

Please begin new recto.

Political Prospects;

or,

What's to be done?

or,

What is to become of us?\*

Please begin new recto.

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\* [Editor's Note, August 2019. This unfinished pamphlet was almost certainly written in September 1798, and consists in a discussion of what national bankruptcy means, and the prospects of Britain avoiding it. It is coherent but partial, and warrants inclusion for its intrinsic interest and, in particular, for Bentham's discussion of the reciprocal influence between the discourse of politics proper and that of political economy.]

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What is to become of us?—a question this which for some years has been familiar to the lips of most men, but which year after year acquires a new meaning as well as a new degree of interest. One great black cloud hangs over all our heads, growing every day blacker and blacker, approaching incontestibly nearer and nearer—shews itself at a greater to some, at a less distance to other, eyes—but with an aspect more or less threatening to all—it's name is Bankruptcy.—What is the true nature of it—what the apparent distance of it?—on what contingencies does the bursting of it upon us depend? with what degree of probability are these contingencies respectively accompanied?—Is it in the power of human agency to avert it altogether?—or if not, to retard the explosion?—What are the expedients that present themselves as exhibiting the fairest prospect of being productive of or conducive to so desirable a result? Such are the topics which will afford matter for the ensuing pages.

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Bankruptcy, National Bankruptcy, is a term that, it should seem, might be employed in the event of the Government's finding itself obliged to fail, in any respect or any degree, of fulfilling any of its engagements: more especially any of the engagements which it has contracted towards such of its Creditors as are so in virtue of their [being] possessed of any of the annuities created by Government—or in other words, and these more familiar though less accurate, as are possessed of government stock or have money in the Funds.

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Withholding, either outright or even for a time, the payments due upon any part of the Funded Debt—paying it in paper (if paper were refused) instead of coin—either of these would be incontrovertible acts of Bankruptcy.<sup>1</sup> Imposing a tax upon the funds would be as decided an act of Bankruptcy: for it is only by withholding the growing payments that the tax would be levied.

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<sup>1</sup> On 26 February 1797 an Order of Council was sent to the Bank of England instructing 'That is indispensably necessary for the public service, that the directors of the Bank of England should forbear issuing any cash in payment, until the sense of parliament can be taken .^.^ and the proper measures adopted thereupon, for maintaining the means of circulation, and supporting the public and commercial credit of the kingdom, at this important juncture': see *Parliamentary History* (1795–7) xxxii. 1517–18. Since government

Bankruptcy may be committed either in respect of the time of payment, or the quantum of the debt. Payment of the whole or any part may be postponed, as well as the whole or any part struck off.

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In point of substance and effect, Bankruptcy, it is evident, admits of a multitude of degrees—as many as can be numbered in a decreasing series of sums beginning at 19<sup>s</sup> 11¾ per £ and ending at a single farthing.<sup>2</sup>

This is not, however, the idea in which, in speeches and pamphlets, especially in Opposition speeches and pamphlets, it is common to see it exhibited. On these occasions, Bankruptcy is one and entire thing, always the same. It is synonymous to ruin—and involves in it the death of the government, the destruction of all property, and with it of every thing that can make life desirable<sup>3</sup>—at any rate such an abyss of wretchedness as no human eye can see to the bottom of.

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annuitants were paid at the Bank of England, the effect of the suspension was that they could no longer receive gold coin, but only Bank of England notes.

<sup>2</sup> At UC cvii. 150–1, a brouillon headed ‘Heads for Political Prospects’ ([.^.^ ?] September 1798), Bentham noted ‘Another [practical inference] is to look to a failure of the national resources as an event which sooner or later may be inevitable, and to a tax upon property in the funds as neither the worst consequence, nor an improbable consequence of such failure.’

