

## CHAPTER VII.

## LOCAL TAXATION AND DEBT—CONCLUDING OBSERVATIONS ON THE TAXATION OF THIS AND OTHER COUNTRIES.

No account of the finances of the United Kingdom would be complete without some reference to local taxation and the local debt burdens. These form as much a charge upon the nation as the imperial expenditure and obligations, and every year, owing to the way that national and local finances are now interwoven, they become more intimately bound up with the national well-being. Unfortunately, the information regarding the local taxation of the United Kingdom is still incomplete, especially as regards Scotland: so incomplete that we have for portions of it only estimates, and these of no later date than the year 1873-74. So far as England alone is concerned, we are, however, now considerably better off. The Local Government Board publishes every year a report containing full details of the local burdens of England, and provides, likewise, a fair amount of data whereby to estimate the growth of these burdens and the incidence of local taxes; but even in respect of England the statistics of

local debts are by no means so full and clear as they ought to be.

It is not the purpose of this essay to carry the reader into the heart of the vexed questions surrounding local taxation. A task of that kind would involve a book in itself and still leave many questions unsettled. The complications that arise through the variety of our local authorities, and from the peculiarly intricate positions of our land tenures and customs, must make the one question of the incidence of local taxes alone practically insoluble, especially in the urban divisions of the kingdom. But there are certain broad facts which deserve attention, and about which there can be no manner of question. Amongst these there are two that come fairly within the scope of the present history. One is the growth and present amount of the local taxation of the kingdom, and the other the state of the local debt. Historically, we have no very complete data to go upon so far as any part of the kingdom is concerned, and almost none at all as regards Scotland. Mr. Goschen's report on local taxation is incomparably the best guide on the subject that there is; but his figures are perforce partly estimates, and they date quite thirteen years ago. But they are estimates based upon the best probabilities, and may be accepted as about the most accurate that can possibly be obtained. He placed the total local expenditure of the United Kingdom at upwards of £36,000,000 in 1868, and made it up as follows:—

Local expenditure in Scotland (partly estimated)	£3,000,000
„ „ in Ireland	3,050,000
„ „ in England	30,240,000
Total	<u>£36,290,000</u>

Of the English portion of this expenditure, £16,200,000, or  $53\frac{1}{2}$  per cent of the whole, was raised by local rates; £4,350,000 or  $14\frac{1}{2}$  per cent by tolls, dues, fees, etc.; £5,500,000 was raised by loans; and the Government gave £1,225,000 from imperial taxes. The increase in the rates alone he estimated at about £8,000,000 since 1840, of which about £5,300,000 was new rates. Most of the increase had fallen upon the towns, as was natural, seeing their population had increased at the expense of the rural districts.

Many new kinds of property—railways, mines, iron-works, factories, etc.—have sprung into existence, and, added to the increase or different allocations of the population, make it difficult to say whether this increase in the rates meant a real augmentation of the burden of any one class or not. Taken all over, the rates had not risen in the same ratio as the value of property compared with those of 1815, but compared with 1840 the increase in the rates had much exceeded that of the ratable value of property in England and Wales. Briefly, the increase in the value of property between 1841 and 1868 was 61 per cent, and the increase in the total rates  $105\frac{1}{2}$  per cent. These figures prove that since 1841 the modern spirit of improvement has been abroad in the land, and it is a spirit which within the past ten or twelve years has added much more to the weight of local taxation than people are usually aware.

Confirming the attention for the present to England and Wales alone, we find that the total local expenditure for the year 1879-80 was £50,253,000, and even that total was £1,923,000 below the total of the preceding year. Excluding money raised by loan in both cases, as well

