

John Locke

Some Considerations of the Consequences of the Lowering of Interest and the Raising the Value of Money

Part 3

Sir,

If I have been led a little too far from one thing to another, in the consideration of Money, I beg your Pardon, hoping that these Particulars will afford some light to our present Subject.

To return to the Price of Land, 'Tis evident by what has been above-said, That the Years Purchase of Land do not increase with the fall of Interest, and the abating that good quality in Money of yielding Yearly Six per Cent. to Four, does not presently so sink its Value, in respect of Land, that One Third more is required in exchange: Falling of Interest from Six to Four, will not raise Land from Twenty to Thirty years Purchase. The rising and falling of the Price of Land, as of other things, depends much on the quantity of Land, set to Sale, compar'd with the quantity of Money design'd for that Traffick, or which amounts to the same thing, upon the number of Buyers and Sellers. For where there are many Sellers and few Purchasers, though Interest be lessened, Land will be cheap, as I have already shew'd. At least, this is certain, That making a Law to reduce Interest, will not raise the Price of Lands: It will only, by driving it more into the Bankers Hands, leave the Country barer of Money, whereby, if the price of Land about London, should be accidentally raised, that of remoter Counties would thereby have fewer Purchasers, and at lower Rates.

This being so, that the low rate of Land depends much on the great number of Sellers in proportion to Purchasers, the next thing to be inquir'd into, is, What makes plenty of Sellers? and to that the Answer is obvious, general ill Husbandry, and the consequence of it, Debts. If a neglect of Government and Religion, ill Examples, and depraved Education, have introduc'd Debauch'hery. and Art or Chance has made it fashionable for Men to live beyond their Estates, Debts will increase and multiply, and draw with them a necessity on

Men, first of Incumbring, and then Selling their Estates. This is generally the cause why Men part with their Land: And I think there is scarce one of an hundred, that thinks of Selling his Patrimony, till Mortgages have pretty well Eat into the Freehold; and the weight of growing Debts force a Man, whether he will or no, out of his Possessions. When almost is there ever a clear and unincumbered Estate set to Sale? 'Tis seldom a thriving Man turns his Land into Money to make the greater advantage: The Examples of it are so rare, that they are scarce of any Consideration in the number of Sellers.

This I think may be the Reason, why in Queen Elizabeth's days (when Sobriety, Frugality, and Industry, brought in daily Increase, to the growing Wealth of the Kingdom) Land kept up its Price, and Sold for more Years Purchase, than corresponded to the Interest of Money, then busily employ'd in a thriving Trade, which made the natural Interest much higher than it is now, as well as the Parliament then set it higher by Law.

On the contrary side, what makes scarcity of Purchasers?

1. The same Reason, Ill Husbandry. When the Tradesman lives up to the height of his Income, and the vanity of Expences either drains the Merchants Coffers, or keeps them from over-flowing, he seldom thinks of Purchasing. Buying of Land is the result of a full and satiated Gain: And Men in Trade seldom think of laying out their Money upon Land, till their Profit has brought them in more, than their Trade can well employ; and their idle Bags cumbring their Counting Houses, put them upon emptying them on a Purchase.

2. Another thing that makes a scarcity of Buyers of Land, are doubtful and ill Titles: Where these are frequent and fatal, one can no more expect, that Men, who have Money, should be forward to Purchase, than Ships richly laden to venture themselves amongst Rocks and Quicksands. 'Tis no wonder such Seas should not be much frequented, where the Examples, and remains of daily Wrecks, shew the folly, and hazard of the Venture, in the number of those who have Miscarried.

3. A general decay of Trade discourages Men from Purchasing: For this threatens an Universal Poverty, which is sure to fall first and heaviest upon Land. The Merchant who furnishes the improvident Landholder, will not fail to have Money for his Wares with Gain, whether the Kingdom get by his Trade or no; and he will keep his Money rather employed in Trade, which

