

Ricardo and his contemporaries on Monetary Reform and the National Debt

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Abstract

After the end of the Napoleonic war, few issues of public policy dominated discussions in England as fervently as the issue of currency and the national debt. A time of civil unrest and social radicalisation, the circulation of ideas and pamphlets was prolific. Ricardo stands out as an economist and a Member of Parliament whose concrete plans for reforms were widely influential. This paper surveys his plans on monetary reform and the national debt by putting them into context of his contemporaries. By surveying the variety of proposals to deal with the National Debt, we can notice that Ricardo's was both original in the context of this debate, and in certain ways, progressive.

Key words: Public Finance in History of Economic Thought, Bullionist Controversy, David Ricardo, Monetary Reform, Capital Levy

Introduction

After the end of the Napoleonic war, few issues of public policy dominated discussions in England as fervently as the issue of currency and the national debt. A time of civil unrest and social radicalisation, the circulation of ideas and pamphlets was prolific. From members of parliament and those versed in the new reasoning of political economy, bankers, merchants, and journalists, as well as poets and writers, produced plans and proposals on how to deal with what was perceived as the key problems of the day. It remains relatively underexplored the way in which the variety of proposals regarding the national debt were informed by and related to the more frequently discussed proposals regarding monetary reform and vice versa. For example, did Bullionists and Anti-Bullionists share views on the National Debt? How varied were the proposals on National debt put forward by authors who nonetheless subscribed to Bullionist ideas? Did those subscribing to anti-Bullionist ideas formulate distinct views on the National Debt? This paper, still a work in progress, tries to further this investigation by identifying some key proposals and positions, and by relying on a key protagonist, David Ricardo, and his contributions to the debates.

Ricardo, whose fame was associated with the Bullionist position during the bullion controversies, proposed what were to become very influential solutions to public policy problems and in what became exemplary, explained in detail the means and ways which his proposals could be implemented. The paper discusses how Ricardo devised two influential concrete proposals regarding the currency and the repayment of debt. The paper tries to build on previous work in Laskaridis (2017) and extend it to the contemporaneous discussion on alternative proposals on the National Debt. By surveying proposals to deal with the National Debt, we can notice that Ricardo's was original in the context of this debate, and in certain ways, progressive.

Ricardo's Plan for the Currency¹

England had suspended convertibility of its bank notes into specie in 1797 and during the early 1800s the causes of the deteriorating economic conditions were the subject of intense debate. Ricardo published in 1816, a small pamphlet, *Proposals for an Economical and Secure Currency* a year after the end of the Napoleonic wars, which contained a detailed plan about the logistics of how the Bank of England could return to the gold standard all the while maintaining paper money as a means of payment. The Plan, according to Fetter (1965, 91), 'showed him at his best as an economist' because it provided a roadmap for the creation of the most perfect kind of currency – one that possesses two traits: is both economical in use and secure.

One of the grave concerns about how and when to resume convertibility was the great quantity of gold that the Bank of England might need to purchase in order to satisfy all the notes that holders may want to exchange for gold. In light of this, the first version of the plan appeared in the Appendix of *High Price of Bullion* (Ricardo 1810) as a riposte to the view that the Bank of England would need to accumulate a great stock of gold in anticipation of resumption. Conversely, Ricardo's plan suggested a means to reinstitute a gold standard which would not rely on gold circulating domestically. This was to be done by prohibiting the convertibility of bank notes into gold coins, enforcing the Bank instead to have to pay in gold ingots. Ricardo's ingot innovation was thus to 'replace metallic coin with paper ... using an ingot of standard weight and fineness instead of coin for the conversion of the paper money' (Takenaga 2016, 199). The need to economise on gold as the circulating medium is pronounced in *Proposals* when Ricardo describes the perfect currency as one in whose use 'the utmost economy is practised' (Ricardo 1816, 8). This would reduce the amount of gold needed to circulate as money and so, according to Davis

¹ See Laskaridis C (2017) A Bicentenary Review of Ricardo's *Proposals for an Economical and Secure Currency*, *History of Economics Review*, 65:1, 2-14 for a full account

(2005, 194), the Bank's gold reserves would face reduced pressure and demand by those wanting to redeem their notes because of the sheer inconvenience of receiving ingots in return. This would have the effect of allowing the Bank to maintain a smaller hoard, i.e. smaller reserves, which given the already run-down state of reserves, was an important consideration. 'I think there would be no provision of gold necessary beyond that which the bank must have now, however small it may be' (Ricardo 1819, in Sraffa [1951-1973] V, 383).

