

## CHAPTER III.

THE FINANCIAL HISTORY OF THE REIGN OF GEORGE III.  
DOWN TO THE CLOSE OF THE FRENCH REVOLU-  
TIONARY WARS.

To the thoughtful people of the latter half of last century the costly wars and extravagances of the sovereigns and Governments of this country were the cause of much alarm. The gloomiest predictions were uttered as to the fate about to overtake a nation loaded with debt as England was. That within the space of seventy-five years the ordinary income of the State should have been quadrupled, and that a public debt should have been created equal in amount to nearly eleven years' revenue, were considered facts of the most sinister kind. The annual burden of the debt itself was much more than the total revenue had been anterior to the Revolution. Nor were the debt-burden and the wars that caused it all the mischief. There was a steady increase in every department of public expenditure. The peace that came after each successive war never saw the cost of the army and navy sink to where they stood before that war began. Even in times of peace Dutch William had to maintain a costly army in order to hold down

the country; and his successors had either acquired new territory during their contests which had to be held by force of arms, or, from ambitious promptings and the love of being thought a great power, found means to prevent the reduction of the forces. The cost of the army and navy thus became, like the debt itself, an increasing dead weight upon the backs of the people. The standing army was, indeed, as great a curse to the nation as the debt; and the navy was not a whit behind, although, from our insular position, and from the spirit of the time, it was a much more necessary force. Save for the foreign origin and sympathies of our monarchs, which led them to mix in every Continental breach, we needed but the merest skeleton of an army in times of peace. A few figures will show how much this need came to be exceeded.

In 1701, the year before William III. joined in the war of the Spanish succession, the charges for the English army amounted to £442,000, and for the navy to £1,046,000. Including ordnance, the total cost of the military and naval establishments was only £1,538,000. Passing by the brief intervals of quiet visible between the close of this war in 1713 and the long peace of George I.'s time, we may next select the year 1738, the year before a reckless war broke out with Spain. Previous to that year there had been peace, or the next thing to peace, for nigh seventeen years. All charges incident to old wars must therefore have long ago been covered, and the true "peace footing" reached in the military service. Nevertheless, the figures were these—army charges, £846,000; navy ditto, £819,000; ordnance ditto, £115,000; total, £1,780,000. Thus, although the

navy charges had been reduced, the army cost double and the ordnance nearly triple the charges of the beginning of the century, and, the savings on the navy charges notwithstanding, the total peace cost of our forces had increased by nearly a quarter of a million per annum. These are, moreover, the most favourable figures presented by any of the years of peace at that time. So, too, after the peace of Aix-la-Chapelle in 1748, a higher level of ordinary expenditure was again reached. The nation, dragged into foreign disputes with which it had no business, and compelled to uphold the king's foreign dominions, found its army and navy costing, decade by decade, larger and larger sums of money. The lowest year's expenditure between 1748 and 1756, an interval of peace, was £2,122,000 in 1753; but in 1755, the year before the Seven Years' War broke out, army, navy, and ordnance cost £3,391,000; and that total, together with the £2,731,000 representing the charges on the debt for that financial year, absorbed all but about £800,000 of the net revenue of Great Britain.

No wonder though the debt grew apace. No wonder that the gloomiest views prevailed as to the future, that prudent and thoughtful men looked forward to national bankruptcy and social ruin. The world had never before seen a nation take to such a lavish course, and the load of debt that a whole people could take upon their shoulders had never yet been weighed. We who come after—we who see not one nation, but nearly all nations, cheerfully piling up burdens seemingly without limit, and to all appearance thinking nothing of the load—we who can reckon up the hundreds of millions spent during the long reign of George III., are less roused at

the weight of our burdens than were the people in the middle of last century.

The civil expenditure also tended to expand with the rest, and deficits in that direction had frequently to be made good by grants from Parliament. In those days the pensions bestowed on members of the royal family, and out of the royal bounty, were mixed up with the king's own salary, the cost of his household, the secret and special service moneys, salaries of ministers at foreign courts, mint expenses, Queen Anne's bounty payments, and the miscellaneous outgoings of the civil list. During the reign of George II. all these charges together averaged about £1,000,000 per annum. From 1749 onwards they nearly always exceeded the million. In the previous reign the range of expenditure had been rather lower, and in Anne's time lower still.

At the beginning of George III.'s reign the civil list was fixed at £800,000 per annum, but that sum was nearly always exceeded. A fresh complication was likewise introduced into the accounts by the new practice which Parliament then adopted of requesting the Crown to provide for unestimated expenditure out of the civil-list moneys, under pledge of repayment in the year following. Including these irregular payments, the net civil list expenditure always, from 1762 onwards, exceeded a million a year, and very often came to a million and a half. The gross expenditure was probably a good deal more; but until 1801 the net income and expenditure are alone obtainable. Sinclair calculates that in the first twenty-eight years of this king's reign the net civil list expenses were about £26,000,000;

but that is exclusive of so many important items that it may be considered to represent little more than the cost of the Court and its pensioners. The net revenue for the first time exceeded ten millions in the financial year ended 10th October 1764. The Seven Years' War was then over, and but for the huge debt and augmented military and naval charges, that income should have been more than ample for all purposes. As it was, the debt charges of that financial year absorbed £4,887,000 in Great Britain alone, and the military expenditure of every description, including foreign subsidies, £1,662,000. As the total civil charges reached £1,137,000, there was a small deficit at the year's end. In the succeeding years, however, there was a slight reduction in the principal of the debt, partly through the operations of surplus revenue, partly through refunding. Both the South Sea 4 per cent stock and the debt to the East India Company had been reduced to 3 per cent in 1757, a saving of  $\frac{1}{2}$  per cent on £28,225,000 of capital, or £141,000 a year; and the 4 per cent annuities were gradually reduced from £27,224,000, at which they stood in 1763, to £18,986,000 in 1770, by creations of new 3 per cent stock. They stood at that figure till 1777, when the enormous cost of the American War of Independence led to their increase, along with that of other denominations of the debt. The short-sighted financiers of these days continued to pursue the wasteful policy of raising most of the loans at the nominally low rate of 3 per cent, no matter what the actual credit of the nation might be. Not only was the principal of the debt much increased by this wasteful process, but all chance of a reduction in the annual charges, when

the restored credit of the nation might permit it, was deliberately thrown away. When the American War of Independence broke out in 1775 the capital of the funded debt of the United Kingdom stood thus:—