brings him in profit, (for the Merchant may get by a Trade that makes the kingdom Poor) than lay it out in Land, whose Rents he sees sinking, and foresees by the course of Trade, is likely to continue on to do so: When a Nation is running to decay and ruin, the Merchant, and Monied Man, do what you can, will be sure to starve last: Observe it where you will, the decays that come upon, and bring to Ruin any Country, do constantly first fall upon the Land: And though the Country Gentleman, (who usually securely relies upon so much a Year as was given in at his Marriage Settlement, and thinks his Land an unmoveable Fund for such an Income) be not very forward to think so: Yet this nevertheless is an undoubted truth, that he is more concern'd in Trade, and ought to take a greater care, that it be well manag'd, and preserv'd, than even the Merchant himself. For he will certainly find, when a decay of Trade has carried away one part of our Money out of the kingdom, and the other is kept in the Merchant and Tradesman's Hands, that no Laws he can make, nor any little Arts of Shifting Property amongst our selves, will bring it back to him again; but his Rents will fall, and his Income every day lessen, till general Industry, and Frugality join'd to a well order'd Trade, shall restore to the kingdom the Riches and Wealth it had formerly.

This by the way, if well consider'd might let us see, that Taxes, however contriv'd, and out of whose Hand soever immediately taken, do in a Country, where their great Fund is in Land, for the most part terminate upon Land. Whatsoever the People is chiefly maintained by, that the Government supports it self on: Nay, perhaps it will be found, that those Taxes which seem least to affect Land, will most surely of all other, fall the Rents. This would deserve to be well considered in the raising of Taxes, lest the neglect of it bring upon the Country Gentleman an Evil which he will be sure quickly to feel, but not be able very quickly to remedy. For Rents once fallen are not easily raised again. A Tax laid upon Land seems hard to the Landholder, because it is so much Money going visibly out of his Pocket: And therefore as an ease to himself, the Landholder is always forward to lay it upon Commodities. But if he will thoroughly consider it, and examine the Effects, he will find he Buys this seeming Ease at a very dear rate: And though he pays not this Tax immediately out of his own Purse, yet his Purse will find it by a greater want of Money there at the end of the year, than that comes to, with the lessening of his Rents to boot; which is a settled and lasting evil, that will stick upon him beyond the present Payment.

To make this clear, let us suppose in the present State of Affairs in England, that the

Rents of England are Twelve Millions, and that the Charge and Necessities of the Government requires a supply of Three Millions from the Parliament, which is laid on Land. Here is one fourth part of his Yearly Income goes immediately out of the Landlords and Landholders Pocket. This is a Burthen very apt to be felt. The Country Gentleman, who actually pays the Money out of his Pocket, or finds it deducted out of his Rent at Quarter-day for Taxes, sees and very sensibly observes what goes thus out of his Estate. But though this be a Quarter of his yearly Income, and out of an Estate of Four hundred pounds a Year, the publick Tax now openly takes away One hundred: Yet this influences not at all the yearly Rent of the Land, which the Rack-renter, or under Tenant pays: It being the same thing to him, whether he pays all his Rent to the King, or his Landlord, or half, or a quarter, or none at all to the King; the Case is all one to him, what Hand receives his Rent, when due: So Trade Nourishes, and his Commodities go off well, he will be able to pay his Rent on. This lessens not any more the Value of his Farm, than an high or a low chief Rent does paid out of it to the Lord of the Fee: The Tenant's Bargain and Profit is the same, whether the Land be charg'd, or not charg'd with an Annuity payable to another Man. We see this in College Leases, where though the College Tenant pays for it to the College some years five times as much as he does others, upon the varying Rate of Corn: Yet the Under Tenant feels not this Alteration in the least, nor finds a Reason to have his Rent abated, because a greater part of it is diverted from his Landlord. All this is but changing the Hand, that receives the Rent, without any influence at all upon the yearly Value of the Estate; which will not be let for one Penny more or less to the Renter, however, or amongst whomsoever, the Rent he pays, be divided. From hence it is evident, That Taxes laid on Land do not in the least make Rents fall.

But suppose, to shift off the Burthen from the Land, some Country Gentlemen should think fit to raise these three Millions upon Commodities, to let the Land go free. First, it is to be consider'd, That since the publick Wants require three Millions, (for that we supos'd for Argument sake; let it be three Millions, or one Million, that's all one;) and so much must go into the King's Coffers; or else the Necessities of the Government will not be supplied; That for raising these three Millions on Commodities, and bringing so much into the Exchequer, there must go a great deal more than three Millions out of the Subjects Pockets. For a Tax of that nature cannot be levied by Officers, to watch every little Rivulet of Trade, without a great Charge, especially at first trial. But supposing no more Charge in raising it, than of a Land Tax, and that there are only three Millions to be paid, 'tis evident that to do this out of Commodities, they must to the Consumer be raised a quarter in their Price; so that every thing, to him that uses it, must be a quarter dearer. Let us see now who at long run must pay this quarter, and where it will light. 'Tis plain,

