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T W O

# LETTERS

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Giving an Account of the

R I S E and P R O G R E S S

O F T H E

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# LETTER I.

London, June 15. 1728.

S I R,

**A**S the Sinking Fund has with great Justice been esteem'd the Foundation of the Nation's Happiness, in regard to the flourishing State of the publick Credit, and the Discharge of the National Debts; the following Considerations, relating to its Establishment and Progress, may not be improper for the Entertainment of your Readers.

In the Year 1717, all the Redeemable Debts were reduc'd from 6 to 5 *per Cent. per Annum*, by the voluntary Consent of the *South Sea Company*, for their Capital of 10,000,000*l.* and of the Bank for 1,775,000*l.* part of their Capital, and by those Corporations engaging to furnish, *viz.* the Bank 2,500,000*l.* and the *South Sea Company* 2,000,000*l.* for pay-  
A 2 ing

ing such of the Proprietors of other Redeemable Debts, as would not voluntarily accept an Interest of *5 per Cent.* The Government likewise agreed with the Bank for the lessening the Number of Exchequer Bills, and for circulating the remaining Sum at a considerable less Expence than formerly. After which Agreements an Act of Parliament pass'd with Powers for executing the Scheme propos'd, and the Proprietors of *9,392,311. l. 4s. 2d.* who had an Interest of *6 per Cent.* and upwards, voluntarily accepted *5 per Cent.* and some few that demanded their Money were paid; so that there was at once a saving of above *320,000 l. per Annum,* and that with the Surplusses of several other Funds, was the Beginning of the Sinking Fund. This prov'd a happy Event for the Nation.

In the Year 1720, another Reduction was propos'd, when the Long Annuities were found by Experience to be a greater Burthen to the Nation, by the aforementioned Reduction of Interest; and there-



therefore, as another was propos'd from 5 to 4 *per Cent.* which was in Proportion and Consequence greater than the former, and likewise esteem'd more difficult, it was thought absolutely necessary to have the Redemption of them attempted.

The *South Sea* Company, it's well known accomplish'd that, making about five 6<sup>ths</sup> Parts of those Long Annuities redeemable, and reducing the Interest of those Funds, as likewise their own former Capital, and all other Funds subscrib'd into their Stock to 4 *per Cent.* at Midsummer 1727, all which consisted of about 34,000,000 *l.* at 5 *per Cent.* which made a Saving of about 340,000 *l.* *per Annum.* The Bank likewise agreed in 1725, to a Reduction of 3,775,000 *l.* Part of their Capital to 4 *per Cent.* at Midsummer 1727. But it must be observ'd 'tis that very Sum their Memorable Bargain was made for with the *South Sea* Company in 1720, and if that had been kept, it had been reduced in Consequence at that time. Since

Since 1717, the Income of the Sinking Fund has paid off several Debts, so that the whole Sinking Fund is about 1,200,000 *l. per Annum*: But those Payments are, in a great Measure, the Consequence of the former Reductions.

This is the happy State of the Sinking Fund with regard to its self, and likewise of the publick Credit, and the whole of the Savings in 1717, and since, are about 800,000 *l. per Annum*.

These being the Facts by which the Sinking Fund has been carried to this Height, by which the Nation's Debts may be discharg'd in a short time, besides the easing the Publick in carrying on the current Service; it may not be thought improper to make some Observations on the Manner of effecting it.

The *South Sea* Company in the Year 1717, led the Way by a voluntary Agreement to reduce their Capital, which was near half the Sum to be reduced, and they were, in effect, the only Persons to be agreed with. The Redeemable  
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ble Fund belonging to the Bank being but 1,775,000*l.* and the Proprietors of the several other Redeemable Funds were not incorporated, or in a collected Body, so that there could not be any Agreement made with them ; and the Bargain with the Bank was a complicated one, with that about their Exchequer Bills, which it is reasonable to conclude they thought were become too large a Sum to be circulated, and therefore a Part was reduc'd into an Annuity ; after which the remaining Sum of those Bills were more easy to circulate, and consequently to be done at a less *Præmio*, and the Reduction of Interest must naturally produce a Saving in the Circulation of those Bills ; and as those Circulations are what the Bank always undertake ; this cannot be said to be done at a cheaper Rate than others would have done it : Besides the Bank got the Receipt of about 570,000*l.* *per Annum* weekly, and paid it but half yearly, which is of great Value to a Bank.