Debt to the Bank of England, at 3 per cent . . . . .	£11,686,800
„ East India Company, at 3 per cent . . . . .	4,200,000
„ South Sea Stock, at 3 per cent . . . . .	29,984,685
Annuities at 4 per cent . . . . .	18,986,300
„ at 3½ per cent . . . . .	4,500,000
Reduced 3 per cent stock . . . . .	18,353,774
Consolidated 3 per cent stock . . . . .	38,251,696 <sup>1</sup>
Bank Annuities at 3 per cent . . . . .	1,000,000
Irish debt at 4 per cent . . . . .	799,754
Total . . . . .	<u>£123,763,009</u>

Upon this debt the total annual charge for that year was £4,485,000, a reduction in the charges of but £208,000 in eleven years. The principal of the debt was less by about £4,400,000, so little had these years of peace done for the deliverance of the nation from its burdens. When, in 1783, the miserable fratricidal war with our American colonies closed in, for us, shame and defeat, the catalogue of our debt stood as follows:—

Bank debt, East India debt, and South Sea Stock at 3 per cent . . . . .	£41,871,485
Annuities at 4 per cent . . . . .	29,750,000
Reduced 3 per cent stock . . . . .	37,340,074
Consolidated 3 per cent stock . . . . .	101,401,696
Carry forward . . . . .	<u>£210,363,255</u>

<sup>1</sup>This annuity was first created in 1751 to consolidate a variety of petty annuities, hence its name. From this term also comes the modern word “consols,” which is merely the abbreviation of the longer word, and originally the slang term of the stock market.

Brought forward . . . . .	£210,363,255
3 per cent Bank annuities . . . . .	1,000,000
Debt to Bank of Ireland at 4 per cent . . . . .	553,846
Irish 4 per cent annuities . . . . .	856,246
Total . . . . .	<u>£212,773,347</u>

These two totals, however, represent the funded debt only. The total liabilities of the United Kingdom at this date, funded and unfunded, amounted to £231,844,000, and rose in 1785 to £245,586,000. The floating debt was £19,436,000 at the close of the war, as against £3,080,000 when it began.

According to these figures, therefore, these eight years of strife cost this country in new debt about £119,000,000, but as the money was raised chiefly by 3 per cent consolidated stock issued at a discount, the actual cash received was much less than this. Owing to the difficulty of ascertaining the exact discounts, bonuses, lottery prizes, or whatever the allowance might be called, on the issue of any particular loan, I cannot say what the difference between the nominal and actual is in this case, but the probability is that it was not less than 30 per cent, and it was not unlikely more.

Sir John Sinclair estimates that the American War cost altogether £139,171,000, including probably the cost of the shorter but most expensive European quarrels arising more or less out of it; and as he puts the total cost of all the wars from the Revolution to this date at but £386,000,000, it follows that this was by far the most costly strife England had ever indulged in. In part this cost was owing to the already mentioned increase in our military and naval establishments, but the new and reckless mode of creating debt had

something also to do with the rapid increase in the nation's liabilities which these wars induced.

With all these wars, too, the nation on the whole continued to grow in wealth and prosperity, save for brief intervals. Those who looked exclusively at home were ready always to predict the immediate ruin of the country, owing to its excessive burdens. But the truth was that these burdens were then, as they have been since, to a considerable extent mortgages on new estates acquired by the nation. The burden of the mortgages fell doubtless mostly on the wrong people, and often caused intense misery to the working classes; but the mortgages themselves represented extended foreign commerce, new foreign possessions, and increased power of a kind tending to wealth. The American War was in some sort a sacrifice of advantages like these, it will be said; but even that is doubtful, for while they were tied to us as colonies, and tied up as to their trade, the American settlements did us little good, and cost us much money. Their emancipation turned out a gain to us, therefore, in the end. Still, there can be no doubt that the loss of these colonies and the frightful burdens that our quarrel with them entailed were things calculated to weaken and degrade this country to a second or third rate power; and it is quite possible that but for our increasing grasp of India, and the unprecedented gains drawn from our possessions there and our gradual supplanting of Spain and Portugal as the leading traders in other parts of the world, something like the predicted ruin might in time have overtaken us.

As it was, the new gains in the end more than counterbalanced the old losses, if losses they were, and



year by year the wealth of the nation increased. So likewise did the population, though slowly. It was for Great Britain alone probably between nine and ten millions in 1780. The revenue was £10,613,000 in 1774, and £13,214,000 in 1784, an increase of nearly £3,000,000. It thus represented a net burden of from 27s. to 30s. per head, but it is impossible to make comparisons between then and now. Not only are the figures of that date indefinite in some directions, and of a different kind in others—the revenue being net instead of gross—but the wealth of the country was infinitely less diffused. A seemingly low rate of taxation compared with our standard might thus, in reality, be extremely heavy. It may be noticed, however, that the incidence of taxation was all this time being more and more shifted from the shoulders of the governing class to those of the “dim common population”—a proof alike of class legislation and of expanding wealth. These could not otherwise have borne it. The American War itself had its origin, to no small extent, in an effort to extend this policy beyond seas. Our lordly rulers reduced the land-tax in 1767 by about half a million per annum; and as part compensation, Charles Townshend, then Chancellor of the Exchequer, wanted to raise some £40,000 by petty taxes on tea, glass, etc., imported into the American colonies. A persistence in this policy by the Government cost it that magnificent territory; but at home it was more successful. Without political power, and almost devoid of independence of spirit, the common people of England permitted themselves to be freely taxed, not merely for their share of the national charges, but for that of their superiors as well. At the accession