the Merchant and Broker, neither will nor can; for if he pays a quarter more for Commodities than he did, he will sell them at a Price proportionably raised. The poor Labourer and Handicraftsman cannot: For he just lives from hand to mouth already, and all his Food, Clothing and Utensils, costing a quarter more than they did before, either his Wages must rise with the Price of things, to make him live; or else, not being able to maintain himself and Family by his Labour, he comes to the Parish; and then the Land bears the Burthen a heavier way. If the Labourer's Wages be rais'd in proportion to the increas'd Rates of things, the Farmer, who pays a quarter more for Wages, as well as all other things, whilst he sells his Corn and Wool, either at the same rate, or lower, at the Market, (since the Tax laid upon it makes People less forward to buy) must either have his Rent abated, or else break and run away in his Landlord's Debt: And so the yearly Value of the Land is brought down. And who then pays the Tax at the Years end, but the Landlord: When the Tenant, not able to raise his Rent by his Commodities, either runs away in his Landlord's Debt, or cannot be continued in the Farm without abatement of Rent? For when the yearly charge in his Farm is greater by the increase of the Labourers Wages, and yet his product Sells cheaper by reason of the Tax laid on his Commodities; how will the Farmer be able to make up his Rent at Quarter-Day? For this may be worth our Notice, that any Tax laid on Foreign Commodities in England, raises its price, and makes the Importer get more for his Commodity. But on the contrary a Tax laid on your Native Product, and home-made Commodities, lessens their price, and makes them yield less to the first Seller.

The Reason whereof is plain. For the Merchant Importing no Commodity but what the necessity, or fashionable Wantonness of your People gives him Vent for, will not only proportion his Gain, to the Cost and Risque which he has been at before Landing; but will expect profit of his Money paid here, for any Tax laid on it; and take advantage from thence to raise his price above what his Tax comes to; and if he cannot do that, he will Trade no more in that Commodity. For it being not the Product of his Farm, he is not tied to bring it to Market, if he finds its price not answer his Expectation there, but turns himself to other Wares, which he finds your Markets take off better. A Merchant will never continue to Trade in Wares, which the change of Fashion, or Humour, amongst your People, has made less vendible, though he may be sometimes caught by a sudden alteration. But that seldom happens in the course of Trade, so as to influence the great bulk of it. For things of Necessity must still be had, and things of Fashion will be had as long as Men have Money or Credit, whatever Rates they cost, and the rather because they are dear. For it being Vanity not Use that makes the Expensive Fashion of your People, the Emulation is, who shall have the finest, that is, the dearest things, not the most

convenient or useful. How many things do we value or buy, because they come at dear rates from Japan and China, which if they were our own Manufacture or Product, common to be had, and for a little Money, would be contemned and neglected? Have not several of our own Commodities offered to Sale at reasonable Rates been despised, and the very same eagerly bought and brag'd of, when sold for Fiench at a double Price? You must not think therefore that the raising their Price will lessen the Vent of Fashionable Foreign Commodities amongst you, as long as Men have any way to purchase them, but rather increase it. French Wine is become a Modish Drink amongst us, and a Man is asham'd to Entertain his Friend, or almost to Dine himself Without it. The Price is in the Memory of Man rais'd from 6 d. to 2 s. and does this hinder the Drinking of it? No, the quite contrary, a Man's way of Living is commended, because he will give any Rate for it: And a Man will give any Rate rather than pass for a poor Wretch, or Penurious Curmudgeon, that is not able or knows not how to live well, nor use his Friends civilly. Fashion is for the most part nothing but the Ostentation of Riches, and therefore the high price of what serves to that, rather increases than lessens its Vent. The contest and glory is in the Expencc, not the Usefulness of it; and People are then thought, and said to live well, when they can make a shew of rare and foreign things, and such as their Neighbours cannot go to the Price of.