as the Government subventions, the local taxation of 1879-80 was £31,043,000, an increase of £7,628,000, or over 32 per cent on that of 1868. The true test, however, of the increased incidence of local taxes, is in the rates alone. These were £16,200,000 in 1868, according to Mr. Goschen's tables, and in 1879-80 they were £25,927,000, or £9,727,000 more. This represents an increase of 60 per cent, and in the same period the value of ratable property, as measured by the returns of schedule "A," for income-tax has risen only by about 47 per cent. By this comparison it appears that the rates have continued to rise in amount considerably more than the augmentation in the value of property, taking England as a whole, and judging by the standard adopted in Mr. Goschen's report. Were we to take the poor-rate valuation alone, the difference would be more unfavourable still. That is to say, the rates would then appear to have risen 60 per cent, as compared with an increase of little more than half that in the ratable value of property. But it must be remembered also that the valuation of property is much more stringently made now than it was twelve years ago, especially in towns, and there is reason to believe that the practice of frequent revaluations has had the effect of increasing totals much more rapidly than was formerly the case. Sometimes it is to be feared that these increases are arbitrary and unjust to an extent which makes the increase in the rates very burdensome indeed. The situation is thus probably worse in reality than it looks, and it points a moral which the people would do well not to disregard. The record of the debts alone contracted by local bodies proves that there are causes at work in augmenting

local burdens which require to be kept in check with a tolerably strong hand. One of the recently-created incentives to borrowing, and that perhaps the most potent, is the Education Act of 1870. This has fairly enough added considerably to the local burdens of those places, chiefly towns, where it has come into full operation. The School Board rate in 1879-80 was close upon £2,000,000, and including loans the total local expenditure of England for the education of the masses in that year was over £4,000,000. The poor-rate has decreased in recent years, but there has been a very large increase in the rates levied for sanitary purposes, the total under that head being £9,000,000 in the year named. Much of this is doubtless highly laudable, but as the modern enthusiasm for sanitation and for the æsthetic development of the population leads to a great creation of debt, much is also dangerous.

To get into debt, in short, is the great aim and ambition of almost every local authority in the country in the present day, and the Government has considerably provided facilities for gratifying this craving to an extent that excites serious fears for the future when the statistics are examined. Since 1871 the Local Government Board has permitted local urban and rural authorities to raise loans from the Public Works Loan Commissioners—a body designed to act as intermediaries between these authorities and the ultimate lenders, for the benevolent purpose of enabling the borrowers to raise money at lower rates than would have been possible had they staked their own credit alone—to the amount of £21,757,000 to be spent on improvements; and this generic name includes many things, from drains to

labourers' dwellings, such as widening and paving public streets, building public baths, bridges, markets, hospitals, providing pleasure-grounds, and so on. In the majority of instances it would probably be very much better that the Central Government should have nothing whatever to do with any such expenditure. Apart from old habit (the custom dates from the end of last century), its justification of course is that there are often no properly constituted local authorities able to regulate these spendings, and that the supervision of the supreme Government is better than none. That is just the doubtful point; but at all events under this *régime* in considerable measure the local debts of England have increased from £80,000,000 in 1873 to £137,097,000 in 1880. This is an increase of £57,000,000 or over 71 per cent in seven years, a truly alarming rate, whatever allowance be made for the pressure of the Education Act, the Labourers' Dwellings Act, and other stimulants to local development, and one that to a great extent explains the prodigious augmentation of local rates; for the borrowing proceeds briskly on all sides independently of the Government. The great towns such as Birmingham and Manchester have raised money for gas and water works, and to this there can be no objection so long as these works become no kind of burden on ratepayers, or even so long as the ratepayers permit the money to be raised. The metropolis spends immense sums on questionable and unquestionable improvements, for the Labourers' Dwellings Act has, in London also, given a new stimulus to the passion for improvement by debt, and this perhaps may be justified, although London has no responsible local government. But there are multitudes of bodies

