

# **Defence of Usury**

by Jeremy Bentham

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# Defence of Usury

by Jeremy Bentham

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Defence of Usury; Shewing the Impolity of the Present Legal Restraints on the Terms of Pecuniary Bargains In a Series of Letters to a Friend To Which is Added A Letter to Adam Smith, Esq; LL.D. On the Discouragements opposed by the above Restraints to the Progress of Inventive Industry  
1787

## LETTER I. Introduction

Crichoff, in White Russia, January 1787

Among the various species or modifications of liberty, of which on different occasions we have heard so much in England, I do not recollect ever seeing any thing yet offered in behalf of the liberty of making one's own terms in money-bargains. From so general and universal a neglect, it is an old notion of mine, as you well know, that this meek and unassuming species of liberty has been suffering much injustice.

A fancy has taken me, just now, to trouble you with my reasons: which, if you think them capable of answering any good purpose, you may forward to the press: or in the other case, what will give you less trouble, to the fire.

In a word, the proposition I have been accustomed to lay down to myself on this subject is the following one, viz. that no man of ripe years and of sound mind, acting freely, and with his eyes open, ought to be hindered, with a view to his advantage, from making such bargain, in the way of obtaining money, as he thinks fit: nor, (what is a necessary consequence) any body hindered from supplying him, upon any terms he thinks proper to accede to.

This proposition, were it to be received, would level, you see, at one stroke, all the barriers which law, either statute or common, have in their united wisdom set up, either against the crying sin of Usury, or against the hard-named and little-heard-of practice of Champerty; to which we must also add a portion of the multifarious, and as little heard-of offence, of Maintenance.

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On this occasion, were it any individual antagonist I had to deal with, my part would be a smooth and easy one. "You, who fetter contracts; you, who lay restraints on the liberty of man, it is for you" (I should say) "to assign a reason for your doing so." That contracts in general ought to be observed, is a rule, the propriety of which, no man was ever yet found wrong-headed enough to deny: if this case is one of the exceptions (for some doubtless there are) which the safety and welfare of every society require should be taken out of that general rule, in this case. as in all those others, it lies upon him, who alleges the necessity of the exception, to produce a reason for it.

This, I say, would be a short and very easy method with an individual: but, as the world has no mouth of its own to plead by, no certain attorney by which it can "come and defend this force and injury," I must even find arguments for it at a venture, and ransack my own imagination for such phantoms as I can find to fight with.

In favour of the restraints opposed to the species of liberty I contend for, I can imagine but five arguments.

1. Prevention of usury.
2. Prevention of prodigality.
3. Protection of indigence against extortion.
4. Repression of the temerity of projectors.
5. Protection of simplicity against imposition. Of all these in their order.

### **LETTER II Reasons for Restraint. -- Prevention of Usury.**

I will begin with the prevention of usury: because in the sound of the word usury lies, I take it, the main strength of the argument: or, to speak strictly, of what is of more importance than all argument, of the hold which the opinion I am combating has obtained on the imaginations and passions of mankind.

Usury is a bad thing, and as such ought to be prevented: usurers are a bad sort of men, a very bad sort of men, and as such ought to be punished and suppressed. These are among the string of propositions which every man finds handed down to him from his progenitors: which most men are disposed to accede to without examination, and indeed not unnaturally nor even unreasonably disposed, for it is impossible the bulk of mankind should find leisure, had they the ability, to examine into the grounds of an hundredth part of the rules and maxims, which they find themselves obliged to act upon. Very good apology this for John Trot: but a little more inquisitiveness may be required of legislators.

You, my friend, by whom the true force of words is so well understood, have, I am sure, gone before me in perceiving, that to say usury is a thing to be prevented, is neither more nor less than begging the matter in question. I know of but two definitions that can possibly be given of usury: one is, the taking of a greater interest than the law allows of: this may be stiled the political or legal definition. The other is the taking of a greater interest than it is usual for men to give and take: this may be stiled the moral one: and this, where the law has not interfered, is plainly enough the only one. It is plain, that in order for usury to be prohibited by law, a positive description must have been found for it by law, fixing, or rather superseding, the moral one. To say then that usury is a thing that ought to be prevented, is saying neither more nor less, than that the utmost rate of interest which shall be taken ought to be fixed; and that fixation enforced by penalties, or such other means, if any, as may answer the purpose of preventing the breach of it. A law punishing usury supposes, therefore, a law fixing the allowed legal rate of interest: and the propriety of the penal law must depend upon the propriety of the simply-prohibitive, or, if you please, declaratory one.

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One thing then is plain; that, antecedently to custom growing from convention, there can be no such thing as usury: for what rate of interest is there that can naturally be more proper than another? what natural fixed price can there be for the use of money more than for the use of any other thing? Were it not then for custom, usury, considered in a moral view, would not then so much as admit of a definition: so far from having existence, it would not so much as be conceivable: nor therefore could the law, in the definition it took upon itself to give of such offence, have so much as a guide to steer by. Custom therefore is the sole basis, which, either the moralist in his rules and precepts, or the legislator in his injunctions, can have to build upon. But what basis can be more weak or unwarrantable, as a ground for coercive measures, than custom resulting from free choice? My neighbours, being at liberty, have happened to concur among themselves in dealing at a certain rate of interest. I, who have money to lend, and Titius, who wants to borrow it of me, would be glad, the one of us to accept, the other to give, an interest somewhat higher than theirs: why is the liberty they exercise to be made a pretence for depriving me and Titius of ours?

Nor has blind custom, thus made the sole and arbitrary guide, any thing of steadiness or uniformity in its decisions: it has varied, from age to age, in the same country: it varies, from country to country, in the same age: and the legal rate has varied along with it: and indeed, with regard to times past, it is from the legal rate, more readily than from any other source, that we collect the customary. Among the Romans, till the time of Justinian, we find it as high as 12 per cent: in England, so late as the time of Hen. VIII, we find it at 10 per cent: succeeding statutes reduced it to 8, then to 6, and lastly to 5, where it stands at present. Even at present in Ireland it is at 6 per cent; and in the West-Indies at 8 per cent; and in Hindostan, where there is no rate limited by law, the lowest customary rate is 10 or 12. At Constantinople, in certain cases, as I have been well informed, thirty per cent is a common rate. Now, of all these widely different rates, what one is there, that is intrinsically more proper than another? What is it that evidences this propriety in each instance? what but the mutual convenience of the parties, as manifested by their consent? It is convenience then that has produced whatever there has been of custom in the matter: What can there then be in custom, to make it a better guide than the convenience which gave it birth? and what is there in convenience, that should make it a worse guide in one case than in another? It would be convenient to me to give 6 per cent for money: I wish to do so. "No," (says the law) "you shan't." – Why so? "Because it is not convenient to your neighbour to give above 5 for it." Can any thing be more absurd than such a reason?

Much has not been done, I think, by legislators as yet in the way of fixing the price of other commodities: and, in what little has been done, the probity of the intention has, I believe, in general, been rather more unquestionable than the rectitude of the principle, or the felicity of the result. Putting money out at interest, is exchanging present money for future: but why a policy, which, as applied to exchanges in general, would be generally deemed absurd and mischievous, should be deemed necessary in the instance of this particular kind of exchange, mankind are as yet to learn. For him who takes as much as he can get for the use of any other sort of thing, an house for instance, there is no particular appellation, nor any mark of disrepute: nobody is ashamed of doing so, nor is it usual so much as to profess to do otherwise. Why a man who takes as much as he can get, be it six, or seven, or eight, or ten per cent for the use of a sum of money should be called usurer, should be loaded with an opprobrious name, any more than if he had bought an house with it, and made a proportionable profit by the house, is more than I can see.

Another thing I would also wish to learn, is, why the legislator should be more anxious to limit the rate of interest one way, than the other? why he should set his face against the owners of that species of property more than of any other? why he should make it his business to prevent their getting more than a certain price for the use of it, rather than to prevent their getting less? why, in short, he should not take means for making it penal to offer less, for example, than 5 per cent as well as to accept more? let any one that can, find an answer to these questions; it is more than I can do: I except always the distant and imperceptible advantage, of sinking the price of goods of all kinds; and, in that remote way, multiplying the future enjoyments of individuals. But this was a consideration by far too distant and refined, to have been the original ground for confining the limitation to this side.

### LETTER III. Reasons for Restraint. -- Prevention of Prodigality.

Having done with sounds, I come gladly to propositions; which, as far as they are true in point of fact, may deserve the name of reasons. And first, as to the efficacy of such restrictive laws with regard to the prevention of Prodigality.

That prodigality is a bad thing, and that the prevention of it is a proper object for the legislator to propose to himself, so long as he confines himself to, what I look upon as, proper measures, I have no objection to allow, at least for the purpose of the argument; though, were this the principal question, I should look upon it as incumbent on me to place in a fair light the reasons there may be for doubting, how far, with regard to a person arrived at the age of discretion, third persons may be competent judges, which of two pains may be of greater force and value to him, the present pain of restraining his present desires, or the future contingent pain he may be exposed to suffer from the want to which the expence of gratifying these desires may hereafter have reduced him. To prevent our doing mischief to one another, it is but too necessary to put bridles into all our mouths: it is necessary to the tranquillity and very being of society: but that the tacking of leading-strings upon the backs of grown persons, in order to prevent their doing themselves a mischief, is not necessary either to the being or tranquillity of society, however conducive to its well-being, I think cannot be disputed. Such paternal, or, if you please, maternal, care, may be a good work, but it certainly is but a work of supererogation.

For my own part, I must confess, that so long as such methods only are employed, as to me appear proper ones, and such there are, I should not feel myself disinclined to see some measures taken for the restraining of prodigality: but this I can not look upon as being of the number. My reasons I will now endeavour to lay before you.

In the first place, I take it, that it is neither natural nor usual for prodigals, as such, to betake themselves to this method, I mean, that of giving a rate of interest above the ordinary one, to supply their wants.

In the first place, no man, I hope you will allow. prodigal or not prodigal, ever thinks of borrowing money to spend, so long as he has ready money of his own, or effects which he can turn into ready money without loss. And this deduction strikes off what, I suppose, you will look upon as the greatest proportion of the persons subject, at any given time, to the imputation of prodigality.

In the next place, no man, in such a country as Great Britain at least, has occasion, nor is at all likely, to take up money at an extraordinary rate of interest, who has security to give, equal to that upon which money is commonly to be had at the highest ordinary rate. While so many advertise, as are to be seen every day advertising, money to be lent at five per cent what should possess a man, who has any thing to offer that can be called a security, to give, for example, six per cent is more than I can conceive.

You may say, perhaps, that a man who wishes to lend his money out upon security, wishes to have his interest punctually, and that without the expence, and hazard, and trouble, and odium of going to law; and that, on this account, it is better to have a sober man to deal with than a prodigal. So far I allow you; but were you to add, that on this account it would be necessary for a prodigal to offer more than another man, there I should disagree with you. In the first place, it is not so easy a thing, nor, I take it, a common thing, for the lender upon security to be able to judge, or even to form any attempt to judge, whether the conduct of one who offers to borrow his money is or is not of such a cast, as to bring him under this description. The question, prodigal or not prodigal, depends upon two pieces of information; neither of which, in general, is very easy to come at: on the one hand, the amount of his means and reasonable expectations; on the other band, the amount of his expenditure. The goodness or badness of the security is a question of a very different nature: upon this head, every man has a known and ready means of obtaining that sort of information, which is the most satisfactory the nature of things affords, by going to his lawyer. It is accordingly, I take it, on their lawyers opinion, that lenders in general found their determination in

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these cases, and not upon any calculations they may have formed, concerning the receipt and expenditure of the borrower. But even supposing a man's disposition to prodigality to be ever so well known, there are always enough to be found, to whom such a disposition would be rather an inducement than an objection, so long as they were satisfied with the security. Every body knows the advantage to be made in case of mortgage, by foreclosing or forcing a sale: and that this advantage it not uncommonly looked out for, will, I believe, hardly be doubted by any one, who has had any occasion to observe the course of business in the court of Chancery.

In short, so long as a prodigal has any thing to pledge, or to dispose of, whether in possession, or even in reversion, whether of a certain or even of a contingent nature, I see not, how he can receive the smallest benefit, from any laws that are, or can be made to fix the rate of interest. For, suppose the law to be efficacious as far as it goes, and that the prodigal can find none of those monsters called usurers to deal with him, does he lie quiet? No such thing: he goes on and gets the money he wants, by selling his interest instead of borrowing. He goes on, I say: for if he has prudence enough to stop him any where, he is not that sort of man, whom it can be worth while for the law to attempt stopping by such means. It is plain enough then, that to a prodigal thus circumstanced, the law cannot be of any service; on the contrary, it may, and in many cases must, be of disservice to him, by denying him the option of a resource, which, how disadvantageous soever, could not well have proved more so, but would naturally have proved less so, than those which it leaves still open to him. But of this hereafter.

I now come to the only remaining class of prodigals, viz. those who have nothing that can be called a security to offer. These, I should think, are not more likely to get money upon an extraordinary rate of interest, than an ordinary one. Persons who either feel, or find reasons for pretending to feel, a friendship for the borrower, can not take of him more than the ordinary rate of interest: persons, who have no such motive for lending him, will not lend him at all. If they know him for what he is, that will prevent them of course: and even though they should know nothing of him by any other circumstance, the very circumstance of his not being able to find a friend to trust him at the highest ordinary rate, will be sufficient reason to a stranger for looking upon him as a man, who, in the judgment of his friends, is not likely to pay.

The way that prodigals run into debt, after they have spent their substance, is, I take it, by borrowing of their friends and acquaintance, at ordinary interest, or more commonly at no interest, small sums, such as each man may be content to lose, or be ashamed to ask real security for; and as prodigals have generally an extensive acquaintance (extensive acquaintance being at once the cause and effect of prodigality), the sum total of the money a man may thus find means to squander, may be considerable, tho' each sum borrowed may, relatively to the circumstances of the lender, have been inconsiderable. This I take to be the race which prodigals, who have spent their all, run at present, under the present system of restraining laws: and this, and no other, I take it, would be the race they would run, were those laws out of the way.

Another consideration there is, I think, which will compleat your conviction, if it was not compleat before, of the inefficacy of these laws, as to the putting any sort of restraint upon prodigality. This is, that there is another set of people from whom prodigals get what they want, and always will get it, so long as credit lasts, in spite of all laws against high interest; and, should they find it necessary, at an expence more than equal to an excess of interest they might otherwise have to give. I mean the tradesmen who deal in the goods they want. Every body knows it is much easier to get goods than money. People trust goods upon much slenderer security than they do money: it is very natural they should do so: ordinary profit of trade upon the whole capital employed in a man's trade, even after the expence of warehouse—rent, journeymen's wages, and other such general charges are taken into the account, and set against it, is at least equal to double interest; say 10 per cent. Ordinary profit upon any particular parcel of goods must therefore be a great deal more, say at least triple interest, 15 per cent: in the way of trading, then, a man can afford to be at least three times as adventurous, as he can in the way of lending, and with equal prudence. So long, then, as a man is looked upon as one who will pay, he can much easier get the goods he wants, than he could the money to buy them with, though he were content to give for it twice, or even thrice the ordinary rate of interest.

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Supposing any body, for the sake of extraordinary gain, to be willing to run the risk of supplying him, although they did not look upon his personal security to be equal to that of another man, and for the sake of the extraordinary profit to run the extraordinary risk; in the trader, in short in every sort of trader whom he was accustomed to deal with in his solvent days, he sees a person who may accept of any rate of profit, without the smallest danger from any laws that are, or can be made against usury. How idle, then, to think of stopping a man from making six, or seven, or eight per cent interest, when, if he chuses to run a risk proportionable, he may in this way make thirty or forty per cent or any rate you please. And as to the prodigal, if he cannot get what he wants upon these terms, what chance is there of his getting it upon any terms, supposing the laws against usury to be away? This then is another way, in which, instead of serving; it injures him, by narrowing his option, and driving him from a market which might have proved less disadvantageous, to a more disadvantageous one.

As far as prodigality, then, is concerned, I must confess, I cannot see the use of stopping the current of expenditure in this way at the fosse, when there are so many unpreventable ways of letting it run out of the bung-hole.

Whether any harm is done to society, upon the whole, by letting so much money drop at once out of the pockets of the prodigal, who would have gone on wasting it, into the till of the frugal tradesman, who will lay it up, is not worth the enquiry for the present purpose: what is plain is, that, so far as the saving the prodigal from paying at an extraordinary rate for what he gets to spend, is the object of the law, that object is not at all promoted, by fixing the rate of interest upon money borrowed. On the contrary, if the law has any effect, it runs counter to that object: since, were he to borrow, it would only be, in as far as he could borrow at a rate inferior to that at which otherwise he would be obliged to buy. Preventing his borrowing at an extra-rate, may have the effect of increasing his distress, but cannot have the effect of lessening it: allowing his borrowing at such a rate, might have the effect of lessening his distress, but could not have the effect of increasing it.

To put a stop to prodigality, if indeed it be worth while, I know but of one effectual course that can be taken, in addition to the incomplete and insufficient courses at present practicable. and that is, to put the convicted prodigal under an interdict, as was practised formerly among the Romans, and is still practised among the French, and other nations who have taken the Roman law for the ground-work of their own. But to discuss the expediency, or sketch out the details of such an institution. belongs not to the present purpose.