Thus we see how Foreign Commodities fall not in their Price by Taxes laid on them, because the Merchant is not necessitated to bring to your Market any but Fashionable Commodities, and those go off the better for their high rate. But on the contrary your Landholder being forced to bring his Commodities to Market, such as his Land and Industry affords them, common and known things, must sell them there at such price as he can get. This the buyer knows; and these home-bred Commodities being seldom, the Favourites of your People, or any farther acceptable, than as great conveniency recommends them to the Vulgar, or downright necessity to all, as soon as a Tax is laid on them, every one makes as sparing a use of them as he can, that he may save his Money for other necessary, or creditable Expences, whereby the price they yield the first Seller is mightily abated, and so the yearly value of the Land, which produces them, lessen'd too.

If therefore the laying of Taxes upon Commodities does, as it is evident, affect the Land, that is out at Rack-rent, it is plain it does equally affect all the other Land in England too, and the Gent. will, but the worst way, increase their own Charges, that is by lessening the Yearly Value of their Estates, if they hope to ease their Land, by charging Commodities. It is in vain in a Country whose great Fund is Land, to hope to lay the publick charge of the Government on any thing else; there at last it will terminate. The

Merchant (do what you can) will not bear it, the Labourer cannot, and therefore the Landholder must: And whether he were best do it, by laying it directly, where it will at last settle, or by letting it come to him by the sinking of his Rents, which when they are once fallen every one knows are not easily raised again, let him consider.

Holland is brought as an instance of laying the Charge of the publique upon Trade, and 'tis possibly (excepting some few small Free Towns) the only place in the World that could be brought to favour this way. But yet when examin'd will be found to shew the quite contrary, and be a clear Proof, that lay the Taxes how you will, Land every where, in proportion, bears the greater share of the burthen. The publick Charge of the Government, 'tis said, is, in the United Provinces, laid on Trade. I grant it is, the greatest part of it; But is the Land Excus'd or Eas'd by it? By no means, but on the contrary so loaded, that in many places half, in others a quarter, in others one eighth of the Yearly value does not come into the owners Pocket: And if I have not been misinformed, the Land in some places will not pay the Taxes: So that we may say, that the Charge of the Government came not upon Commodities till the Land could not bear it. The burthen unavoidably settles upon the Land first, and when it has pressed it so, that it can yield no more, Trade must be brought in in aid to help to support the Government rather than let all sink: But the first stress is always upon Land, and as far as that will reach, it is unavoidably carried, lay your Taxes how you will. 'Tis known what a share of the publick charges of the Government is supported by the Trade of Amsterdam alone, as I remember that one Town pays Thirty-six in the Hundred of all the publick Taxes raised in the United Provinces. But are the Lands of Guelderland eas'd by it? Let any one see in that Country of Land more than Trade, what they make clear of their Revenues, and whether the Country Gentlemen there grow rich on their Land, whilst the Merchant having the Taxes laid on his Commerce is impoverish'd? On the contrary Guelderland is so low and out of Cash, that Amsterdam has been fain for many Years to lay down the Taxes for them, which is, in effect, to pay the Taxes of Guelderland too.

Struggle and contrive as you will, lay your Taxes as you please, the Traders will shift it off from their own Gain; the Merchants will bear the least part of it, and grow poor last. In Holland it self, where Trade is so loaded, who, I pray, grows richest, the Land-holder or the Trader? Which of them is pinch'd, and wants Money most? A Country may thrive, the Country Gentleman grow rich, and his Rents encrease (for so it has been here) whilst the Land is Taxed: But I challenge any one to shew me a Country, wherein there is any considerable publick Charge raised, where the Land does not most sensibly feel it, and in proportion bear much the greater part of it.

We must not therefore impute the falling of the Rents, or of the price of Land, to high Interest; Nor, if ill Husbandry has wasted our Riches, hope by such kind of Laws to raise them to their former value. I humbly conceive we shall in vain endeavour it by the fall of Interest: The number of Buyers must be increased, and Sellers lessen'd, which must be done by other ways, than regulating of Interest, or else the Landed-man will neither find Chapmen for his Land, nor for the Corn that grows on it, at the rate he desires.

But could an Act of Parliament, bring down Interest to Four per Cent. and the lowering of that immediately raise the Purchasers Fine from 20 to 25 Years Purchase; yet it may be doubted, whether this be fit to be made into a Law, because it would be of no advantage to the Kingdom. For what profit would it be to the Nation to make a Law, that he who sells Land should instead of Four have Five hundred pounds of the Purchaser? This indeed a little alters the distribution of the Money, we have amongst us Englishmen here at home, but neither helps to continue what we have, nor brings in more from abroad: Which being the only concernment of the Kingdom, in reference to its Wealth, is apt to be supposed by us without doors to be the only care of a Parliament. For it matters not, so it be here amongst us, whether the Money be in Thomas or Richards Hands, provided it be so order'd, that, whoever has it, may be encouraged to let it go into the current of Trade, for the improvement of the general stock, and wealth of the Nation.

