

THE NATIONAL BUDGET.

CHAPTER I.

INTRODUCTORY NOTES ON THE REVENUE OF ENGLAND PRIOR TO THE REVOLUTION OF 1688.

“I ESTIMATE the revenue at £83,000,000, and the expenditure at £82,600,000 for the coming year.” Thus the Chancellors of the English Exchequer usually sum up their annual review of the resources and liabilities of the nation. The words run glibly off the tongue and are easily read, but who amongst us comprehends their meaning; who is there that takes the pains to follow and to understand the details of our imperial finances, even when these are expounded by a financier of the genius and eloquence of Mr. Gladstone? Not one man in ten thousand. To most people the finances of the country are as a sealed book. They have no idea of a definite kind how the money is spent, and, beyond their individual experience, almost as little how it is raised. When a penny is taken off or imposed on the income-tax, each one understands that he has less or more to pay; but the working of our customs and

excise, the effect of certain taxes on industry and trade, and the meaning for the people at large of the abstraction of so much of their resources year by year, few seek to grasp. In many respects this is not to be wondered at, for the people are not educated in financial subjects. Some indeed appear to be educated to despise them, and consider ignorance of the details of budgets, of trade movements, of the distribution of wealth, and so forth, marks of polite culture. Amongst the masses, again, the range of view is often narrow of sheer necessity. What, for example, strikes them in looking at the national outlay is not the great outgoings for naval and military purposes, but the extravagance, as it seems to them, of the royal allowances, and the lavishness of the pension list. So to, in studying the figures of income, the very magnitude of the totals is a source of bewilderment, and complaint is much more frequent about the comparatively small direct imposts than about the huge totals of customs and excise. It is indeed hard for any mind to grasp the force and significance of a million of money. Illustrate it how we may, the figure is too great for comprehension. If we say that a million sterling would provide a dinner, at a shilling a head, for the entire population of the United Kingdom above the age of ten, are we any nearer a comprehension of what this million means? Not a whit. Nor, save by way of tracing the effects of taxation in particular directions on the well-being of the people generally, is there ever much chance of arriving at any clear idea of what our revenue implies. But the subject is none the less one of profound interest and importance. Every year as we see taxes increase

in yield or in weight, and the spending departments apparently increase in extravagance, it becomes more and more necessary that every citizen should know and comprehend the principles that govern modern tax-gathering, and the results of this or that policy in regard to the revenue. There are many ways of raising national income, and the burden of taxation is not always proportionate to the amount raised. Taxes, in wise hands, may be so adjusted as to be comparatively easy to bear, or they may, when recklessly imposed, do instant and irreparable mischief.

There should be no need, then, for me to urge upon readers the duty of acquainting themselves with the finances of the nation. No intelligent citizen can disregard these finances at any time, least of all should he do so when taxes are lightening. The fashion now is to cry out when taxes are made heavier to bear, and to leave our rulers to do as they please, so long as they impose no new burdens, and because this is the fashion mischief constantly arises. An administration comes in to reap the fruits of its predecessor's economy, and its successor has in its turn to bear the obloquy of correcting the errors and paying the bills produced by a neglected administration left free to indulge in extravagance. The nation periodically goes to sleep, and wakes only to find things wrong, and another huge bill to pay. These things should not be.

It is, however, difficult to excite general interest in a subject so universally pronounced dry and uninteresting, and I confess to some misgivings as to the result of my present effort. If the reader could but be persuaded that finance is not uninteresting, that wrapped up in

its figures there lie the social history, the records of the progress and development, nay, the very life-struggles of the people, he might come to see that the most interesting side of history was after all the financial side. I cannot hope, perhaps, to convince many that this is the case, but if I fail, the fault is in me, not, be assured, in my theme.

The modern system of taxation is so refined that those most familiar with it are apt to forget how much its present form is due to our past history. Most of our modern taxes, however, have their tap-root in the long-forgotten past, and the general principles of our taxation have been determined not merely by the circumstances of the population, but by the bent, the privileges, and the unchecked control of the classes who have ruled the country.