<sup>3</sup> Bentham probably has in mind the speeches by opposition Whig MPs in the aftermath of the suspension of payments in specie by the Bank of England. Charles James Fox (1749–1806), Foreign Secretary 1782, 1783, 1806, stated that the suspension had ‘destroyed the credit of the bank’ and held government responsible: ‘All those who have turned their attention to the paper credit of this country, must view with alarm, that the king and executive power have by the present measure declared a power to annihilate by one breath all the property of the creditors of the bank’ (*Parliamentary History* (1795–7) xxxii. 1527). Fox went on to decrie the measure as a ‘fatal and irremediable act of bankruptcy’, and warned that to limit the terms of enquiry for the proposed ‘Committee to examine the Outstanding Demands on the Bank’ would be to admit that ‘the theory of the constitution of England is beautiful, but that its practical utility is at an end, as far as regards the House of Commons, for that now they implicitly to commit to the minister of the crown all control over subjects of finance’ (*ibid.*, 1529, 1535). John Christian Curwen (1756–1828), MP for Carlisle 1786–90, 1791–1812, 1816–20, and for Cumberland 1820–8, declared that ‘The House ought to step in to rescue the nation from ruin. Not the downfall of a minister but the safety of the community was at stake.’ (*ibid.*, 1545). George Walpole (1758–1835), Under-Secretary of State at the Foreign Office 1806–7, MP for Derby 1797–

In this sense, the commencement of this state, regarded with undescrivable horror by the community at large, is regarded as the commencement of the millennium by Opposition: meaning by opposition, opposition perfectly in the abstract—relations, not persons—the Opposition of all times, not of the present time—of all nations, not of this nation—every Opposition, not any one.

It prognosticates and demonstrates the necessity, as a matter of course, [of] one at least, if not both, of two changes—a change of Ministry and a change of constitution. One Administration having plunged us into ruin, it must be a different one and an opposite one to draw us out of it: the representatives or pretended Representatives of the people having proved unfaithful to their trust, it is necessary for the people to take their own affairs into their own hands. In the mean time, Gentlemen take their places: and if Citizens without doors can be persuaded to keep quiet, all is well again: the new Minister makes his speech, and Britannia, like the Phænix, springs up again out of her ashes.

Whenever, says this logic, Government is Bankrupt, there must be a new Ministry: the consequent seems to be admitted at all times and on all hands: and hence the importance of the antecedent.

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It was but t'other day that the antecedent was thought to be proved—at least at the point of being so. The Bank of England, the great support of the credit of government, committed Bankruptcy.<sup>4</sup> This was supposed to be almost the same event as that of the Government's having committed Bankruptcy—and at any rate it was supposed that the first event was on the point of bringing about the second. The political logic then stood thus.—Whenever the Bank is Bankrupt, there must be a new Ministry: at any rate, at the worst, if the transition from the new antecedent to the desired consequent were to be deemed too abrupt, it was but adding a proposition more to the argument and putting the new antecedent before the old one.—Whenever the Bank is Bankrupt, the Government must be Bankrupt: and whenever Government is Bankrupt, there must be a new Ministry.

To be able to say the Bank is Bankrupt—and not only to say it in a loose way of speaking—but to be able to defend it, was looked upon as no small point gained.

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1806, and for Dungarvan 1807–20, proposed that 'the best way to restore public credit was, to give confidence to the people, which could only be by a removal of ministers' (ibid. 1552).

<sup>4</sup> See p. 000 n. above.

Accordingly a pamphlet was published, as it should seem, for the purpose of saying it, and another declaredly for the purpose of defending it, by a gentleman of high eminence in the mercantile [line] as well as politically, and who, how eminently soever elevated above that deprecated condition, could not be supposed to be otherwise than well acquainted with the nature of it.<sup>5</sup> In words and in itself the proposition was a true one: but was it true to the purpose of the practical<sup>6</sup> [107\_165] inferences which it might be the wish of those who made it that the public should be disposed to draw from it? If not, under the guise of a political lesson, the lesson in fact was but a grammatical one:—a proposition about words.—Yet—by what is man governed but by words?

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It is now, I flatter myself, sufficiently understood that the suffering which would be the result in the event of a National Bankruptcy can be nothing more than what we are acquainted with by experience—nothing but what we have been familiarized with, nothing but what has even been the result, and in an equal degree the result, of a state of unexampled affluence. We are already prepared to consider with less anxiety—with more temper—with a judgment less disturbed—with a better command over our judicial faculties as well as our affections—to meet the question, what the probability is of its befalling us, and if it be likely to befall us, within what period of time may it be most likely to befall us?