As this increase of the Fine in the purchase of Land is not an advantage to the kingdom, so neither is it to the Landholder, who is the person, that bearing the greatest part of the burthens of the Kingdom, ought, I think, to have the greatest care taken of him, and enjoy as many Privileges, and as much Wealth, as the favour of the Law can (with regard to the Publick-weal) confer upon him. But pray consider: The raising the Price of Land in Sale by increasing the number of Years Purchase to be paid for it, gives the advantage not to the Landholder, but to him that ceases to be so. He that has no longer the Land has the more Money, and he who has the Land is the poorer. The true advantage of the Landholder is, that his Corn, Flesh, and Wool, sell better, and yield a greater price; this indeed is a profit, that benefits the owner of the Land, and goes along with it: It is this alone raises the Rent, and makes the Possessor richer: and this can only be done by increasing our Wealth, and drawing more Money into England, which the falling of Interest, and thereby (if it could effect it) raising the Purchase of Land is so far from doing, that it does visibly and directly one way hinder our increase of Wealth, that is, by hindring Foreigners to come here, and buy Land, and settle amongst us. Whereby we have this double loss; First we lose their Persons, increase of People being the increase both of Strength and Riches. Secondly we lose so much Money. For tho' whatever an

Englishman gives to another for Land, though raised to Forty Years Purchase, be not one Farthing advantage to the kingdom; yet whatever a Foreigner, who purchases Land here, gives for it, is so much every Farthing clear gain to the Nation: For that Money comes clear in, without carrying out any thing for it, and is every Farthing of it as perfect Gain to the Nation as if it drop'd down from the Clouds.

But farther, if consideration be to be had only of Sellers of Land, the lowering of Interest to Four per Cent. will not be in their favour, unless, by it, you can raise Land to Thirty Years Purchase, which is not at all likely: And I think no Body by falling of Interest to Four per Cent. hopes to get Chapmen for their Land at that Rate. Whatsoever they have less, if Law can regulate Interest, they lose of their value of Land, Money being thus abased. So that the Landed man will scarce find his account neither by this Law, when it comes to trial. And at last, I imagine, this will be the result of all such Attempts, that Experience will shew, that the price of Things will not be regulated by Laws, though the endeavours after it will be sure to prejudice and inconvenience Trade, and put your Affairs out of Order.

If this be so, that Interest cannot be regulated by Law, or that if it could, yet the reducing of it to Four per Cent. would do more harm than good: What then should there (will you say) be no Law at all to regulate Interest? I say not so.

For,

1. It is necessary that there should be a stated Rate of Interest, that in Debts and Forbearances, where Contract has not settled it between the Parties, the Law might give a Rule, and Courts of Judicature might know what Damages to allow. This may, and therefore should, be Regulated.
2. That in the present current of running Cash, which now takes its course almost all to London, and is Ingrossed by a very few Hands in Comparison, young Men, and those in Want, might not too easily be exposed to Extortion and Oppression; and the dextrous and combining Money Jobbers not have too great and unbounded a Power, to Prey upon the Ignorance or Necessity of Borrowers. There would not be much danger of this, if Money were more equally distributed into the several quarters of England, and into a greater number of Hands, according to the Exigences of Trade.

If Money were to be hired, as Land is; or to be had as Corn, or Wool, from the Owner

himself; and known good security be given for it, it might then probably be had at the Market (which is the true) Rate, and that rate of Interest would be a constant gauge of your Trade and Wealth. But when a kind of Monopoly, by consent, has put this general Commodity into a few Hands, it may need Regulation, though what the stated Rate of Interest should be in the constant change of Affairs, and flux of Money, is hard to determine. Possibly it may be allowed as a reasonable Proposal, that it should be within such Bounds, as should not on the one side quite Eat up the Merchants, and Tradesman's Profit, and discourage their Industry; nor on the other hand so low, as should hinder Men from Risking their Money in other Mens Hands, and so rather chuse to keep it out of Trade, than venture it upon so small profit. When it is too high, it so hinders the Merchants gain, that he will not Borrow; when too low, it so hinders the Monied Man's profit, that he will not Lend; and both these ways it is a hinderance to Trade.

