, the excises upon malt and beer afford a large revenue, because the operations of making and brewing are tedious, and are impossible to be concealed; and, at the same time, these commodities are not so absolutely necessary to life as that the raising of their price would very much affect the poorer sort. These taxes being all mortgaged, what difficulty to find new ones! what vexation and ruin of the poor!

Duties upon consumptions are more equal and easy than those upon possessions. What a loss to the public that the former are all exhausted, and that we must have recourse to the more grievous method of levying taxes!

Were all the proprietors of land only stewards to

the public, must not necessity force them to practise all the arts of oppression used by stewards, where the absence or negligence of the proprietor render them secure against injury?

It will scarcely be asserted, that no bounds ought ever to be set to national debts, and that the public would be no weaker were twelve or fifteen shillings in the pound, land-tax, mortgaged, with all the present customs and excises. There is something, therefore, in the case, beside the mere transferring of property from the one hand to another. In five hundred years, the posterity of those now in the coaches, and of those upon the boxes, will probably have changed places, without affecting the public by these revolutions.

Suppose the public once fairly brought to that condition to which it is hastening with such amazing rapidity; suppose the land to be taxed eighteen or nineteen shillings in the pound, for it can never bear the whole twenty; suppose all the excises and customs to be screwed up to the utmost which the nation can bear, without entirely losing its commerce and industry; and suppose that all those funds are mortgaged to perpetuity, and that the invention and wit of all our projectors can find no new imposition which may serve as the foundation of a new loan; and let us consider the necessary consequences of this situation. Though the imperfect state of our political knowledge, and the narrow capacities of men, make it difficult to fortell the effects which will result from any untried measure, the seeds of ruin are here scattered with such profusion as not to escape the eye of the most careless observer.

In this unnatural state of society, the only persons who possess any revenue beyond the immediate effects of their industry, are the stockholders, who draw almost all the rent of the land and houses, besides the produce of all the customs and excises.

These are men who have no connections with the state, who can enjoy their revenue in any part of the globe in which they choose to reside, who will naturally bury themselves in the capital, or in great cities, and who will sink into the lethargy of a stupid and pampered luxury, without spirit, ambition, or enjoyment. Adieu to all ideas of nobility, gentry, and family. The stocks can be transferred in an instant; and, being in such a fluctuating state, will seldom be transmitted during three generations from father to son. Or were they to remain ever so long in one family, they convey no hereditary authority or credit to the possessor; and by this means the several ranks of men, which form a kind of independent magistracy in a state, instituted by the hand of nature, are entirely lost; and every man in authority derives his influence from the commission alone of the sovereign. No expedient remains for preventing or suppressing insurrections but mercenary armies: no expedient at all remains for resisting tyranny: elections are swayed by bribery and corruption alone; and the middle power between king and people being totally removed, a grievous despotism must infallibly prevail. The landholders, despised for their poverty, and hated for their oppressions, will be utterly unable to make any opposition to it.

Though a resolution should be formed by the legislature never to impose any tax which hurts commerce and discourages industry, it will be impossible for men, in subjects of such extreme delicacy, to reason so justly as never to be mistaken, or, amidst difficulties so urgent, never to be seduced from their resolution. The continual fluctuations in commerce require continual alterations in the nature of the taxes, which exposes the legislature every moment to the danger both of wilful and involuntary error. And any great blow given to trade, whether by injudicious taxes or by other

accidents, throws the whole system of government into confusion.

But what expedient can the public now employ, even supposing trade to continue in the most flourishing condition, in order to support its foreign wars and enterprises, and to defend its own honour and interest, or those of its allies? I do not ask how the public is to exert such a prodigious power as it has maintained during our late wars; where we have so much exceeded, not only our own natural strength, but even that of the greatest empires. This extravagance is the abuse complained of, as the source of all the dangers to which we are at present exposed. But since we must still suppose great commerce and opulence to remain, even after every fund is mortgaged; these riches must be defended by proportional power; and whence is the public to derive the revenue which supports it? It must plainly be from a continual taxation of the annuitants, or, which is the same thing, from mortgaging anew, on every exigency, a certain part of their annuities; and thus making them contribute to their own defence, and to that of the nation. But the difficulties attending this system of policy will easily appear, whether we suppose the king to have become absolute master, or to be still controlled by national councils, in which the annuitants themselves must necessarily bear the principal sway.

If the prince has become absolute, as may naturally be expected from this situation of affairs, it is so easy for him to increase his exactions upon the annuitants, which amount only to the retaining of money in his own hands, that this species of property would soon lose all its credit, and the whole income of every individual in the state must lie entirely at the mercy of the sovereign; a degree of despotism which no oriental monarchy has ever yet attained. If, on the contrary, the consent of the annuitants be requisite for every taxation, they will

never be persuaded to contribute sufficiently even to the support of government; as the diminution of their revenue must in that case be very sensible, it would not be disguised under the appearance of a branch of excise or customs, and would not be shared by any other order of the state, who are already supposed to be taxed to the utmost. There are instances, in some republics, of a hundredth penny, and sometimes of the fiftieth, being given to the support of the state; but this is always an extraordinary exertion of power, and can never become the foundation of a constant national defence. We have always found, where a government has mortgaged all its revenues, that it necessarily sinks into a state of languor, inactivity, and impotence.