In the earlier period of our history, when England was under the sway of the Norman and Plantagenet kings, the bulk of the income of the State came from Crown lands and from the feudal rights claimed by the kings over their subjects. Under the feudal tenures which still in a form subsist in England there was no such thing as absolute ownership of land. Neither was there common property in the soil. The king as supreme head of the State usurped what, in other lands, might have been the privileges of a class or the rights of the whole people. The barons and great landholders were, in a real sense, therefore, his tenants, and he exacted from them feudal military service, or money payments—socage—in lieu thereof; he imposed fines on successions, for the feudal tenure was not originally hereditary; assumed wardships of minors; escheated or

forfeited the estates of subjects who displeased him, and in many ways did with his nobles much what an English landlord of feudal ideas does with his farmers in the present day. In this manner the Crown obtained no mean revenue. William the Conqueror himself contrived to lay hold of more than fourteen hundred manors, and his total income outside his profits from the feudal prerogatives, and merely from his exactions and oppressions, as well as from his manors and from the "Danegelt" or land tribute, originally imposed by the Danish conquerors of England, has been reckoned equal to some £10,000,000 of modern currency, exclusive of the feudal army provided for him at his barons' expense. That may be only a fanciful estimate. No one can say, for the then value of the pound of silver cannot now be accurately estimated; but there can be no doubt that his income was very large, and had his successors been as prudent and thrifty as he the liberties of England might never have been developed.

Happily for us, though not for those who bore the burden, the kings of England have never been distinguished for thrift, but generally for something very much the reverse. Either from personal folly, from the greed and ambition of favourites, or from the gnawing of insatiable ambition, they have, with few exceptions, been wasters of their substance; and very early in the times immediately succeeding William I. had to come to their people for help. At first they imposed taxes of their own motion, but these soon became so grievous to be borne that the landholders, as being then almost the sole class possessed of wealth, asserted their rights to be consulted. King John brought things to a crisis by his

exactions, and to his supreme folly and wickedness we owe the first great charter of our liberties. Henceforth it became difficult for the kings to impose taxes upon the people without the sanction of Parliament. The wars of his next successor but one, Edward I., were the means of consolidating this great reform. That powerful monarch, who was strong enough to defy the Pope and to place the English Church outside the pale of the law until it consented to tax itself for the benefit of the State, was not able to resist his subjects when they demanded protection from extortions; and in the twenty-second year of his reign (1294) the famous addendum to the Magna Charta, the statute *de tallagio non concedendo*—was enacted, by which henceforth no king of England could impose taxes on his people save and except by the consent and approbation of the knights, burgesses, and citizens in Parliament assembled. Henceforth kings might struggle against the people, but never for any length of time could they prevail. Charles I., in attempting to revert to absolutism, and to tax and govern without the aid and consent of Parliament, lost his crown and his head.

Thus was the first and most important security for popular liberty obtained early in our national history. It was long, however, ere the range of that liberty became wide enough to embrace any but a fraction of the people, and the history of our taxation is, in some respects, the best index we have to the spread of that liberty outwards and downwards. At first, also, and for several centuries, the methods of taxation were crude and narrow as the people's ideas or the range of their wealth, and up to a comparatively recent date

the assumption was that the Crown ought to live, in a manner, on its own resources. The taxes voted were "aids" and "subsidies," something to help the king to eke out his income, as it were. Systematic taxation as a right—nay, as a duty owed by the citizen to the State—was an idea entertained with the utmost reluctance. The first regular "subsidy" was, Sir John Sinclair says in his *History of the Revenue*, granted in the reign of Richard II. The object of this tax was to save the poor and to lay the principal burden of government upon the rich. It was levied partly by poll, and partly by a tax upon income. The dukes of Lancaster and Brittany paid ten marks each, every earl was charged four pounds, every baron forty shillings, etc. But the great body of the people—merchants, artificers, and husbandmen—were assessed a greater or lesser sum, according to the value of their estates. This system, however, he adds, "was too favourable to the indigent to be relished by the wealthier part of the community." So a heavy poll tax was levied, the first one imposed having been gathered in four years before. It had been but 4d. per head for every male and female above the age of sixteen—nobles, etc., paying at a higher rate; but this new tax of Richard's was 12d. per head for every person above fifteen years of age. No person, however, was to be taxed more than a pound for himself and family. This "new and strange subsidy," as it was called, led to the formidable rebellion, headed by Wat Tyler and others, which threatened at one time to swamp monarchy, nobles, and all. But Walworth, the Mayor of London, slew "the Tyler" and delivered the nation. How great the deliverance was felt to be may be measured by the fact that