all over the country no more responsible than the London vestries, and far less capable, in many instances, of judging wisely whether money should be borrowed and spent or not, and it is just to such bodies that the Central Government, by the present system, lends its credit with most danger. One great curse of much of this debt, as an able writer in the *Edinburgh Review* lately pointed out,<sup>1</sup> is that it throws on to the next generation a great part of the cost of improvements carried out for the benefit of the present. Many of the debts are made repayable over long terms of years, especially those created by private legislation, and not through the medium of the Public Works Loan Commissioners, and thus not only overload the rates just now, but handicap future generations with obligations that may check their progress and work great mischief. The evil of debts like these, in short, is that their worst effects do not immediately develop. When they do, in all likelihood the Imperial Government will have to take upon itself some of the burdens now so lightly assumed by local bodies often of the most irresponsible kind. Something in this way has already been done by the Government. The total advance made by the Public Works Loan Commissioners up to 31st March 1881 in Great Britain and Ireland alone—they also have made advances to the Crown colonies—was £74,622,000, and of this no less than £9,543,000 has been written off as lost. Ireland is responsible for £7,715,000 of this loss, and there perhaps loss was to be expected, for much of the money lent was merely so much charity, but loss has occurred, and may be expected to occur again, on loans

<sup>1</sup> *Edinburgh Review* for April 1881.

made for local purposes in Great Britain. There is nearly half a million of money in arrear now on current loan transactions exclusive of Ireland, which is at present only £290,000 behindhand.

I must not, however, pursue this subject farther. It is more immediately to the purpose to show the present total taxation and debt of the United Kingdom, imperial and local. As regards taxation this, as has been said, can only be done approximately, for there are no complete returns for either Scotland or Ireland. The Scotch Board of Supervision publishes a very useful report upon the poor-rates and public health expenditure of that part of the kingdom; and the Irish Local Government Board issues returns good as far as they go; but neither are complete. In the following table I have therefore had to fall back upon the estimates for 1873-74 quoted in each year's "statistical abstract" so far as these two divisions of the kingdom are concerned.

Total Imperial revenue from taxation (1880-81) . . . . .	£68,950,000
Local income of England and Wales from rates alone (1879-80) . . . . .	25,927,000
Local income of England and Wales from tolls, dues, and rents (1879-80) . . . . .	4,678,000
Local income of England and Wales from duties (1870-80) . . . . .	438,000
Scotland (direct and indirect local taxes estimate of 1873-74) . . . . .	2,373,000 <sup>1</sup>
Ireland (direct and indirect local taxes estimate of 1873-4) . . . . .	2,996,000 <sup>1</sup>
Total imperial and local taxation of United Kingdom . . . . .	<u>£105,362,000</u>

<sup>1</sup> In both these cases the gross local income must be a good deal more. Mr. Goschen made it more in 1868, and it cannot have fallen off since. There is, however, nothing to estimate it by.



Against this has to be placed a net expenditure which I estimate as follows:—

Imperial expenditure from taxation, excluding working expenses of remunerative public departments, 1880-81 . . . . .	£68,020,000
Local expenditure of England and Wales, exclusive of subsidies from imperial taxes, and of the education grant, but inclusive of loans (1879-80) . . . . .	48,136,000
Local expenditure of Scotland (estimated on the basis of revenue above given, with the addition of loans granted in 1880-81, but exclusive of education grant) . . . . .	3,200,000
Local expenditure of Ireland, estimated on the same basis as that of Scotland . . . . .	5,000,000
Total . . . . .	<u>£124,356,000</u>

This would make an excess expenditure of over £18,994,000, and that is probably near the mark; but as the years for the imperial and local expenditure are not the same—I having taken the latest figures available in both cases—and as the local expenditure of Scotland and Ireland is estimated, these figures can only be accepted as a rough approximation towards the truth about provincial lavishness. A modifying consideration, however, has to be taken account of in the case of Ireland, the total expenditure for 1880-81 having been swollen by contributions granted for the relief of distress to the amount, including £405,000 supplied in that year to provide seed for the poor agriculturists, of £420,000. Debt conversion and the purchase of public works have also to be allowed for, and might perhaps be held to reduce the deficit by the odd £994,000.

But, making every allowance, this is a most formidable budget, showing a most ominous deficit. Every year the local debt of the nation grows, and the reduction of imperial burdens, when it does occur, is far more than compensated for by the increase in the local.