### **LETTER IV Reasons for Restraint. -- Protection of Indigence.**

Besides prodigals, there are three other classes of persons, and but three, for whose security I can conceive these restrictive laws to have been designed. I mean the indigent, the rashly enterprising, and the simple: those whose pecuniary necessities may dispose them to give an interest above the ordinary rate. rather than not have it, and those who, from rashness, may be disposed to venture upon giving such a rate, or from carelessness combined with ignorance, may be disposed to acquiesce in it.

In speaking of these three different classes of persons, I must beg leave to consider one of them at a time: and accordingly, in speaking of the indigent, I must consider indigence in the first place as untinged with simplicity. On this occasion. I may suppose, and ought to suppose, no particular defect in a man's judgment, or his temper, that should mislead him, more than the ordinary run of men. He knows what is his interest as well as they do, and is as well disposed and able to pursue it as they are.

I have already intimated, what I think is undeniable. that there are no one or two or other limited number of rates of interest, that can be equally suited to the unlimited number of situations, in respect of the degree of exigency, in which a man is liable to find himself: insomuch that to the situation of a man, who by the use of money can make for example 11 per cent, six per cent is as well adapted, as 5 per cent is to the situation of him who can make but 10; to that of him who can make 12 per cent seven and so on. So, in the case of his wanting it to save himself



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from a loss, (which is that which is most likely to be in view under the name of exigency) if that loss would amount to 11 per cent 6 per cent is as well adapted to his situation, as 5 per cent would be to the situation of him, who had but a loss amounting to ten per cent to save himself from by the like means. And in any case. though. in proportion to the amount of the loss, the rate of interest were even so great, as that the clear saving should not amount to more than one per cent or any fraction per cent yet so long as it amounted to any thing, he would be just so much the better for borrowing, even on such comparatively disadvantageous terms. If, instead of gain, we put any other kind of benefit or advantage — if: instead of loss. we put any other kind of mischief or inconvenience, of equal value, the result will be the same.

A man is in one of these situations, suppose, in which it would be for his advantage to borrow. But his circumstances are such, that it would not be worth any body's while to lend him, at the highest rate which it is proposed the law should allow; in short, he cannot get it at that rate. If he thought he could get it at that rate, most surely he would not give a higher: he may be trusted for that: for by the supposition he has nothing defective in his understanding. But the fact is, he cannot get it at that lower rate. At a higher rate, however he could get it: and at that rate, though higher, it would be worth his while to get it: so he judges, who has nothing to hinder him from judging right; who has every motive and every means for forming a right judgment; who has every motive and every means for informing himself of the circumstances, upon which rectitude of judgment, in the case in question, depends. The legislator, who knows nothing, nor can know any thing, of any one of all these circumstances, who knows nothing at all about the matter, comes and says to him — "It signifies nothing; you shall not have the money: for it would be doing you a mischief to let you borrow it upon such terms." — And this out of prudence and loving-kindness! — There may be worse cruelty. but can there be greater folly?

The folly of those who persist, as is supposed, without reason, in not taking advice, has been much expatiated upon. But the folly of those who persist, without reason, in forcing their advice upon others, has been but little dwelt upon, though it is, perhaps, the more frequent, and the more flagrant of the two. It is not often that one man is a better judge for another, than that other is for himself, even in Cases where the adviser will take the trouble to make himself master of as many of the materials for judging, as are within the reach of the person to be advised. But the legislator is not, can not be, in the possession of any one of these materials. — What private, can be equal to such public folly?

I should now speak of the enterprizing class of borrowers: those. who, when characterized by a single term, are distinguished by the unfavourable appellation of projectors: but in what I shall have to say of them, Dr Smith, I begin to foresee, will bear so material a part, that when I come to enter upon that subject, I think to take my leave of you, and address myself to him.

### **LETTER V Reasons for Restraint.—Protection of Simplicity.**

I come, lastly, to the case of the simple. Here, in the first place, I think I am by this time entitled to observe, that no simplicity, short of absolute idiotism, can cause the individual to make a more groundless judgment, than the legislator, who, in the circumstances above stated, should pretend to confine him to any given rate of interest, would have made for him.

Another consideration, equally conclusive, is, that were the legislator's judgment ever so much superior to the individual's, how weak soever that may be, the exertion of it on this occasion can never be any otherwise than useless, so long as there are so many similar occasions, as there ever must be, where the simplicity of the individual is equally likely to make him a sufferer, and on which the legislator cannot interpose with effect, nor has ever so much as thought of interposing.

Buying goods with money, or upon credit, is the business of everyday. borrowing money is the business, only, of some particular exigency, which, in comparison, can occur but seldom. Regulating the prices of goods in general

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would be an endless task, and no legislator has ever been weak enough to think of attempting it. And supposing he were to regulate the prices, what would that signify for the protection of simplicity, unless he were to regulate also the quantum of what each man should buy? Such quantum is indeed regulated, or rather means are taken to prevent buying altogether; but in what cases? In those only where the weakness is adjudged to have arrived at such a pitch, as to render a man utterly unqualified for the management of his affairs: in short, when it has arrived at the length of idiocy.

But in what degree soever a man's weakness may expose him to imposition, he stands much more exposed to it, in the way of buying goods, than in the way of borrowing money. To be informed, beforehand, of the ordinary prices of all the sorts of things, a man may have occasion to buy, may be a task of considerable variety and extent. To be informed of the ordinary rate of interest, is to be informed of one single fact, too interesting not to have attracted attention, and too simple to have escaped the memory. A few per cent enhancement upon the price of goods, is a matter that may easily enough pass unheeded; but a single per cent beyond the ordinary interest of money, is a stride more conspicuous and startling, than many per cent upon the price of any kind of goods.

Even in regard to subjects, which, by their importance would, if any, justify a regulation of their price, such as for instance land, I question whether there ever was an instance where, without some such ground as, on the one side fraud, or suppression of facts necessary to form a judgment of the value, or at least ignorance of such facts, on the other, a bargain was rescinded, merely because a man had sold too cheap, or bought too dear. Were I to take a fancy to give a hundred years purchase instead of thirty, for a piece of land, rather than not have it, I don't think there is any court in England, or indeed any where else, that would interpose to hinder me, much less to punish the seller with the loss of three times the purchase money, as in the case of usury. Yet when I had got my piece of land, and paid my money, repentance, were the law ever so well disposed to assist me, might be unavailing: for the seller might have spent the money, or gone off with it. But, in the case of borrowing money, it is the borrower always, who, according to the indefinite, or short term for which money is lent, is on the safe side: any imprudence he may have committed with regard to the rate of interest, may be corrected at any time: if I find I have given too high an interest to one man. I have no more to do than to borrow of another at a lower rate, and pay off the first: if I Cannot find any body to lend me at a lower, there cannot be a more certain proof that the first was not in reality too high. But of this hereafter.

### **LETTER VI Mischiefs of the anti-usurious laws.**

In the preceding letters, I have examined all the modes I can think of, in which the restraints, imposed by the laws against usury, can have been fancied to be of service.

I hope it appears by this time, that there are no ways in which those laws can do any good. But there are several, in which they can not but do mischief.

The first, I shall mention, is that of precluding so many people, altogether, from the getting the money they stand in need of, to answer their respective exigencies. Think what a distress it would produce, were the liberty of borrowing denied to every body: denied to those who have such security to offer, as renders the rate of interest, they have to offer, a sufficient inducement, for a man who has money, to trust them with it. Just that same sort of distress is produced, by denying that liberty to so many people, whose security, though, if they were permitted to add something to that rate, it would be sufficient, is rendered insufficient by their being denied that liberty. Why the misfortune, of not being possessed of that arbitrarily exacted degree of security, should be made a ground for subjecting a man to a hardship, which is not imposed on those who are free from that misfortune, is more than I can see. To discriminate the former class from the latter, I can see hut this one circumstance, viz. that their necessity is greater. This it is by the very supposition: for were it not, they could not be, what they are supposed to be, willing to give more to be relieved from it. In this point of view then, the sole tendency of the law is, to heap distress upon distress.

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A second mischief is, that of rendering the terms so much the worse, to a multitude of those, whose circumstances exempt them from being precluded altogether from getting the money they have occasion for. In this case, the mischief, though necessarily less intense than in the other, is much more palpable and conspicuous, Those who cannot borrow may get what they want, so long as they have any thing to sell. But while, out of loving-kindness, or whatsoever other motive, the law precludes a man from borrowing, upon terms which he deems too disadvantageous, it does not preclude him from selling, upon any terms, howsoever disadvantageous. Every body knows that forced sales are attended with a loss: and, to this loss, what would be deemed a most extravagant interest bears in general no proportion. When a man's moveables are taken in execution, they are, I believe, pretty well sold, if, after all expences paid, the produce amounts to two thirds of what it would cost to replace them. In this way the providence and loving-kindness of the law costs him 33 per cent and no more, supposing, what is seldom the case, that no more of the effects are taken than what is barely necessary to make up the money due. If, in her negligence and weakness, she were to suffer him to offer 11 per cent per annum for forbearance, it would be three years before he be paid what he is charged with, in the first instance, by her wisdom.

Such being the kindness done by the law to the owner of moveables, let us see how it fares with him who has an interest in immoveables. Before the late war, 30 years purchase for land might be reckoned, I think it is pretty well agreed, a medium price. During the distress produced by the war, lands, which it was necessary should be sold, were sold at 20, 18, nay, I believe, in some instances, even so low as 15 years purchase. If I do not misrecollect, I remember instances of lands put up to public auction, for which nobody bid so high as fifteen. In many instances, villas, which had been bought before the war, or at the beginning of it, and, in the interval, had been improved rather than impaired, sold for less than half, or even the quarter, of what they had been bought for. I dare not here for my part pretend to be exact: but on this passage, were it worth their notice, Mr Skinner, or Mr Christie, could furnish very instructive notes. Twenty years purchase, instead of thirty, I may be allowed to take, at least for illustration. An estate then of £100 a year, clear of taxes, was devised to a man, charged, suppose, with £1,500 with interest till the money should be paid. Five per cent interest, the utmost which could be accepted from the owner, did not answer the incumbrancer's purpose: he chose to have the money. But 6 per cent perhaps, would have answered his purpose, if not, most certainly it would have answered the purpose of somebody else: for multitudes there all along were, whose purposes were answered by five per cent. The war lasted, I think, seven years: the depreciation of the value of land did not take place immediately: but as, on the other hand, neither did it immediately recover its former price upon the peace, if indeed it has even yet recovered it, we may put seven years for the time, during which it would be more advantageous to pay this extraordinary rate of interest than sell the land, and during which, accordingly, this extraordinary rate of interest would have had to run. One per cent for seven years, is not quite of equal worth to seven per cent the first year: say, however, that it is. The estate, which before the war was worth thirty years purchase, that is £3,000 and which the devisor had given to the devisee for that value, being put up to sale, fetched but 20 years purchase, £2,000. At the end of that period it would have fetched its original value, £3,000. Compare, then, the situation of the devisee at the 7 years end, under the law, with what it would have been, without the law. In the former case, the land selling for 20 years purchase, i.e. £2,000 what he would have, after paying the £1,500 is £500; which, with the interest of that sum, at 5 per cent for seven years, viz. £175 makes, at the end of that seven years, £675. In the other case, paying 6 per cent on the £1,500 that is £90 a year, and receiving all that time the rent of the land, viz. £100 he would have had, at the seven years end, the amount of the remaining ten pound during that period, that is £70 in addition to his £1,000. — £675 subtracted from £1,070 leaves £395. This £395 then, is what he loses out of £1,070, almost 37 per cent of his capital, by the loving-kindness of the law. Make the calculations, and you will find, that, by preventing him from borrowing the money at 6 per cent interest, it makes him nearly as much a sufferer as if he had borrowed it at ten.

What I have said hitherto is confined to the case of those who have present value to give, for the money they stand in need of. If they have no such value, then, if they succeed in purchasing assistance upon any terms, it must be in breach of the law; their lenders exposing themselves to its vengeance: for I speak not here of the accidental case, of its being so constructed as to be liable to evasion. But, even in this case, the mischievous influence of the law still pursues them; aggravating the very mischief it pretends to remedy. Though it be inefficacious in the way in

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which the legislator wishes to see it efficacious, it is efficacious in the way opposite to that in which he would wish to see it so. The effect of it is, to raise the rate of interest, higher than it would be otherwise, and that in two ways. In the first place, a man must, in common prudence, as Dr Smith observes, make a point of being indemnified, not only for whatsoever extraordinary risk it is that he runs, independently of the law, but for the very risk occasioned by the law: he must be insured, as it were, against the law. This cause would operate, were there even as many persons ready to lend upon the illegal rate, as upon the legal. But this is not the case: a great number of persons are, of course, driven out of this competition by the danger of the business; and another great number, by the disrepute which, under cover of these prohibitory laws or otherwise, has fastened itself upon the name of usurer. So many persons, therefore, being driven out of the trade, it happens in this branch, as it must necessarily in every other, that those who remain have the less to withhold them from advancing their terms; and without confederating, (for it must be allowed that confederacy in such a case is plainly impossible) each one will find it easier to push his advantage up to any given degree of exorbitancy, than he would, if there were a greater number of persons of the same stamp to resort to.

As to the case, where the law is so worded as to be liable to be evaded, in this case it is partly inefficacious and nugatory, and partly mischievous. It is nugatory, as to all such, whose confidence of its being so is perfect: it is mischievous, as before, in regard to all such who fail of possessing that perfect confidence. If the borrower can find nobody at all who has confidence enough to take advantage of the flaw, he stands precluded from all assistance, as before: and, though he should, yet the lender's terms must necessarily run the higher, in proportion to what his confidence wants of being perfect. It is not likely that it should be perfect: it is still less likely that he should acknowledge it so to be: it is not likely, at least as matters stand in England, that the worst-penned law made for this purpose should be altogether destitute of effect: and while it has any, that effect, we see, must be in one way or other mischievous.

I have already hinted at the disrepute, the ignominy, the reproach, which prejudice, the cause and the effect of these restrictive laws, has heaped upon that perfectly innocent and even meritorious class of men, who, not more for their own advantage than to the relief of the distresses of their neighbour, may have ventured to break through these restraints. It is certainly not a matter of indifference, that a class of persons, who, in every point of view in which their conduct can be placed, whether in relation to their own interest, or in relation to that of the persons whom they have to deal with, as well on the score of prudence, as on that of beneficence, (and of what use is even benevolence, but in as far as it is productive of beneficence?) deserve praise rather than censure, should be classed with the abandoned and profligate, and loaded with a degree of infamy, which is due to those only whose conduct is in its tendency the most opposite to their own.

"This suffering," it may be said, "having already been taken account of, is not to be brought to account a second time: they are aware, as you yourself observe, of this inconvenience, and have taken care to get such amends for it, as they themselves look upon as sufficient." True: but is it sure that the compensation, such as it is, will always, in the event, have proved a sufficient one? Is there no room here for miscalculation? May there not be unexpected, unlooked-for incidents, sufficient to turn into bitterness the utmost satisfaction which the difference of pecuniary emolument could afford? For who can see to the end of that inexhaustible train of consequences that are liable to ensue from the loss of reputation? Who can fathom the abyss of infamy? At any rate, this article of mischief, if not an addition in its quantity to the others above-noticed, is at least distinct from them in its nature, and as such ought not to be overlooked.

Nor is the event of the execution of the law by any means an unexampled one: several such, at different times, have fallen within my notice. Then comes absolute perdition: loss of character, and forfeiture, not of three times the extra-interest, which formed the profit of the offence, but of three times the principal, which gave occasion to it.(1\*)

The last article I have to mention in the account of mischief, is, the corruptive influence, exercised by these laws, on the morals of the people; by the pains they take, and cannot but take, to give birth to treachery and ingratitude.

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To purchase a possibility of being enforced, the law neither has found, nor, what is very material, must it ever hope to find, in this case, any other expedient, than that of hiring a man to break his engagement, and to crush the hand that has been reached out to help him. In the case of informers in general, there has been no troth plighted, nor benefit received. In the case of real criminals invited by rewards to inform against accomplices, it is by such breach of faith that society is held together, as in other cases by the observance of it. In the case of real crimes, in proportion as their mischievousness is apparent, what can not but be manifest even to the criminal, is, that it is by the adherence to his engagement that he would do an injury to society, and, that by the breach of such engagement, instead of doing mischief he is doing good: in the case of usury this is what no man can know, and what one can scarcely think it possible for any man, who, in the character of the borrower, has been concerned in such a transaction, to imagine. He knew that, even in his own judgment, the engagement was a beneficial one to himself, or he would not have entered into it: and nobody else but the lender is affected by it.

### **LETTER VII Efficacy of anti-usurious laws.**

Before I quit altogether the consideration of the case in which a law, made for the purpose of limiting the rate of interest, may be inefficacious with regard to that end, I can not forbear taking some further notice of a passage already alluded to of Dr Smith's: because, to my apprehension, that passage seems to throw upon the subject a degree of obscurity, which I could wish to see cleared up, in a future edition of that valuable work.

"No law" says he,(2\*) "can reduce the common rate of interest below the lowest ordinary market rate, at the time when that law was made. Notwithstanding the edict of 1766, by which the French king attempted to reduce the rate of interest from five to four per cent money continued to be lent in France at five per cent the law being evaded in several different ways."