The

The Bargain with the *South Sea* Company was a plain naked one of Reduction ; besides their covenanting to advance two Millions, was a thing of a quite different Nature from that with the Bank, for their advancing 2,500,000 *l.* as they are another Sort of Society, it being a Bank's Business to lend, by which they are always Gainers : Whereas the *South Sea* Company must have borrow'd what they advanced at the same if not a greater Interest than they were to receive ; so that without detracting from any others it may be fairly said that the *South Sea* Company were the chief Instruments in bringing about the Reduction of Interest in 1717, and the only Persons that effected that in 1727 ; by which the Sinking Fund has been increased to so large a Sum annually.

But as some mischievous Consequences attended the *South Sea* Scheme in the Year 1720, by Interruption or Interposition, it naturally leads into the Enquiry when and how that happened.

The

The Proposition made to the Parliament in 1720, was only for a voluntary Subscription of the Proprietors of the irredeemable and redeemable Debts, into the *South Sea* Stock, at the best Terms the Company could agree with them (which was no more than selling their Stock by Subscription) a Method the Bank has often pursued; and as the Ministry knew the Company had gain'd a Sum for their Proprietors by taking in Part of the Lottery 1710, the Year before, besides what they paid the Government for so doing, they insisted the Company should pay a Sum of Money to the Government, for the Liberty of having the said Debts subscrib'd into their Stock.

Before this Proposition the Bank had been applied to for undertaking this Matter, but they refus'd it, treating it with Contempt.

But on the Proposition being made to the House of Commons, they became Bidders of about five Millions and a Half to the Government, by which the

Scheme first propos'd was entirely alter'd, the same being then put up to the highest Bidder ; which influenc'd the Minds of all Sorts of Persons, and was the Occasion of the extravagant Rise of Stock, whereby all the mischievous Consequences to private persons ensued ; for 'tis plain the Nation has receiv'd a great Advantage by it, and therefore the ill Consequences can only be the increasing some Persons Estates, and decreasing the Estates of others. The second Reason of the ill Consequences of the Scheme, was owing to the memorable Bargain which the Bank solemnly made with the *South Sea* Company, and never perform'd, whereby so many Persons were misled and thereby very greatly injur'd. I am,

*S I R,*

*Yours, &c.*

LETTER

## LETTER II.

*September 14. 1728.*

S I R,

**I**N Yours of the 15th of *June* last, you very plainly stated the Nature, Rise, and Progress of the Sinking Fund, which till then was all Mystery to the generality of People.

In the Year 1717 it took its Rise chiefly from the voluntary Consent of the *South Sea* Company to reduce their whole Stock from 6 to 5 *per Cent.* and the greatest Addition that has since been made to the Sinking Fund, is solely to be attributed to the Execution of the *South Sea* Scheme, in the Year 1720.

But tho' the Advantage which this Sinking Fund has receiv'd from the Scheme in the Year 1720, is as plain a Fact, and as plainly stated by you in the above-mention'd Letter, as any matter of Fact



an be ; yet there is an Objection started that the Sinking Fund would have made a greater Progress in the manner it was begun in the Year 1717, and been advanc'd higher than it now is, had it not been for the Execution of the *South Sea* Scheme in the Year 1720.

That this is an Assertion both against Reason and Fact, will be very evident from the following Considerations.

The Sinking Fund, 'tis well known, took its Rise from the Reduction of Interest, which was form'd upon a Proposition to the Proprietors of the redeemable Debts, either to accept of a Reduction of their Interest from 6 to 5 *per Cent.* or to be paid off.

This Proposition took Effect, by the voluntary Consent of the *South Sea* Company, to such a Reduction of their Capital of ten Millions, and by the Sums of Money which the Bank and the said Company agreed to lend the Government, to enable them to pay off such of the Redeemables, as would not accept of such a Reduction.



duction of their Interest, from 6 to 5  
*per Cent.*

Thus by the Reduction of the Redeemables, and of their Interest, and Charges on Exchequer Bills occasion'd thereby, there was an annual Saving of about 320,000 *l.*

And here I can't omit taking Notice, that the Desire the *South Sea* Company had of seeing the National Debt put into a Method of being paid off, seems to have been the principal, if not the only Inducement to them, to contribute so largely to that Reduction, as appears by the Proposal they then made to the Government in that behalf. One essential Part whereof was, that the Savings thereby should be applied and appropriated for, and towards paying and discharging the National Debts. And the same were accordingly appropriated, and became the Foundation of the so justly valued Sinking Fund, which may be fairly said not only to have been built upon that Foundation, but to owe its Being to that  
Part

Part of the *South Sea* Company's Proposition, wherein they made the establishing such a Sinking Fund, as a Condition of their consenting to the Reduction of their own Interest, and the lending the two Millions towards reducing the rest.