I omitted the imperial contributions to local rates so that the totals might not be counted twice over; but it will be well to state now how the account stands in this direction. In the report of the Local Government Board for 1880-81, the contributions from imperial revenue to local expenditure are tabulated as follows for the three years then ended:—

	1878-79.	1879-80.	1880-81.
Metropolitan Fire Brigade .	£10,000	£10,000	£10,000
Rates on Government Pro- perty . . . . .	166,843	165,783	161,768
Poor Law and Sanitary Officers . . . . .	273,023	271,389	295,568
Pauper Lunatics . . . . .	380,000	395,000	412,000
Registrars of Births and Deaths . . . . .	10,000	9,700	10,000
Criminal Prosecutions . . . . .	170,670	180,568	180,547
Police, Metropolitan . . . . .	442,650	452,800	451,705
„ County and Borough Prisons, Reformatories, and Industrial Schools . . . . .	745,000	762,000	764,000
School Boards . . . . .	700	1,025	1,000
Berwick Bridge (for repairs)	90	90	91
Total . . . . .	£2,872,810	£2,858,955	£2,901,314

This is for England and Wales alone, exclusive of the education grants, the Irish and Scotch University grants, and items of that kind, all of which may not be considered purely local. The education grants alone

for the United Kingdom in 1880-81 were as follows:—England, £2,536,000; Scotland, £464,000; Ireland, £722,000—in all £3,720,000. But even this does not comprise everything paid for out of local taxes. The Irish constabulary costs no less than £1,300,000 a year, and between three and four hundred thousand more is paid to Ireland for other purposes, more or less purely local; while the Scotch grants of every kind do not reach £300,000, exclusive of the education grant. Altogether we may put the grants in aid out of the imperial revenues for local or provincial purposes at not less than £8,500,000, of which England absorbs about £5,500,000, Ireland fully £1,600,000, and Scotland less than £700,000. In proportion to the population the relief to Ireland is thus, in one sense, greater than to any other part of the kingdom; but the Irish probably consider that that portion of the contribution which pays for their police is not expenditure which benefits the nation. In other respects there is a good deal to be said against much of this diversion of imperial taxes into local pockets, but they may all be summed up in the one complaint, that they imply a lamentable absence of properly organised local government. The more government is centralised, the greater is the tendency of local expenditure, debt, every local burden in short, to fall upon the shoulders of the taxpayers at large.

A word must be said as a conclusion to this subject on the total debt of the kingdom, imperial and local. The same difficulty meets us in dealing with this that besets questions of taxation. We have no complete returns outside England. The local debt of this part of the kingdom alone was put down at £137,000,000 odd

in 1880, but to this have to be added the local debts of Scotland and Ireland, of which there are absolutely no accurate statistics available. Scotland, however, has borrowed up to the end of last financial year £2,300,000 for school board purposes, and has other loans to the amount of about a million more outstanding in account with the Public Works Loan Commissioners, while Ireland has about £5,000,000 outstanding, exclusive of the debt remitted. Both countries have likewise considerable urban debts contracted independently, and which we shall not be exaggerating if we place at a total of £3,000,000 more. Since 1879-80, moreover, the debt of England to the Public Works Loan Commissioners has been increased by nearly £2,000,000, and if these various sums are added to the total above given, we get a total local debt for the United Kingdom of fully £150,000,000 at the end of last financial year, which is probably under the mark, as I have not taken into account the borrowings effected through private Acts of Parliament. To this must be added the imperial debt, which was estimated at £768,704,000 in last "statistical abstract." It will not do, however, to add these two totals together, and call the result the total debt of the nation, for, in the first place, the "statistical abstract" appears to over estimate the capital value of the terminable annuities by some millions. For present purposes it will be near enough to calculate the value of these annuities at not more than £32,000,000, and in addition to the £5,000,000 odd in this way struck off, it is necessary to deduct the amount of the loans raised by local bodies through the Public Works Loan Office and the Treasury, which are included

in the total of the local debt, else part of the debt would be reckoned twice. This is about £32,000,000, and these two sums taken off reduce the capital of the national debt proper to about £732,000,000. Adding this to the total local debt, we arrive at £872,000,000 as the amount of the entire imperial and local indebtedness of the United Kingdom. The country owes, therefore, positively about as much to-day, all told, as it did at the close of the revolutionary wars; but the burden of the debt is by no means the same, for the population has increased nearly threefold, and the wealth at least fourfold since then. But the weight is great enough, and in certain parts of the kingdom it grows at a rate that is calculated to do great mischief.