of George III. the excise taxes of the United Kingdom yielded £4,816,403, and the customs £1,824,118, or together £6,040,521; and the land and assessed taxes, and duties on pensions, offices, and personal estates, or taxes on the rich, yielded £2,386,056. For the year ended 10th October 1784, twenty-four years later, the excise revenue had risen to £6,139,312, and the customs to £3,025,630, while the land and other taxes remained nearly stationary at £2,460,145. The land-tax itself never exceeded 4s. in the £, and in two instances during the first half of George III.'s reign was fixed as low as 1s. In 1798, at a time when the country needed the utmost help the rich could give it to carry its enormous load of debt and administrative charges, this tax was fixed at 4s. in perpetuity, and on the valuation of William and Mary's day. Not only so, but elaborate provisions, under pretence of facilitating the payment of the national debt, were made for its redemption. The quota payable by each county in England was fixed for ever, subject to these redemption privileges by which the actual payment per annum is now reduced to nearly £900,000 less than the tax produced at its first imposition. This tax, in short, yields in our day but £1,075,000 per annum, and some idea of the extent to which the wealthy land-holding class managed during the last century to lift from their own backs on to those of the people their share of the load will be gathered from the fact, that were a 4s. tax raised from land on its present valuation it would yield from £17,000,000 to £20,000,000 per annum.<sup>1</sup>

We must, however, revert to the state of the revenue

<sup>1</sup> Vide *The Financial Reform Almanac* for 1881, pp. 150, 151.

between the close of the first American war and the wars with France and Spain, closed by the peace of Versailles in 1783, and the outbreak of the long wars of the French Revolution ten years later. This period is famous for a reason hardly to us, in these days, credible. In 1786 Mr. Pitt constituted his thaumaturgical sinking fund, by which, as in the case of Walpole's fund, the whole of the national debt was to be automatically wiped out. The net revenue of that year was about £14,500,000, exclusive of the proceeds of two small lottery loans, and of £7,345,000 raised\* by issues of Exchequer bills. £10,200,000 of this was produced by customs and excise. Nearly the whole of that ten millions was absorbed by the debt charges, and as the military and naval charges took £5,483,000, and the civil government £2,014,000, the result was a considerable deficit. Nevertheless, Mr. Pitt, deluded by the fanciful theories of a Dr. Price, who had gone mad about the magical influences of compound interest, so mad that he took to reckoning the value of the "globes of gold" that would have been in hand in 1772 as the product of a penny put out at compound interest at the birth of Jesus Christ, started a sinking fund to pay off the debt. By the Act passed in that year, £1,000,000 per annum was to be set aside to accumulate at compound interest for this purpose, and everybody thought the financial millennium was in sight. Mr. Pitt himself was "proud to flatter himself" that his name would be "inscribed on that firm column now about to be raised to national faith and national prosperity." All alike forgot that "compound interest" does not grow by nature, like cabbages, that somebody has to pay the "interest,"

and that if the nation had no surplus revenue it could pay neither interest nor principal. Only by a proportionate growth of taxation could the growing annual charges of this sinking fund be met; yet it took upwards of forty years to bring our financial lights to see this, and from first to last Dr. Price's theories cost the country as much as a big war. To carry out the "sinking fund" theory, as well as to meet current expenditure, new debt had each year to be created, and the Government at last merely borrowed with one hand what it paid with the other. As it often bought in stock comparatively dear, and borrowed anew on most disadvantageous terms, the results may be imagined.

Another product of this time was a monstrous corn law. Always intent upon securing their own interests, no matter at what cost to the people at large, the land-owning and land-holding classes had from a very early period given much thought to regulating the price of corn, to them the chief source of wealth. The history of their efforts in this direction, as also in the direction of philanthropically securing food for the people, is full of interest and instruction, but cannot be traced by me here. I can only repeat the fact that from the time of William and Mary, who, taxing the landlords, as they had then become, with the one hand, sought to conciliate them with the other, the exportation of corn was stimulated by bounties when the harvests were so abundant as to threaten too great a fall in prices, while importations on the other hand were checked by a variety of restrictions, all having in view the securing of a good price for home-grown grain. Owing to good harvests, the "bounties" on exported corn paid by the nation

between the years 1740 and 1751 amounted, M'Culloch says, to £1,515,000 ; that being, of course, but their net amount. Subsequent to that date the more rapid growth of our population, and the wonderful expansion of our manufacturing industries, tended more and more to turn the balance the other way ; and as prices kept pretty steady—the average price of the quarter of wheat having been, according to the records of Windsor market, £2 : 11 : 3½ for the ten years ended 1775, as against only £1 : 19 : 6¼ in the previous decade—restrictions on importations were so far withdrawn in 1773 that wheat was thenceforth to be admitted at a nominal duty of 6d. per quarter when the price reached 48s. No bounties on exportation were to be paid when the price reached 44s. Improvements in agriculture, the continued increase of population, and its rapidly-extending employment in manufacturing industries, led under this Act to the double result of a lesser average price of corn, and an increased import. The fact that a greatly-increased consumption brought no increased price displeased the landlords, and they blamed the law of 1773. Working on the popular dread of a dependence on foreign supplies of food, they got, with little opposition, an Act passed in 1791, making 76s. per quarter the limit at which corn could be imported on paying 6d. duty, imposing a duty of 2s. 6d. per quarter when the prices ranged between 50s. and 54s., and wellnigh prohibiting importations altogether by a duty of 24s. 3d. per quarter when the price fell below 50s. This law marks the beginning of a reactionary period, during which the population of this country endured miseries which in these days would bring revolution upon us in a very

short space. But for the diversion of the national spirit and life into the wars with France, which lasted for the greater part of twenty-two years—from 1793—this and succeeding corn laws might have brought revolution upon us then. As it was, these wars diverted men's thoughts to other channels, and to many brought marvellous wealth, or prospects of wealth. The people at large suffered much; but even they had a kind of compensation in the vain thought of British "glory," which our ultimately victorious career inspired, and the load the much fighting and such laws as these laid upon them was carried with far less impatience than any person, speculating beforehand on probabilities, would have thought possible.