But this being perhaps too general, and loose a Rule, let me add, that if one would consider Money and Land alone, in relation one to another, perhaps it is now at Six per Cent. in as good a proportion as is possible, Six per Cent. being a little higher than Land, at Twenty Years Purchase, which is the Rate pretty near, that Land has generally carried in England, it never being much over nor under. For supposing 100 l. in Money, and Land of 5 l. per Annum, be of equal value, which is Land at Twenty Years Purchase: 'Tis necessary for the making their value truly equal, that they should produce an equal Income, which the 100 l. at 5 l. per Cent. Interest is not likely to do.

1. Because of the many, and sometimes long intervals of Barrenness, which happen to Money, more than Land. Money at Use, when return'd into the Hands of the Owner, usually lies dead there, till he gets a new Tenant for it, and can put it out again; and all this time it produces nothing. But this happens not to Land, the growing product whereof turns to account to the Owner, even when it is in his Hands, or is allow'd for by the Tenant, antecedently to his entring upon the Farm. For though a Man that Borrows Money at Midsummer, never begins to pay his Interest from our Lady-Day, or one moment backwards, yet he who Rents a Farm at Midsummer, may have as much reason to begin his Rent from our Lady-Day, as if he had then entred upon it.
2. Besides the dead intervals of ceasing Profit, which happen to Money more than Land, there is another Reason, why the Profit and Income of Money let out, should be a little higher than that of Land; and that is, because Money

out at Interest runs a greater Risque, than Land does. The Borrower may break, and run away with the Money, and then not only the Interest due, but all the future Profit, with the Principal, is lost for ever. But in Land a Man can lose but the Rent due, for which usually too the Stock upon the Land is sufficient security: And if a Tenant run away in Arrear of some Rent, the Land remains, that cannot be carried away, or lost. Should a Man Purchase good Land in Middlesex of 5 l. per Annum, at Twenty Years Purchase, and other Land in Rumney-Marsh, or elsewhere of the same Yearly value, but so situated, that it were in danger to be swallowed of the Sea, and be utterly lost, it would not be unreasonable, that he should expect to have it under Twenty Years Purchase; suppose Sixteen and an half. This is to bring it to just the case of Land at Twenty Years Purchase, and Money at Six per Cent. where the uncertainty of securing ones Money may well be allowed that advantage of greater Profit; and therefore perhaps the legal Interest now in England at Six per Cent. is as reasonable and convenient a Rate as can well be set by a standing Rule, especially if we consider that the Law requires not a Man to pay Six per Cent. but ties up the Lender from taking more. So that if ever it falls of it self, the Monied-man is sure to find it, and his Interest will be brought down to it.

High Interest is thought by some a Prejudice to Trade: But if we look back, we shall find, that England never throve so well, nor was there ever brought into England so great an increase of Wealth since, as in Queen Elizabeth's and King James I. and King Charles I. time, when Money was at Ten and Eight per Cent. I will not say high Interest was the cause of it. For I rather think that our thriving Trade was the Cause of high Interest, every one craving Money to employ in a profitable Commerce. But this I think I may reasonably infer from it, That lowering of Interest is not a sure way to improve either our Trade or Wealth.

To this I hear some say, That the Dutch, Skilful in all Arts of promoting Trade, to out-do us in this, as well as all other Advancements of it, have observed this Rule, viz, That when we fell Interest in England from Ten to Eight, they presently sunk Interest in Holland to Four per Cent. and again, when we lower'd it to Six they fell it to Three per Cent. thereby to keep the Advantage which the lowness of Interest gives to Trade. From whence these Men readily conclude, That the falling of Interest will advance Trade in England.