As to the general position, if so it be, so much, according to me, the better: but I must confess I do not see why this should be the case. It is for the purpose of proving the truth of this general position, that the fact of the inefficacy of this attempt seems to be adduced: for no other proof is adduced but this. But, taking the fact for granted, I do not see how it can be sufficient to support the inference. The law, we are told at the same time, was evaded: but we are not told how it came to be open to evasion. It might be owing to a particular defect in the penning of that particular law; or, what comes to the same thing, in the provisions made for carrying it into execution. In either case, it affords no support to the general position: nor can that position be a just one, unless it were so in the case where every provision had been made, that could be made, for giving efficacy to the law. For the position to be true, the case must be, that the law would still be broken, even after every means of what can properly be called evasion had been removed. True or untrue, the position is certainly not self-evident enough to be received without proof: yet nothing is adduced in proof of it, but the fact above-noticed, which we see amounts to no such thing. What is more, I should not expect to find it capable of proof. I do not see, what it is, that should render the law incapable of "reducing the common rate of interest below the lowest ordinary market rate," but such a state of things, such a combination of circumstances, as should afford obstacles equally powerful, or nearly so, to the efficacy of the law against all higher rates. For destroying the law's efficacy altogether. I know of nothing that could serve, but a resolution on the part of all persons any way privy not to inform: but by such a resolution any higher rate is just as effectually protected as any lower one. Suppose the resolution, strictly speaking, universal, and the law must in all instances be equally inefficacious; all rates of interest equally free; and the state of men's dealings in this way just what it would be, were there no law at all upon the subject. But in this case, the position, in as far as it limits the inefficacy of the law to those rates which are below the "lowest ordinary market rate," is not true. For my part, I cannot conceive how any such universal resolution could have been maintained, or could ever be maintained, without an open concert, and as open a rebellion against government; nothing of which sort appears to have taken place: and, as to any particular confederacies, they are as capable of protecting any higher rates against the prohibition, as any lower ones.

Thus much indeed must be admitted, that the low rate in question. viz. that which was the lowest ordinary market

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rate immediately before the making of the law, is likely to come in for the protection of the public against the law, more frequently than any other rate. That must be the case on two accounts: first, because by being of the number of the ordinary rates, it was, by the supposition, more frequent than any extraordinary ones: secondly, because the disrepute annexed to the idea of usury, a force which might have more or less efficacy in excluding, from the protection above spoken of, such extraordinary rates, cannot well be supposed to apply itself, or at least not in equal degree, to this low and ordinary rate. A lender has certainly less to stop him from taking a rate, which may be taken without disrepute, than from taking one, which a man could not take without subjecting himself to that inconvenience: nor is it likely, that men's imaginations and sentiments should testify so sudden an obsequiousness to the law, as to stamp disrepute to-day, upon a rate of interest, to which no such accompaniment had stood annexed the day before.

Were I to be asked how I imagined the case stood in the particular instance referred to by Dr Smith; judging from his account of it, assisted by general probabilities, I should answer thus: — The law, I should suppose, was not so penned as to be altogether proof against evasion. In many instances, of which it is impossible any account should have been taken, it was indeed conformed to: in some of those instances, people who would have lent otherwise, abstained from lending altogether; in others of those instances, people lent their money at the reduced legal rate. In other instances again, the law was broken: the lenders trusting, partly to expedients resorted to for evading it, partly to the good faith and honour of those whom they had to deal with: in this class of instances it was natural, for the two reasons above suggested, that those where the old legal rate was adhered to, should have been the most numerous. From the circumstance, not only of their number, but of their more direct repugnancy to the particular recent law in question, they would naturally be the most taken notice of. And this, I should suppose, was the foundation in point of fact for the Doctor's general position above-mentioned, that "no law can reduce the common rate of interest below the lowest ordinary market rate, at the time when that law was made."

In England, as far as I can trust my judgment and imperfect general recollection of the purport of the laws relative to this matter, I should not suppose that the above position would prove true. That there is no such thing as any palpable and universally-notorious, as well as universally-practicable receipt for that purpose, is manifest from the examples which, as I have already mentioned, every now and then occur, of convictions upon these statutes. Two such receipts, indeed, I shall have occasion to touch upon presently: but they are either not obvious enough in their nature, or too troublesome or not extensive enough in their application, to have despoiled the law altogether of its terrors or of its preventive efficacy.

In the country in which I am writing, the whole system of laws on this subject is perfectly, and very happily, inefficacious. The rate fixed by law is 5 per cent: many people lend money; and nobody at that rate: the lowest ordinary rate, upon the very best real security, is 8 per cent: 9, and even 10, upon such security, are common. Six or seven may have place, now and then, between relations or other particular friends: because, now and then, a man may choose to make a present of one or two per cent to a person whom he means to favour. The contract is renewed from year to year: for a thousand roubles, the borrower, in his written contract, obliges himself to pay at the end of the year one thousand and fifty. Before witnesses, he receives his thousand roubles: and, without witnesses, he immediately pays back his 30 roubles, or his 40 roubles, or whatever the sum may be, that is necessary to bring the real rate of interest to the rate verbally agreed on.

This contrivance, I take it, would not do in England: but why it would not, is a question which it would be in vain for me to pretend, at this distance from all authorities, to discuss.

### **LETTER VIII Virtual Usury allowed.**

Having proved, as I hope, by this time, the utter impropriety of the law's limiting the rate of interest, in every case that can be conceived, it may be rather matter of curiosity, than any thing else, to enquire, how far the law, on this head, is consistent with itself, and with any principles upon which it can have built.

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1. Drawing and re-drawing is a practice, which it will be sufficient here to hint at. It is perfectly well known to all merchants, and may be so to all who are not merchants, by consulting Dr Smith. In this way, he has shewn how money may be, and has been, taken up, at so high a rate, as 13 or 14 per cent — a rate nearly three times as high as the utmost which the law professes to allow. The extra interest is in this case masked under the names of commission, and price of exchange. The commission is but small upon each loan, not more, I think, than 1/2 per cent: custom having stretched so far but no farther, it might be thought dangerous, perhaps, to venture upon any higher allowance under that name. The charge, being repeated a number of times in the course of the year, makes up in frequency what it wants in weight. The transaction is by this shift rendered more troublesome, indeed, but not less practicable, to such parties as are agreed about it. But if usury is good for merchants, I don't very well see what should make it bad for every body else.

2. At this distance from all the mountains of legal knowledge, I will not pretend to say, whether the practice of selling accepted bills at an under value, would hold good against all attacks. It strikes my recollection as a pretty common one, and I think it could not be brought under any of the penal statutes against usury. The adequateness of the consideration might, for aught I know, be attacked with success, in a court of equity; or, perhaps, if there were sufficient evidence (which the agreement of the parties might easily prevent) by an action at common law, for money had and received. If the practice be really proof against all attacks, it seems to afford an effectual, and pretty commodious method of evading the restrictive laws. The only restraint is, that it requires the assistance of a third person, a friend of the borrower's; as for instance: B, the real borrower, wants £100 and finds U, a usurer, who is willing to lend it to him, at 10 per cent B. has F, a friend, who has not the money himself to lend him, but is willing to stand security for him, to that amount. B. therefore draws upon F, and F. accepts, a bill of £100 at 5 per cent interest, payable at the end of a twelvemonth from the date. F. draws a like bill upon B.: each sells his bill to U. for fifty pound; and it is indorsed to U. accordingly. The £50 that F. receives. he delivers over without any consideration to B. This transaction, if it be a valid one, and if a man can find such a friend, is evidently much less troublesome than the practice of drawing and re-drawing. And this, if it be practicable at all, may be practised by persons of any description, concerned or not in trade. Should the effect of this page be to suggest an expedient, and that a safe and commodious one, for evading the laws against usury, to some, to whom such an expedient might not otherwise have occurred, it will not lie very heavy upon my conscience. The prayers of usurers, whatever efficacy they may have in lightening the burthen, I hope I may lay some claim to. And I think you will not now wonder at my saying, that in the efficacy of such prayers I have not a whit less confidence, than in that of the prayers of any other class of men.

One apology I shall have to plead at any rate, that in pointing out these flaws, to the individual who may be disposed to creep out at them, I point them out at the same time to the legislator, in whose power it is to stop them up, if in his opinion they require it. If, notwithstanding such opinion, he should omit to do so, the blame will lie, not on my industry, but on his negligence.

These, it may be said, should they even be secure and effectual evasions, are still but evasions, and, if chargeable upon the law at all, are chargeable not as inconsistencies but as oversights. Be it so. Setting these aside, then, as expedients practised or practicable, only behind its back, I will beg leave to remind you of two others, practised from the day of its birth, under its protection and before its face.

The first I shall mention is pawnbroking. In this case there is the less pretence for more than ordinary interest, inasmuch as the security is, in this case, not only equal to, but better than, what it can be in any other: to wit, the present possession of a moveable thing, of easy sale, on which the creditor has the power, and certainly does not want the inclination, to set such price as is most for his advantage. If there be a case in which the allowing of such extraordinary interest is attended with more danger than another, it must be this: which is so particularly adapted to the situation of the lowest poor, that is, of those who, on the score of indigence or simplicity, or both, are most open to imposition. This trade however the law, by regulating, avowedly protects. What the rate of interest is, which it allows to be taken in this way, I can not take upon me to remember: but I am much deceived, if it amounts to less than 12 per cent in the year, and I believe it amounts to a good deal more. Whether it were 12 per

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cent or 1200, I believe would make in practice but little difference. What commission is in the business of drawing and re-drawing, warehouse-room is, in that of pawnbroking. Whatever limits then are set to the profits of this trade, are set, I take it, not by the vigilancy of the law, but, as in the case of other trades, by the competition amongst the traders. Of the other regulations contained in the acts relative to this subject, I recollect no reason to doubt the use.

The other instance is that of bottomry and respondentia: for the two transactions, being so nearly related, may be spoken of together. Bottomry is the usury of pawnbroking: respondentia is usury at large, but combined in a manner with insurance, and employed in the assistance of a trade carried on by sea. If any species of usury is to be condemned, I see not on what grounds this particular species can be screened from the condemnation. "Oh but" (says Sir William Blackstone, or any body else who takes upon himself the task of finding a reason for the law) "this is a maritime country, and the trade, which it carries on by sea, is the great bulwark of its defence." It is not necessary I should here enquire, whether that branch, which, as Dr Smith has shewn, is, in every view but the mere one of defence, less beneficial to a nation, than two others out of the four branches which comprehend all trade, has any claim to be preferred to them in this or any other way. I admit, that the liberty which this branch of trade enjoys, is no more than what it is perfectly right it should enjoy. What I want to know is, what there is in the class of men, embarked in this trade, that should render beneficial to them, a liberty, which would be ruinous to every body else. Is it that sea adventures have less hazard on them than land adventures? or that the sea teaches those, who have to deal with it, a degree of forecast and rejection which has been denied to land men?

It were easy enough to give farther and farther extension to this charge of inconsistency, by bringing under it the liberty given to insurance in all its branches, to the purchase and sale of annuities, and of post-obits, in a word to all cases where a man is permitted to take upon himself an unlimited degree of risk, receiving for so doing an unlimited compensation. Indeed I know not where the want of instances would stop me: for in what part of the magazine of events, about which human transactions are conversant, is certainty to be found? But to this head of argument, this argument ad hominem, as it may be called, the Use of which is but subsidiary, and which has more of confutation in it than of persuasion or instruction, I willingly put an end.

### **LETTER IX Blackstone considered.**

I hope you are, by this time, at least, pretty much of my opinion, that there is just the same sort of harm, and no other, in making the best terms one can for one's self in a money loan, as there is in any other sort of bargain. If you are not, Blackstone however is, whose opinion I hope you will allow to be worth something. In speaking of the rate of interest,(3\*) he starts a parallel between a bargain for the loan of money, and a bargain about a horse, and pronounces, without hesitation, that the harm of making too good a bargain, is just as great in the one case, as in the other. As money-lending, and not horse-dealing. was, what you lawyers call, the principal case, he drops the horse-business, as soon as it has answered the purpose of illustration, which it was brought to serve. But as, in my conception, as well the reasoning by which he supports the decision, as that by which any body else could have supported it, is just as applicable to the one sort of bargain as to the other, I will carry on the parallel a little farther, and give the same extent to the reasoning, as to the position which it is made use of to support. This extension will not be without its use; for if the position, when thus extended, should be found just, a practical inference will arise; which is, that the benefits of these restraints ought to be extended from the money-trade to the horse-trade. That my own opinion is not favourable to such restraints in either case, has been sufficiently declared; but if more respectable opinions than mine are still to prevail. they will not be the less respectable for being consistent.

The sort of bargain which the learned commentator has happened to pitch upon for the illustration, is indeed, in the case illustrating, as in the case illustrated. a loan: but as, to my apprehension, loan or sale makes, in point of reasoning, no sort of difference, and as the utility of the conclusion will, in the latter case, be more extensive. I shall adapt the reasoning to the more important business of selling horses, instead of the less important one of



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lending them.

A circumstance, that would render the extension of these restraints. to the horse-trade more smooth and easy. is, that in the one track, as well as in the other, the public has already got the length of calling names. Jockey-ship, a term of reproach not less frequently applied to the arts of those who sell horses than to the arts of those who ride them, sounds, I take it, to the ear of many a worthy gentleman, nearly as bad as usury: and it is well known to all those who put their trust in proverbs, and not less to those who put their trust in party, that when we have got a dog to hang, who is troublesome and keeps us at bay, whoever can contrive to fasten a bad name to his tail, has gained more than half the battle. I now proceed with my application. The words in italics are my own: all the rest are Sir William Blackstone's: and I restore, at bottom, the words I was obliged to discard, in order to make room for mine.

"To demand an exorbitant price is equally contrary to conscience, for the loan of a horse, or for the loan of a sum of money. but a reasonable equivalent for the temporary inconvenience, which the owner may feel by the want of it, and for the hazard of his losing it entirely, is not more immoral in one case than in the other...

"As to selling horses, a capital distinction must be made, between a moderate and an exorbitant profit: to the former of which we give the name of horse-dealing,(4\*) to the latter the truly odious appellation of jockey-ship:(5\*) the former is necessary in every civil state, if it were but to exclude the latter. For, as the whole of this matter is well summed up by Grotius, if the compensation allowed by law does not exceed the proportion of the inconvenience which it is to the seller of the horse to part with it,(6\*) or the want which the buyer has of it,(7\*) its allowance is neither repugnant to the revealed law, nor to the natural law: but if it exceeds these bounds, it is then an oppressive jockey-ship:(8\*) and though the municipal laws may give it impunity, they never can make it just.

"We see, that the exorbitance or moderation of the price given for a horse(9\*) depends upon two circumstances: upon the inconvenience of parting with the horse one has,(10\*) and the hazard of not being able to meet with such another.(11\*) The inconvenience to individual sellers of horses,(12\*) can never be estimated by laws; the general price for horses(13\*) must depend therefore upon the usual or general inconvenience. This results entirely from the quantity of horses(14\*) in the kingdom: for the more horses(15\*) there are running about(16\*) in any nation, the greater superfluity there will be beyond what is necessary to carry on the business of the mail coaches(17\*) and the common concerns of life. In every nation or public community there is a certain quantity of horses(18\*) then necessary, which a person well skilled in political arithmetic might perhaps calculate as exactly as a private horse-dealer(19\*) can the demand for running horses in his own stables:(20\*) all above this necessary quantity may be spared, or lent, or sold, without much inconvenience to the respective lenders or sellers: and the greater the national superfluity is, the more numerous will be the sellers,(21\*) and the lower ought the national price of horseflesh (22\*) to be: but where there are not enough, or barely enough spare horses(23\*) to answer the ordinary uses of the public, horse-flesh(24\*) will be proportionably high: for sellers(25\*) will be but few, as few can submit to the inconvenience of selling."(26\*) -- So far the learned commentator.

I hope by this time you are worked up to a proper pitch of indignation, at the neglect and inconsistency betrayed by the law, in not suppressing this species of jockey-ship, which it would be so easy to do, only by fixing the price of horses. Nobody is less disposed than I am to be uncharitable: but when one thinks of the £1500 taken for Eclipse, and £2000 for Rockingham, and so on, who can avoid being shocked, to think how little regard those who took such enormous prices must have had for "the law of revelation and the law of nature?" Whoever it is that is to move for the municipal law, not long ago talked of, for reducing the rate of interest, whenever that motion is made, then would be the rime for one of the Yorkshire members to get up, and move, by way of addition, for a clause for fixing and reducing the price of horses. I need not expatiate on the usefulness of that valuable species of cattle, which might have been as cheap as asses before now, if our lawgivers had been as mindful of their duty in the suppression of jockey-ship, as they have been in the suppression of usury.

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It may be said, against fixing the price of horse–flesh, that different horses may be of different values. I answer — and I think I shall shew you as much, when I come to touch upon the subject of champerty — not more different than the values which the use of the same sum of money may be of to different persons, on different occasions.

### **LETTER X Grounds of the Prejudices against Usury.**

It is one thing, to find reasons why it is fit a law should have been made: it is another to find the reasons why it was made: in other words, it is one thing to justify a law: it is another thing to account for its existence. In the present instance, the former task, if the observations I have been troubling you with are just, is an impossible one. The other, though not necessary for conviction, may contribute something perhaps in the way of satisfaction. To trace an error to its fountain head, says lord Coke, is to refute it; and many men there are who, till they have received this satisfaction, be the error what it may, cannot prevail upon themselves to part with it. "If our ancestors have been all along under a mistake, how came they to have fallen into it?" is a question that naturally presents itself upon all such occasions. The case is, that in matters of law more especially, such is the dominion of authority over our minds, and such the prejudice it creates in favour of whatever institution it has taken under its wing, that, after all manner of reasons that can be thought of, in favour of the institution, have been shewn to be insufficient, we still cannot forbear looking to some unassignable and latent reason for its efficient cause. But if, instead of any such reason, we can find a cause for it in some notion, of the erroneousness of which we are already satisfied, then at last we are content to give it up without further struggle; and then, and not till then, our satisfaction is compleat.