Ricardo's reputation is strongly linked to the Bullionist controversies of the early 1800s. According to the Bullionist view, the suspension of convertibility had led to an uncontrolled expansion of note issue by the Bank of England and part of the public debate had focused on identifying the cause of an excess note issue. The Bullion report explains: 'this excess is to be ascribed to the want of a sufficient check and control in the issues of paper from the Bank of England; and originally, to the suspension of cash payments, which removed the natural and true control' (Select Committee on the High Price of Gold Bullion 1810, 73). In agreement with the aims of the Bullionist position, Ricardo's plan was to alleviate the ills caused by an excessive note issue by the Bank of England. But by what criterion can 'excess' be judged? For Ricardo this was observable through the divergence between the market and mint price of gold, the latter being the legally set price of gold prior to suspension.

Monetary adjustment would achieve convergence between these two prices. For example, given the amount of Bank of England notes already in circulation, there would have to be a reduction, estimated of about 15% of the note supply in 1810, to reach par (Bonar 1923, 283). 'Ricardo addressed himself wholly to the question of the adjustment of the supply of money and the price level to the price of gold that would be enforced by the decision to resume cash payments' (Sayers 1953, 39). The aim was thus to close the gap between the market and mint price of gold, which he viewed would only require a small reduction in note issue (Morgan 1943, 44). An 'appreciable margin' was proposed by setting the price for buying gold slightly

cheaper than the price of selling gold £3 17sh 6d for the former and £3 17sh 10 ½ d for the latter' (Arnon, Weinblatt and Young 2011, 29). The way the contraction would be instituted was by beginning resumption of notes for gold at the market price and coming down in small steps at specific periods until the mint price was reached (see Deleplace, 2017). The fall in the price of goods would follow the descent of the market price to the mint price of gold; a process which was estimated to last up to a year (Bonar 1923, 289).

Legitimate concerns about deflationary prospects of a monetary contraction were implicit in the public discussion about 'economising' on gold. Later commentators have challenged the long-established view that Ricardo paid little regard to the deflationary problems of monetary contraction (see Macuzzo and Rosselli, 1994a). Although not his central concern, Ricardo acknowledged that temporary problems could emerge, as Laidler (2000) and Sayers (1953, 45) point out. Sayers (1953, 55) recognises that Ricardo did take note of the effects on employment of a monetary contraction, and notes that Ricardo always insisted on a gradual contraction (Sayers, 1953, 39).

Despite this, Ricardo was frequently charged with being a deflationist. Yet the Plan he conceived promised to reduce the degree of monetary contraction necessary to return to gold. The amount of gold the Bank of England would be required to hold under his scheme was minimised. The quantity of paper money in circulation could then be more easily altered to meet changing conditions. The key operating principle of the plan made the task of the Bank of England to alter the quantity of paper money in circulation in such a way as to prevent divergence between market and mint price of gold (Deleplace 2016, 11). This could be done without any alteration to the quantity of gold held in the Bank's reserves. This is what is meant by the adjective in the pamphlet's title, '*Proposals for an Economical and Secure Currency*', which is to achieve the objective of requiring less circulating gold whilst maintaining the currency's security, i.e. a stable value. It is to this aspect of the plan that we now turn.

