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## A FINANCIAL RETROSPECT, 1861-1901.

By SIR ROBERT GIFFEN, K.C.B., F.R.S.

[Read before the Royal Statistical Society, 18th March, 1902.  
The Right Hon. LORD AVEBURY, President, in the Chair.]

*Introductory.*

IN consequence of certain letters of mine which appeared lately in "The Times," on the "Financial Outlook,"<sup>1</sup> some of my friends on the Council of this Society were good enough to suggest that a short statistical paper, resuming the figures for the last forty years—the past period covered by the letters,—would be useful to the Society by way of record, and would allow of Members discussing from the financial point of view the topics of economic development and national progress, which have so frequently been the subject of debate at our meetings. In a moment of weakness, I fear, the suggestion was accepted, and the present paper is the result. Accidentally as the suggestion has been made, there is a good reason of substance for making 1861 the starting point of such a retrospect. In that year the Free Trade work of Sir R. Peel and Mr. Gladstone had been practically completed. The last great clearance of the tariff, consequent on the Cobden Treaty of 1860, had just been made; the great struggle respecting the paper duty had just been finished; and our tax system was free of any duties for the purpose of protection, if we except a small timber duty, and the registration duty of a shilling per quarter on the import of corn, which were exceptions of a formal, and not of a material, kind. The disturbance of our financial arrangements caused by the Crimean War had also ceased to leave its mark, or nearly so, by 1861. What we have to observe then is the development actually taken by our finance under a Free Trade *régime* all through, and in general circumstances of great material prosperity.

The tables which have been prepared, it will be found, are extremely simple in form. Nothing more has been done than to put together, from the Statistical Abstract mainly, the figures of actual revenue and expenditure and other financial data for a particular year, at intervals of ten years, since the beginning of the period, adding in some cases the estimate for 1901-02, so as to

<sup>1</sup> See the "Times" of 7th, 9th, and 10th January, 1902.

make the comparison more up to date. In a more elaborate study the figures for each year should have been inserted, and averages for groups of years stated; but the present arrangement is simpler and less confusing, while if error arises occasionally, in consequence of the single year in some cases not corresponding with the average at the period to which it belongs, a reference to the very familiar Statistical Abstract can easily be made. But no great error, I believe, arises in this way, although in one case, 1871, the figure of expenditure is rather understated, the total being lower than it would have been if any other one of several years before and after had been selected. The changes, however, between the earlier and the later years are so great that not much turns on the excess or diminution of any particular year compared with the average. In addition to the financial tables proper, supplementary tables are added for convenience of reference, dealing with the factors of population, production and consumption, which are obviously matters requiring consideration in any study of financial questions. It is not proposed, however, to give a formal account of these tables as is done for the financial tables themselves.

#### *The General Growth of Expenditure.*

Taking the tables in their order, I begin by noticing Tables I to IV, dealing first with the revenue and expenditure of the Imperial Government of the United Kingdom, in the gross, and then specially with the expenditure. The lesson of the first table is striking. Expenditure increases from 72·8 million £ in 1861 and 69·5 million £ in 1871, to 80·9 million £ in 1881, 87·7 million £ in 1891, and then in 1901 to 183·6 million £, which is exceeded by the estimates of the current year. Revenue increases in much the same way, lagging a little behind in the last period of all. The figures are 70 million £ in each of the years 1861 and 1871, 82 million £ in 1881, 89·5 million £ in 1891, and 130·4 million £ in 1901, and finally 142·5 million £, estimated in the current financial year. The change from the earlier period is most striking, and practically it has come with a rush in the latest period of all, that is since 1891. The explanation on the surface is that the recent growth is mainly due to the war in South Africa. The sum of nearly 70 million £ is put down for war expenditure in South Africa and in China in 1901, only a small part being for China. But in a general retrospect such as the present, too great stress must not be laid on such explanations. The present period is obviously different from the past, whatever may be the cause. Possibly it may be found after a few years that the figure of 180 to 190 million £ exceeds the normal expenditure of the period into which

we have come ; but as prudent men we must accept the warning for the present, and not fix upon a much less figure than what has actually lasted for nearly three years, say a less figure than 150 million £, until there is experience of the reduction.

This is not the whole account of the growth of expenditure. Appended to Table I is an account of the revenue received by the Imperial Government, and handed over by them to the local authorities of the country without appearing in the ordinary budget at all. This was an arrangement commencing about 1887, when some services hitherto charged on the Imperial Budget were handed over to the local authorities along with certain revenues. Clearly in a fair comparison with a former period the expenditure on such services ought still to be shown. The total money thus collected for the local authorities and handed over to them now amounts however to close upon 10 million £, which the Imperial Government really pays, although it is not seen in the ordinary budget. In putting the current expenditure at a very high figure, therefore, compared with 1861 and 1871, and disregarding a good deal the special explanation of war, we are acting safely. There must be a very high figure when normal conditions are established.