the dagger and bloody hand to this day borne on the escutcheon of the city was added thereto in memory of this great deed.

Poll taxes were always unpopular, but we may discover in them the far-away beginnings of the modern income-tax, just as we see in the "tonnage and poundage duties," which were levied from a very early date—at least as early as the reign of Richard the Lion-hearted; although the legislative sanction for these "customs" and "customary dues" cannot be traced beyond the reign of Edward I., the beginning of our modern Customs. Perhaps the most ancient of these duties were those on wool and leather, which seem to have been export duties. But there was also an import duty anciently of one shilling in the pound, or five per cent, on wine, called the "tonnage," and an *ad valorem* one on all kinds of goods, called a "poundage." Levied at first mostly and most heavily on foreigners, these were in 1373 imposed indifferently upon all the king's subjects, and became the subsidy of tonnage and poundage, which it was customary to grant to the king, sometimes for life, sometimes for a term of years, sometimes for a specific purpose. In later times the appellation "subsidy" appears to have been applied to a whole group of taxes, but the subsidy of tonnage and poundage was a thing by itself. Charles II. was granted this subsidy for life just after the Restoration. In early times, and down to 1671, it was farmed out for an annual rent, and occasionally it was assigned to creditors of the king. The smallness of the foreign trade in those early times may be judged by the fact that in 1329 the customs were farmed for £6260 per annum, or £20 a day, Sundays excepted.

In 1400 the rent was £8000 per annum, and as late as the middle of the seventeenth century the yield of these taxes had risen only to about £500,000, and this, for the period, great revenue arose to a considerable extent from the great increase in the foreign trade and wealth of the country arising from the industries brought here by the earlier immigrations of Huguenots. At the accession of James I. in 1603, when the population of England and Wales was, according to the best estimates, supposed to be about 4,800,000,¹ the yield was but £127,000. It is therefore obvious that, making allowance for the higher purchasing power of the pound in those days, such an addition to the revenues of the State was often an insufficient supplement to the ordinary revenues of the Crown. The wars and extravagances of kings were ever leading them into great expense, and "subsidies" and "aids" of various kinds were constantly sought by and granted to them. Sometimes, too, they evaded the control of Parliament by borrowing from their rich subjects. As these loans were seldom repaid, they were called "benevolences," or gifts. They ceased as such in Richard III.'s day. Owing to the fact that the wealth of the country was nearly wholly agricultural, the extra taxes were for the most part laid upon agricultural products. "Tenths" or "fifteenths" of the money proceeds, or at times directly of the products of the soil, were granted to the

¹ It must always be remembered that we have no census of the population of Great Britain previous to 1801, and none of Ireland before 1813. All figures of times antecedent to these dates are therefore mere guesses. Those I give are taken from the computations of Mr. Rickman, prefixed to the census returns of 1841, and quoted in Porter's *Progress of the Nation*.

king, to "aid" him in his wars or otherwise, down to the days of the first Stuart. The tenth sheaf of corn, the tenth lamb, or the tenth fleece, might thus be granted either instead of or sometimes in addition to the ordinary "subsidy" of a "tenth" or "fifteenth" of the whole of the products of the year. A mainstay of the revenue thus continued for a very long time to be taxes upon, or a rent from, land in one shape or other.