A 'currency may be considered perfect, of which the standard is invariable, [and] which always conforms to that standard' (Ricardo 1816, 8). Ricardo's plan not only supported the resumption of cash payments through a scheme that would economise on the amount of gold needed, but it also allowed England to resume gold payments without raising the value of gold, i.e. its purchasing power. 'All writers on the subject of money have agreed that uniformity in the value of the circulating medium is an object greatly to be desired' (Ricardo 1810, 7). By proposing a paper circulation, where Bank of England notes would be convertible into bullion, rather than gold coins, Ricardo sought to improve the pre-1797 system by replacing the expensive medium of gold with one that was cheaper (Ricardo 1816, 32). However, the ingot plan goes further to enhance the stability of the price of gold via the peculiarity of returning to gold without it acting as a circulating medium. If gold was a circulating medium, then any increase in the quantity of gold supplies would affect both the value of the circulating medium and stocks of bullion. Using paper for circulation, however, would allow the price of gold to remain constant 'regardless of the amount of paper' (Arnon, Weinblatt and Young 2011, 146). The advantage of paper over gold was that the quantity of paper money did not rely on the production process and deposit discovery of gold reserves, a source of real instability. With a changing need for trade and changing economic circumstances, the quantity of money could be altered fairly simply, which would allow the value of money to remain more constant (Takenaga 2003: 100). This reveals Ricardo's higher order purpose, which was the search for an invariable measure of value.

Reception of Ricardo's Ideas

Although it was his contributions during the Bullionist controversies that made Ricardo well known, it was not until a few years afterwards that a return to convertibility was discussed in Parliament on the basis of the plan laid out in *Proposals*. Legislation for resumption at pre-war parity was passed in 1819, only to become operational in 1821 – however, it was apparent that the means by which this

would be done would not follow the directions laid out in *Proposals*. A scramble for gold began which exacerbated the high price of bullion and depressed domestic prices further. The Bank of England grew its reserves threefold between 1819 and 1821 (Gomes 1993, 93). By the end of 1821, the drop in prices was far greater than the 10% admitted by Ricardo (Sayers 1953). It is precisely in this period that publications and proposals regarding the National Debt multiplied. How did the protagonists and participants in the debate reconcile the monetary reforms with their views on National Debt? How were these monetary upheavals informing their views on the problems of National debt?

Ricardo's disappointment was great because the ingot plan removed precisely the need to scramble for gold, yet those in control of the 'company of merchants' as Ricardo liked to call the Bank of England, were mismanaging the resumption (Ricardo 1816: 98). He complained that 'every ill which befalls the country is by some ascribed to Peel's Bill, and Peel's Bill is invariably ascribed to me' (Ricardo, 1821, in Sraffa [1951-1973] IX, 122). He protested about the state of affairs, as he had proposed 'a scheme by the adoption of which there would not have been a demand for one ounce of gold, either on the part of the Bank, or of anyone else, and another is adopted by which both the Bank and individuals are obliged to demand a great quantity of gold and I am held responsible for the consequences' (Ricardo 1821, in Sraffa [1951-1973] IX, 123).

Hilton (1977, 87) elucidates some of the reasons the ingot plan was not adopted. Seen as humiliating and unfair, the directors of the Bank of England were unyielding and some wanted to disrupt it. Other reasons for the ingot plan's abandonment are put forward by Smith (2008): the government 'only wanted to use Ricardo's plan as a means to compel an unenthusiastic Bank of England to actually abide by parliament's decision to resume cash payments' (Smith 2008, 55). Once the Bank had agreed to resumption, the specific form of the ingot plan was abandoned (Smith 2008). Ricardo expressed his disappointment at length in his later work *A Plan for the Establishment of a National Bank* (Ricardo 1823). The Bank of England, a private join-

stock company, was abusing its position and profiteering during the Suspension years. Ricardo judged the Bank of England as being unable to resist from profitable lending to its friends and he found its excessive profit making objectionable (Sayers 1953, 32). Returning to convertibility would discipline the Bank: 'The only legitimate security which the public can possess against the indiscretion of the Bank is to oblige them to pay to their notes on demand in specie' (Ricardo 1810 in Sraffa [1951-1973] III, 99).