In the conceptions of the more considerable part of those through whom our religion has been handed down to us, virtue, or rather godliness, which was an improved substitute for virtue, consisted in self–denial: not in self–denial for the sake of society, but of self–denial for its own sake. One pretty general rule served for most occasions: not to do what you had a mind to do; or, in other words, not to do what would be for your advantage. By this of course was meant temporal advantage: to which spiritual advantage was understood to be in constant and diametrical opposition. For, the proof of a resolution, on the part of a being of perfect power and benevolence, to make his few favourites happy in a state in which they were to be, was his determined pleasure, that they should keep themselves as much strangers to happiness as possible, in the state in which they were. Now to get money is what most men have a mind to do: because he who has money gets, as far as it goes, most other things that he has a mind for. Of course nobody was to get money: indeed why should he, when he was not so much as to keep what he had got already? To lend money at interest, is to get money, or at least to try to get it: of course it was a bad thing to lend money upon such terms. The better the terms, the worse it was to lend upon them: but it was bad to lend upon any terms, by which any thing could be got. What made it much the worse was, that it was acting like a Jew: for though all Christians at first were Jews, and continued to do as Jews did, after they had become Christians, yet, in process of time, it came to be discovered, that the distance between the mother and the daughter church could not be too wide.

By degrees, as old conceits gave place to new, nature so far prevailed, that the objections to getting money in general, were pretty well over–ruled: but still this Jewish way of getting it, was too odious to be endured. Christians were too intent upon plaguing Jews, to listen to the suggestion of doing as Jews did, even though money were to be got by it. Indeed the easier method, and a method pretty much in vogue, was, to let the Jews get the money any how they could, and then squeeze it out of them as it was wanted.

In process of time, as questions of all sorts came under discussion, and this, not the least interesting, among the rest, the anti–Jewish side of it found no unopportune support in a passage of Aristotle: that celebrated heathen, who, in all matters wherein heathenism did not destroy his competence, had established a despotic empire over the Christian world. As fate would have it, that great philosopher, with all his industry, and all his penetration, notwithstanding the great number of pieces of money that had passed through his hands (more perhaps than ever

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passed through the hands of philosopher before or since), and notwithstanding the uncommon pains he had bestowed on the subject of generation, had never been able to discover, in any one piece of money, any organs for generating any other such piece. Emboldened by so strong a body of negative proof, he ventured at last to usher into the world the result of his observations, in the form of an universal proposition, that all money is in its nature barren. You, my friend, to whose cast of mind sound reason is much more congenial than ancient philosophy, you have, I dare to say, gone before me in remarking, that the practical inference from this shrewd observation, if it afforded any, should have been, that it would be to no purpose for a man to try to get five per cent out of money — not, that if he could contrive to get so much, there would be any harm in it. But the sages of those days did not view the matter in that light.

A consideration that did not happen to present itself to that great philosopher, but which had it happened to present itself, might not have been altogether unworthy of his notice, is, that though a daric would not beget another daric, any more than it would a ram, or an ewe, yet for a daric which a man borrowed, he might get a ram and a couple of ewes, and that the ewes, were the ram left with them a certain time, would probably not be barren. That then, at the end of the year, he would find himself master of his three sheep, together with two, if not three, lambs; and that, if he sold his sheep again to pay back his daric, and gave one of his lambs for the use of it in the mean time, he would be two lambs, or at least one lamb, richer than if he had made no such bargain.

These theological and philosophical conceits, the offspring of the day, were not ill seconded by principles of a more permanent complexion.

The business of a money-lender, though only among Christians, and in Christian times, a proscribed profession, has no where, nor at any time, been a popular one. Those who have the resolution to sacrifice the present to future, are natural objects of envy to those who have sacrificed the future to the present. The children who have eat their cake are the natural enemies of the children who have theirs. While the money is hoped for, and for a short time after it has been received, he who lends it is a friend and benefactor: by the time the money is spent, and the evil hour of reckoning is come, the benefactor is found to have changed his nature, and to have put on the tyrant and the oppressor. It is an oppression for a man to reclaim his own money: it is none to keep it from him. Among the inconsiderate, that is among the great mass of mankind, selfish affections conspire with the social in treasuring up all favour for the man of dissipation, and in refusing justice to the man of thrift who has supplied him. In some shape or other that favour attends the chosen object of it, through every stage of his career. But, in no stage of his career, can the man of thrift come in for any share of it. It is the general interest of those with whom a man lives, that his expence should be at least as great as his circumstances will bear. because there are few expences which a man can launch into, but what the benefit of it is shared, in some proportion or other, by those with whom he lives. In that circle originates a standing law, forbidding every man, on pain of infamy, to confine his expences Within what is adjudged to be the measure of his means, saving always the power of exceeding that limit, as much as he thinks proper: and the means assigned him by that law may be ever so much beyond his real means, but are sure never to fall short of them. So close is the combination thus formed between the idea of merit and the idea of expenditure, that a disposition to spend finds favour in the eyes even of those who know that a man's circumstances do not entitle him to the means: and an upstart, whose chief recommendation is this disposition, shall find himself to have purchased a permanent fund of respect, to the prejudice of the very persons at whose expence he has been gratifying his appetites and his pride. The lustre, which the display of borrowed wealth has diffused over his character; awes men, during the season of his prosperity, into a submission to his insolence: and when the hand of adversity has overtaken him at last, the recollection of the height, from which he has fallen, throw the veil of compassion over his injustice.

The condition of the man of thrift is the reverse. His lasting opulence procures him a share, at least, of the same envy, that attends the prodigal's transient display: but the use he makes of it procures him no part of the favour which attends the prodigal. In the satisfactions he derives from that use, the pleasure of possession, and the idea of enjoying, at some distant period, which may never arrive, nobody comes in for any share. In the midst of his opulence he is regarded as a kind of insolvent, who refuses to honour the bills, which their rapacity would draw

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upon him, and who is by so much the more criminal than other insolvents, as not having the plea of inability for an excuse.

Could there be any doubt of the disfavour which attends the cause of the money-lender, in his competition with the borrower, and of the disposition of the public judgment to sacrifice the interest of the former to that of the latter, the stage would afford a compendious, but a pretty conclusive proof of it. It is the business of the dramatist to study, and to conform to, the humours and passions of those, on the pleasing of whom he depends for his success: it is the course which reflection must suggest to every man, and which a man would naturally fall into, though he were not to think about it. He may, and very frequently does, make magnificent pretences, of giving the law to them: but woe be to him that attempts to give them any other law than what they are disposed already to receive. If he would attempt to lead them one inch, it must be with great caution, and not without suffering himself to be led by them at least a dozen. Now, I question, whether, among all the instances in which a borrower and a lender of money have been brought together upon the stage, from the the days of Thespis to the present, there ever was one, in which the former was not recommended to favour in some shape or other, either to admiration, or to love, or to pity, or to all three; and the other, the man of thrift, consigned to infamy.

Hence it is that, in reviewing and adjusting the interests of these apparently rival parties, the advantage made by the borrower is so apt to slip out of sight, and that made by the lender to appear in so exaggerated a point of view. Hence it is, that though prejudice is so far softened as to acquiesce in the lender's making some advantage, lest the borrower should lose altogether the benefit of his assistance, yet still the borrower is to have all the favour, and the lender's advantage is for ever to be clipped, and pared down, as low as it will bear. First it was to be confined to ten per cent, then to eight, then to six, then to five, and now lately there was a report of its being to be brought down to four. with constant liberty to sink as much lower as it would. The burthen of these restraints, of course, has been intended exclusively for the lender: in reality, as I think you have seen, it presses much more heavily upon the borrower: I mean him who either becomes or in vain wishes to become so. But the presents directed by prejudice, Dr Smith will tell us, are not always delivered according to their address. It was thus that the mill-stone designed for the necks of those vermin, as they have been called, the dealers in corn, was found to fall upon the heads of the consumers. It is thus — but further examples would lead me further from the purpose.

### **LETTER XI Compound Interest.**

A word or two I must trouble you with, concerning compound interest; for compound interest is discountenanced by the law. I suppose, as a sort of usury. That, without an express stipulation, the law never gives it, I well remember: whether, in case. of an express stipulation, the law allows it to be taken, I am not absolutely certain. I should suppose it might: remembering covenants in mortgages that interest should become principal. At any rate, I think the law cannot well punish it under the name of usury.

If the discountenance shewn to this arrangement be grounded on the horror of the sin of usury, the impropriety of such discountenance follows of course, from the arguments which shew the un- "sinfulness of that sin."

Other argument against it, I believe, was never attempted, unless it were the giving to such an arrangement the epithet of a hard one: in doing which, something more like a reason is given, than one gets in ordinary from the common law.

If that consistency were to be found in the common law, which has never yet been found in man's conduct, and which perhaps is hardly in man's nature, compound interest never could have been denied.

The views which suggested this denial, were, I dare to say, very good: the effects of it are, I am certain, very pernicious.

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If the borrower pays the interest at the day, if he performs his engagement, that very engagement to which the law pretends to oblige him to conform, the lender, who receives that interest, makes compound interest of course, by lending it out again, unless he chooses rather to expend it: he expects to receive it at the day, or what meant the engagement? if he fails of receiving it, he is by so much a loser. The borrower, by paying it at the day, is no loser: if he does not pay it at the day, he is by so much a gainer: a pain of disappointment takes place in the case of the one, while no such pain takes place in the case of the other. The cause of him whose contention is to catch a gain, is thus preferred to that of him whose contention is to avoid a loss: contrary to the reasonable and useful maxim of that branch of the common law which has acquired the name of equity. The gain, which the law in its tenderness thus bestows on the defaulter, is an encouragement, a reward, which it holds out for breach of faith, for iniquity, for indolence, for negligence.

The loss, which it thus throws upon the forbearing lender, is a punishment which it inflicts on him for his forbearance: the power which it gives him of avoiding that loss, by prosecuting the borrower upon the instant of failure, is thus converted into a reward which it holds out to him for his hard-heartedness and rigour. Man is not quite so good as it were to be wished he were; but he would be bad indeed, were he bad on all the occasions where the law, as far as depends on her, has made it his interest so to be.

It may be impossible, say you, it often is impossible, for the borrower to pay the interest at the day: and you say truly. What is the inference? That the creditor should not have it in his power to ruin the debtor for not paying at the day, and that he should receive a compensation for the loss occasioned by such failure. — He has it in his power to ruin him, and he has it not in his power to obtain such compensation. The judge, were it possible for an arrested debtor to find his way into a judge's chamber instead of a spunging-house, might award a proper respite, suited to the circumstances of the parties. It is not possible: but a respite is purchased, proper or not proper, perhaps at ten times, perhaps at a hundred times the expence of compound interest, by putting in bail, and fighting the creditor through all the windings of mischievous and unnecessary delay. Of the satisfaction due either for the original failure, or for the subsequent vexation by which it has been aggravated, no part is ever received by the injured creditor: but the instruments of the law receive, perhaps at his expence, perhaps at the debtor's, perhaps ten times, perhaps a hundred times the amount of that satisfaction. Such is the result of this tenderness of the law.

It is in consequence of such tenderness that on so many occasions a man, though ever so able, would find himself a loser by paying his just debts: those very debts of which the law has recognized the justice. The man who obeys the dictates of common honesty, the man who does what the law pretends to bid him, is wanting to himself. Hence your regular and securely profitable writs of error in the house of lords: hence your random and vindictive costs of one hundred pounds, and two hundred pounds, now and then given in that house. It is natural, and it is something, to find, in a company of lords, a zeal for justice: it is not natural, to find, in such a company, a disposition to bend down to the toil of calculation.

## **LETTER XII Maintenance and Champerty.**

Having in the preceding letters had occasion to lay down, and, as I flatter myself, to make good, the general principle, that no man of ripe years, and of sound mind, ought, out of loving kindness to him, to be hindered from making such bargain, in the way of obtaining money, as, acting with his eyes open, he deems conducive to his interest, I will take your leave for pushing it a little farther, and extending the application of it to another class of regulations still less defensible. I mean the antique laws against what are called Maintenance and Champerty.

To the head of Maintenance, I think you refer, besides other offences which are not to the present purpose, that of purchasing, upon any terms, any claim, which it requires a suit at law, or in equity, to enforce.

Champerty, which is but a particular modification of this sin of Maintenance, is, I think, the furnishing a man who has such a claim, with regard to a real estate, such money as he may have occasion for, to carry on such claim,

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upon the terms of receiving a part of the estate in case of success.

What the penalties are for these offences I do not recollect, nor do I think it worth while hunting for them, though I have Blackstone at my elbow. They are, at any rate, sufficiently severe to answer the purpose, the rather as the bargain is made void.

To illustrate the mischievousness of the laws by which they have been created, give me leave to tell you a story, which is but too true an one, and which happened to fall within my own observation.

A gentleman of my acquaintance had succeeded, during his minority, to an estate of about £3,000 a year; I won't say where. His guardian, concealing from him the value of the estate, which circumstances rendered it easy for him to do, got a conveyance of it from him, during his nonage, for a trifle. Immediately upon the ward's coming of age, the guardian, keeping him still in darkness, found means to get the conveyance confirmed. Some years afterwards, the ward discovered the value of the inheritance he had been throwing away. Private representations proving, as it may be imagined, ineffectual, he applied to a court of equity. The suit was in some forwardness: the opinion of the ablest counsel highly encouraging: but money there remained none. We all know but too well, that, in spite of the unimpeachable integrity of the bench, that branch of justice, which is particularly dignified with the name of equity, is only for those who can afford to throw away one fortune for the chance of recovering another. Two persons, however, were found, who, between them, were content to defray the expence of the ticket for this lottery, on condition of receiving half the prize. The prospect now became encouraging: when unfortunately one of the adventurers, in exploring the recesses of the bottomless pit, happened to dig up one of the old statutes against Champerty. This blew up the whole project: however the defendant, understanding that, some how or other, his antagonist had found support, had thought fit in the mean time to propose terms, which the plaintiff, after his support had thus dropped from under him, was very glad to close with. He received, I think it was, £3,000: and for that he gave up the estate, which was worth about as much yearly, together with the arrears, which were worth about as much as the estate.

Whether, in the barbarous age which gave birth to these barbarous precautions, whether, even under the zenith of feudal anarchy, such fettering regulations could have had reason on their side, is a question of curiosity rather than use. My notion is, that there never was a time, that there never could have been, or can be a time, when the pushing of suitors away from court with one hand, while they are beckoned into it with another, would not be a policy equally faithless, inconsistent, and absurd. But, what every body must acknowledge, is, that, to the times which called forth these laws, and in which alone they could have started up, the present are as opposite as light to darkness. A mischief, in those times, it seems, but too common, though a mischief not to be cured by such laws, was, that a man would buy a weak claim, in hopes that power might convert it into a strong one, and that the sword of a baron, stalking into court with a rabble of retainers at his heels, might strike terror into the eyes of a judge upon the bench. At present, what cares an English judge for the swords of an hundred barons? — Neither fearing nor hoping, hating nor loving, the judge of our days is ready with equal phlegm to administer, upon all occasions, that system, whatever it be, of justice, or injustice, which the law has put into his hands. A disposition so consonant to duty could not have then been hoped for one more consonant is hardly to be wished. Wealth has indeed the monopoly of justice against poverty: and such monopoly it is the direct tendency and necessary effect of regulations like these to strengthen and confirm. But with this monopoly no judge that lives now is at all chargeable. The law created this monopoly: the law, whenever it pleases, may dissolve it.

I will not however so far wander from my subject as to enquire what measure might have been necessary to afford a full relief to the case of that unfortunate gentleman, any more than to the cases of so many other gentlemen who might be found, as unfortunate as he. I will not insist upon so strange and so inconceivable an arrangement, as that of the judge's seeing both parties face to face in the first instance, observing what the facts are in dispute, and declaring, that as the facts should turn out this way or that way, such or such would be his decree. At present, I confine myself to the removal of such part of the mischief, as may arise from the general conceit of keeping men out of difficulties, by cutting them off from such means of relief as each man's situation may afford. A sponge in

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this, as in so many other cases, is the only needful, and only availing remedy: one stroke of it for the musty laws against maintenance and champerty: another for the more recent ones against usury. Consider, for example, what would have respectively been the effect of two such strokes, in the case of the unfortunate gentleman I have been speaking of. By the first, if what is called equity has any claim to confidence, he would have got, even after paying off his champerty-usurers, £1500 a year in land, and about as much in money: instead of getting, and that only by an accident, £3000 once told. By the other, there is no saving to what a degree he might have been benefited. May I be allowed to stretch so far in favour of the law as to suppose, that so small a sum as £500 would have carried him through his suit, in the course of about three years? I am sensible, that may be thought but a short sum, and this but a short term, for a suit in equity: but, for the purpose of illustration, it may serve as well as a longer. Suppose he had sought this necessary sum in the way of borrowing; and had been so fortunate, or, as the laws against the sin of usury would stile it, so unfortunate, as to get it at 200 per cent. He would then have purchased his £6000 a year at the price of half as much once paid, viz, £3000; instead of selling it at that price. Whether, if no such laws against usury had been in being, he could have got the money, even at that rate, I will not pretend to say: perhaps he might not have got it under ten times that rate, perhaps he might have got it at the tenth part of that rate. Thus far, I think, we may say, that he might, and probably would, have been the better for the repeal of those laws: but thus far we must say, that it is impossible he should have been the worse. The terms, upon which he met with adventurers willing to relieve him, though they come not within that scanty field, which the law, in the narrowness of its views, calls usury, do, in the present case, at twenty years purchase of the £3000 a year he was content to have sacrificed for such assistance, amount, in effect, to 4000 per cent. Whether it was likely that any man, who was disposed to venture his money, at all, upon such a chance, would have thought of insisting upon such a rate of interest, I will leave you to imagine: but thus much may be said with confidence, because the fact demonstrates it, that, at a rate not exceeding this, the sum would actually have been supplied. Whatever becomes then of the laws against maintenance and champerty, the example in question, when applied to the laws against usury, ought, I think, to be sufficient to convince us, that so long as the expence of seeking relief at law stands on its present footing, the purpose of seeking that relief will, of itself, independently of every other, afford a sufficient ground for allowing any man, or every man, to borrow money on any terms on which he can obtain it. Crichton, in White Russia, March 1 1787.