This is one proof among so many of what, in a nation of letters, may be done by letters. To preserve the nation from Bankruptcy may not be in the power of the ablest Minister:—to deprive Bankruptcy of its sting is no more than may have been effected by a single individual:—by so inconsiderable an individual as the obscure and unknown author of these pages.

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<sup>5</sup> Bentham may have had in mind two tracts written in the immediate aftermath of the suspension of payment in specie by Sir Francis Baring (1740–1810), merchant and merchant banker, MP for Grampound 1784–90, Chipping Wycombe 1794–6, 1802–6, and Calne 1796–1802, namely *Observations on the Establishment of the Bank of England, and on The Paper Circulation of the Country*, London, 1797; and *Further Observations on the Establishment of the Bank of England, and on The Paper Circulation of the Country*, London, 1797. Baring repeatedly used the word ‘bankruptcy’, and in his own copy of the first tract (2nd edn.), Bentham characterized one section of Baring’s elucidation as ‘Bankruptcy depicted’: BL 08218.bb.33.(1.), pp. 58–63.

<sup>6</sup> MS orig. ‘moral’.

This is already no inconsiderable point gained. We are now prepared.

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What there is of serious mischief in national Bankruptcy depends not upon what is inherent to the case, but upon what is accidental to it.—The alarm—the terror—the ill humour—the impatience—the desperation that is but too apt to attend so formidable a case. The real mischiefs of Bankruptcy consist—not in what must unavoidably be suffered—but in the effects of what accidentally may through ill humour and desperation come to be done. By due preparation the minds in this case, as in the case of the small pox the body, may be guarded in no inconsiderable degree against the malignity of the disease.

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Such is the nature of National Bankruptcy: bad enough, but not so horrible as it is apt to paint itself. The next questions are—Is the mischief likely to befall us and, if so, within what period may it be expected?

The answer is—that depends upon Peace and War—upon the portion of time respectively spent in those two states.—Peace or War depend partly upon ourselves, partly upon other Nations: at the present period, upon the French.

The arrival of Bankruptcy at some period or other, is matter not of conjecture but of mathematical certainty. So long as we are at War, our demand for money is continually encreasing: our resources continually diminishing, and when two quantities are thus circumstanced, though the larger were as large as the solar system, and the smaller as small as a microscopic animalcule, sooner or later they must change places.

Our taxable matter, vast beyond expectation as it has proved, is still a limited quantity. Like every other limited quantity, sooner or later, if continually drawn upon, it can not but be exhausted.

The establishment made for the buying-in of that part of the National Debt which was contracted before 1793 will have eased us of that incumbrance within a period of between 33 and 54 Years:<sup>7</sup> and since [then] every additional million borrowed has been

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<sup>7</sup> See 'First Report from the Select Committee on Finance, Debt, and Taxes', 31 March 1797, Appendix I. 5–11, in *House of Commons Sessional Papers of the Eighteenth Century*, ed. S. Lambert, 145 vols., Wilmington, Delaware, 1975, cvii. 7–109\*, at 103\*–109\*, where seven alternative future 'cases' are

accompanied with provision made for the discharge of it, which will have effected its object at the expiration of a period of about 40 years.<sup>8</sup> So that if we can hold out without Bankruptcy for the [period]<sup>9</sup> of 40 or 50 years, or so, there seems little difficulty about [107\_169] our holding out thereafter. If for 40 or 50 years longer we can go on paying every year about £3,000,000's<sup>a</sup> worth of fresh taxes, in addition to those of the preceding years, so may we to the end of time:—but the difficulty with regard to the first 40 or 50 years continues unabated. Buying-in the debt, that is, buying-in of the Annuities granted by Government, affords no relief in the mean time from the pressure of the taxes imposed for the purpose of raising the fund for the payment of these dues, it is only so much progress made to the faculty of affording an easement of that kind at 40 or 50 years' distance: so far from affording any such relief, it precludes us from the possibility of receiving it: since by continuing the appropriation of the fund which the taxes are to produce, it prevents those taxes from being repealed.<sup>10</sup>