Having now seen that the Foundation and Being of the Sinking Fund is owing principally, if not wholly, to the *South Sea* Company; let us proceed to consider, whether the Plan upon which that Reduction in 1717 was built, or any other Plan that has hitherto appear'd (other than the *South Sea* Scheme in 1720) was capable of making any Increase of the Sinking Fund, by any further Reduction of the Interest of the National Debt.

And here it may be affirm'd, that neither the Plan of 1717, nor any other Plan which hath yet appear'd, (except the *South Sea* Scheme of 1720.) was capable of making any considerable (if any) further Reduction of the Interest of the National Debt, as will, I think, be manifest by considering, That

That tho' the Reduction of the Redeemables from 6 to 5 *per Cent.* was effected, as is above related; yet the other great Branch of our Debts, which are call'd the Long Annuities, or Irredeemables, could not be come at in the same Manner.

The Proposition that had been made in 1717 to the Redeemables, could not be made to the Proprietors of the Irredeemables; there was nothing to move them to such a voluntary Reduction of their Interest, nor could they be paid off, upon their Refusal of such a Reduction.

Here then the Plan of the Year 1717 was at a full stand; it had no Proposition to make to the Irredeemables, nor any Method how to treat with them.

Again, as this Method of the Year 1717, could give the National Debt no Relief from the Irredeemables, so it ceased to have any farther Effect as to the Redeemables.

It was very improbable, if not impossible, to bring them to any farther Reduction of their Interest, as things then stood, and that for these Reasons.

*First*, Because the Redeemables had so just a Plea against any farther Reduction of their Interest.

For they then urg'd, that it was highly unreasonable for them to lessen their Interest so much to their own Loss, whilst their fellow Creditors, the Irredeemables, were still in their first State, and were not only to continue so for above eighty Years, but were also put into a State of greater Advantage by the Reduction of the Redeemables; for as the National Interest lessen'd, their Value proportionably encreas'd.

This was an invincible Argument against any farther Reduction of the Interest of the Redeemables, and such a Difficulty as the Methods then on Foot could not relieve

*Secondly*, As to the Capital of the *South Sea Company*, as it was not redeemable

deemable till the Year 1724, so it can't be suppos'd, that without any new Scheme, they should have voluntarily consented to a farther Reduction of the Interest of their Capital, so many Years before it became redeemable.

So that if the *Scheme* of 1720 had not intervened at that Time, the Method of 1717 could not have produced any farther Reduction even of the Redeemables themselves; and consequently without that *Scheme*, the Sinking Fund could have receiv'd no farther Increase from the lessening of the Interest of the National Debt.

If it should here be said, that perhaps the Bank might have come into a second Reduction, tho' the abovemention'd Creditors would not; I desire that it may be consider'd how unlikely it is they should have done thus, who in the first Reduction of 1717, reduc'd only 1,775,000*l.* of their Capital; and were at the same time made amends for it by so good a Ward, as the redeemable Funds being put into their Hands. By

which Means they received about 570,000 *l. per Annum* Weekly, and paid it out but Half yearly, which, as was observ'd in your former Letter, is of great Value to a Bank.

Is it likely therefore, that they who could only be brought to a first Reduction of only a Part of their Capital, and upon such Terms of Advantage, should afterwards, without suitable Advantages, consent to reduce the Interest of 3,775,000 *l.* so much to their Loss?

We see in Fact, that they stay'd till the Year 1725, before they could be induced to agree to the Reduction of the Interest of this Sum, which was not to take Place till the Year 1727; and that not till they had stood a Year's Notice for Payment of 1,775,000 *l.* part thereof, and were in Expectation of Notice to be paid off the rest; and they continue still their Original Capital at an Interest of 6 *per Cent.* So that this, I think, is Argument enough, that they were not inclin'd to assist in a farther Reduction. The

The Matter therefore plainly stood thus, in the Year 1720.