## LETTER XIII To Dr. Smith, on Projects in Arts, etc.

SIR,

I forget what son of controversy it was, among the Greeks, who having put himself to school to a professor of eminence, to learn what, in those days, went by the name of wisdom, chose an attack upon his master for the first public specimen of his proficiency. This specimen, whatever entertainment it might have afforded to the audience, afforded, it may be supposed, no great satisfaction to the master: for the thesis was, that the pupil owed him nothing for his pains. For my part, being about to shew myself in one respect as ungrateful as the Greek, it may be a matter of prudence for me to look out for something like candour by way of covering to my ingratitude: instead therefore of pretending to owe you nothing, I shall begin with acknowledging, that, as far as your track coincides with mine, I should come much nearer the truth, were I to say I owed you every thing. Should it be my fortune to gain any advantage over you, it must be with weapons which you have taught me to wield, and with which you yourself have furnished me: for, as all the great standards of truth, which can be appealed to in this line, owe, as far as I can understand, their establishment to you, I can see scarce any other way of convicting you of any error or oversight, than by judging you out of your own mouth.

In the series of letters to which this will form a sequel, I had travelled nearly thus far in my researches into the policy of the laws fixing the rate of interest, combating such arguments as fancy rather than observation had suggested to my view, when, on a sudden, recollection presented me with your formidable image, bestriding the ground over which I was travelling pretty much at my ease, and opposing the shield of your authority to any arguments I could produce.

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It was a reflection mentioned by Cicero as affording him some com. fort, that the employment his talents till that time had met with, had been chiefly on the defending side. How little soever blest, on any occasion, with any portion of his eloquence, I may, on the present occasion, however, indulge myself with a portion of what constituted his comfort: for, if I presume to contend with you, it is only in defence of what I look upon as, not only an innocent, but a most meritorious race of men, who are so unfortunate as to have fallen under the rod of your displeasure. I mean projectors: under which invidious name I understand you to comprehend, in particular, all such persons as, in the pursuit of wealth, strike out into any new channel, and more especially into any channel of invention.

It is with the professed view of checking, or rather of crushing, these adventurous spirits, whom you rank with "prodigals", that you approve of the laws which limit the rate of interest, grounding yourself on the tendency, they appear to you to have, to keep the capital of the country out of two such different sets of hands.

The passage, I am speaking of, is in the fourth chapter of your second book, volume the second of the 8vo edition of 1784. "The legal rate" (you say) "it is to be observed, though it ought to be somewhat above, ought not to be much above, the lowest market rate. If the legal rate of interest in Great Britain, for example, was fixed so high as eight or ten per cent. the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest. Sober people, who will give for the use of money no more than a part of what they are likely to make by the use of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were most likely to make a profitable and advantageous use of it, and thrown into those which were most likely to waste and destroy it. Where the legal interest, on the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred as borrowers, to prodigals and projectors. The person who lends money, gets nearly as much interest from the former, as he dares to take from the latter, and his money is much safer in the hands of the one set of people than in those of the other. A great part of the capital of the country is thus thrown into the hands in which it is most likely to be employed with advantage."

It happens fortunately for the side you appear to have taken, and as unfortunately for mine, that the appellation, which the custom of the language has authorized you, and which the poverty and perversity of the language has in a manner forced you, to make use of, is one, which, along with the idea of the sort of persons in question, conveys the idea of reprobation, as indiscriminately and deservedly applied to them. With what justice or consistency, or by the influence of what causes, this stamp of indiscriminate reprobation has been thus affixed, it is not immediately necessary to enquire. But, that it does stand thus affixed, you and every body else, I imagine, will be ready enough to allow. This being the case, the question stands already decided, in the first instance at least, if not irrevocably, in the judgments of all those, who, unable or unwilling to be at the pains of analysing their ideas, suffer their minds to be led captive by the tyranny of sounds; that is, I doubt, of by far the greater proportion of those whom we are likely to have to judge us. In the conceptions of all such persons, to ask whether it be fit to restrain projects and projectors, will be as much as to ask, whether it be fit to restrain rashness, and folly, and absurdity, and knavery, and waste.

Of prodigals I shall say no more at present. I have already stated my reasons for thinking, that it is not among them that we are to look for the natural customers for money at high rates of interest. As far as those reasons are conclusive, it will follow, that, of the two sorts of men you mention as proper objects of the burthen of these restraints, prodigals and projectors, that burthen falls exclusively on the latter. As to these, what your definition is of projectors, and what descriptions of persons you meant to include under the censure conveyed by that name, might be material for the purpose of judging of the propriety of that censure, but makes no difference in judging of the propriety of the law, which that censure is employed to justify. Whether you yourself, were the several classes of persons made to pass before you in review, would be disposed to pick out this or that class, or this and that individual, in order to exempt them from such censure, is what for that purpose we have no need to enquire. The law, it is certain, makes no such distinctions: it falls with equal weight, and with all its weight, upon all those persons, without distinction to whom the term Projectors, in the most impartial and extensive signification of



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which it is capable, can be applied. It falls at any rate (to repeat some of the words of my former definition), upon all such persons, as, in the pursuit of wealth, or even of any other object, endeavour, by the assistance of wealth, to strike into any channel of invention. It falls upon all such persons, as, in the cultivation of any of those arts which have been by way of eminence termed useful, direct their endeavours to any of those departments in which their utility shines most conspicuous and indubitable; upon all such persons as, in the line of any of their pursuits, aim at any thing that can be called improvement; whether it consist in the production of any new article adapted to man's use, or in the meliorating the quality, or diminishing the expence, of any of those which are already known to us. It falls, in short, upon every application of the human powers, in which ingenuity stands in need of wealth for its assistant.

High and extraordinary rates of interest, how little soever adapted to the situation of the prodigal, are certainly, as you very justly observe, particularly adapted to the situation of the projector: not however to that of the imprudent projector only, nor even to his case more than another's, but to that of the prudent and wellgrounded projector, if the existence of such a being were to be supposed. Whatever be the prudence or other qualities of the project, in whatever circumstance the novelty of it may lie, it has this circumstance against it, viz. that it is new. But the rates of interest, the highest rates allowed, are, as you expressly say they are, and as you would have them to be, adjusted to the situation which the sort of trader is in, whose trade runs in the old channels, and to the best security which such channels can afford. But in the nature of things, no new trade, no trade carried on in any new channel, can afford a security equal to that which may be afforded by a trade carried on in any of the old ones: in whatever light the matter might appear to perfect intelligence, in the eye of every prudent person, exerting the best powers of judging which the fallible condition of the human faculties affords, the novelty of any commercial adventure will oppose a chance of ill success, superadded to every one which could attend the same, or any other, adventure, already tried, and proved to be profitable by experience.

The limitation of the profit that is to be made, by lending money to persons embarked in trade, will render the monied man more anxious, you may say, about the goodness of his security, and accordingly more anxious to satisfy himself respecting the prudence of a project in the carrying on of which the money is to be employed, than he would be otherwise: and in this way it may be thought that these laws have a tendency to pick out the good projects from the bad, and favour the former at the expence of the latter. The first of these positions I admit: but I can never admit the consequence to follow. A prudent man, (I mean nothing more than a man of ordinary prudence) a prudent man acting under the sole governance of prudential motives, I still say will not, in these circumstances, pick out the good projects from the bad, for he will not meddle with projects at all. He will pick out old-established trades from all sorts of projects, good and bad; for with a new project, be it ever so promising, he never will have any thing to do. By every man that has money, five per cent. or whatever be the highest legal rate, is at all times, and always will be, to be had upon the very best security, that the best and most prosperous old-established trade can afford. Traders in general, I believe, it is commonly understood, are well enough inclined to enlarge their capital, as far as all the money they can borrow at the highest legal rate, while that rate is so low as 5 per cent., will enlarge it. How it is possible therefore for a project, be it ever so promising, to afford, to a lender at any such rate of interest, terms equally advantageous, upon the whole, with those he might be sure of obtaining from an old-established business, is more than I can conceive. Loans of money may certainly chance, now and then, to find their way into the pockets of projectors as well as of other men: but when this happens it must be through incautiousness, or friendship, or the expectation of some collateral benefit, and not through any idea of the advantageousness of the transaction, in the light of a pecuniary bargain.

I should not expect to see it alledged. that there is any thing, that should render the number of well-grounded projects, in comparison of the ill-grounded, less in time future, than it has been in time past. I am sure at least that I know of no reasons why it should be so, though I know of some reasons, which I shall beg leave to submit to you by and by, which appear to me pretty good ones, why the advantage should be on the side of futurity. But, unless the stock of well-grounded projects is already spent, and the whole stock of ill-grounded projects that ever were possible, are to be looked for exclusively in the time to come, the censure you have passed on projectors, measuring still the extent of it by that of the operation of the laws in the defence of which it is employed, looks as

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far backward as forward: it condemns as rash and ill-grounded, all those projects: by which our species have been successively advanced from that state in which acorns were their food, and raw hides their cloathing, to the state in which it stands at present: for think, Sir, let me beg of you, whether whatever is now the routine of trade was not, at its commencement, project? whether whatever is now establishment, was not, at one time, innovation?

How it is that the tribe of well-grounded projects, and of prudent projectors (if by this time I may have your leave for applying this epithet to some at least among the projectors of time past), have managed to struggle through the obstacles which the laws in question have been holding in their way, it is neither easy to know, nor necessary to enquire. Manifest enough, I think, it must be by this time, that difficulties, and those not inconsiderable ones, those laws must have been holding up, in the way of projects of all sorts, of improvement (if I may say so) in every line, so long as they have had existence: reasonable therefore it must be to conclude, that, had it not been for these discouragements, projects of all sorts, well-grounded and successful ones, as well as others, would have been more numerous than they have been: and that accordingly, on the other hand, as soon, if ever, as these discouragements shall be removed, projects of all sorts, and among the rest, well-grounded and successful ones, will be more numerous than they would otherwise have been: in short, that, as, without these discouragements, the progress of mankind in the career of prosperity, would have been greater than it has been under them in time past, so, were they to be removed, it would be at least proportionably greater in time future.

That I have done you no injustice, in assigning to your idea of projectors so great a latitude, and that the unfavourable opinion you have professed to entertain of them is not confined to the above passage, might be made, I think, pretty apparent, if it be material, by another passage in the tenth chapter of your first book.(27\*) "The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture," all these you comprehend by name under the list of "projects": of every one of them you observe, that "it is a speculation from which the projector promises himself extraordinary profits. These profits (you add) are sometimes very great, and sometimes, more frequently perhaps, they are quite otherwise. but in general they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, the competition reduces them to the level of other trades." But on this head I forbear to insist: nor should I have taken this liberty of giving you back your own words, but in the hope of seeing some alteration made in them in your next edition, should I be fortunate enough to find my sentiments confirmed by your's. In other respects, what is essential to the publick, is, what the error is in the sentiments entertained, not who it is that entertains them.

I know not whether the observations which I have been troubling you with, will be thought to need, or whether they will be thought to receive, any additional support from those comfortable positions, of which you have made such good and such frequent use, concerning the constant tendency of mankind to get forward in the career of prosperity, the prevalence of prudence over imprudence, in the sum of private conduct at least, and the superior fitness of individuals for managing their own pecuniary concerns, of which they know the particulars and the circumstances, in comparison of the legislator, who can have no such knowledge. I will make the experiment: for, so long as I have the mortification to see you on the opposite side, I can never think the ground I have taken strong enough, while any thing remains that appears capable of rendering it still stronger.

"With regard to misconduct, the number of prudent and successful undertakings" (you observe(28\*)) "is every where much greater than that of injudicious and unsuccessful ones. After all our complaints of the frequency of bankruptcies, the unhappy men who fall into this misfortune make but a very small part of the whole number engaged in trade, and all other sorts of business; not much more perhaps than one in a thousand."

'Tis in support of this position that you appeal to history for the constant and uninterrupted progress of mankind, in our island at least, in the career of prosperity: calling upon any one who should entertain a doubt of the fact, to divide the history into any number of periods, from the time of Caesar's visit down to the present: proposing for instance the respective aeras of the Restoration, the Accession of Elizabeth, that of Henry VII, the Norman Conquest, and the Heptarchy, and putting it to the sceptic to find out, if he can, among all these periods, any one

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at which the condition of the country was not more prosperous than at the period immediately preceding it; spite of so many wars, and fires, and plagues, and all other public calamities, with which it has been at different times afflicted, whether by the hand of God, or by the misconduct of the sovereign. No very easy task, I believe: the fact is too manifest for the most jaundiced eye to escape seeing it: — But what and whom are we to thank for it, but projectors, and projectors?

"No," I think I hear you saying, "I will not thank projectors for it, I will rather thank the laws, which by fixing the rates of interest have been exercising their vigilance in repressing the temerity of projectors, and preventing their imprudence from making those defalcations from the sum of national prosperity which it would not have failed to make, had it been left free. If, during all these periods, that adventurous race of men had been left at liberty by the laws to give full scope to their rash enterprizes, the increase of national prosperity during these periods might have afforded some ground for regarding them in a more favourable point of view. But the fact is, that their activity has had these laws to check it; without which checks you must give me leave to suppose, that the current of prosperity, if not totally stopt, or turned the other way, would at any rate have been more or less retarded. Here then" (you conclude) "lies the difference between us: what you look upon as the cause of the increase about which we are both agreed, I look upon as an obstacle to it: and what you look upon as the obstacle, I look upon as the cause." instead of starting this as a sort of plea that might be urged by you, I ought, perhaps, rather to have mentioned it as what might be urged by some people in your place: for as I do not imagine your penetration would suffer you to rest satisfied with it, still less can I suppose that, if you were not, your candour would allow you to make use of it as if you were.

To prevent your resting satisfied with it, the following considerations would I think be sufficient.

In the first place, of the seven periods which you have pitched upon, as so many stages for the eye to rest at in viewing the progress of prosperity, it is only during the three last, that the country has had the benefit, if such we are to call it, of these laws: for it is to the reign of Henry VIII that we owe the first of them.

Here a multitude of questions might be started: Whether the curbing of projectors formed any part of the design of that first statute, or whether the views of it were not wholly confined to the reducing the gains of that obnoxious and envied class of men, the moneylenders? Whether projectors have been most abundant before that statute, or since that statute? And whether the nation has suffered, as you might say—benefited, as I should say, most by them, upon the whole, during the former period or the latter? All these discussions, and many more that might be started, I decline engaging in, as more likely to retard, than to forward, our coming to any agreement concealing the main question.

In the next place, I must here take the liberty of referring you to the proof, which I think I have already given, of the proposition, that the restraints in question could never have had the effect, in any degree, of lessening the proportion of bad projects to good ones, but only of diminishing, as far as their influence may have extended, the total number of projects, good and bad together. Whatever therefore was the general tendency of the projecting spirit previously to the first of these laws, such it must have remained ever since, for any effect which they could have had in purifying and correcting it.

But what may appear more satisfactory perhaps than both the above considerations, and may afford us the best help towards extricating ourselves from the perplexity, which the plea I have been combating (and which I thought it necessary to bring to view, as the best that could be urged) seems much better calculated to plunge us into, than bring us out of, is, the consideration of the small effect which the greatest waste that can be conceived to have been made within any compass of time, by injudicious projects, can have had on the sum of prosperity, even in the estimation of those whose opinion is most unfavourable to projectors, in comparison of the effect which within the same compass of time must have been produced by prodigality.

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Of the two causes, and only two causes, which you mention, as contributing to retard the accumulation of national wealth, as far as the conduct of individuals is concerned, projecting, as I observed before, is the one, and prodigality is the other: but the detriment, which society can receive even from the concurrent efficacy of both these causes, you represent, on several occasions, as inconsiderable; and, if I do not misapprehend you, too inconsiderable, either to need, or to warrant, the interposition of government to oppose it. Be this as it may with regard to projecting and prodigality taken together, with regard to prodigality at least, I am certain I do not misapprehend you. On this subject you ride triumphant, and chastise the "impertinence and presumption of kings and ministers," with a tone of authority, which it required a courage like your's to venture upon, and a genius like your's to warrant a man to assume.(29\*) After drawing the parallel between private thrift and public profusion, "It is" (you conclude) "the highest impertinence and presumption therefore in kings and ministers to pretend to watch over the economy of private people, and to restrain their expence, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without exception, the greatest spendthrifts in the society. let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will."