Now we turn to the opposing perspective regarding monetary reform. Opposition to Resumption came mainly from the anti-Bullionists. Advocating a postponement of the return to convertibility, they distinguished between what caused external monetary problems in the exchanges and what caused internal problems in relation to rising domestic prices (Corry 1962). Anti-Bullionists defended gold convertibility being suspended on grounds that shifted the blame from the Bank of England by attributing monetary problems to different causes (Allen 1999). Their defence of the Bank of England came from the real bills doctrine and the law of reflux. The real bills doctrine held that the increase in bank notes by the Bank of England could not be the source of monetary problems. Responding to a demand for credit that was granted for a trustworthy cause was seen as a guarantee that credit creation in itself could not be the source of inflation. The Bank of England's actions were not to be blamed for inflation for it merely passively responded to the legitimate demands for credit. According to real bills doctrine, appropriate bank lending 'should be confined to loans made on the security of short term bills of exchange issued by reputable merchants or manufacturers to finance production and distribution of real goods' (Laidler 1984, 153). Bank notes could thus never be excessive if they were created out of genuine needs of trade and production. As Corry explains, 'such issues could never be the active factor in any price rise because if they were the equivalent of real security they would only be meeting a demand for credit which was already in existence: hence - according to this view - bank credit met the needs of trade and did nothing to create those needs' (Corry 1962, 75). What follows is that 'a rise in prices is not typically preceded but, on the contrary, is followed by an increase in the

circulating media' (Blaug 1997, 195). An elastic money supply provides an inbuilt mechanism that annihilates purchasing power when the typically short-term bill expires. The Bank of England's liabilities would grow on the basis of the needs of trade and the advances made to government. As a bank's assets would be comprised of real bills, the amount of loans they made would be based on 'goods-in-process' and so 'the means of payments in an economy will necessarily expand in pace with the volume of goods produced' (Blaug 1997, 195). Thus, 'even in the absence of convertibility, a banking system which confines itself to lending on the security of good quality short term commercial loans will automatically act so as to stabilise the price level' (Laidler 1999, 194). If note issuance was regulated by the ability to discount sound real bills, gold reserves would not be reduced. Anti-Bullionists instead put forward what in modern parlance could be called a cost push view of inflation. Bad harvests, for example, caused domestic price increases, not an increase in paper note issue. The importation of expensive corn from abroad (because of the measures of the Corn Laws) was made necessary after a string of bad harvests in England. This was a widely recognised contributor to the economic problems of the time. The high price of bullion and the depreciation of the pound were largely caused, not by an over-issue of the Bank of England, but the large outflows of funds from England to subsidise allies during the Napoleonic Wars (Corry 1962).

To summarise, Ricardo's ingot plan was central to the discussions for reinstituting convertibility, but it was not implemented as described. Although the blueprint laid out in *Proposals* was side-lined, it was praised much later by John Maynard Keynes (Keynes 1913, 5). As we shall now see, Ricardo's plan for the National Debt was also discussed during subsequent problems regarding national debt throughout the 19th century and early 20th century.

England debates the National Debt

A key element of the debate regarding post war reconstruction was about the national debt which provoked discussion no less prolific than that regarding the

resumption of convertibility. "Once the peace treaty had been signed a great number of tracts on the nature of the national debt appeared, and practical proposals for relieving the country from such a public calamity were drafted. The number of contributions was remarkable, probably second only to the other "burning issues" of the time, i.e. the debate on the corn laws and the resumption of specie payments" (Asso and Barucci 1988: 6) . It is the overarching objective to see these two debates in tandem and how numerous remedies for the debt were viewed in relation to the broad monetary positions discussed.

The national debt had grown rapidly throughout the war. The problem it posed was made more acute by two important developments. The first was the abolishment of the income tax, which had predominantly affected those of higher incomes. Although national debt had increased rapidly, the debt burden, debt service to revenue had appeared manageable during the war because of the income tax that had been introduced during the war. The national debt became a noticeable financial strain when the income tax was abolished in 1816, reducing the treasury's income by a sizeable amount, and the ease with the debt had been serviced was cut short. This regressively affected and aggravated the mass of people, who now contributed the bulk of taxes indirectly. The second development that made the debt problem worse was the aforementioned deflationary spiral of this period which increased the real value of debts.