<sup>a</sup> 3,368,366: 2<sup>s</sup>: 10<sup>d</sup>, the exact amount of the future annual charge created by the debt funded in 1797. *Comm: of Finance 23 Rep. Appendix Y. p. 333.* Above £600,000 of this having been incurred by the funding of Navy Bills, part of which had been issued in prior Years, call the fresh charge incurred in the course of this Year in even money £3,000,000.<sup>11</sup>

envisaged, under which the total debt might be discharged over terms ranging from thirty-three to fifty-four years.

<sup>8</sup> i.e. the National Debt Reduction Act of 1792 (32 Geo. III, c. 55) which established the so-called 'New Sinking Fund' to provide for the redemption of future borrowing, envisaged that the greater part of the national debt would be discharged within forty-five years, while making provision (§§ 3 & 4) for payments to be made from the consolidated fund to redeem any capital debt outstanding beyond that period. For further details see p. 000 & n. below. [To UC cvii. 172 & n., this file]

<sup>9</sup> MS 'value'.

<sup>10</sup> The following related passage appears in the brouillon at UC cvii. 150–1: 'The Redemption plan accelerates the exhaustion of the taxable matter more than Non-redemption Plan.

'But it gathers in the fruit of the taxable matter in readiness to be applied to current services at any time.

'It sacrifices altogether a part of the resources of government: but it gets into the hands of Government a large mass of those resources by anticipation, in readiness to be applied in a mass at any time.

'It were to be wished that all classes of individuals, all orders in the state, could be saved from the sensation of loss—from the painful obligation of retrenchment. This, unfortunately, is impossible.

'Thrift and prosperity are not less productive of it than excessive expenditure and exhaustion.'

<sup>11</sup> See 'Twenty-Third Report from the Select Committee on Finance. The Public Revenue for the Year 1797', 26 June 1798, Appendix Y, p. 333, in *Commons Sessional Papers of the Eighteenth Century*, cx. 339.

Of the 98 years that have elapsed since the commencement of the present century, we have had exactly 3 years of war for every 4 of peace.<sup>12</sup> Take 44 (the medium in even numbers between 33, the shortest term, and 54, the longest) as the length of the period to the end of which the existing mass of taxes must continue, we have to expect, in even numbers, for 24 years of peace, 18 years of war: 3 million of fresh taxes for 18 years makes 54 millions a year of fresh taxes, which we must have become able to bear by the end of the period for the mere payment of the annuities, in addition to the £18 millions of taxes already appropriated to that purpose,<sup>b</sup> over and above those maintained for defraying the charge of government.

<sup>b</sup> 24 Report, p. 11: 17,795,160.

Grant	200,000.
Imp. Loans	497,735.
Exch. Bills	375,456. <sup>13</sup>

Set down that year as an extraordinary one—set down the additional annual supply requisite at no more than 2 million instead of 3, set down 36 millions, or even 25, instead of the 54, the argument will scarce be affected by it.

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<sup>12</sup> Bentham implies that the past ninety-eight years had consisted of forty-two years of war and fifty-six of peace. His years of war might have included the War of the Spanish Succession (1701–14), the War of the Austrian Succession (1740–8), the Seven Years' War (1756–63), the American War of Independence (1776–83), and the French Revolutionary Wars in which Britain has been engaged since 1793, although overlooks a number of colonial and proxy wars, the Jacobite Risings of 1714 and 1745–6, and other lesser conflicts, that meant that very few years of the century had been entirely free from hostilities.