That the employing the expedients you mention for restraining prodigality, is indeed generally, perhaps even without exception, improper, and in many cases even ridiculous, I agree with you; nor will I here step aside from my subject to defend from that imputation another mode suggested in a former part of these papers. But however presumptuous and impertinent it may be for the sovereign to attempt in any way to check by legal restraints the prodigality of individuals, to attempt to check their bad management by such restraints seems abundantly more so. To err in the way of prodigality is the lot, though, as you well observe, not of many men, in comparison of the whole mass of mankind, yet at least of any man: the stuff fit to make a prodigal of is to be found in every alehouse, and under every hedge. But even to err in the way of projecting is the lot only of the privileged few. Prodigality, though not so common as to make any very material drain from the general mass of wealth, is however too common to be regarded as a mark of distinction or as a singularity. But the stepping aside from any of the beaten paths of traffic, is regarded as a singularity, as serving to distinguish a man from other men. Even where it requires no genius, no peculiarity of talent, as where it consists in nothing more than the finding out a new market to buy or sell in, it requires however at least a degree of courage, which is not to be found in the common herd of men. What shall we say of it, where, in addition to the vulgar quality of courage, it requires the rare endowment of genius, as in the instance of all those successive enterprizes by which arts and manufactures have been brought from their original nothing to their present splendor? Think how small a part of the community these must make, in comparison of the race of prodigals; of that very race, which, were it only on account of the smallness of its number, would appear too inconsiderable to you to deserve attention. Yet prodigality is essentially and necessarily hurtful, as far as it goes, to the opulence of the state: projecting, only by accident. Every prodigal, without exception, impairs, by the very supposition impairs, if he does not annihilate, his fortune. But it certainly is not every projector that impairs his: it is not every projector that would have done so, had there been none of those wise laws to hinder him: for the fabric of national opulence, that fabric of which you proclaim, with so generous an exultation, the continual increase, that fabric, in every apartment of which, innumerable as they are, it required the reprobated hand of a projector to lay the first stone, has required some hands at least to be employed, and successfully employed. When in comparison of the number of prodigals, which is too inconsiderable to deserve notice, the number of projectors of all kinds is so much more inconsiderable—and when from this inconsiderable number, must be deducted, the not inconsiderable proportion of successful projectors — and from this remainder again, all those who can carry on their projects without need of borrowing — think whether it be possible, that this last remainder could afford a multitude, the reducing of which would be an object, deserving the interposition of government by its magnitude, even taking for granted that it were an object proper in its nature?

If it be still a question, whether it be worth while for government, by its reason, to attempt to controul the conduct of men visibly and undeniably under the dominion of passion, and acting, under that dominion, contrary to the dictates of their own reason; in short, to effect what is acknowledged to be their better judgment, against what every body, even themselves, would acknowledge to be their worse; is it endurable that the legislator should by

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violence substitute his own pretended reason, the result of a momentary and scornful glance, the offspring of wantonness and arrogance, much rather than of social anxiety and study, in the place of the humble reason of individuals, binding itself down with all its force to that very object which he pretends to have in view? — Nor let it be forgotten, that, on the side of the individual in this strange competition, there is the most perfect and minute knowledge and information, which interest, the whole interest of a man's reputation and fortune, can ensure: on the side of the legislator, the most perfect ignorance. All that he knows, all that he can know, is, that the enterprize is a project, which, merely because it is susceptible of that obnoxious name, he looks upon as a sort of cock, for him, in childish wantonness, to shie at. — Shall the blind lead the blind? is a question that has been put of old to indicate the height of folly: but what then shall we say of him who, being necessarily blind, insists on leading, in paths he never trod in, those who can see?

It must be by some distinction too fine for my conception, if you clear yourself from the having taken, on another occasion, but on the very point in question, the side, on which it would be my ambition to see you fix.

"What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual" (you say(30\*)), "it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatsoever, and which would no where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

"To give the monopoly of the home market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capitals, and must in almost all cases be either a useless or a hurtful regulation." — Thus far you: and I add, to limit the legal interest to a rate at which the carriers on of the oldest and best established and least hazardous trades are always glad to borrow, is to give the monopoly of the money-market to those traders, as against the projectors of new-imagined trades, not one of which but, were it only from the circumstance of its novelty, must, as I have already observed, appear more hazardous than the old.

These, in comparison, are but inconclusive topics. I touched upon them merely as affording, what appeared to me the only shadow of a plea, that could be brought, in defence of the policy I am contending against. I come back therefore to my first ground, and beg you once more to consider, whether, of all that host of manufactures, which we both exult in as the causes and ingredients of national prosperity, there be a single one, that could have existed at first but in the shape of a project. But, if a regulation, the tendency and effect of which is merely to check projects, in as far as they are projects, without any sort of tendency, as I have shewn, to weed out the bad ones, is defensible in its present state of imperfect efficacy, it should not only have been defensible, but much more worthy of our approbation, could the efficacy of it have been so far strengthened and compleated as to have opposed, from the beginning, an unsurmountable bar to all sorts of projects whatsoever: that is to say, if, stretching forth its hand over the first rudiments of society, it had confined us, from the beginning, to mud for our habitations, to skins for our cloathing, and to acorns for our food.

I hope you may by this time be disposed to allow me, that we have not been ill served by the projects of time past. I have already intimated, that I could not see any reason why we should apprehend our being worse served by the projects of time future. I will now venture to add, that I think I do see reason, why we should expect to be still better and better served by these projects, than by those. I mean better upon the whole, in virtue of the reduction which experience, if experience be worth any thing, should make in the proportion of the number of the ill-grounded and unsuccessful, to that of the well-grounded and successful ones.

The career of art, the great road which receives the footsteps of projectors, may be considered as a vast, and perhaps unbounded, plain, bestrewed with gulphs, such as Curtius was swallowed up in. Each requires an human

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victim to fall into it ere it can close, but when it once closes, it closes to open no more, and so much of the path is safe to those who follow. If the want of perfect information of former miscarriages renders the reality of human life less happy than this picture, still the similitude must be acknowledged: and we see at once the only plain and effectual method for bringing that similitude still nearer and nearer to perfection; I mean, the framing the history of the projects of time past, and (what may be executed in much greater perfection were but a finger held up by the hand of government) the making provision for recording, and collecting and publishing as they are brought forth, the race of those with which the womb of futurity is still pregnant. But to pursue this idea, the execution of which is not within my competence, would lead me too far from the purpose.

Comfortable it is to reflect, that this state of continually-improving security, is the natural state not only of the road to opulence, but of every other track of human life. In the war which industry and ingenuity maintain with fortune, past ages of ignorance and barbarism form the forlorn hope, which has been detached in advance, and made a sacrifice of for the sake of future. The golden age, it is but too true, is not the lot of the generation in which we live: but, if it is to be found in any part of the track marked out for human existence, it will be found, I trust, not in any part which is past, but in some part which is to come.

But to return to the laws against usury, and their restraining influence on projectors. I have made it, I hope, pretty apparent, that these restraints have no power or tendency to pick out bad projects from the good. Is it worth while to add, which I think I may do with some truth, that the tendency of them is rather to pick the good out from the bad? Thus much at least may be said, and it comes to the same thing, that there is one case in which, be the project what it may, they may have the effect of checking it, and another in which they can have no such effect, and that the first has for its accompaniment, and that a necessary one, a circumstance which has a strong tendency to separate and discard every project of the injudicious stamp, but which is wanting in the other case. I mean, in a word, the benefit of discussion.

It is evident enough, that upon all such projects, whatever be their nature, as find funds sufficient to carry them on, in the hands of him whose invention gave them birth, these laws are perfectly, and if by this time you will allow me to say so, very happily, without power. But for these there has not necessarily been any other judge, prior to experience, than the inventor's own partial affection. It is not only not necessary that they should have had, but it is natural enough that they should not have had, any such judge: since in most cases the advantage to be expected from the project depends upon the exclusive property in it, and consequently upon the concealment of the principle. Think, on the other hand, how different is the lot of that enterprize which depends upon the good opinion of another man, that other, a man possessed of the wealth which the projector wants, and before whom necessity forces him to appear in the character of a suppliant at least: happy if, in the imagination of his judge, he adds not to that degrading character, that of a visionary enthusiast or an impostor! At any rate, there are, in this case, two wits, set to sift into the merits of the project, for one, which was employed upon that same task in the other case: and of these two there is one, whose prejudices are certainly not most likely to be on the favourable side. True it is, that in the jumble of occurrences, an over-sanguine projector may stumble upon a patron as over-sanguine as himself; and the wishes may bribe the judgment of the one, as they did of the other. The opposite case, however, you will allow, I think, to be by much the more natural. Whatever a man's wishes may be for the success of an enterprize not yet his own, his fears are likely to be still stronger. That same pretty generally implanted principle of vanity and self-conceit, which disposes most of us to over-value each of us his own conceptions, disposes us, in a proportionable degree, to undervalue those of other men.

Is it worth adding, though it be undeniably true, that could it even be proved, by ever so uncontrovertible evidence, that, from the beginning of time to the present day, there never was a project that did not terminate in the ruin of its author, not even from such a fact as this could the legislator derive any sufficient warrant, so much as for wishing to see the spirit of projects in any degree repressed? The discouraging motto, *Sic vos non vobis*, may be matter of serious consideration to the individual, but what is it to the legislator? What general, let him attack with ever so superior an army, but knows that hundreds, or perhaps thousands, must perish at the first onset? Shall he, for that consideration alone, lie inactive in his lines? "Every man for himself — but God," adds

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the proverb (and it might have added the general, and the legislator, and all other public servants), "for us all." Those sacrifices of individual to general welfare, which, on so many occasions, are made by third persons against men's wills, shall the parties themselves be restrained from making, when they do it of their own choice? To tie men neck and heels, and throw them into the gulphs I have been speaking of, is altogether out of the question: but if at every gulph a Curtius stands mounted and caparisoned, ready to take the leap, is it for the legislator, in a fit of old-womanish tenderness, to pull him away? laying even public interest out of the question, and considering nothing but the feelings of the individuals immediately concerned, a legislator would scarcely do so, who knew the value of hope, "the most precious gift of heaven."

Consider, Sir, that it is not with the invention-lottery (that great branch of the project-lottery, for the sake of which I am defending the whole, and must continue so to do until you or somebody else can shew me how to defend it on better terms), it is not I say with the invention-lottery, as with the mine-lottery, the privateering-lottery, and so many other lotteries, which you speak of, and in no instance, I think, very much to their advantage. In these lines, success does not, as in this, arise out of the embers of ill success, and thence propagate itself, by a happy contagion, perhaps to all eternity. let Titius have found a mine, it is not the more easy, but by so much the less easy, for Sempronius to find one too: let Titius have made a capture, it is not the more easy, but by so much the less easy, for Sempronius to do the like. But let Titius have found out a new dye, more brilliant or more durable than those in use, let him have invented a new and more convenient machine, or a new and more profitable mode of husbandry, a thousand dyers, ten thousand mechanics, a hundred thousand husbandmen, may repeat and multiply his success: and then, what is it to the public, though the fortune of Titius, or of his usurer. should have sunk under the experiment?

Birmingham and Sheffield are pitched upon by you as examples, the one of a projecting town, the other of an unprojecting one.(31\*) Can you forgive my saying, I rather wonder that this comparison of your own chosing, did not suggest some suspicions of the justice of the conceptions you had taken up, to the disadvantage of projectors. Sheffield is an old oak: Birmingham, but a mushroom. What if we should find the mushroom still vaster and more vigorous than the oak? Not but the one as well as the other, at what time soever planted, must equally have been planted by projectors: for though Tubal Cain himself were to be brought post from Armenia to plant Sheffield, Tubal Cain himself was as arrant a projector in his day, as ever Sir Thomas Lombe was, or Bishop Blaise: but Birmingham, it seems, claims in common parlance the title of a projecting town, to the exclusion of the other, because, being but of yesterday, the spirit of project smells fresher and stronger there than elsewhere.

When the odious sound of the word projector no longer tingles in your ears, the race of men thus stigmatized do not always find you their enemy. Projects, even under the name of "dangerous and expensive experiments," are represented as not unfit to be encouraged, even though monopoly be the means: and the monopoly is defended in that instance, by its similarity to other instances in which the like means are employed to the like purpose.

"When a company of merchants undertake at their own risk and expence to establish a new trade, with some remote and barbarous nation, it may not be unreasonable" (you observe) "to incorporate them into a joint-stock company, and to grant them, in case of their success, a monopoly of the trade for a certain number of years. It is the easiest and most natural way, in which the state can recompense them, for hazarding a dangerous and expensive experiment, of which the public is afterwards to reap the benefit. A temporary monopoly of this kind may be vindicated, upon the same principles, upon which a like monopoly of a new machine is granted to its inventor, and that of a new book to its author."

Private respect must not stop me from embracing this occasion of giving a warning, which is so much needed by mankind. If so original and independent a spirit has not been always able to save itself from being drawn aside by the fascination of sounds, into the paths of vulgar prejudice, how strict a watch ought not men of common mould to set over their judgments, to save themselves from being led astray by similar delusions?

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I have sometimes been tempted to think, that were it in the power of laws to put words under proscription, as it is to put men, the cause of inventive industry might perhaps derive scarcely less assistance from a bill of attainder against the words project and Projectors, than it has derived from the act authorizing the grant of patents. I should add, however, for a time: for even then the envy, and vanity, and wounded pride, of the uningenious herd, would sooner or later infuse their venom into some other word, and set it up as a new tyrant, to hover, like its predecessor, over the birth of infant genius, and crush it in its cradle.

Will not you accuse me of pushing malice beyond all bounds, if I bring down against you so numerous and respectable a body of men, as the members of the Society for the Encouragement of Arts? I do not, must not, care: for you command too much respect to have any claim to mercy. At least you will not accuse me of spiriting up against you barbarian enemies, and devoting you to the vengeance of Cherokees and Chicasaws.

Of that popular institution, the very professed and capital object is the encouragement of projects, and the propagating of that obnoxious breed, the crushing of which you commend as a fit exercise for the arm of power. But if it be right to crush the acting malefactors, it would be downright inconsistency not to crush, at the same time, or rather not to begin with crushing, these their hirers and abettors. Thank then their inadvertence, or their generosity, or their prudence, if their beadle has not yet received orders to burn in ceremony, as a libel on the society, a book that does honour to the age.

After having had the boldness to accuse so great a master of having fallen unawares into an error, may I take the still farther liberty, of setting conjecture to work to account for it? Scarce any man, perhaps no man, can push the work of creation, in any line, to such a pitch of compleatness, as to have gone through the task of examining with his own eyes into the grounds of every position, without exception, which he has had occasion to employ. You heard the public voice, strengthened by that of law, proclaiming all round you, that usury was a sad thing, and usurers a wicked and pernicious set of men: you heard from one at least of those quarters, that projectors were either a foolish and contemptible race, or a knavish and destructive one: hurried away by the throng, and taking very naturally for granted, that what every body said must have some ground for it, you have joined the cry, and added your suffrage to the rest. Possibly too, among the crowd of projectors which the lottery of occurrences happened to present to your observation, the prejudicial sort may have borne such a proportion to the beneficial, or shewn themselves in so much stronger colours, as to have given the popular notion a firmer hold in your judgment, than it would have had, had the contrary proportion happened to present itself to your notice. To allow no more weight to examples that fall close under our eyes, than to those which have fallen at ever so great a distance — to suffer the judgment on no occasion to indulge itself in the licence of a too hasty and extensive generalisation — not to give any proposition footing there, till after all such defalcations have been made, as are necessary to reduce it within the limits of rigid truth — these are laws, the compleat observance whereof forms the ultimate, and hitherto, perhaps for ever, ideal term of human wisdom.

You have defended against unmerited obloquy two classes of men, the one innocent at least, the other highly useful; the spreaders of English arts in foreign climes,(32\*) and those whose industry exerts itself in distributing that necessary commodity which is called by the way of eminence the staff of life. May I flatter myself with having succeeded at last in my endeavours, to recommend to the same powerful protection, two other highly useful and equally persecuted sets of men, usurers and projectors. — Yes — I will, for the moment at least, indulge so flattering an idea: and, in pursuance of it, leaving usurers, for whom I have said enough already, I will consider myself as joined now with you in the same commission, and thinking with you of the best means of relieving the projector from the load of discouragement laid on him by these laws, in so far as the pressure of them falls particularly upon him. In my own view of the matter, indeed, no temperament, no middle course, is either necessary or proper: the only perfectly effectual, is the only perfectly proper remedy, — a sponge. But, as nothing is more common with mankind, than to give opposite receptions, to conclusions flowing with equal necessity from the same principle, let us accommodate our views to that contingency. According to this idea, the object, as far as confined to the present case, should be, to provide, in favour of projectors only, a dispensation from the rigour of the anti-usurious laws: such, for instance, as is enjoyed by persons engaged in the carrying



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trade, in virtue of the indulgence given to loans made on the footing of respondentia or bottomry. As to abuse, I see not why the danger of it should be greater in this case than in those. Whether a sum of money be embarked, or not embarked, in such or such a new manufacture on land, should not, in its own nature, be a fact much more difficult to ascertain, than whether it be embarked, or not embarked, in such or such a trading adventure by sea: and, in the one case as in the other, the payment of the interest, as well as the repayment of the principal, might be made to depend upon the success of the adventure. To confine the indulgence to new undertakings, the having obtained a patent for some invention, and the continuance of the term of the patent, might be made conditions of the allowance given to the bargain: to this might be added affidavits, expressive of the intended application, and bonds, with sureties, conditioned for the performance of the intention so declared; to be registered in one of the patent-offices or elsewhere. After this, affidavits once a year, or oftener, during the subsistence of the contract, declaring what has been done in execution of it.