Before analysing the growth of expenditure and revenue in detail, we may inquire generally as to the relation of the new burden to the resources of the country. The first table shows that the aggregate expenditure per head of population, after falling from *2l. 10s. 8d.* in 1861 to *2l. 4s. 3d.* in 1871, and then rising slightly to *2l. 6s. 4d.* and *2l. 6s. 6d.* in 1881 and 1891, has all at once jumped up to *4l. 8s. 6d.* and *4l. 12s. 2d.* per head, not including the extra 10 million £ of expenditure which has dropped out of the Imperial Budget. A natural presumption from these figures would seem to be that the national resources are more severely drawn on than they were, as is undoubtedly the case when we make comparison with a recent date, such as 1891. The matter will be discussed more fully afterwards; but it may be useful to point out, even at this early stage, that the maintenance of a low figure of expenditure per head for so long a period as from 1861 to 1891 itself implies an enormous reduction of the burden of Government in proportion to the resources of the people. The period, as we all know, was one of great and continuous prosperity, the wealth of the community increasing fast. It is quite possible, therefore, that with *2l. 6s. 6d.* per head in 1891, the people were much less burdened than with *2l. 10s. 8d.* per head in 1861, and that they would be no more burdened now than they were formerly, even if there should be a considerable increase in the expenditure per head. The point is one for investigation and not

for assumption on any side. That there has been an enormous increase of wealth is however obvious from two sets of facts, which are corroborated by many others. First, there has been an enormous increase in the consumption of such articles as tea and sugar,—in the former case from 2·69 lbs. per head in 1861 to 6·11 lbs. per head in 1900, and in the latter from 35½ lbs. to 88 lbs. per head (see supplementary tables), increases which would have been impossible without a material improvement in the well-being of the masses. Next there has been an enormous increase of the yield of a penny of the income tax, from 1,100,000*l.* in 1861 to 2,400,000*l.* at the present time (see Table IX), although in the interval the lower limit of the tax has been raised from 10*l.* to 16*l.*, and the limit up to which abatements are given has been raised from 15*l.* to 70*l.* It cannot be assumed then that the country is now burdened more in proportion to its resources by the expenditure of the present time than it was by the expenditure of 70 million £ in 1861. Both sides of the account have to be looked at, and not one only.

The growth of expenditure about 1861, it may be interesting to note, was discussed at the time just as the expenditure of the present day is being discussed in some quarters. On 3rd June, 1862, Mr. Stansfeld moved a resolution of protest against growing expenditure, and was strongly supported, Mr. Disraeli dwelling on "bloated armaments," while Cobden and other authorities joined in the onslaught. There was, however, no real discussion of what the expenditure of the State should be and for what purposes, and of what could really be borne by the community, any more than there is now or ever has been at any time in my recollection. The nearest approach to comparisons of that kind was made by Mr. Stansfeld, who described the expenditure of 70 million £ as equal to a tax of 6*s.* in the £ on the income tax income of the country, and who said that this, at 1*l.* per week per family, would be equal to the maintenance of seven million persons of the working classes for a year. Six shillings per £ on the income tax at 2,400,000*l.* per penny, the present rate of yield, would give an expenditure of no less than 173 million £, which approaches the figure of the present time, while the proportion of the working classes that could be maintained for that sum, owing to the increased income of the class, now far more on the average than 1*l.* per week per family, would be diminished and not increased. Such comparisons, however, are hardly to be encouraged, as the expenditure for Government is necessarily the first charge upon the resources of every community, and if it has to be met, no help is given in its proper administration by showing that, as with Mrs. Caudle's 5*l.*, something else could be done with the money.

*Analysis of Increased Expenditure and Revenue.*

Analysing the expenditure in detail, we may notice the following points:—

1. The annual charge for the debt (Table II) appears to have considerably diminished. The figure is 26·3 million £ in the budget of 1861, and in the estimate for 1902 it is 21·6 million £. This is subject to the observation, of course, that the annual charge in 1861 included a considerable sum for the reduction of debt, while the annual charge at the present time does not, but there is clearly no question that the annual charge, apart from repayment of debt, has rather diminished. The capital has diminished, there has been some reduction of interest by conversion, and there will shortly be a further reduction of interest of the same kind to be set against the actual increase of debt during the last few years.