Such are the inconveniences which may reasonably be foreseen of this situation to which Great Britain is visibly tending. Not to mention the numberless inconveniences, which cannot be foreseen, and which must result from so monstrous a situation as that of making the public the chief or sole proprietor of land, besides investing it with every branch of customs and excise, which the fertile imagination of ministers and projectors have been able to invent.

I must confess that there has a strange supineness, from long custom, crept into all ranks of men, with regard to public debts, not unlike what divines so vehemently complain of with regard to their religious doctrines. We all own that the most sanguine imagination cannot hope, either that this or any future ministry will be possessed of such rigid and steady frugality, as to make a considerable progress in the payment of our debts; or that the situation of foreign affairs will, for any long time, allow them leisure and tranquillity for such an undertaking.¹ *What then is to become of us? Were*

¹ In times of peace and security, when alone it is possible to pay debt, the moneyed interest are averse to receive partial

we ever so good Christians, and ever so resigned to Providence ; this, methinks, were a curious question, even considered as a speculative one, and what it might not be altogether impossible to form some conjectural solution of. The events here will depend little upon the contingencies of battles, negotiations, intrigues, and factions. There seems to be a natural progress of things which may guide our reasoning. As it would have required but a moderate share of prudence, when we first began this practice of mortgaging, to have foretold, from the nature of men and of ministers, that things would necessarily be carried to the length we see ; so now, that they have at last happily reached it, it may not be difficult to guess at the consequences. It must, indeed, be one of these two events ; either the nation must destroy public credit, or public credit will destroy the nation. It is impossible that they can both subsist, after the manner they have been hitherto managed, in this, as well as in some other countries.

There was, indeed, a scheme for the payment of our debts, which was proposed by an excellent citizen, Mr. Hutchinson, about thirty years ago, and which was much approved of by some men of sense, but never was likely to take effect. He asserted that there was a fallacy in imagining that the public owed this debt ; for that really every individual owed a proportional share of it, and paid, in payments, which they know not how to dispose of to advantage ; and the landed interest are averse to continue the taxes requisite for that purpose. Why therefore should a minister persevere in a measure so disagreeable to all parties ? For the sake, I suppose, of a posterity which he will never see, or of a few reasonable reflecting people, whose united interest perhaps will not be able to secure him the smallest borough in England. It is not likely we shall ever find any minister so bad a politician. With regard to these narrow destructive maxims of politics, all ministers are expert enough.

his taxes, a proportional share of the interest, beside the expense of levying these taxes. Had we not better, then, says he, make a distribution of the debt among ourselves, and each of us contribute a sum suitable to his property, and by that means discharge at once all our funds and public mortgages ? He seems not to have considered that the laborious poor pay a considerable part of the taxes by their annual consumptions, though they could not advance, at once, a proportional part of the sum required. Not to mention, that property in money and stock in trade might easily be concealed or disguised ; and that visible property in lands and houses would really at last answer for the whole ; an inequality and oppression which never would be submitted to. But though this project is not likely to take place, it is not altogether improbable, that when the nation becomes heartily sick of their debts, and is cruelly oppressed by them, some daring projector may arise with visionary schemes for their discharge. And as public credit will begin, by that time, to be a little frail, the least touch will destroy it, as happened in France during the regency ; and in this manner it will *die of the doctor*.¹

But it is more probable, that the breach of
¹ "Some neighbouring states practice an easy expedient, by which they lighten their public debts. The French have a custom (as the Romans formerly had) of augmenting their money ; and this the nation has been so much familiarized to, that it hurts not public credit, though it be really cutting off at once, by an edict, so much of their debts. The Dutch diminish the interest without the consent of their creditors, or, which is the same thing, they arbitrarily tax the funds, as well as other property. Could we practise either of these methods, we need never be oppressed by the national debt ; and it is not impossible but one of these, or some other method, may, at all adventures, be tried on the augmentation of our incumbrances and difficulties. But people in this count are so good reasoners upon whatever regards their interests, that such a practice will deceive nobody ; and public credit will probably tremble at once, by so dangerous a trial."