If the leading-string is not yet thought tight enough, boards of controul might be instituted to draw it tighter. Then opens a scene of vexation and intrigue: waste of time consumed in courting the favour of the members of the board: waste of time, in opening their understandings, clenched perhaps by ignorance, at any rate by disdain, and self-sufficiency, and vanity, and pride: the favour (for pride will make it a favour) granted to skill in the arts of self-recommendation and cabal, devoid of inventive merit, and refused to naked merit unadorned by practice in those arts: waste of time on the part of the persons themselves engaged in this impertinent inquiry: waste of somebody's money in paying them for this waste of time. All these may be necessary evils, where the money to be bestowed is public money: how idle where it is the party's own! I will not plague you, nor myself, with enquiring of whom shall be composed this board of nurses to grown gentlemen: were it only to cut the matter short, one might name at once the committees of the Society of Arts. There you have a body of men ready trained in the conduct of enquiries, which resemble that in question, in every circumstance, but that which renders it ridiculous: the members or representatives of this democratic body would be as likely, I take it, to discharge such a trust with fidelity and skill, as any aristocracy that could be substituted in their room. Crichton, in White Russia, March 1787. To Dr Smith

A little tract of mine, in the latter part of which I took the liberty of making use of your name, (the Defence of Usury), having been some time out of print, I am about publishing a new edition of it. I am now therefore at a period at which, if I have done you or any body any injustice, I shall have the opportunity, and assuredly I do not want the inclination, to repair it: or if in any other respect I have fallen into an error, I could give myself and the public the benefit of its being set right. I have been Battered with the intelligence that, upon the whole, your sentiments with respect to the points of difference are at present the same as mine: but as the intimation did not come directly from you, nor has the communication of it received the sanction of your authority, I shall not without that action give any hint, honourable as it would be to me, and great as the service is which it could not but render to my cause.

I have been favoured with the communication from Dr Reid of Glasgow of an inedited paper of his on the same subject, written a good many years ago. He declares himself now fully of my opinion on the question of expediency, and had gone a considerable length towards it at that time. The only ground on which he differs from me, is that of the origination of the prejudice, of which his paper gives, as might be expected, an account more ecclesiastical than mine. Anxious to do my cause as much service as it is capable of receiving, I write to him now, to endeavour to persuade him to give his paper to the world, or if he looks upon so much of it as concerns the question of utility [as] superseded by mine, that he will either communicate the historical part — that part which he prefers to mine — to some general repository for short publications, or allow me the honour of forwarding it to the world in company with mine. The account that has been given by the Marquis de Condorcet of the sentiments of Turgot on the same subject, is already every body's without leave: I shall accordingly annex, by way of appendix to my new edition, the original as well as a translation of that short passage. I am the more anxious to collect all the force I can muster, in as far as I find from the printed debates, as well as from private intelligence, that the project of reducing the rate of interest in Ireland is not yet given up: though this perseverance is hardly reconcilable with the account I receive from the same quarter, of the impression made in that country by the

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Defence of Usury. Yet the subjecting the rate of interest to a further reduction by a new law, is a much more mischievous and less defensible measure than the continuing of the restraint upon the old footing: and adds to the mischief of the old established regimen others of a new and much more serious nature. It would be a tax upon the owners of money, much heavier than ever was levied upon the proprietors of land: with this circumstance to distinguish it from all other taxes, that, instead of being brought into the treasury for the public service, it is made a present of to the collectors, in expectation of the good they are to do the nation by the spending of it. If this be good thrift, in the name of consistency and equality let them impose a land Tax to the same amount, and dispose of the produce in the same manner. What makes my anxiety the greater, is the uncertainty whether this project of plunder without profit may not be still hovering over this island. Last year it was roundly and positively asserted in the Irish House of Commons, as if upon personal knowledge, to be determined upon in the Cabinet here: and the Administration being appealed to, though they of course would not acknowledge, would not contradict it. Its suspension hitherto may have resulted from nothing more than a doubt whether the nation were yet ripe, according to the Irish phrase, for this mode of enrichment: as if there were a time at which a nation were riper for plunder and waste than at another. I am truly sorry I can not find time to make one effort more for the express purpose of stemming the torrent of delusion in that channel. The straw I have planted has done something: what might not be hoped for, if your oak-stick were linked with it?

As the world judges, one upon examination and nine hundred and ninety-nine upon trust, the declaration of your opinion upon any point of legislation would be worth, I won't pretend to say how many votes: but the declaration of your opinion in favour of a side to which conviction and candour had brought you over from the opposite one, would be worth at least twice or thrice as many: under such circumstances, the authority of the converter would tell for little in comparison of that of the proselyte, especially such a proselyte. We should have the Irish Chancellor of the Exchequer abjuring his annual motion in the face of the House, and Lord Hawkesbury who, it has been said, is Mr Pitt's tutor in this wise business, quietly and silently putting his papers and calculations into the fire.

If, then, you agree with me in looking upon this as a most pernicious measure, you would, like me, be glad to see it put an end to, and for that purpose the acknowledgement of your opinion on a subject which you have made so much and so honourably your own, is an expedient to the use of which, I should hope, you would not see any objection: the less as you would hardly, I suppose, let another edition of your great work go abroad with opinions in it that were yours no longer. If, then, you think proper to honour me with your allowance for that purpose, then and not otherwise I will make it known to the public, in such words as you give me, that you no longer look upon the rate of interest as fit subject for restraint: and then, thanks to you and Turgot and Dr Reid, the Defence of Usury may be pronounced, in its outworks at least, a strong-hold. PREFACE TO THE SECOND EDITION

When the first edition of these letters was published, I was still in the distant country from which they were written. It is about two years, since that impression was exhausted: it is about a year and a half since this reimpression was completed, the publication having been retarded till now by causes not worth mentioning. The alterations made in this second edition are few, and those merely verbal and of no importance. In this interval, had I heard of any objection, total or partial, I would have either admitted the force of it, or answered it: but I have not been able to meet with any. I have scarce heard of a reader who has not acknowledged himself convinced. The practical conclusion is the repealing of the laws against usury, together with those others that are here pointed out as depending on the same principle. That matters are at all the nearer to such a measure since the publication of this work than they were before, is more than I can pretend to have any ground for supposing: for in great political questions, wide indeed is the distance between conviction and practice. An intelligent Frenchman, of whom I have not been able to learn enough to distinguish him more particularly, published a few months since a translation he had made for his own amusement, a considerable time before the commencement of the Revolution, he says, not long after the work found its way to France. He kept back the translation, thinking the country not ripe for it. The general slaughter that has been made of all sorts of prejudices in that country may now, he thinks, have opened the way for it. But if its turning to any account in practice depends upon the overthrow of prejudice, who shall calculate the period, at which any good can be expected from it here?

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It is to the attempt made in Ireland to effect a fresh forced reduction of the legal rate of interest in that country, that the reimpression there published must naturally have been indebted for a circulation proportionably more extensive than here. Between that measure and the laws condemned by this investigation, the connection is close and evident. Had the reduction so proposed been naturally productive of the advantage expected from it, and at the same time not attended with any additional hardship or other inconvenience superior to that advantage, such a reduction would then have had no other objections to combat than the objections, decisive as they are represented in this work, which apply to the original fixation. According to my conception of the matter, however, that advantage is altogether illusory; the measure is attended with hardships much more than sufficient to outweigh the advantage, were it real, and of these, several are distinct from, and superadded to, those which result from the impropriety of ever having fixed any rate at all. Had I divined the politico-economical advantage proposed from this ulterior and fresh reduction, I should have set it down among the reasons capable of being alledged in support of the original fixation: for the advantage, if it were one, of the proposed future reduction, must proportionably have resulted from the precedent ones. The fact is, I must confess, that in the situation I was then in, sequestered not less from political converse than from books, this supposed advantage had equally escaped my recollection and my imagination as applicable to the original fixation, though recollection had represented it as capable of having been supposed to result from successive reductions. From newspapers I had learnt thus much, that in England a fresh reduction had lately been proposed, as tending some how or other to the benefit of trade: but the sound of the word trade being all I was able to collect, what that benefit was, or how it was to be brought about, was more than I could conceive. To apply it to the immediate subject I was treating of, it was necessary I should have some conception of the force of it: and unfortunately I was unable to perceive any force or meaning in it at all. It had equally escaped Dr Smith: for his reasons in support of the limitation of the rate of interest are confined to the discouragement of prodigals and projectors: of any supposed benefit to trade that was to follow from it in any other way, he betrays not the smallest suspicion: and blindness may be confessed without much shame, where eyes like Dr Smith's have failed to see. I little suspected, I must confess, that so many intelligent and ingenious men would so compleatly have mistaken a consequence for a cause. Instructed by the debates of the Irish Parliament. I now understand clearly what benefit was expected from it, but how that benefit was to flow from it is as much a mystery to me as ever. I will however avail myself now of that intelligence. By way of postscript, I have accordingly given a very short, but what appeared to me compleat, answer to the argument afforded by that supposed benefit to my system: and being thereby engaged to touch upon the measure of an ulterior reduction by which this supposed advantage was brought to view, I have stated such other considerations as appear to combat the propriety of that ulterior reduction, though not all of them applicable to the continuing of the rate at its present level.

As little can I pretend to say, whether a project of the same nature has received any check from it in England. Infallibility is among the appendages of power: and if it be a dream, it is one of those which do not own themselves as such, and from which men are seldom thankful for being awaked. Several circumstances render probable that a project of this sort was not very long ago entertained: a positive assertion to that effect made in the Irish Parliament received no contradiction. Of late, nothing has been heard of it. The notion perhaps may be, that the country is not yet ripe for it. My notion is that no country ever was, or ever can be.

I do not pretend here to exhaust the subject, or to urge all that can be urged against the measure: nor to trace out to the last link the whole chain of its consequences. Such an undertaking would require more paper perhaps than it is worth, at any rate more time than at present I can spare. All I pretend to is to give what shall be sufficient to demonstrate its impolicy and injustice.

The propositions here given as conclusions from the decisive principle are, most of them, maintained by Dr Smith. The proposition here given as a principle itself is also laid down in the same admirable work: but without emphasis, and for any direct use that has been made of it, it might as well have not been there. Wide is the difference between a full view of a principle and a side glance. The principle which forms the basis of Locke's Essay is to be found, in so many words, in Aristotle: yet what was the world the better for it while it was in the hands of Aristotle, till Locke put it out to use? This same principle is also to be found, stated still more pointedly,

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in Lord Sheffield's elaborate and useful work. Yet what came of it? The whole work is full of advice as repugnant to that principle as it is to the doctrines of Dr Smith's book: that very book which his Lordship quotes in those terms of respect which is its due, for the sake of stating almost the only doctrine in which the authority is in his favour, passing by the whole of what is against him, that is almost the whole contents of the book, as if they had not been there.

Colonies. Dr. Smith observes that, by the expence they have produced instead of revenue, they have been always hitherto worth so much less than nothing, and by the expence of wars waged for them, a hundred and so many millions less than nothing. What is his practical inference? that they should be given up? no: but that either they should be given up, or made to yield a revenue, which is impossible. The idea of giving them up is started — but how? as the extremity of misfortune, the horrors of which should drive us into schemes for making them yield a revenue, as the only alternative common sense admits of. We are to give them up: how? with the same emotions of regret, with which a man who found a necessity of retrenching, would lay down his equipage. The separation would be a misfortune not to us only, but to them. Why to them? because nothing but our superior wisdom and virtue could prevent their falling together by the ears. The event has not been favourable to this prophecy. Among these rebels, every thing breathes content and unanimity. Ill will there never has been: and the last spark of so much as a difference of opinion, patience has now finally extinguished. In the principal of our still loyal colonies, whose petitions for these six years we have not been able to find time to listen to, the discontent is as notorious as it is just. May it be effectual! POSTSCRIPT SHORT OBSERVATIONS ON THE INJUSTICE AND IMPOLICY OF FORCED REDUCTIONS OF THE RATE OF INTEREST

Since the writing of the preceding Letters, I have heard of some other advantages supposed to result from the limitation of the rate of interest which, I must confess, had not then occurred to me as resulting from the restraints thus laid on the liberty of contracting. These are

1. Increasing the sum of national wealth.
2. Enabling the state to take and to keep money at interest upon more advantageous terms than it could otherwise, and thus diminishing the sum of the public burthens which are the deductions from national wealth, encreasing therefore in this negative way the clear sum of national wealth upon the whole.

Examine into these supposed advantages, you will find them both altogether illusory, and that, did they not only exist, but exist in the utmost degree that was ever attributed to them, they could not be obtained but at the expence of inconveniences much more considerable.

The first of them does not exist in point of fact: such a limitation has scarce any perceptible tendency in any way whatever to add to the mass of national wealth, and it tends in a variety of ways to diminish it.

As to the second, neither does that exist in the shape of an advantage. The public may or may not hold money of individuals at interest upon more advantageous terms, but from this circumstance the mass of national wealth is not rendered a jot more considerable than it would be otherwise.

At no time, therefore, does the nation, collectively considered, derive any advantage from this limitation: and as often as any fresh imitation is applied whereby the restraint is drawn tighter, the nation suffers the inconvenience of an unequal and very heavy tax. without reaping the advantages that it does from other taxes.

First supposed advantage — Encreasing in a direct way the mass of national wealth in the hands of individuals.

This advantage, I say, will not be found to result in any degree from this measure.

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Every accession made to the national stock of wealth, is the result of labour employed by the help of capital, the result of preceding labour.

No accession to wealth in any hands, public or private, can take place but in one or other of two ways: 1. By the augmentation of the mass of capital employed in giving motion to industry: 2. By a more advantageous application of the existing stock of capital, its application in a more advantageous manner.

That the measure in question can contribute in the latter of these two modes to the encrease of wealth, has never been, nor ever will be supposed.

On the other hand I have already shewn that it has a contrary effect. Every more advantageous mode than was before known of applying a part of the quantity of capital in hand is, previously to trial and success, a Project: and the effect of this limitation in discouraging projects has already been displayed.

2. It has no particular tendency to encrease the quantity of capital.

It has, it is true, a tendency to modify in a certain manner the distribution of wealth among the different sharers: it is only in proportion as it has this tendency, that this or any other regulation relative to property can have any effect at all.

It must also be admitted that, if in any degree it tends to augment the quantity of wealth employed in the shape of capital, with reference to, and at the expence of, that part which is employed in the shape of unproductive consumption and expenditure, it must in proportion operate in augmentation of the mass of capital employed as capital in the production of wealth, and thence of the growing stock of national wealth.

Whoever saves money, as the phrase is, adds proportionably to the general mass of capital.

There is scarce any description of people that does not include some individuals that save money: but some descriptions are likely to include more such frugal individuals than others. If the tendency of the measure in question be to throw or to keep money in the hands of persons of particular descriptions in preference to others, and those descriptions are more likely to be of a frugal cast upon the whole than the descriptions of people at whose expence it is thus disposed of, the measure possesses in so far a tendency to produce the intended effect. But no such particular tendency is discoverable in it.

The persons on whom it operates, belong to one or other of two classes, borrowers and lenders: its property is to favour the former at the expence of the latter. If of borrowers in general it could be said that they were more frugal than lenders, a favour shewn to borrowers as such would be a help given to frugality.

But no such proposition thus taken in the lump can be received as true. Neither reason nor so much as prejudice plead in favour of it. Ask prejudice, the answer will be that, in comparison of borrowers, lenders are not only frugal, but frugal to such a degree as to be avaricious. The supposition of their proneness to avarice is the very thing that excites prejudice against them, and disposes the bulk of mankind to favour all regulations, the tendency of which is to lay them under a disadvantage. It is because they are hoarders that they are to be discouraged — to what end? — in order to encourage hoarding. Such is the consistency of blind and vulgar prejudice, hitherto in so many important points the arbiter of the destiny of nations.

Setting prejudice aside, and taking reason for our guide, it is impossible to say whether the cause of frugality be prejudiced or served by the favour thus shewn to borrowers, untill it be specified for what purpose a man means to borrow.

When a man borrows, it is either to spend or to accumulate.

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So far as it favours the dissipating class of borrowers, the measure directly counteracts this its proposed object: it adds, as far as it operates, to the amount of what they are enabled to employ in dissipation.

It is not incumbent on those who take the side I take, to go about to prove a negative, viz. that in the class of borrowers there is not likely to be more frugality than in the class of lenders. It is incumbent on those who take the side I combat, to establish the opposite affirmative proposition. Every restraint on liberty is so far an evil: and it lies on him who proposes any such restraint, to shew the greater good by which this evil is counterbalanced. This has never been attempted: nor, howsoever it may have been tacitly taken for granted, has it in any instance been directly and explicitly affirmed. Propositions diametrically opposite are both received with open arms, to justify the propensity to injure and oppress the class of lenders. At one time lenders are to be pinched, because borrowers are more likely to be spendthrifts than hoarders: at another time, because they are more likely to be hoarders than spendthrifts.

Persons concerned in bargains of this kind may be distinguished into three classes: possessors of capital who risk to lend it, i.e. money lenders; dissipating borrowers; and accumulating borrowers. The restraint in question favours the two latter classes at the expence of the former. That in as far as it favours dissipating borrowers, it counteracts its avowed purpose, is manifest at any rate: does it promote that purpose in as far as it favours accumulating borrowers? This can not so clearly be averred. It does so only in as far as the accumulating borrowers are greater accumulators than the persons of whom they borrow.