2. The Civil Service expenditure of a miscellaneous kind accounts for very little of the large growth of expenditure with which we have been dealing (Table IV). The Financial Abstract now shows in a line the whole of the expenditure for civil government, including the Civil Service estimates and the charges on the Consolidated Fund, apart from the debt charge, but excluding the charges for the collection of revenue and for the Post Office. The figure of this expenditure last year was 24,854,000*l.*, and if we carry it back, we find that the corresponding figure in 1861 was 9,659,000*l.* This is a considerable increase, nearly 15,000,000*l.*, but on further analysis we find that the increase in the education charge alone was from 1,097,000*l.* to 12,662,000*l.*, or nearly 12 million £ of the total, and that the miscellaneous Civil Service expenditure—the general charge for the civil government of the country—has only increased from 6,266,000*l.* to 10,623,000*l.*, or, including Consolidated Fund charges, from 8,562,000*l.* to 12,192,000*l.*, or about 3½ million £. This is again subject to the observation above made as to services transferred to local authorities, and to some doubts as to the manipulation of the estimates, by which the expenditure is partly concealed; but, making all allowance for such observations, the facts appear to show that a common impression as to the formidable growth of Civil Service expenditure, on which about fifteen years ago Lord Randolph Churchill thought he could save 10 million £, is hardly well founded. Lord Randolph Churchill, in fact, sacrificed his career for a pure blunder.

3. The growth of education expenditure in particular, to which attention has been drawn, is an undoubted makeweight in the present position.

4. The charge for collection of the revenue, apart from the Post Office, like the Civil Service expenditure generally, has remained comparatively stationary, being 2,834,000*l.* now, as compared with 2,569,000*l.* in 1861. In other words, Customs and Inland Revenue, though we collect double the revenue, cost hardly more now than they did in 1861.

5. The largest increase in civil expenditure, besides education, is in the Post Office department, where the expenditure has risen from about 3 million *£* in 1861, to 13½ million *£* in 1901. This is expenditure, as is well known, which is accompanied by a corresponding growth of revenue, and implies a corresponding increase of services rendered to the country. Even if it grows, therefore, out of proportion to the growth of population and income, it is a beneficial expenditure, and need be viewed without concern, although it may involve an increase of the charge per head of population.

6. We come finally to the real question involved in the growth of expenditure, viz., the growth of charges for Army and Navy. It is these charges, including the charges for actual war, which account mainly for the whole growth between 1861 and 1901. The increase in Army and Navy (see Table III) is in fact 90 million *£*, if we compare 1861 with the present time, viz., from just over 31 million *£* to just over 121 million *£*, and it is no less than 100 million *£* if we compare 1871 with the present time, viz., from 22½ million *£* to just over 121 million *£*. There appears indeed to have been a decided falling off in the charge for the Navy, especially between 1861 and 1871, so that 1871, as already mentioned, becomes an exceptionally low year to start from. What will surprise some of us is that Army and Navy were kept under, as they appear to have been, down to as late a date as 1891, so that then as compared with 1871 they show no greater an increase than about 10 million *£*.

There is, unfortunately, no doubt about the increase of 100 million *£*, or thereabouts, since 1871. We are spending over 121 million *£*, where we spent just over 22 million *£* in 1871. Of this increase, as already suggested regarding the growth of expenditure generally, a large part must be really permanent, but the point should be specially considered, as a certain part of the general growth of expenditure, viz., the expenditure for education, and for Post Office, which is also in all probability permanent, is in an entirely different category from expenditure on armaments. We should disregard then, I believe, the classification of 70 million *£* of this army and navy expenditure as being for "war," and impliedly, therefore, temporary. The question is one of opinion, and I should deprecate a very full discussion here, as involving questions

of politics; but the overruling facts appear to be that a war expenditure for two years amounting to about 70 million £ a year, followed by an estimate of 40 million £ for the next year, must be held to indicate a situation of a chronic character, implying expenditure of a similar nature for some years to come. The expenditure, in fact, is not so much for war as for the more or less permanent occupation of a difficult country, which unavoidable circumstances, I for one should admit, compel us to occupy, where there are good reasons also for believing the burden will diminish, and diminish greatly, in time, but where improvement is conditional on our facing the evil at its worst. What we have really to face then on account of South Africa is a costly army of occupation, with corresponding charges for an army at home to send reliefs to it as we now send reliefs to India and our other colonial possessions. As to Army and Navy generally, also, the international position appears to be such that for some years to come the British Empire must exhibit a great and unwonted development of force. The reason is that we are surrounded as we never were before by great military powers who possess powerful and increasing navies; that we have extensive land frontiers in all parts of the globe, with active enemies near them, especially in Asia and Africa, such as we never had before; and that our staying power, if we are checked, owing to our absolute dependence on sea communications for needful raw material as well as food, and for the sale of the productions by which our people live, may be unexpectedly curtailed. Hence we must make preparations for eventualities, not only as if we were one of the unfortunate continental States who are perpetually in terror of the spectre of invasion, and whose case we have been accustomed to lament from our superior position as girt by the inviolate sea; but we must prepare as if we were exposed to even greater dangers than any continental neighbour. Our whole position has been revolutionised internationally, and as like causes produce like effects, we must go through the experience in the way of military preparation which our continental neighbours have gone through.