In spite of sales, gifts, and alienations, the Crown property remained very valuable down to a late period in our history. Out of a total revenue of only about £450,000, James I., for example, obtained £180,000 from the dues upon feudal tenures; and the rents of the Crown lands, let much below their value, were £32,000. They rose to £80,000, and might have remained one of the most valuable possessions of the State had James and his successors not sold and gifted away the land so freely. That shiftless monarch himself disposed of estates to an extent that brought him £775,000, in spite of the efforts made by his subjects to prevent such wasteful alienation. In this he but imitated his predecessors; but the greatest havoc amongst the Crown property was made during the Commonwealth, when nearly all the landed estates were sold. Their rent was then, Sir John Sinclair estimates, £120,000 a year, and they were sold for ten years' purchase. Certain forests and houses were also disposed of, and altogether £1,850,000 was raised by the Lord Protector in this fashion. These sales were declared void at the Restoration; but the Crown, and the nation through the Crown, never got back all the property. At that time the gross revenue of these

lands was estimated at £263,598; but Charles II. soon followed his ancestors' example, and alienated anew. He did worse than that; or rather the Parliament in his day did worse. It, by a majority of two only, divested the landed gentry of all their feudal obligations to the Crown without touching their privileges; and, as compensation to the State, imposed an excise duty upon beer, spirits, wine, tobacco, and numerous other articles, calculated to produce from £200,000 to £300,000 a year, of which one moiety, called the hereditary excise, was settled on the Crown. The revenue lost to the nation from the abolition of these feudal payments was then, it is said, only about £100,000 a year, although that was probably far below their true value; but the sudden sweeping away of these Crown rights meant much more than the mere loss of that money. It marked the dawn of our modern system of indirect taxation; and the emancipation of the aristocracy from special burdens on land thus accomplished helped to alter the whole current of our later fiscal history.

The revenue granted to Charles II. was estimated at £1,200,000 a year, but did not actually amount to much more than £1,000,000. Some of it was granted for his life; a tax of hearth-money—two shillings for every hearth in all houses paying to church and poor—was granted to him and to his successors, and the excise was made hereditary. He himself bestowed the net revenue of the post-office—an institution existing in germ from an ancient date, but practically set on foot by his father—on his brother James, Duke of York and his heirs; and when the duke in turn became king he

converted this grant into a hereditary appanage of the Crown. When James II. fled the kingdom this source of income was bringing him £65,000 a year. Three different poll taxes were granted in Charles II.'s day. One in particular calculated to yield £400,000 was given to provide means for disbanding his army. It only produced £252,000. As this king was spendthrift and needy, the devices tried for raising money in his time were numerous; but they are mostly of antiquarian interest. We may, however, note that the last "subsidy" other than the "customary" duties or old "subsidy" of tonnage and poundage, which continued part of the customs revenue down to 1787, was raised in his reign, and that stamp duties were first imposed in 1671. Various land taxes or assessments were also made, and bankers, then coming to prominence, were taxed. Altogether it is calculated that in one way or another this king received and spent about £44,000,000 in the course of his reign, including his pension from France and his robbery of £1,328,000 from the goldsmiths, a robbery which ultimately helped to lay the foundation of our present national debt. In his reign the clergy ceased to tax themselves in convocation as they had formerly done, and became merged as taxpayers among the general body of citizens. Owing to the king's dishonesty the germ of another change also became visible at this time. Parliament distrusted his spirit of reckless lavishness so much that they earmarked their grants in aid for special objects; but unfortunately neither then nor for many a long day afterwards was provision made for seeing that the earmarking or appropriation clauses of the Act granting supplies were adhered to.

We need not dwell further upon this part of our subject. Enough has been said to indicate the leading sources of the ancient revenues of the Crown and to establish the identity of some of them in kind with the revenues of to-day. Little or no interest attaches to the short reign of James II. Parliament granted him a revenue of more than £2,000,000 a year, the largest ever, till then, granted by Parliament to any English monarch; and the fact that it did so may be taken rather as a sign of the rapidly-increasing wealth of the country and of improved modes of raising income than as a mere indication of thoughtless profusion. At the accession of his grandfather the revenue of the Crown was less than half a million, and in eighty-six years, civil strife notwithstanding, it had quadrupled. That fact is well worth noting, but the chief interest in our subject lies in the time which succeeded the expulsion of James II. from his kingdom.