Speaking generally, and notwithstanding the sinking fund magic, the years of peace which intervened between the colonial war and the wars of the revolution were not turned to any good account in reducing taxes and public burdens. In spite of foolish modes of taxation and much wastefulness, the revenue grew, but it was all spent, and more. The net revenue of Great Britain for the fiscal year 1784 was £13,214,000; it rose next year to over fifteen and a half millions, and two years later was almost sixteen and a half millions. For the first time in our history it amounted to £17,000,000 in the year 1790, and the following year was £18,500,000. It never again sank below that figure. The net revenue of Ireland likewise grew pretty steadily at this time, and amounted in 1793 to £1,364,000, the average for the previous thirty years having been but about £850,000. These totals include the net proceeds of lottery loans, which were

issued year by year with the utmost regularity ; but the augmented figures were due solely to the growth of revenue. One would have thought, then, that in times of prosperity and peace like these Mr. Pitt's "sinking fund" would have worked marvels, but it did no such thing. Ordinary government charges grew just as fast as the revenue. At the beginning of George III.'s reign the army and navy, including Irish charges, cost rather less than £5,000,000 per annum. That is the average for the first five years succeeding the peace of 1763. But the peace charges on this account for the five years preceding the revolutionary wars with France averaged almost £6,000,000. The net civil government charges rose at the same time from about £1,250,000 to over £2,500,000, or more than double. But the greatest increase was in the debt charges. These, for the United Kingdom, amounted to about £4,750,000 at the accession of George III., and thirty years later were £9,422,000, again just double. No wonder, therefore, that the "sinking fund" did so little. The capital of the debt, funded and floating, was £245,500,000 in 1785, and it was £239,650,000 in 1792. A reduction of less than £6,000,000 was, therefore, all that the great revenues of these peace years, aided by Mr. Pitt's wonder-working fund, were able to show. The greater income was merely the ground for higher flights in expenditure, and the greatest of these was to come.

The revolutionary wars which broke out in 1793 mark a most momentous epoch in our history in every respect, and certainly not least in a financial sense. Their effects and consequences are felt by us still, and, so far as one can see, will continue to be felt as long as

England exists. Compared with what they cost us, all outlays on our previous wars seem as nothing. Their charges led to the remodelling of our fiscal system, spurred the nation to great exertions, developed its trade, increased the poverty of its poor, and the wealth of its rich. We can form no intelligent conception of our financial position to-day unless we grasp some idea of what these wars meant and mean still for England.

Unfortunately, it is very difficult to reach any very close estimate of their net cost; more difficult still to say what the exact burdens were which they imposed upon the people. A great change in the mode of keeping the national accounts was made in 1801. Till then the net revenue only was taken account of, the cost of collecting it being left out. One cannot, therefore, make just comparisons of the yield of taxes at the beginning of the war and at its close. The period at which the annual accounts were made up was also changed from the 10th of October to the 5th of January, introducing another element of some confusion; while throughout part of the same period the accounts of Ireland were made up to 25th March in each year. One or two things, however, can be stated, and, following the example of Sir John Sinclair, I subjoin a table that will give some notion of what these wars implied up to the year 1816:—

Naval and military expenditure of Great Britain	
For the 8½ years ended 5th January 1801	£217,250,000
Do. for the 15 years ended 5th January 1816	651,208,000
Military expenditure of Ireland for the 7½ years ended 5th January 1801	20,809,000
Carry forward	£889,267,000.



Brought forward . . . . .	£889,267,000
Military expenditure of Ireland for the 15 years ended 5th January 1816 . . . . .	54,288,000
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Total naval and military expenditure of the United Kingdom for the whole period of the revolu- tionary wars with France . . . . .	£943,555,000

To arrive at what may be called the net cost of these wars, it is necessary to deduct from the above total what may be described as the ordinary peace charges under these heads, and to make the comparisons the fairer I have taken the average of these charges for the seven years preceding 1783. This I find to be—£5,142,000 in the case of Great Britain, and £603,000 in the case of Ireland. This gives—

Total naval and military expenditure of Great Britain on a peace footing for 23½ years to 5th January 1816, at £5,142,000 per annum . . . . .	£119,550,000	
Do. of Ireland for 22½ years to the same date, at £603,000 per annum . . . . .	13,720,000	
	Total	133,270,000
		<hr/>
Net excess outlay on account of these wars <sup>1</sup> . . . . .		£810,285,000

But this is not nearly all the story. We have to take into account the enormously increased charges of the public debt created by these wars. It is true that these charges continue in great part to the present hour, so that we might therefore be said to have paid at least a further £1,500,000,000 or so on this score if strict reckoning be to be made, and that in introducing this element into the calculation I am producing con-

<sup>1</sup> See supplementary note at the end of the book, where the official estimate of the cost of these wars is given, along with that of all our wars down to 1868.

fusion. To this, however, I cannot agree. In dealing with what the then generation had to bear, the debt charges involved in these gigantic war loans form a most important item. They came, I find, to £270,000,000 over and above what they would have been if the debt and its annual cost had remained the same for the whole twenty-three years. Adding this to the total above given, we find that these wars cost the nation £1,080,000 in round figures up to the beginning of 1816.

A much more difficult question to settle is the proportion of this inconceivable expenditure borne by taxation. The difference between the debt total at the beginning of the wars and at their close is £618,376,000, and if we deduct that from the grand total given above, we have a balance of £462,000,000 or so as the portion met by current taxation. This total, however, is entirely misleading, for reasons already dwelt upon. Before we could say what the true proportion is, we must know the actual amount of cash obtained by the successive issues of stock, and that is just what cannot be exactly reached. We know, however, that the average market price of the 3 per cent consols during the twenty-three years of the war ending with 1815 was below rather than above 65, and as upwards of £400,000,000 was added to the national debt in the shape of 3 per cents between 1793 and 1815, it is more than a generous estimate to take £140,000,000 as representing the "discounts" allowed to the debt subscribers on that amount. In other words, the Government received only about £260,000,000 in cash for the £400,000,000, and if we add the balance to the £462,000,000 shown above we obtain, say in round figures, £600,000,000, as the portion of the huge