Contrasted, however, with some of our neighbours, we have great reason to congratulate ourselves on the moderation alike of our taxation and our debt. The spectacle of France especially is calculated to soothe any feelings of disquiet which the contemplation of our economic position might cause. The imperial budget alone of France now almost equals the entire local and imperial taxation of the United Kingdom, and her actual income from imposts, direct and indirect, must now be about £30,000,000 a year more than our own, as the yield of her posts and telegraphs is much less than ours. What her local budget is cannot be accurately stated, as recent figures are not available. We know, however, from the admirable report of Mr. Jerningham, quoted in Mr. Goschen's report on local taxation, that as near as could then be ascertained, the local taxation of France increased by 95·36 per cent between 1837 and 1867, or from £12,906,000 to £25,207,000. Her imperial taxation

increased in the same period 78 per cent, so that the rise in local burdens was not caused by a transfer to them of burdens in former times treated as imperial. Since 1867 there has been another increase of nearly, if not quite, 100 per cent in the imperial taxation of France, and if the progress of the local has been but on the same scale as in the earlier period, the total burdens of France, imperial and local, would now be some £60,000,000 per annum more than our own. It is not likely so much, because of late years there has been an increasing tendency to centralise, and the imperial Government is even now spending large sums—£16,000,000 to £20,000,000—every year in the execution of provincial works, minor railways, roads, harbours, canals, etc., the charges for which are laid upon the imperial revenue. For this and other reasons the imperial budget of France now represents much more of purely local expenditure than our own, but for all that the local burdens are heavy, and estimated by the augmented local debt alone, must have increased. It is probably an underestimate to place the increase at 10 per cent on the figures for 1867, for the urban and communal octrois have increased much of late years, and amounted in 1876 to about £10,000,000; but, taking it at that, we get a total expenditure for France, imperial and local, of more than £140,000,000, or £35,000,000 more than our own. This would represent an increase of 64·7 per cent since 1867, as compared with an increase of less than 20 per cent in the total expenditure of the United Kingdom in the same period. The contrast is made all the greater by the fact that while the population of

France has been almost stationary, ours has, within the past fifteen years, increased by nearly 13 per cent.

Equally comforting to us is the comparison of the debts of the two countries. There are no complete statistics of the local debts of France, any more than of our own, but including the communal and other loans raised by the medium of the Credit Foncier, they cannot be less than £150,000,000, for the debt of the city of Paris alone is nearly £80,000,000, costing about £4,000,000 per annum for interest and amortization; while the imperial debt of France, funded and floating, appears to be now just about £1,000,000,000. This would give a total of over £170,000,000 more than our debt of all kinds, and it is probably an under estimate. Upwards of £40,000,000 a year of the French imperial revenue is absorbed by the debt charges alone, including sinking funds, or terminable annuity charges, but a part of the debt is represented by public works.

Of no other important European State except France have we any means of estimating the relative positions of the local and imperial budgets. The finances of Germany and Austria are complicated by the subdivision of these empires into so many minor states or provinces; Italy is to some extent in the same position, owing to the undigested state of her local obligations, and the way that the affairs of the old states composing the new kingdom still intertwine with the national finances; and were this subject to be pursued farther, the only countries about which a certain amount of definite information might be available are Belgium and Holland. Regarding Belgium, indeed, a most valuable report has just been made by Sir H. Barron, but it

does not afford much material for comparison with our own position. We may note, however, that the communes of Belgium own a good deal of land,—in some instances so much that they are able to dispense with taxes altogether. Octrois, or local customs, were abolished in Belgium in 1860, and as compensation certain parts of the imperial taxes were assigned to the communes. The quota ranges from 35 to 75 per cent, so that the taxation of Belgium is on an entirely different footing from ours.