The Redeemables had invincible Reasons against consenting to any farther Reduction of their Interest, without which Reduction the Sinking Fund could make no farther Advance. And as to the Irredeemables, the Method on which the Sinking Fund then stood, had no way of coming at them.

At this time therefore, when all things were at this stand, the *South Sea* Scheme brought a full Relief in both these Difficulties.

And by taking in  $\frac{2}{3}$ <sup>ths</sup> of the Irredeemables into its Stock, it chang'd their Nature, and brought them under the same Reduction as its own Capital; which was a thing no other way to be effected.

By this Means also, all the Objections of the Redeemables were answer'd against any farther Reduction, who had nothing to urge against a second Reduction, where the Irredeemables were to be join'd with them.



Thus did this Scheme bring these two great Branches of the whole National Debt into one common Reduction of their Interest, which has rais'd the Sinking Fund (now the Nation's Glory) from about 320,000 *l.* to about 1,200,000 *l.* a Year.

Can any Body therefore think, why it should be asserted, that this Scheme in the Year 1720, interrupted the Progress of the Sinking Fund as it was begun in the Year 1717? When it is thus evident that it is this Scheme alone that has helped it forward, when it was at a full stand, by reducing such Interests as were not capable of any Reduction without it.

The great Height of the Sinking Fund takes its Date from the Reduction in the Year 1727. How came the Reduction of that Year? It was the *South Sea* Scheme that contrived and made it. And yet it seems this *South Sea* Scheme has interrupted the Progress of the Sinking Fund.

*Lastly,*



*Lastly*, It is not only thus plain, that it is the Execution of the *South Sea* Scheme, that has brought the Sinking Fund to this State of Glory in which it now is, but that the Method of doing it; was the only Method that could be found out.

This may be fairly collected from these two Considerations.

*First*, Because that small Remainder of the Irredeemables, which were not subscribed in the Year 1720, are still in the State they were; and no Method is yet found out to bring them into a State of Reduction, which surely would have been done, if a Scheme for it was not wanting.

*Secondly*, Because the Bank had no other, or wiser Method to propose in their Scheme 1720, but were forced to proceed upon the same Plan, as was laid down in the *South Sea* Scheme.

These two Considerations plainly shew, that there neither was then at that time, nor is since discover'd any other Method  
of

of reducing the Interest of the National Debt, besides that which took Effect in the Execution of the *South Sea* Scheme, and which has rais'd the Sinking Fund to this happy State, in which the Nation now finds it.

This Reduction of the National Debt, and the Increase of the Sinking Fund, in the way it has now happen'd, being the chief, and most essential Part of the *South Sea* Scheme.

One would not imagine therefore that they who glory in this Reduction of the National Debt, and the happy increase of the Sinking Fund, as things likely to relieve a whole Nation from so immense a Burthen, and render us a rich and happy People, should at the same time cast any Reproach upon that Scheme, which has effected this in the Eyes of all the World, and that so very lately.

And yet on the other Hand, if every Body should confess, (what every Body sees) that this happy State of the National Debt, which presents us with such fine  
Prospects

Prospects of speedy and universal Relief, is put into our Hands, and made sure to us by the Execution of that Scheme, it may possibly then appear to some People as great a Wonder, I don't say why we could not forgive, but why we could not be content to prosecute the Authors of such a Scheme by the common Methods of Law.

It is not intended by any thing that is here said to insinuate that there were no Calamities in that Year; but then it is to be consider'd, that they were chiefly such Calamities, as particular Persons brought upon themselves, or on one another; not such as were made necessary by the Scheme, or the Execution of it; but by the concurrent Extravagance of all Ranks of People in the Kingdom.

The Directors, as private Men, were, undoubtedly, like other private Men at that time; they could not be free from Passions, which govern'd almost every Body else, and therefore as such, have all of them their particular Conduct to answer for.

But

But as the private Gainers of that Year would have thought it hard, that their new Gains should have been taken from them by a new Law; so it cannot be help'd, if some People should be of Opinion, that 'tis as hard a Measure to make the Calamities of the Losers, a Reason of taking from the Directors their old Estates.

The Matter therefore plainly stands thus, the Publick has no Complaint against the Scheme, because those things which are effected by it, are now become the publick Glory of the Nation. I am,

*S I R,*

*Yours, &c.*