war costs paid out of current revenues. But even this is but a rough approximation to the truth, as the whole subject is obscured both by the sinking fund operations and by the depreciation of the currency. The sinking fund involved the constant issue of new stock to replace the stock bought and cancelled by the imaginary "compound interest" process, and the extent to which this confusing element worked may be judged by the fact that up to the end of the financial year ended 5th January 1816 more than £250,000,000 of stock had been thus bought in. On these operations there was a percentage of loss which cannot be fully estimated. On one part of this question, however—the effect of the sinking fund operations, to wit—it may be well to quote here the observations of Porter in his *Progress of the Nation*, especially as he gives a lower average price of the debt than I, following the quotations summarised in *Fenn on the Funds*, have felt warranted in assuming. He writes—"The average rate at which 3 per cent stock was created between 1793 and 1801 was £57 : 7 : 6 of money for £100 stock, and the average market price during that period was £61 : 17 : 6 for £100 stock. The loss to the public upon the additional sum borrowed in order that it might be redeemed during that period, which was £49,655,531, amounted to  $4\frac{1}{2}$  per cent, or £2,234,500. Between 1803 and the termination of the war the average price at which loans were contracted was £60 : 7 : 6 per £100 stock, and the average market price during that time was £62 : 17 : 6 per £100. The loss was therefore  $2\frac{1}{2}$  per cent on the sum redeemed during that time, £176,173,240 or £4,404,331, making altogether an amount of £6,638,831 absolutely

lost to the public by these operations. This amount, reckoned at the average price of the various loans, is equivalent to a capital of more than eleven millions of 3 per cent stock with which the country is now additionally burdened, through the measure of borrowing in a depressed market more money than was wanted, in order to its being repaid when the market for public securities was certain to be higher."<sup>1</sup> It will thus be seen that my estimate of the gross loss entailed on the nation by loans and sinking fund follies together is a very moderate one.

Still more explicit is the statement of Mr. H. W. Chisholm in Appendix No. 13 of the Blue Book of 1869 devoted to the record of the national income and expenditure, and with this I must close the references to this matter. "During the whole period," he says—*i.e.* from 5th January 1793, when the French war broke out, and up to 1829, when the sinking fund folly was stopped—"there was only one year in which money was not raised by loan to aid the sinking fund, besides what was required for war expenditure. After excluding the period from 5th August 1786 to 5th January 1793, during which £8,147,631 was applied to redeem £10,241,100 of 3 per cent stock, bearing interest of £307,263 per annum, there remains £321,902,824, which was applied between 1793 and 1829 to redeem £472,942,703 capital stock, carrying £14,488,388 annual interest, the mean rate on the sum paid being almost exactly  $4\frac{1}{2}$  per cent per annum. During the same period the total sum of £702,163,075 was raised by loans, for which £1,052,536,700 capital stock of funded debt was created, carrying

<sup>1</sup> *Progress of the Nation*, p. 485.

£35,301,392 annual interest, or a mean rate of £5 : 0 : 6 per cent. The actual result of all those sinking fund operations, therefore, was that the total amount of £330,050,455 was raised at £5 : 0 : 6 per cent to pay off debt carrying interest at  $4\frac{1}{2}$  per cent. The difference between these two rates is 10s. 6d. per cent per annum, amounting upon the total capital sum of £330,050,455 to £1,627,765 per annum, which may be set down on the increased annual charge of our funded debt, and a real loss to the public from the deceptive sinking fund system, without taking into account the expense of management of the sinking fund, and the increased amount of capital of debt consequent upon the practice of borrowing on less advantageous terms for larger sums than were required to meet the actual public expenditure." Such is, as near as can be estimated, the net result of this precious institution. This calculation gives, in round figures, about £57,000,000 as the total additional charge involved in the 35 years by this sinking fund. For the 23 years of the war it would therefore be a moderate estimate to place this interest loss and the capital loss estimated by Porter as above at £30,000,000, which would fall to be added in a sense, if not to the cost of the war, at least to the proportion of current expenditure borne by taxation.

Dealing still further with the question of the actual portion of the cost of these wars defrayed from current income, and working from the figures of the Parliamentary return of 1858, I find that the 5 per cent debt was augmented by about £129,000,000 during the war, and the 4 per cent debt by about £45,000,000, and

these were likewise at a greater or less discount for part of that time, involving a certain loss to the nation on the amounts received. That is, the Exchequer did not always or very often get, even in the case of these high interest-bearing loans, £100 in cash for the £100 it promised to pay, and the difference would have to be deducted from that portion of the war charges borne by loan and added to that paid for out of taxes. Taking all these things into account, as well as the losses incurred through the extravagant terms on which annuities for fixed dates were granted, there is little doubt that the gross amount paid for these wars, and their accompanying financial absurdities, from current revenue, must have been at least £650,000,000, or about £28,000,000 per annum.

This accords on the whole with the facts as to taxation. Thus Porter states that the duties and taxes imposed between 1801 and 1811 amounted to £28,597,600 a year, and between 1801 and 1821 the total was £35,189,000 a year. Progressing as the nation undoubtedly was in both wealth and population, this enormous strain crippled it to an incalculable extent, and brought extreme wretchedness and want home to the great mass of the people. This is proved by the yield of the taxes themselves, as well as by the general condition of the people. It is calculated by Porter, for example, that these taxes yielded in 1821 £8,811,000 less than they would have done had the well-being of the people grown at the same rate as their numbers, and it took ten years more to restore the body politic from its exhaustion.

One is indeed amazed at the patience with which

the people bore their unheard-of loads, although it is partly explained by the fact that the greater part of the taxes were collected from those who had no share in directing the policy of the Government. The people were not possessed of true representative government. Had they been, we are disposed to think that, their bloodthirstiness notwithstanding, the fiscal legislation of the period would have been somewhat different. As it was, Mr. Pitt continued the policy of his predecessors with small exception, and laid the weight of taxation on those who had least power to make complaint. Considering the passions and political inequalities of the times, therefore, it is not surprising that, as Mr. Leoni Levi well observes, "Alike for extravagances and for wastefulness in the manner the supplies were procured, the financial administration of that period is in the highest degree indefensible."<sup>1</sup> By the end of the century evils of all kinds were piled on the top of one another to harass the passion-blinded, weary nation. A series of deficient harvests began in 1795, and owing to them, to the depreciation of the paper currency, and to the disastrous working of the Corn Laws, the average prices of wheat rose in 1801 to 115s. 11d. per quarter. The year before the average was 110s. 5d., and only six years previously it had been but 50s. 8d. Specie was drained from the country, and the Bank of England stood in such danger of becoming bankrupt that in 1797 the Government had, as a temporary measure, to authorise it to refuse gold for its notes. These became a forced paper currency, which circulated at a discount, and the measure was renewed from time to time until

<sup>1</sup> *History of British Commerce*, p. 92.