This part of the paper attempts to outline positions on the debt that were being voiced during this time. As shown in the Annex, a preliminary search has brought forward 24 pamphlets of relevance. Not each contains thoroughly worked-out plans but it is possible to ascertain various positions on key issues. [This is a work in progress]. Mapping out some of the opinions allows us to suggest, first, that Ricardo's plan for the National Debt was just one among a myriad of others that were being debated and discussed. Second, that Ricardo's plan was however original, detailed as to its implementation, and relatively progressive.

The first perspective that emerges with regards the National Debt is by members of the commercial and banking professions. In a letter addressed to the Chancellor, the banker, A H Chambers, requests that the chancellor considers Chamber's overall assessment that things are not all that bad. We can see quite clearly the arguments about the positive side effects of the suspension of convertibility and the growth of national debt. He argues along Anti - Bullionist lines, and puts forward that the National debt is neither that burdensome nor problematic. "For although the national debt has abundantly increased, yet has it been accompanied by an extension of national and domestic credit equal to its support, while the resources of the country have been commensurate to its burdens, and everything has prospered. Houses have been built—roads formed—canals cut—bridges erected—and agriculture most wonderfully advanced" (Chambers, 1819, 194). He clearly sees the growth in banking loans as precipitating and enabling the commercial boom to take place, largely due to the circulating medium being 'fictitious' rather than gold. One essential point, repayments being forced to be made in gold would cause a tremendous contraction of the money supply and shock the entire credit system. With regards to the National Debt, the position of Chamber is not so unfavourable: "That horrific bugbear, a national debt, which has so long alarmed the whole nation, is daily lessening in terror, and its weight must diminish in an increased ratio, from two different causes, the one, an accumulation of the sinking fund, the other, an augmentation of the means to support it. Nominal wealth is increasing almost hourly" (Chamber, 1819, 207). In a rather elaborate metaphor, and without surrendering the overarching negative predisposition, Chambers explains the benefits that come from growth in national debt. "The enormous imaginary serpent—the monster of the deep, our national debt—which, by terrifying mankind, called forth all our energies (and) filled the world with wonder that such a monster could exist at all; but more astonished were the civilised nations as to what it could feed on, not reflecting that it preyed on itself—was its own support, and must in time become perfectly inoffensive" (Chambers 1819: 208)

John Brickwood, a rich City merchant and considered close friend to government (Thorne, 1986, 467) in 1820 writes a detailed and technical proposal called "*A plan for reducing the capital and the annual charge of the national debt: suggested to the consideration of members of Parliament*". In it he proposes a debt restructuring, issuing new bonds of longer maturity and using the proceeds to "convert into it a great part of the three per cents. And the whole of the four and five per cents. By these operations a reduction of the capital of the funded and unfunded debt may be accomplished". This would lead to a reduction in principal and lead to large national savings. Numerous calculations of such modifications were made at the time.

A second perspective to emerge is largely by those associated with radical, or reformist views. Several of the pamphlets come from using the UCL Special Collection Hume Tracts, which collects important sources on several causes that were supported by Joseph Hume, a Member of Parliament, during his parliamentary career. The collection represents numerous pamphlets and correspondence by radicals and nonconformists who wrote on a variety of issues. Often these pamphlets are predominantly comprised of descriptions of the difficulties of the labouring classes and the unfair burden of debt and taxation that they shoulder, making reference to contemporaneous issues in public policy (Corn Laws for example). It has not yet been possible to adduce clear views on the monetary questions. Note that many such writers are often anonymous.

For example, an anonymous 1820 pamphlet "*Thoughts on a radical remedy for the present distresses of the country*", the unequal burden of the national debt that is shouldered by the working class is argued in detail: "while the working and lower classes are compelled to pay from their scanty means, a portion of the forty millions of interest annually raised, we have no prospect whatever of an end being put to the general discontent" (Anonymous, 1820, 8). Essential points include the centrality of the burden of public debt to causing the distress of the country which is maintained in parallel with the need to not doubt the validity of the creditor's claim. "We owe the money, it was borrowed, and expended, under parliamentary sanction", alluding

to national honour, it is stated that it should be “redeemed by a full, fair, and faithful discharge of debt” (Anonymous, 1820, 9). The author points that with the increase in debt, there have been an enhancement in the value of property generally, but more particularly of that of land but that overall, wages have steadily declined. The options for liquidation of the national debt the author puts forward are two: the first of further taxation, is ruled out for the inability of working people to carry any further, and the second, through “patriotic or voluntary subscription” which however may not be forthcoming. His proposal is to create a national lottery, the proceeds of which will solely be used for reducing the national debt. The author generally favours reduction of debt, but in no case complete extinction, in fear of upsetting the faith of the public creditor.