To which I answer,

1. That this looks like an Argument, rather made for the present Occasion, to mislead those who are credulous enough to swallow it, than arising from true Reason, and matter of Fact. For if lowering of Interest were so advantageous to Trade, why did the Dutch so constancy take their measures only by us, and not as well by some other of their Neighbours, with whom they have as great or greater Commerce than with us? This is enough at first sight to make one suspect this, to be Dust only raised, to throw in Peoples eyes, and a Suggestion made to serve a Purpose. For,

2. It will not be found true, That when we abated Interest here in England to Eight, the Dutch sunk it in Holland to Four per Cent. by Law; or that there was any Law made in Holland to limit the Rate of Interest to Three per Cent. when we reduced it in England to Six. It is true, John de Witt, when he managed the Affairs of Holland, setting himself to lessen the publick Debt, and having actually paid some, and getting Money in a readiness to Pay others, sent notice to all the Creditors, That those who would not take Four per Cent. should come and receive their Money. The Creditors finding him in earnest, and knowing not how other Wise to employ their Money, accepted his Terms, and changed their Obligations into Four per Cent. whereas before they were at Five, and so (the great Loans of the Country being to the State) it might be said in this sense, That the Rate of Interest was reduced lower at that time: But that it was done by a Law, forbidding to take higher Interest than Four per Cent. that I deny, and require any one to shew. Indeed upon good Security one might lately have borrowed Money in Holland at Three, and Three and an half per Cent. but not by vertue of any Law, but the natural Rate of Interest. And I appeal to the Men learned in the Law of Holland, whether last Year (and I doubt not but it is so still) a Man might not lawfully lend his Money for what Interest he could get, and whether in the Courts he should not recover the Interest he contracted for, if it were Ten per Cent. So that if Money be to be borrowed by honest and responsible Men, at Three, or Three and an half per Cent. it is not by the force of Statutes and Edicts; but by the natural Course of things, which will always bring Interest upon good Security low, where there is a great deal of Money to be lent, and little good Security, in proportion, to be had. Holland is a Country where the Land makes a very little part of the Stock of the Country. Trade is their great Fund;

and their Estates lie generally in Money: So that all, who are not Traders, generally speaking, are Lenders: Of which there are so many whose Income depends upon Interest, that if the States were not mightily in Debt, but paid every one their Principal, instead of the Four per Cent. Use, which they give, there would be so much more Money than could be used, or would be ventured in Trade, that Money there would be at Two per Cent. or under, unless they found a way to put it out in Foreign Countries.

Interest, I grant these Men, is low in Holland: But it is so not as an effect of Law, or the politick Contrivance of the Government, to promote Trade; but as the Consequence of great Plenty of ready Money, when their Interest first fell. I say when it first fell: For being once brought low, and the Publick having borrowed a great part of private Mens Money, and continuing in Debt, it must continue so though the Plenty of Money, which first brought Interest low, were very much decay'd, and a great part of their Wealth were really gone. For the Debt of the State affording to the Creditors a constant Yearly Income, that is look'd on as a safe Revenue, and accounted as valuable as if it were in Land; and accordingly they buy it one of another; and whether there be any Money in the publick Coffers or no, he, who has to the value of Ten thousand pounds owing him from the States, may sell it every day in the Week, and have ready Money for it. This Credit is so great an advantage to private Men, who know not else what to do with their Stocks, that were the States now in a condition to begin to pay their Debts, the Creditors, rather than take their Money out to lie dead by them, would let it stay in, at lower Interest, as they did some Years since, when they were call'd on to come and receive their Money. This is the state of Interest in Holland: Their plenty of Money, and paying their publique Debts, some time since lowered their Interest. But it was not done by the command and limitation of a Law, nor in consequence of our reducing it here by Law to Six per Cent. For I deny, that there is any Law there yet, to forbid lending of Money for above Three, or Six, or Ten per Cent. Whatever some here suggest, every one there may hire out his Money as freely as he does any thing else, for what rate he can get; and the Bargain being made, the Law will inforce the Borrower to pay it.

I grant low Interest, where all Men consent to it, is an advantage to Trade, if Merchants will regulate their Gains accordingly, and Men be perswaded to lend to them: But can it be expected, when the Publique gives Seven, or Eight, or Ten per Cent. that private Men, whose Security is certainly no better, shall have it for Four? And can there be any thing stranger, than that the same Men who look on, and therefore allow high Use as an encouragement to lending to the Chequer, should think low Use should bring Money into

Trade? The States of Holland some few Years since, paid but Four per Cent. for the Money they owed: If you propose them for an example, and Interest be to be regulated by a Law, try whether you can do so here, and bring Men to lend it to the Publique at that Rate. This would be a benefit to the kingdom, and abate a great part of our publique Charge. If you cannot do that, confess, that 'tis not the Law in Holland has brought the Interest there so low, but something else, and that which will make the States, or any body else pay dearer now, if either their Credit be less, or Money there scarcer.

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