1819. Not till four years later did the Bank fully resume a solvent position in regard to its notes. In his great straits for money, all other means afforded by customs, excise, stamps, licences, and the like being exhausted, Mr. Pitt was driven in 1798 to impose the income-tax. In the first form of it, tried the year before, this tax was called "a triple assessment," and implied merely the levy of a threefold amount of assessed taxes up to 10 per cent of the income of all persons liable to assessments. All assessable, or practically all "fixed," incomes of £60 and upwards were subject to this tax. Thus, a person with an assessable income of £60 paid £6, and one with an income of £1000 paid £100. At the present day we grumble if the income-tax rises to  $2\frac{1}{2}$  per cent on the income, and consider it advisable to let incomes far above £60 go tax-free. Allowing for the average greater efficiency of money in those days, this tax was onerous to a degree scarcely to be realised. It was calculated to yield £7,000,000, in its first form of an addition to the ordinary assessed taxes, and the sum was sorely needed, for the estimates of that year, 1797, were £19,000,000 short of the public requirements. All the revenue except £6,500,000 was absorbed by the debt charges. But this mode of taxing the richer people—the people with official salaries, annuitants, rent-receivers, and the like—was too unpopular to endure, nor was its result satisfactory. Instead of seven millions it yielded no more than four and a half; and in December of the following year a direct income-tax of 10 per cent leviable upon earnings and receipts of all kinds, as in the present day, took its place. This percentage was to be levied on incomes of £200 and upwards, and diminishing rates were placed upon smaller



incomes down to £60, below which there was to be no assessment. Mr. Pitt looked for £10,000,000 from this tax, but it yielded only £7,000,000 at the best. His calculation was that the entire taxable income of Great Britain at that day was no more than £102,000,000, but he had either over-estimated the public wealth or the tax was much evaded, for in his budget for 1801 he did not venture to estimate the produce of the tax at more than £6,000,000. The people were very restive under it, and when hostilities were, for a brief space, suspended in 1802, the tax was removed. Directly the war broke out again, however, the tax was reimposed, at first as a 5 per cent charge, then as a  $6\frac{1}{2}$  per cent charge, and finally, in 1806, again as a 10 per cent charge; but it was always treated as a war-tax, to be tolerated only while hostilities continued.

By the year 1802, through one means and another, the gross revenue of the United Kingdom was raised to £39,000,000, and of this the income-tax, which applied to Great Britain alone, supplied £5,805,000. Excise yielded more than £11,500,000 for Great Britain alone, and customs somewhat under £9,000,000. The declared value of the export and import trade of Great Britain for that year was only £45,000,000. The customs duties represented, therefore, nearly 20 per cent on the year's declared value of that trade; and as the population was rather under 11,000,000, customs and excise together meant a burden upon the people of very nearly £2 per head. No wonder that, under such a load, commerce languished. The following year the excise revenue was screwed up to £15,475,000, but that from customs fell off to £7,700,000. Smuggling and illicit distillation of spirits demoralised whole sec-

tions of the community, and involved great additions to the cost of collecting and maintaining these revenues. Owing to the change introduced into the public accounts at the beginning of the century, by which the gross revenue and expenditure, and not the net, is given, a comparison of the taxes at the latter period of the war cannot be made with the first; but we can compare the first financial year of the century with 1816, and will find the comparison not without instruction. The figures of the following table are, as near as possible, those for Great Britain alone, and the total of £39,000,000 given above as the revenue of 1802 is made up by adding £3,000,000 odd, which was the gross revenue of Ireland. The Irish Exchequer was not consolidated with that of Great Britain till the beginning of 1817.

## PUBLIC INCOME.

Heads of Income.	Year ended 5th January 1802.	Year ended 5th January 1816.
Customs . . . . .	£8,775,728	£11,952,242
Excise . . . . .	11,573,427	26,204,061
Stamps . . . . .	3,034,517	6,083,629
Land and assessed taxes, duties on pensions and offices, and on personal estates, <i>i.e.</i> probate and legacy duties . . . . .	4,638,857	9,503,758
Income and property tax . . . . .	5,804,516	14,617,968
Post Office . . . . .	1,172,241	2,130,267
Crown lands (net) . . . . .	967	864
Miscellaneous <sup>1</sup> . . . . .	988,281	8,121,012 <sup>2</sup>
	<u>£35,899,535</u>	<u>£78,613,803</u>

<sup>1</sup> Includes such items as first fruits and tenths, small hereditary revenues, fees, profit on copper coinage £37,000, proceeds of corn sold for use of Government £686,250, profit on lottery loans, etc.

<sup>2</sup> The miscellaneous item is swollen unusually this year by such

This, surely, is a highly instructive table, and it becomes more so when we remember that the year ended 5th January 1816 was the third year running that the gross revenue had ranged about £70,000,000. Deducting merely the amounts charged each year to Ireland, and the proceeds of sales of old stores, we find that in the year ended 5th January 1812 Great Britain raised, almost exclusively from taxation, £65,612,443; for the following year the gross income was, on the same computation, £64,230,506; but in the year ended 5th January 1814 it rose to the unprecedented total of £68,249,808; and for the succeeding year it was £70,943,000. Equally remarkable, all things considered, was the progress of the revenue of Ireland, which for the year ended 5th January 1802 was only £3,204,000; while for that ended 5th January 1816 it was screwed up to £6,604,000, or more than double. To some extent these unprecedented results were brought about through an increase of population; but, after all, that accounted for little. Between 1801, the date of the first census, and 1811, the date of the second, the population of Great Britain increased only 15·11 per cent; and it was therefore, at that rate of

sums as these:—£6,017,987 on account of the balance due from Ireland towards 2-17ths of the joint expenditure of the United Kingdom; £758,976 from the sale of old naval and victualling stores; £28,585 on account of interest, etc., of the Portuguese loan; and £925,667, proceeds of the lotteries of 1814 and 1815, less £137,833 remitted to Ireland, and included in her income. Deducting the two first items from the total given above, we get £71,836,840 as the real gross revenue of Great Britain for the year, exclusive of capital raised by the creation of debt or the sale of old stores.