national faith will be the necessary effect of wars, defeats, misfortunes, and public calamities, or even perhaps of victories and conquests. I must confess when I see princes and states fighting and quarrelling, amidst their debts, funds, and public mortgages, it always brings to my mind a match of cudgel-playing fought in a China shop. How can it be expected, that sovereigns will spare a species of property, which is pernicious to themselves and to the public, when they have so little compassion on lives and properties that are useful to both? Let the time come (and surely it will come) when the new funds, created for the exigencies of the year, are not subscribed to, and raise not the money projected. Suppose either that the cash of the nation is exhausted; or that our faith, which has hitherto been so ample, begins to fail us. Suppose that, in this distress, the nation is threatened with an invasion; a rebellion is suspected or broken out at home; a squadron cannot be equipped for want of pay, victuals, or repairs; or even a foreign subsidy cannot be advanced. What must a prince or minister do in such an emergency? The right of self-preservation is unalienable in every individual, much more in every community. And the folly of our statesmen must then be greater than the folly of those who first contracted debt; or what is more, than that of those who trusted, or continue to trust this security, if these statesmen have the means of safety in their hands, and do not employ them. The funds, created and mortgaged, will by that time bring in a large yearly revenue, sufficient for the defence and security of the nation: money is perhaps lying in the exchequer, ready for the discharge of the quarterly interest: necessity calls, fear urges, reason exhorts, compassion alone exclaims: the money will immediately be seized for the current service, under the most solemn protestations, perhaps of being immediately replaced.

But no more is requisite. The whole fabric, already tottering, falls to the ground, and buries thousands in its ruins. And this, I think, may be called the *natural death* of public credit; for to this period it tends as naturally as an animal body to its dissolution and destruction.

So great dupes are the generality of mankind, that notwithstanding such a violent shock to public credit, as a voluntary bankruptcy in England would occasion, it would not probably be long ere credit would again revive in as flourishing a condition as before. The present king of France, during the late war, borrowed money at a lower interest than ever his grandfather did; and as low as the British Parliament, comparing the natural rate of interest in both kingdoms. And though men are commonly more governed by what they have seen, than by what they foresee, with whatever certainty; yet promises, protestations, fair appearances, with the allurements of present interest, have such powerful influence as few are able to resist. Mankind are, in all ages, caught by the same baits: the same tricks played over and over again, still trepan them. The heights of popularity and patriotism are still the beaten road to power and tyranny; flattery, to treachery; standing armies to arbitrary government; and the glory of God to the temporal interest of the clergy. The fear of an everlasting destruction of credit, allowing it to be an evil, is a needless bugbear. A prudent man, in reality, would rather lend to the public immediately after we had taken a sponge to our debts, than at present; as much as an opulent knave, even though one could not force him to pay, is a preferable debtor to an honest bankrupt: for the former, in order to carry on business, may find it his interest to discharge his debts, where they are not exorbitant: the latter has it not in his power. The reasoning of Tacitus, as it is eternally true, is very applicable to our present case. *Sed vulgus ad*

magnitudinem beneficiorum aderat: stullissimus quisque pecuniis mercabatur: apud sapientes cassa habebantur, quæ neque dari neque accipi, salva republica, poterant. The public is a debtor, whom no man can oblige to pay. The only check which the creditors have upon her, is the interest of preserving credit; an interest which may easily be overbalanced by a great debt, and by a difficult and extraordinary emergence, even supposing that credit irrecoverable. Not to mention, that a present necessity often forces states into measures, which are, strictly speaking, against their interest.

These two events supposed above, are calamitous, but not the most calamitous. Thousands are thereby sacrificed to the safety of millions. But we are not without danger, that the contrary event may take place, and that millions may be sacrificed for ever to the temporary safety of thousands.¹ Our popular government, perhaps, will render it difficult or dangerous for a minister to venture on so desperate an expedient as that of a voluntary bankruptcy. And though the House of Lords be altogether composed of proprietors of land, and the House of Commons chiefly; and consequently neither of them

¹ I have heard it has been computed, that all the creditors of the public, natives and foreigners, amount only to 17,000. These make a figure at present on their income; but, in case of a public bankruptcy, would, in an instant, become the lowest, as well as the most wretched of the people. The dignity and authority of the landed gentry and nobility is much better rooted, and would render the contention very unequal, if ever we come to that extremity. One would incline to assign to this event a very near period, such as half a century, had not our fathers' prophecies of this kind been already found fallacious, by the duration of our public credit so much beyond all reasonable expectation. When the astrologers in France were every year foretelling the death of Henry IV., "These fellows," says he, "must be right at last." We shall, therefore, be more cautious than to assign any precise date; and shall content ourselves with pointing out the event in general.

can be supposed to have great property in the funds: yet the connections of the members may be so great with the proprietors, as to render them more tenacious of public faith than prudence, policy, or even justice, strictly speaking, requires. And perhaps, too, our foreign enemies may be so politic as to discover, that our safety lies in despair, and may not therefore show the danger, open and barefaced, till it be inevitable. The balance of power in Europe, our grandfathers, our fathers, and we, have all deemed too unequal to be preserved without our attention and assistance. But our children, weary of the struggle, and fettered with incumbrances, may sit down secure, and see their neighbours oppressed and conquered; till, at last, they themselves and their creditors lie both at the mercy of the conqueror. And this may properly enough be denominated the *violent death* of our public credit.

These seem to be the events, which are not very remote, and which reason foresees as clearly almost as she can do any thing that lies in the womb of time. And though the ancients maintained, that in order to reach the gift of prophecy, a certain divine fury or madness was requisite, one may safely affirm, that in order to deliver such prophecies as these, no more is necessary than merely to be in one's senses, free from the influence of popular madness and delusion.