The latest authentic estimates regarding most European countries are those given by Mr. Goschen from the data furnished to him by British representatives abroad; and the simplest way to set before the reader the roughly ascertained facts regarding them is to give the following table extracted from his valuable report. In doing so, regret may be expressed that foreign Governments do not periodically compile full returns upon this important subject. No taxation can be wisely adjusted which is not based to some extent on a knowledge of the incidence and amount of the taxes imposed. The dates of the figures in the following return do not profess to correspond, but none are later than 1868:—



COUNTRIES.	TOTAL TAXATION.			TAXATION UPON REAL PROPERTY.					
	Imperial. £	Local. £	Total Imperial and Local. £	Imperial. £	Local. £	Total Imperial and Local. £	Imperial. %	Local. %	Total Imperial and Local. %
United Kingdom	65,395,000	25,155,000	90,548,000	8,157,000	20,007,000	28,164,000	12.47	79.54	31.11
France	60,161,000	21,347,000	81,508,000	17,686,000	5,893,000	23,529,000	29.31	27.60	28.87
Russia	42,878,000	5,679,000	48,557,000	5,093,000	3,303,000	8,396,000	11.88	58.00	17.28
Prussia	13,297,000	.....	.....	2,041,000	.....	.....	15.35	...	...
Holland	5,505,000	1,649,000	7,154,000	1,206,000	236,000	1,442,000	21.91	14.26	20.16
Belgium	4,846,000	1,597,000	6,443,000	1,784,000	273,000	2,057,000	36.82	17.07	31.92
Austria	20,636,000	1,524,000	22,160,000	5,382,000	808,000	6,191,000	26.10	53.02	27.93
Hungary	8,577,000	.....	.....	3,320,000	.....	.....	38.69	...	...

It should be stated that most of these totals are guesses so far as local taxes are concerned, and some of them are obviously incomplete, even where all the details are professedly given. The chief value of the table, indeed, is the estimate given in it of the proportion of taxation borne by real estate in various countries, and I have put it here mainly to give readers the means of seeing how, on the best estimates obtainable, we stand in that respect compared with other nations. Apparently we stand very favourably,—if, that is to say, it be good for real estate to bear a large share of the weight of Government expenditure,—but it must not be forgotten that “real property” in the above table includes house property. Were “land”—the real estate burdens of England—alone dealt with, our position would be very different. This kind of estimate, in short, is nearly valueless in enabling us to say what part of our taxation, or that of any other country for that matter, falls upon the owners of land as distinct from other classes of the people. With us it is certainly very much less than the percentage given in Mr. Goschen’s return. In most other respects, however, we are in a favourable position.

And when one looks back at the events of our past financial history, marks the lavishness of our rulers, the waste of wars, the feebleness of the checks that apply over most of the field occupied by the presumed necessary items in the outlay, one is disposed to be thankful that the country stands so well. We have not paid off debt at the rate of the United States—nigh £200,000,000 in sixteen years—but neither are our people mulcted of heavy taxes on industry like theirs.

Much still remains to be done, and danger may arise if it be not done ; but still our huge national debt has had one good result all along. In the earlier times it was probably a stimulus to thrift and a spur to exertion ; latterly it has formed a handy and safe mode of investing the savings of the people, which might have with difficulty found elsewhere so good a resting-place. This is no excuse for the non-payment of that debt, or at least less of an excuse now than it has been, for channels of good investment multiply every year, and if impending changes open up the land to the capital of the nation, a far better investment will be found in it than in any Government stock. After all, the debt is a mortgage on the labour of the people, and no mortgage can ever in the long run be other than a danger. To the people at large the national debt is a great injustice. In a sense we may say every child born within the kingdom begins the world £25 behindhand. Imperial and local debts together imply a charge of nearly 17s. per head, which has to be borne as a lifelong load. Its weight retards fiscal reforms, and conduces to the poverty of the masses. Good as, by contrast with some of our European neighbours, our position in this respect may be, it will well bear mending. One may therefore hope that in the future an educated electorate will insist on paying off the debt, and will follow with more closeness, and with a better grasp of the principles of sound finance, the national and local budgets of the United Kingdom.