progress, only about 22 per cent greater in 1815 than at the beginning of the century. But, in truth, such gigantic figures can be explained only by the endurance and self-sacrifice of the nation, and the grinding completeness of the taxation, which touched the citizens at every point. The customs tariff alone was the severest ever known, containing more than 1400 different items, and in many respects framed on principles of revenge and hatred, as in the case of the differentiating wine duties aimed against France, or so as to maintain pernicious monopolies, such as those of the silk and linen trade, rather than for purposes of revenue. But then, as now, the most prolific source of income from customs and excise was drink, and the materials used to manufacture drink. Malt alone, for instance, contributed on an average about £5,000,000 per annum to the revenue between 1804 and 1815 inclusive. The duty for that period was raised to 4s. 5 $\frac{3}{4}$ d. per bushel, it having been but 1s. 4 $\frac{1}{4}$ d. at the outbreak of the war. It was first raised to 2s. 5d. in 1802, and the following year an extra war-duty was put on, which made it 4s. 5 $\frac{3}{4}$ d. Beer duties and licences added to the cost of the liquor consumed by the people, and made an impost of this kind all the more irksome. Home-made spirits, again, were taxed less for most of this period than they are at the present day; but though that was so, the duties paid during the latter part of the war were much higher than they had been at its commencement. In 1802 the duty in England was 5s. 4 $\frac{1}{4}$ d. and 6-19ths the gallon; two years later the duty was raised to a fraction over 8s. 0 $\frac{1}{2}$ d.; and in 1811 it became 10s. 3 $\frac{3}{4}$ d. and 7-19ths, at which it stood till after the war was over. From this source the excise revenue was

augmented by between four and five millions for the United Kingdom in the latter years of the war.

The only other article that need be mentioned in this connection is wine, on which various degrees of duty were levied, according to the source from whence it came—France naturally suffering most in this respect. At the outbreak of the war the duty on French wine was 4s. 10d. per gallon; and in 1804 it was 13s. 9d., having risen by successive stages to that height. On the wines of most other countries, except the Rhine provinces, the advance had been from 3s. 1 $\frac{3}{4}$ d. to 9s. 1d. in the same period. Rhine wine paid nearly as much as French. The revenue from these taxes—most vexatious to administer—increased from rather less than £900,000 in 1794 to £2,814,000 in 1804, from which date the yield fell off, the duties being, indeed, to a large extent measures of revenge.

Turning to other sources of revenue, sugar may be instanced as paying duties ranging from 20s. to 39s. per cwt. throughout the first fifteen years of the century. They yielded an income of between two and four millions sterling per annum; falling off, however, in the last ten years of the period, when the duties were highest. The tax was, in fact, so seriously checking consumption that it was less by half a million cwts. in 1814 than in 1810. Salt was another subject of taxation of the cruellest description. Duties upon this necessity amounted in 1798 to 5s. per bushel; but subsequently, according to M'Culloch, from whom I obtain most of these particulars, they were raised to 15s. per bushel, or about thirty times the cost of the salt. At their highest these duties yielded no more

than £1,500,000 a year, and their unprolific character was due both to their weight and to the regulations under which they were levied. They formed a premium on smuggling. Heavy duties were likewise imposed upon timber, and from 1809 on European timber in particular. In that year the timber imported from our Canadian possessions was freed from duty in response to the jealous feelings of the period, while at the same time large additions were made to the duties on timber brought from the North of Europe. Next year these duties were doubled, and in 1813 yet another 25 per cent was added to them. The effect of this mad conduct was to reduce our import of Baltic timber from 428,000 loads in 1809 to 242,000 loads in 1814. The blow thus administered to that trade was not recovered from as late as 1843.

Tobacco was also an article subjected in those days to vexatiously differentiated duties. American kinds paid 1s. 3d. per pound down to 1796, when the duty became 1s. 7d.; and small additions were made to it down to 1815, when it was fixed at 3s. 2d. Spanish and Portuguese tobacco, however, or rather the tobacco grown in the colonial possessions of these States, paid 3s. 6d. down to 1796, when another 1s. was added, and in 1815 the duty became 5s. 5½d. From this source the net revenue of Great Britain ranged between £924,000 in 1801, and £1,764,000 in 1815. Up to 1804 the Irish duties were levied in Irish currency, which was of less value than the English, and they were on a lower scale for the earlier part of the war period. In 1803, however, the currency was made the same in both instances, and from 1815 the duties were made uniform so far as American tobacco was concerned.

The Irish net revenue from tobacco in that year was £740,000, having been only about half that amount in the earlier years of the century.

Regarding tea I have no particulars to give beyond the fact that the duty then and for years afterwards was an *ad valorem* one of 96 and 100 per cent according to value, and therefore nearly prohibitory ; but there is one other important branch of the public burdens, if not revenue, to which I must ask the reader to return for a moment before taking leave of this part of the subject.

These are the duties which clogged our manufacturing industries at a time when the ingenuity and enterprise of those engaged in them were rapidly putting them in a position to command the trade of the world. Our cotton, woollen, and silk industries were all in this way seriously retarded in their development. The import duty on the raw cotton was 6 per cent *ad valorem*, and in addition a duty of 3½d. per yard was levied on printed calicoes down to 1831. Then the latter was abolished ; but the former, although on a reduced scale, lasted down to 1845. Wool, as has been already noted, was always a favourite object of the fostering care of our rulers, and during these wars it suffered from their attentions more severely than cotton, being an article out of which our landowners and farmers made rents and profits. For nearly two hundred years, down to 1825, the exportation of home-grown wool was prohibited, for fear that other countries might profit by it to injure our manufactures ; but up to 1802 the importation of foreign wool had been free. In that year, however, it was subjected to an import duty of 5s. 3d. per cwt. ; in 1813 the duty was raised to 6s. 8d. ; and in 1819, still, we

may justly say, in consequence of these wars and of the folly of our financiers, it was placed at 56s. per cwt., or 6d. per pound. The supply of home-grown wool had become insufficient for our wants; nevertheless, home agriculture was in danger, and the nation in need, so the tax grew.