<sup>13</sup> See 'An Abstract of the Expenditure incurred for the Service of the year 1797. Heads of Expenditure', in 'Twenty-Fourth Report from the Select Committee on Finance &c. The Public Funded Debt and the Public Expenditure for the Year 1797', 26 June 1798, p. 11, in *Commons Sessional Papers of the Eighteenth Century*, cx. 345–450, at 355. The Heads include 'Interest of the Public Funded Debt of Great Britain, together with the Charges of Management, and Sums applicable to its Reduction': £17,795,160 4s. 2½d.; 'The like for the Debt on the Imperial Loan': £497,735 13s. 8d.; 'Usual Grant for reducing the Public Debt': £200,000; and 'Interest on Exchequer Bills': £375,456 5s. 8d. The 'usual grant' refers to the £200,000. In 1792 the Reduction of National Debt Act (32 Geo. III, c. 12) had set aside an additional £400,000 out of that year's anticipated surplus for use by the Commissioners for the Reduction of the National Debt. In 1793 the provision was repeated, but the amount set aside reduced to £200,000 (33 Geo. III, c. 22) and an identical provision was enacted every year between 1793 and 1802 by successive Reduction of National Debt Acts.

As matters stand at present, it will hardly, I think, be said by any body that the prospect of peace for the commencement of the century which is approaching promises to have the advantage in this respect over that which is about to expire: a domination so powerful and so unfeeling, with such an appetite for mischief, and such powers for satiating itself, a domination the continuance of which sets so compleatly at defiance all the powers of foresight and calculation, has never yet exhibited itself in the civilized world.

Meantime, that the mass of National wealth all along, in spite of this the most expensive of all wars, has gone on encreasing seems not to be disputed. While all are paying money in taxes, some will be laying up money notwithstanding: and nor does it seem to be to be apprehended under any load of public expenditure, that the mass of wealth laid up in the same time should fall short of exceeding it. At the worst, the national income can not fail of exceeding the national expenditure, the expenditure of government included as a part of it: but then, on the other hand, at the very best, the difference between expenditure and income can never arise to such a sum as to enable government for so long a period to fulfill the amount of such a mass of obligations. If every man that saved gave, in the course of the year, the whole amount of his savings for the year, yes—this might indeed be done—and a great deal more: but a sacrifice to this amount, or to any thing at all approaching this amount, is neither to be expected from the willing nor extorted from the unwilling.<sup>c</sup>

<sup>c</sup> [107\_171] The utmost proportional benefit that the Revenue of each succeeding year can derive from the savings of any preceding year is—not the whole amount of the principal money laid up, but only a per Centage upon the interest of that principal. Let £10,000,000 [be] the sum laid up by individuals in the course of the year 1798: let 5 per Cent be the rate of interest, and 20 per cent the proportion of the taxes of 1799 to the income of the same year. The benefit derivable to the Revenue in 1799 from the £10,000,000 laid up in 1798 will be—not [£1,000,000]<sup>14</sup>—nor yet £500,000—but only £100,000.

Those who infer the distance of Public Bankruptcy from the continuance of national accumulation, and those who, from the probability of Public Bankruptcy infer the arrival of National ruin, including, if it means any thing, the cessation of that accumulation, are equally under a mistake.

Such as it is, the new Sinking, or, as it might be called, Redemption Fund, is the only factitious instrument the nature of things affords us for staving off Bankruptcy:<sup>15</sup> and the chance it affords us of being able to stave it off for ever or for an indefinite time seems to be this: Bankruptcy will not, or at least need not, take place, even in a time of war, so long as the money that can be raised in the Year, i:e: raised by the sale of annuities, will, with the addition of the produce of the sinking fund of that Year, suffice for the services of the Year: since for every £100,000 of Government Annuities that Government has bought in, it has £100,000 worth revenue, £100,000 worth of the produce of its taxes, so far at its disposal, that it can employ them in the current service without breach of its engagements to any individual, without producing any reduction of income on the part of any of its creditors. So long as this continues, the operation of buying-in the Debt will be suspended in war-time: but it may be resumed, and with considerable effect, in time of peace. An operation of this sort would be a change of plans and measures, but it would not be a violation of engagements: it would be a dereliction, by the supposition an unavoidable one, of policy, but it would not be a trespass against justice.

The force and value of this security will not appear very great: the time in which it can begin to [operate]<sup>16</sup> in that character is neither near nor certain. At present, it would be but as a drop of water in a Bucket. The amount of the income thus at command may by this time be about a million: 20 times that sum will hardly do more than suffice for the extra

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<sup>14</sup> MS ‘£10,000’.