One of the founder of the Utopian Socialists , Robert Owen, writes a piece named *“Mr. Owen's proposed arrangements for the distressed working classes, shown to be consistent with sound principles of political economy: in three letters addressed to David Ricardo”* (1819) . He writes of the growth in pauperisation, despite the increasing wealth of the nation. He makes quite a clear argument that alleviating the burden of taxation on the poor would increase demand for domestically produced goods. The main objection to reducing the national debt is an argument regarding incomes on which the poor rely being reduced. “The possibility of the reduction of the national debt, must betray the greatest ignorance of political economy, since no measure could be fraught with more extensive misery to the labouring poor: even the scanty pittance of parochial charity would then be withheld, while the destruction of capital and credit would leave no funds for the employment of labour” (Owen, 1819, 9).

Considerations on the sinking fund, a 145 page pamphlet by an unknown author in 1819, participates in the public debate at a moment where the public opinion on the Sinking Fund is swaying. Despite calling himself an “obscure individual, with a wholly unpractised and unskilful pen” he writes about his ‘sentiments’ regarding the public debt. He makes the point, going contrary to the general tide of public opinion, that the common practice of likening the debt of the Nation with that of an

individual is mistaken. "No circumstance has been a more common source of error, than the habit of considering the public debt of the nation as of the same nature as the private debts of an individual" (Anonymous, 1819). The difference he argues is about the nature of repayment. "The broad difference between the public debts of the nation and the private debts of an individual, that the reimbursement of the latter is for the most part demandable, and not unfrequently at the instantaneous will of the creditor, while that of the former (except in one recent instance) is subject to the will of the debtor alone, has too often escaped observation" (Anonymous, 1819). He remarks that "The community at large being at the same time debtor and creditor to itself, the payment must be made from the members of the community generally, to those particular members of that community who are holders of the stock. It is evident, there can be no increase of wealth to the nation by such a transaction; but there may be great inconvenience and distress occasioned by the mode of carrying this operation into effect". Things are different if the debt is external about which the author develops a series of points regarding repayment (Anonymous, 1819).

Tom Paine, who developed a deep critique of the English parliament, writes in 1817 'The decline & fall of the English system of finance', where he describes the intricacies of the English system of finance and its imminent collapse. He tries to calculate the point at which the government will reach bankruptcy. Paine seems to take a critical view of the depreciation, blaming the financial system's operations for it. "By crowding such a continually increasing mass of paper into circulation, carries down the value of gold and silver... The interest of the national funded debt is paid at the bank in the same kind of paper in which taxes are collected".

Percy Shelley, a romantic and lyric English poet wrote on the links between National Debt and currency depreciation. In *A Philosophical View of Reform* (1820), Shelly outlines how the growth of National Debt brought with it the growth of a 'second aristocracy...who lived mainly on the interest of the Debt' (Cameron, 1943: 201). The reasoning for abandoning the gold standard was to facilitate the large growth of

debt, and Shelly “denies the contention of the government apologists that a depreciated currency is a sign of national prosperity...on the contrary, it adds to the burdens of the poor” (Cameron, 1943, 204). Shelly finds that proposals to reduce the rate of interest, such as those made by other reformists at the time, such as Cobbett, did not go far enough, and that it was the principal of debt that had to be addressed. The proposal Shelly puts forward, no doubt influenced by Ricardo, is no other than the capital levy. It is to the details of the Capital Levy that we will now turn.