Silk, on the other hand, was nursed as a monopoly in the interest of the mills for producing "thrown" silk, erected first at Derby, and subsequently in other parts of England, on models stolen from Italy. Enormous duties were placed in 1765 on foreign thrown silks, and continued down to 1825, to the great hurt of our silk-weaving trade. With a duty of 5s. 6d. per pound on raw silk, of 14s. 8d. on thrown silk, and of 45s. 6d. on dyed silks, the wonder is that the trade continued to exist in any shape. But an industry, as well as a nation, can suffer much and survive if those who pursue it make up their minds to go hungry.

Alone amongst our manufactures, that of linen may, however, be said to have received exceptional favours, it being down to 1833, when they finally ceased, the recipient of considerable bounties out of the national revenue. These bounties date as far back as the settlement of Dutch William's French Huguenot supporters in Ireland, and bounties in linen manufacture figure as a regular part of the Irish expenditure throughout last century. Other industries, such as calico weaving, no doubt got huge indirect bounties in the shape of drawbacks on exportation, but these were more or less disguised, whereas that paid to the linen manufacturers amounted in the year 1825 to as much as £416,000.



I might give further illustrations of the state of taxation during the time of the Revolutionary wars, but enough has been said to enable the reader to form some conception of the point at which the nation then stood, and space forbids a catalogue of all the taxes and duties. In a summary way they may be said to have choked industry, drained the country of wealth, and directly or indirectly forced from the hands of the toilers between one-third and one-half of their total earnings in the first fifteen years of the century. Under pressure of the misery this drain involved marriages decreased, and the weight of pauperism became almost unbearable. Between 1776 and 1801 the cost of poor relief increased by 162 per cent, and the weight of this burden alone continued to increase, without perceptible intermission, till 1818, when it amounted to nearly £8,000,000 in England and Wales alone, or to more than 15s. per head. In 1811 the average expenditure was 13s. 1d. per head; but in Sussex it was as high as 32s., in Bucks 24s. 2d., in Berks 27s. 2d., and in Essex 24s. 8d. The purely agricultural counties were, in fact, reduced to the condition of pauper nurseries. No European country, not even excepting France, lived through a darker or more disastrous time than that was for England.\* Wages were at starvation point throughout that period in nearly every trade in the country, and those who contrived to do without poor relief were often worse off than its recipients.

One other subject must be touched upon as illustrative of the state of the nation, and before anything like a true outline of that now far-off time can be said to be before the reader. I refer to the Corn Laws,

which continued to be a very bitter subject of conflict between the people and their rulers then and for many years thereafter. The landowners and farmers were never satisfied with the profits they drew from the tillage of the soil. With good harvests they ruined themselves by extravagance, or were ruined by unduly low prices; and with poor ones they starved the people. Legislative changes having for object the strengthening of their position by the steadying of prices, and the uniform filling of agricultural pockets, were therefore very frequent. The last of these, already noticed, was the law of 1791. This continued in force down to 1804, but long before that date the classes interested were loud in their complaints. A change was hastened by the collapse which succeeded the inflation years at the beginning of the century, produced by the combined influences of bad harvests and a depreciated currency. The high prices of 1800 and 1801 had extended cultivation unduly, and when in the three succeeding years, through over-production and better harvests, the average price fell to about half what had then ruled, many soils became unprofitable to work. So a new law was passed in 1804 imposing a prohibitory duty on corn amounting to 24s. 3d. per quarter when its price was at or below 63s. Between 63s. and 66s. a duty of 2s. 6d. per quarter was imposed, and above 66s. a duty of 6d. These changes, as will be seen by comparing them with the law of 1791, gave some concessions to the people at the upper end of the scale, but involved increased protection to the home market when prices were tending downwards. Bounties also continued to be allowed on exportation when prices were

low; thus alone could ruin be averted in the estimation of the landlords of those days. But the price at which the bounty became payable was raised from 46s. per quarter to 50s., and exportation without bounty was allowed up to a price of 54s. The result of these and of all such laws was enormous fluctuations in prices and wide alternations of misery and abundance. Changes for the better began, however, to show themselves in succeeding years. In 1806 all restrictions as between England and Ireland were swept away; and owing to a run of very high prices, Parliament, in 1815, was brought to decree the total abolition of the bounty system on corn exported, although it retained and elaborated the preposterous "sliding scale" duties on imports, raising, however, and as soon was proved with disastrous effect, the price at which grain could be imported free to 80s. per quarter in the case of wheat, and to lower proportionate prices in the case of other cereals. This law, bad as it was, lasted ten years.

Fiscal laws like these show the high-water mark of a reactionary policy in taxation and trade. It is a point that probably would never have been reached but for the upheavals and conflicts of that revolutionary epoch, and it says much for the patience of the English people that they bore their burdens so uncomplainingly. By these and suchlike taxes life must have been made well-nigh unbearable to the great bulk of the population of the United Kingdom. The poor man's bread was dear, no matter what the price of wheat fell to, for taxes stole all; pauperism increased, and bore with augmented weight on those still able to hold their heads above water; crime was rampant, especially crimes

originating in want or in efforts to defraud the revenue ; and amid all this a small section of the nation flared forth in ever-increasing displays of wealth. The few profited by the lavish expenditure, by the constant emission of loans, whereby the labour of the nation was mortgaged to those few and to future generations. The rich and the classes that bore the lightest share of the taxation went merrily on, but from the reaction that followed immediately on the heels of the peace we may infer that even stolid English patience was nearly exhausted, as English resources certainly were, in 1815. We had furnished Europe with the means of making war, in addition to making it on the most extravagant scale ourselves, and now had to pay the spendthrift's usual penalty.