<sup>15</sup> The sinking fund for the reduction of the national debt, first introduced in 1716, was reformed by William Pitt the Younger (1759–1806), leader of the administration as First Lord of the Treasury and Chancellor of the Exchequer 1783–1801, 1804–6. In 1786 Pitt’s Sinking Fund Act (26 Geo. III, c. 31, §§ 5, 10) provided for the payment from the Exchequer to the newly created Commissioners for reducing the National Debt of £250,000 every quarter, to be expended during the next quarter in ‘Payments for the Redemption .^.^ of Publick Annuities’. The annuities thus purchased were not to be cancelled, but transferred to the names of the Commissioners, so that the accumulating interest might be applied to the further reduction of the debt. In 1792 the National Debt Reduction Act (32 Geo. III, c. 55) established a parallel but distinct sinking fund, which became known as the New Sinking Fund, to provide for the redemption of future borrowing. The Act (§ 2) envisaged that interest on the new loans would be paid and its capital redeemed over the course of forty-five years by the transfer from the consolidated fund to the Commissioners for Reduction of the National Debt of a sum equal to 1% of the nominal capital of any new loan, to be raised initially by taxation, with assistance over time from the allocation of the interest on redeemed annuities.

<sup>16</sup> MS ‘operation’.

expences of the commencing year.<sup>17</sup>

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At the end of a certain number of years, if the loans continue to fill—if fresh masses of Government Annuities still continue to find purchasers, the case must be that the Loans, as they are called, of each year must be made out of the savings of the single year immediately preceding. In this case, what must be the sum total of a year's saving, if that part alone which it suits the proprietors to lay out in Government Annuities, exclusive of what goes to the improvement of land, and the encrease of trade in all its various branches, amounts, for example, to 20 millions in the compass of a single year!

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Come Peace,<sup>18</sup> indeed, and the mass of wealth applicable to the Redemption Plan could not fail of receiving a very considerable accession: if the National Income, composed principally of taxes on consumption, answers the demands upon it in time of war, it must much more than answer them in time of peace. Some conjectures, if it were worth while, might be made concerning the probable amount of difference as between Peace and War by the observation of former differences. But after the most laborious scrutiny, uncertainty would still be the result: and the possibility of steering clear of the rock of Bankruptcy by the operation of preventive measures taken so late in the day, can not, at best, appear other than precarious.

All depends upon the Directory of France,<sup>19</sup> a knot of tyrants to the resources of which there seem to be no certain bounds, any more than to its malice. Its credit annihilated, its taxes unproductive, it seems to have learnt the art of maintaining itself upon nothing. Having everything to dread and nothing to hope from peace, war without end seems to be their object and their wish.<sup>20</sup> Habituated to the view of misery, and of misery

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<sup>17</sup> Bentham wrote 'Note?' at the head of the following paragraph.

<sup>18</sup> Britain had been engaged in war with Revolutionary France since 1 February 1793, and would remain so until the Treaty of Amiens in March 1802.

<sup>19</sup> The Directory (*le Directoire exécutif*) was the five-member committee which governed France from 1795 to 1799.

<sup>20</sup> In the margin, Bentham has noted at this point what appears to be an alternative to the final sentence: 'Bankruptcy in this country presents itself probably to their sanguine eyes as the first scene of a state of uproar and misery like their own: and were it but a scratch, there is no wound by the sufferance of which they would not purchase the delight of inflicting it.'

of their own production, there is no misery which they would not inflict on their own subjects for the satisfaction of giving us the slightest tinge.<sup>21</sup>

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<sup>21</sup> The text is abandoned at this point. In his brouillon for the work at UC cvii. 150–1, Bentham indicated that it should comprize two parts, ‘I. *Timenda*’ (i.e. Things to be feared) and ‘II. *Facienda*’ (i.e. Things to be done). The surviving text appears largely confined to the first part. For details of Bentham’s sketch of the second part see the Editorial Introduction, pp. 000–000 above.