Ricardo’s Capital Levy

Rees (1921) notes that Ricardo was the only professional economist to be making a proposal to reduce the national debt by applying a substantial wealth tax on property. Contrary to the above positions, Ricardo put forward debt redemption by means of taxing the country’s property. The proposal can be found in various parts of Ricardo’s work, in particular during the years of 1817 and his death in 1823. The idea is not original to Ricardo, and indeed he mentions that he is indebted to others prior to him for the idea (e.g. Hutcheson, 1721). Primarily it was developed in the article *Funding System*, and elaborated in speeches and correspondence. The rationale for the wealth tax was argued in terms of the negative effect that the debt burden was having on capital flight, occurring partly due to the large burden of taxation: “the whole capital of the country ought to be assessed for the discharge of the public debt, so that no more capital should be allowed to go out of the country without paying its fare proportion of that debt” (in Asso and Barucci, 1988: 14)

Ricardo was led to this conclusion partly because of the exasperation at existing attempts to repay the debt and the inability of existing authorities to manage the sinking fund. “Our sinking fund is gone, and I am not disposed to raise a new one, for the purpose of placing it again at the disposal of our Ministers. Do what you will, they will not respect it” (letter to Trower, 28 May 1819, Ricardo, 1951-73, VIII, pp32-33). Other examples of his disdain at the management of the Fund: “Will the sinking fund affect it (the national debt)? I am persuaded that it never will, for it will never

be safe in the grips of Ministers. Have you virtue enough to pay a great part of your debt by the sacrifice of a portion of your property? That is the question to put to the country" (Letter to Trower, 25 September 1819, Ricardo, 1951-1973, VIII, p 78-9).

The originality of the proposal lies in the *how* the debt is repaid. The proposal is firmly reliant on a form of taxation to repay, a tax not on current incomes, but wealth. It was neatly summarised as the alternative between "levying upon the *source* of income ... or upon income for the service of the debt" (italics in original) (Scott, 1918: 249). Details of the plan include that foreign owned capital would not be subject to the tax and that the repayment would be subject to a nominal reduction meaning the debt would be repaid at a depressed market value (Asso and Baruci, 1988: 15). The intricacies that he worked out made him conclude that "the difficulty of paying the National Debt was not so great as it was generally imagined" (Ricardo, V, p35).

An unpublished manuscript by Ricardo, found by Asso and Barucci in the 1980s contained aspects of the details and calculations of the plan. It is partly due to their work that we are able to see the kind of detailed calculations regarding implementation that Ricardo worked out. For example, one estimate he gives is that the limit in which payers would have to pay the levy was 2-3 years and another to be carried into effect within 4 to 5. There is some debate about what kind of capital ought to be included, land was the most obvious, but also whether items like consumer capital, consisting of jewellery, furniture and the like should be also be included.

The plan has been discussed at several points in particular during times where economic debate is preoccupied with national debt problems and advantages and disadvantages of various schemes to reduce it. Critics of the capital levy have persisted, and Ricardo's contemporaries were particularly vocal (Churchman, 1995) People doubted how landowners would make the payment, at what value would land be sold. Ricardo was attacked for siding with the stockholders as opposed the landowners, and yet both groups attacked Ricardo for leaving out wage earners. He

was thoroughly lambasted by his contemporaries: the plan was described as 'wild', 'startling' and the conclusion of 'man who had not studied mankind' (Baring). The way in which Ricardo argues for the levy has been described as written in 'virile spirit', for he 'never contemplated half measures' taking an all or nothing stance.

As we can see a hundred years after the ideas was originally flouted, Ricardo's capital levy was dividing opinions on what to be done about the debt. When the debate regarding debt repayment resurfaced after the First World War, the capital levy becomes much talked about. Pigou's (1920) 'A capital levy and a levy on war wealth' borrows from Ricardo the notion of making a 'tremendous effort' to repay in one big go a large fraction of the principal. Where they differ is in the inclusion of earned as well as unearned incomes and wealth in the source of the levy.

Conclusion

Ricardo had very concrete and specific proposals on the problems of his time. His monetary plans centred on developing a system to best link paper money to gold, largely ignoring however the vehicles for private credit extension and bulk of the money supply coming from bank loans. On the other hand, he made bold statements regarding the reduction of the debt which appear to be motivated primarily from his despair at the mishandling of economic affairs. Meanwhile those whose primary concern seemed to be issues of social inequality were usually more modest in their proposals regarding debt repayment. The effects of the depreciation and return to convertibility on and with the proposals regarding debt repayment need to be further explored.