Take an instance. The money that is borrowed by accumulators engaged in trade, of whom is it borrowed principally? of persons who spend all their income? No, but of other accumulators — of other persons as great accumulators as themselves: of shopkeepers or wholesale dealers in the way of goods ordered on credit: or of bankers or merchants in the way of discount. And thus far, therefore, it is evident that accumulation is not more favoured by the restraint in one way, than it is checked in the other.

In another way the restraint in question counteracts this part of its object in a more manifest and conspicuous manner: viz. by lessening the quantity of borrowed capital employed in accumulation.

The world can augment its capital only in one way: viz. by parsimony. A nation may augment its capital, as an individual may augment his capital, in either of two ways: by saving, or by borrowing. By borrowing capital for the purpose of accumulation, is it likely to add to the stock of national wealth? Yes: if the value of what is thereby produced is greater than the value of what is paid for interest: in that case the clear amount of the accumulation, the clear gain to the nation, is to the amount of the difference. But this it may always be reckoned, and that on two different accounts which concur in encreasing the advantage: 1. In the first place, the general rate of mercantile profit is greater every where than the rate of interest: it is in general at least double: 2. In the next place, in manufactures<sup>(33\*)</sup> the rate of profit encreases with the encrease of capital by the advantages derivable from the division of labour, and the making the same quantity of machinery and warehouse room and even labour in some cases serve for a larger quantity of work than would have been necessary for a smaller.

It has already been shewn in the body of the work that the quantity of good success in all branches of industry taken together is much superior to the quantity of ill success: and this it is not less likely to be in the instances where a man aids his original by borrowed capital than in others. If a man engaged in industry did not expect to get more by the money he borrows than he pays for it, he would not borrow it: and it has been shewn that such expectations are much more frequently realised than frustrated. To seek to restrain industrious men from borrowing money under the apprehension of its not answering to them would be an additional instance, but an instance not more flagrant than those which are perpetually exhibited, of the ignorance and folly, and blindness, and vanity, and presumption, and despotism that hitherto have been endemial among legislators.

Look into pamphlets and debates, you will find people disposed to quarrel with outlandish money, because it is outlandish, at least for the purpose of the argument. The popular notion that ill-gotten money does not thrive,

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howsoever hacknied by superstition, has not only a much better effect, but even a more rational ground.

Two ill effects are attributed to outlandish money:

1st. That the interest paid for it is so much money sent out of the country. But were not the interest sent out of the country, the profit would not come into it. And profit, we have seen, ought to be estimated at more than double the value of the interest. The force of this argument depends upon the forgetting altogether the chapter of profit: and supposing that the money thus sent out of the country, is sent out for nothing. It is an argument that applies against selling any thing to foreigners: or indeed to any body on any terms.

What are the particular courses taken by such imported money, whether for example it being laid out in the public funds or lent out to individuals, makes no sort of difference. If the money laid out by the Dutch in the English funds, that is, lent to the English government, had not been so disposed of, English money to the same amount must have lain there: there would therefore have been so much less English money to be applied in the support of English industry, in the encrease of the sum of the national wealth of England.(34\*)

2dly. That money borrowed of foreigners will be perpetually liable to be recalled.

To render this an objection, two circumstances must concur.

1. The foreign money must be more liable to be recalled than home money.
2. When recalled, the prejudice resulting from the recall must be likely to be greater than all the advantage reaped before the recall.

Neither of these propositions has ever been attempted to be proved: nor does either seem likely to be true.

1. It may happen to any lender to recall his money: but this is not more likely to happen to a man of one country than of another. You may put cases where an Englishman who has lend his money in Ireland(35\*) may be disposed to recall that money: but it is just as easy to put cases in which an Irishman who has lent his money in Ireland may be disposed to do the same thing. An Irishman who is upon the spot is more likely to look for, to spy out, and to improve such opportunities, than an Englishman who is at a distance, and who, if he lends his money in such a way, is more likely to have lent it with views of permanence, and as a means of providing himself for life, without farther sollicitude, a settled income.

2. If there were any reason to apprehend that the time when the foreign lender may call in his money would be more inconvenient to the lender than the time when a home lender might call in his, the danger of recall might sooner afford an objection to the importation of foreign capital. But no such reason can be assigned. The disposition of the foreign lender to call in his money will not be governed by the consideration of the inconvenience to the borrower, but by the consideration of his own convenience. But that convenience is not the more likely to clash with the convenience of the borrower on account of the lender's being a foreigner: not more likely to do so than that of a lender at home. We have seen that on one account it is less likely: because a foreign lender is less likely to be tempted by opportunities of occasional profit to clasp and change his security than a native. It is also on another account: a lender at home is more in the way of being acquainted with the circumstances and exigencies of his borrower.. more in the way of having quarrels with him: of watching opportunities of distressing him in a time of need, either for the sake of hurting him, or for the sake of making a profit of his distress.

Whatever may, by accident, be the disadvantage resulting to A or B in this way from a recall of a foreign capital, a capital thus imported will, so long as it continues unrecalled, be productive to the nation that has imported it, of a clear revenue to the amount just stated. If the use of a million for ten years would have been worth £600,000, the

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use of the same million for one year will have been £60,000. Recall it when you will, it will have had its value from the time of its importation to the time of its recall. To furnish an argument against the import, the inconvenience likely to result from the recall must be not only very considerable, but superior to the whole amount of the benefit reaped previously to the recall. DEVELOPMENT OF THE PRINCIPLE "NO MORE TRADE THAN CAPITAL", OR "CAPITAL LIMITS TRADE".

1. No branch of productive industry can be carried on without the help of a certain quantity of capital previously accumulated.
2. The whole quantity of productive industry each individual can carry on, is limited by the quantity he has of his own, or is able to borrow of other individuals. The whole quantity of productive industry a nation can carry on, is limited by the quantity of capital it has of its own, or can borrow from other nations. The whole quantity of productive industry the world can carry on, is limited by the capital it has of its own, till it can find another world to borrow of.
3. Credit need not be taken separately into the account: since credit is but capital borrowed, and the quantity that can be borrowed is limited by the quantity possessed.
4. The quantity of capital limiting the quantity of productive industry, limits in the same proportion the possible quantity, and amount in value, of the produce of that industry, and thence of whatever part of it is capable of becoming the subject of trade. The quantity of capital sets the limit to the quantity of wealth: it likewise sets the limit to the quantity of trade.
5. Therefore no regulations nor any efforts whatsoever, either on the part of subjects or governors, can raise the quantity of wealth produced during a given period to an amount beyond what the productive powers of the quantity of capital in hand at the commencement of that period are capable of producing.
6. A given quantity of capital may enable the employer to produce a greater quantity of wealth when employed in one way than when employed in another. Let the number of possible ways of employing capital be any number whatever, suppose a thousand: if a minister could make out that one certain mode would be more productive than any one of the remaining 999, he would have reason for wishing that a certain portion of the national capital should be applied to that branch, in preference to all others.(36\*) But he would have no sufficient reason for so much as wishing it, till he had made out that superiority with respect to all the 999.(37\*) And though he had made it out ever so clear, he could have no warrantable ground for employing coercive measures to induce any one to engage in this most advantageous of all branches. For the more evident its superiority, the more certain it is that, as soon as that superiority was made evident to them, men would betake themselves to that superior branch of their own accord, without being either hired or forced to do so.
7. Vanity and weakness can alone give him a plea which would be sufficient to his own conscience, to warrant his employing force(38\*) to such a purpose. And whichever plea such a persuasion might afford to his own conscience, it is a plea that could never be valid in the eyes of any other men. To every bystander the refusal of the persons concerned to engage in the business without being thus compelled or hired, would be a stronger reason for looking upon it as not being an advantageous one, than any it could ever be possible for him to give on the other side. PRACTICAL CONSEQUENCES OF THE PRINCIPLE "NO MORE TRADE THAN CAPITAL" WITH RESPECT TO COLONIAL GOVERNMENT, ECONOMY AND PEACE

What is it that would be the loss, suppose it to amount to any thing, that a nation would sustain by the giving up of any colony? The difference between the profit to be made by the employing in that trade so much capital as would be employed in it were the colony kept, and the profit that would be made by the employment of the same capital in any other way, suppose in the improvement of land. The loss is nothing, if the same capital employed in the improvement of land would be more productive: and it would be more productive by the amount of so much as



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would go to form the annual rent: for deducting that rent, capital employed in the improvement of land produces as much as if employed in any other way. If the loss were any thing, would it then amount to the whole difference between the profit upon that trade, and the profit upon the next most profitable one? no: but only to the difference between so much of that difference as would be produced if the colony were retained in subjection, and so much as would be produced if the colony were declared free.

The value of a colony to the mother country, according to the common mode of computation, is equal to the sum total of imports from that colony and exports to it put together.

From this statement, if the foregoing observation be just, the following deductions will come to be made.

1. The whole value of the exports to the colony.
2. So much of the imports as is balanced by the exports.
3. Such a portion of the above remainder as answers to so much of the trade as would be equally carried on, were the colony independent.
4. So much of that reduced profit as would be made, were the same capital employed in any other trade or branch of industry lost by the independence of the colony.
5. But the same capital, if employed in agriculture. would have produced a rent over and above the ordinary profits of capital: which rent, according to a general and undisputed computation, may be stated at a sum equal to the amount of those profits. Thence arises a further deduction, viz. the loss to the nation caused by employing the capital in the trade to the colony, in preference to the improvement of land, and thence upon the supposition that the continuance of the trade depended upon the keeping the colony in subjection.

The other mischiefs resulting from the keeping of a colony in subjection, are:

1. The expence of its establishment, civil and military.
2. The contingent expence of wars and other coercive measures for keeping it in subjection.
3. The contingent expence of wars for the defence of it against foreign powers.
4. The force, military and naval, constantly kept on foot under the apprehension of such wars.
5. The occasional danger to political liberty from the force thus kept up.
6. The contingent expence of wars produced by alliances contracted for the purpose of supporting wars that may be brought on by the defence of it.
7. The corruptive effects of the influence resulting from the patronage of the establishment, civil and military.
8. The damage that must be done to the national stock of intelligence by the false views of the national interest, which must be kept up in order to prevent the nation from opening their eyes and insisting upon the enfranchisement of the colony.
9. The sacrifice that must be made of the real interest of the colony to this imaginary interest of the mother-country. It is for the purpose of governing it badly, and for no other, that you wish to get or keep a colony. Govern it well, it is of no use to you.

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To govern its inhabitants as well as they would govern themselves, you must choose to govern them those only whom they would themselves choose, you must sacrifice none of their interests to your own, you must bestow as much time and attention to their interests as they would themselves, in a word, you must take those very measures and no others, which they themselves would take. But would this be governing? And what would it be worth to you, if it were?

After all, it would be impossible for you to govern them so well as they would themselves, on account of the distance.

10. The bad government resulting to the mother-country from the complication, the indistinct views of things, and the consumption of time occasioned by this load of distant dependencies. AGRICULTURE NOT DEPENDENT ON MANUFACTURES

The most advantageous employment for the community that can be made of capital is agriculture, because there the idle landlord shares in equal proportion with the labouring farmer.

This can not be extended ad infinitum, to the exclusion of other employments of capital. It can be extended no farther than so far as the farmer finds his profit equal to the profit of stock in other employments of capital, which he would cease to do if this business were to be overstocked.

What follows? — that as soon as this branch of business became so far stocked as to be less productive than others, capital would cease to be applied to it; capital, instead of being applied to this business, would be applied to some other, i.e. manufactures.

There would therefore be no occasion for employing artificial means to draw it to manufactures: it would go there of its own accord.

It is therefore not true to say that manufactures are necessary to agriculture, and that manufactures must first be increased before agriculture can be increased.

On the contrary, it is true to say that agriculture is necessary to manufactures, and that agriculture must first be increased before manufactures can be increased.

Men must exist, before they can begin to work: raw materials of manufacture must exist before they can be worked.

What makes the mistake is this. It is true that, when manufactures have increased within the reach of an intercourse with cultivators, agriculture can be carried on in various respects to more advantage.

Manufactures as well as agriculture afford by parsimony and storing a capital: and when a capital is laid up from manufactures, any part of it may as well be applied to agriculture as to any thing else. When applied to agriculture, the improvement of land enables a given quantity of land and labour to produce a greater quantity of produce.

Each profits by the overflowings of the capital saved out of the other. But this does not make it necessary, but unnecessary, to take capital by force from either, in order to bestow it upon the other.

Could capital be drawn from the clouds, like manna, by praying, there would be no use in bestowing it upon one branch of industry in preference to another: for so much of this miraculous capital as was thrown into any channel, so much natural would be kept from flowing into it.

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Agriculture without manufactures, contributes most to population: agriculture with manufactures to wealth. Agriculture without manufactures makes men more numerous, and less wealthy: agriculture with manufactures makes men more wealthy, and consequently less numerous.

The relative quantity of capital will increase, and consequently the rate of interest fall, where thesaurisation goes on faster than population: and vice versa.

When men have got more food than they want, they will be able and willing to give part of it for finer cloaths and finer furniture.

But this does not make it necessary to set men to work to make finer cloaths and furniture, in order to induce others to produce food.

The consumption of some sorts of corn in particular ways is limited, while the number of consumers is limited. When a man has as much bread as he can eat, he will not give any thing for any more. But this is not the case with other sorts of corn, or with the same sort of corn employed in another way.

In England, the lowest wages of labour will always find a man more bread than he can eat: therefore considerably more wheat than is produced at present, would, if not exported, not find purchasers. But the lowest wages of labour, nor wages much above the lowest, will not find a man as much strong beer as he can drink, nor even as he can drink without hurting himself. Therefore, even independently of exportation. there is no danger of the nation's being overstocked with such of the productions of agriculture as are fit for making beer.

Apply this to oats for horses, hay for horses and cows.

There is no fear of there being at the same time more cream produced than every body who has any thing to give for it is able to eat, more fruit of all sorts, more poultry, more saddle horses, more coach-horses.

With bread-corn it is possible that a market may be overstocked: but with such luxuries, and with all these luxuries put together, it is impossible that the market should be overstocked. And agriculture is just as capable of producing these articles as bread-corn.

Agriculture then will always find a sufficient market for itself: it is impossible it should ever fail to do so.

Therefore, for the purpose of a market, it can never stand in need of manufactures. And it has been shewn that it can not stand in need of manufactures for the purpose of laying up capital. Therefore it can not stand in need of manufactures for any purpose.

Quere: when capital is plenty, what is the correlative that is comparatively scarce?

Hands adult and in actual readiness to work.

When capital is plenty, interest will be low, and real price of labour high.

When capital is scarce, interest will be high, and the price (real) of labour low, unless kept up by an unnatural occasional demand such as that by war.

What keeps down the quantity, and thence the value of capital is procreation, which multiplies little children who occasion expence before they can produce profit.

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These children as they grow up, encrease the number of labourers — thence they 1. keep down the price of labour, and 2. lessen the ratio of capital to hands.

The same causes that promote accumulation, promote procreation.

If accumulation goes on faster than procreation, capital will proportionably encrease, and the rate of interest proportionably sink.

### NOTES:

1. See Introduction to the Principles of Morals and Legislation, 4to. 1789. Ch. 14: On the proportion between punishments and offences.
2. B. ii, c. 10, vol. ii, p. 45, edit. 8vo. 1784.
3. B. ii, ch. 30.
4. interest.
5. usury.
6. hazard run.
7. felt by the loan.
8. usury.
9. interest for the money lent.
10. it for the present.
11. losing it entirely.
12. lenders.
13. rate of general interest.
14. money.
15. specie.
16. circulating.
17. exchange.
18. money.
19. banker.
20. cash in his own shop.

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21. lenders.
22. the rate of the national interest.
23. circulating cash.
24. interest.
25. lenders.
26. lending.
27. Edit. 1784, 8vo. p. 177.
28. B. II, ch. iii, edit. 8vo, 1784, vol. ii. p. 20.
29. B. II, ch. iii, vol. ii, p. 27, edit, 8vo, 1784.
30. B. iv, ch. 2, vol. ii, p. 182, edit. 8vo.
31. B. I, ch. 2, vol. i, p. 176. edit. 8vo, 1784.
32. B. IV, ch. 8, vol. ii, p. 514, et alibi, edit. 8vo. 1784.
33. I say in manufactures: for it is otherwise in buying and selling. See Smith.
34. The quantity of money belonging to the Dutch and other foreigners in the English funds, has been reckoned at thirty millions: if this be just, the annual clear gain to Great Britain from this importation of foreign capital (reckoning interest in the funds at 4 per cent and profit upon stock at 8 per cent) is £2,400,000.
35. What Holland is to England in this respect, England is to Ireland: except that the uneasiness with regard to the supposed profit to the lender and loss to the borrower, are still more unreasonable.
36. To wit more and more, the addition of capital not ceasing till the superiority of profit ceased.
37. Opportunity of collecting the particular information, necessary time for reflecting on it, interest in forming a right judgment, in all these particulars he falls infinitely short of the persons themselves whom he would wish to see thus employed.
38. Bounties and prohibitions, it is to be observed, are equally coercive. The only difference is, that the coercion is applied in the one case to one set of people; in the other to another. No bounty that does not necessitate a proportionable tax and to tax is to coerce. Monopolies and othe prohibitions are even the milder and least bad expedient of the two if nobody in particular suffers by them, as is the case, for instance, where the trade prohibited is as yet untried.