Annex 1; list of pamphlets

No.	Document title	Author	Year	Source
1	The decline & fall of the English system of finance	Tom Paine	1817	Hume Tracts
2	Considerations on the sinking fund.	Unknown	1819	Hume Tracts
3	The Financial house that Jack built.	Unknown	1819	Bristol Selected Pamphlets
4	Mr. Owen's proposed arrangements for the distressed working classes, shown to be consistent with sound principles of political economy: in three letters addressed to David Ricardo"	Robert Owen	1819	Hume Tracts
5	The soul of Mr. Pitt: developing that eighteen millions of taxes may be taken off, and the three per cent consols be constantly above 100.	William Dunn	1819	LSE Selected Pamphlets
6	Thoughts on the resumption of cash payments by the Bank: and on the Corn Bill as connected with that measure : in a letter addressed to the ... Chancellor of the Exchequer.	Abraham Henry Chambers	1819	LSE Selected Pamphlets
7	Thoughts on a radical remedy for the present distresses of the country	Anonymous author	1820	Hume Tracts
8	A plan for reducing the capital and the annual charge of the national debt: suggested to the consideration of members of Parliament	John Brickwood	1820	Hume Tracts
9	Elementary thoughts on the bullion question, the national debt, the resources of Great Britain and the	Unknown	1820	Bristol Selected Pamphlets

	probable duration of the constitution.			
10	The Whigs exposed: or Truth by day-light: addressed to the reformers of Britain.	William Benbow	1820	LSE Selected Pamphlets,
11	A letter to Lord Liverpool, on political economy	William Atkinson	1821	Bristol Selected Pamphlets
12	The source and remedy of the national difficulties: deduced from principles of political economy, in a letter to Lord John Russell	Unknown	1821	Hume Tracts
13	A plan for the effectual and permanent relief of the agricultural and commercial distresses of the United Kingdom of Great Britain and Ireland	Richard Kearney	1821	Hume Tracts
14	Notices on political economy, or, An inquiry concerning the effects of debts and taxes of the state of the currency and exchange and of the balance of trade, as they operate on the community considered as a whole.	Unknown	1821	Hume Tracts
15	Plan for establishing a safe and economical currency, commensurate to the wants of the nation: calculated to remedy the present distresses, and to afford a large yearly revenue to the public	Professional gentleman of Edinburgh	1821	Hume Tracts
16	Hints on circulation	John Sinclair	1822	Bristol Selected Pamphlets
17	On the national debt, and on the national distresses of England: in which a remedy is suggested for these national evils : in a letter addressed to the members of both Houses of Parliament	Unknown	1822	Hume Tracts,

18	A letter to the Marquis of Londonderry, in which it is demonstrated beyond the possibility of refutation that two hundred millions of the national debt and one-fourth of all the taxes might be instantly annihilated, to the great advantage of all the parties concerned	Richard Pew	1822	Hume Tracts,
19	The crisis: being a letter to J. W. Denison, Esq. M.P. on the present calamitous situation of the country	W M. Medley	1822	Bristol Selected Pamphlets
20	Observations on trade: considered in reference, particularly, to the public debt, and to the agriculture of the United Kingdom	Richard Heathfield	1822	Hume Tracts
21	Letter V. to the Right Hon. Lord John Russell	John Cartwright	1822	Hume Tracts
22	Mister Mushet's tables overturned, and the debt due to the fundholder accurately stated: with letters to the Earl of Liverpool and theirs ... on the ... Bank Restriction Act, cash-payments, and Mr. Peel's Bill	Unknown	1822	LSE Selected Pamphlets
23	A rapid sketch of some of the evils of returning to cash payments: and the only remedies for them...	William Atkinson	1823	Bristol Selected Pamphlets
24	Observations on the effects produced by the expenditure of Government during the restriction of cash payments	William Blake	1823	Bristol Selected Pamphlets

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