The only question is as to the exact figure at which the permanent increase of Army and Navy expenditure should be put. It will probably be something less than the 121 million £ at which it now stands, comprising one-half for ordinary Army and Navy expenditure and one-half for so called war. The estimates for next year provide for about 100 million £ only. But take it as a rough guide that every 100,000 men of regular army and navy, allowing for increased pay, must cost about 13 million £ a year, and that new ships and repairs, merely to keep our fleet going,



must cost about 15 million £ annually, we can easily calculate what large sums must be spent. Mr. Brodrick estimates the regular army, including India, at 250,000 men, but this omits South Africa, and with South Africa the numbers will certainly not be less than 300,000, omitting India altogether. At the rate of 13 million £ for each 100,000 men, this will mean an expenditure for army alone of nearly 40 million £, apart from charges for auxiliary forces and the like. The navy, again, has nearly 130,000 men, involving at the above rate a charge for the *personnel* of about 17 million £, besides 15 million £ for repairs and renewals of the *matériel*, and charges for fortified coal depôts, &c., let alone an increase of the fleet to keep pace with foreign fleets—total over 40 million £. As I have often insisted, therefore, I see no way by which, in fact, charges of 40 million £ each for Army and Navy are to be avoided in future, and practically we may consider ourselves fortunate if the charge should ever again be less than about 100 million £ in all.

These are very different figures indeed from the 20 to 30 millions which were the occasion of the lively debates of forty years ago. But we have travelled far from that time, and that is all that can be said.

#### *Analysis of Growth of Revenue.*

Analysing the growth of revenue in detail, we may notice the following points:—

1. No part of the increase of revenue since 1861 can be ascribed to the imposition of new taxes or the increase of existing taxes. The increase in all, comparing 1901 with 1861, is from 70 million £ to 130 million £; but the whole of this extra 60 million £ is due exclusively to the larger yield of existing taxation, and not to any new burdens. This appears clearly from Table XIII in the appendix, summarising the well-known table in the Statistical Abstract, which gives the taxes repealed or reduced, and imposed or increased in each year, with the estimated loss or gain to the exchequer in a complete year, and other particulars. There have been many ups and downs in the tax list in the interval, but finally the reductions all told amount to 71 million £, and the increases to 62·6 million £, leaving a net reduction of 8·4 £, which ought to be added to the increase of revenue above stated to show what the real growth has been. The growth must have been even larger. A reduction or increase of the same rate of tax, when revenue is growing rapidly, is necessarily represented by a smaller amount of taxation in an earlier than in a later period. When reductions take place, therefore, in the earlier part of the

period over which the comparison extends, and increases in the latter part, the comparison of the amounts of taxation affected does not quite show the real reduction that has taken place, but it shows a figure that may be a good deal less. In the last ten years there is an increase of taxation of no less than 19,500,000*l.* on balance, but the same changes of taxes in the first ten years of the period would have come to a good deal less money, and it is this amount which should be compared with the early reductions, so as to show what the real growth of revenue has been.

If we made the comparison with the estimates of the current year the result would be much the same. We should have to add about 11 million £ for the increased taxes in last budget, thereby showing a small increase of taxation on balance to be deducted from the apparent growth of revenue from 70 million £ in 1861 to 142½ million £ in the current year. But this apparent increase, according to the explanation above given, would be far more than the real increase, and on balance there would be no such increase. We are quite within the mark in saying that the doubling of the revenue since 1861 has been effected without any increase of taxes on balance, but rather along with a decrease.<sup>2</sup>

2. The second point which is obvious on the surface of the tables is the fact of a great change in the relative importance of different branches of the revenue in the total product. A glance at Table V shows that, while Customs in forty years have increased from 23·3 million £ to 26·3 million £, or about 15 per cent.; Excise from 19·4 million £ to 33·1 million £, or 70 per cent.; and Stamps (excluding death duties) from 4·9 million £ to 7·8 million £, or 57 per cent.; we find income tax increasing from 10·9 million £ to 26·9 million £, or nearly 150 per cent.; death duties from 3·4 million £ to 13 million £, or 286 per cent.; and Post Office charges from 3·4 million £ to 17·3 million £, or over 400 per cent. If the current year were taken into account these contrasts would be still as marked. Certain additions have been made to Customs and Excise, so that they exhibit a larger percentage of increase than was the case a year ago; but income tax has also been added to, and the comparison shows up much the same. Leaving aside the Post Office, where the charges stand by themselves as being largely charges for services rendered, and not bare taxation, we may say broadly that, during the last forty years, income tax and death duties have largely increased in relative importance among the different branches of revenue, and Customs and Excise and Stamps have declined.

<sup>2</sup> No difference would be made in this conclusion by including the revenues handed over to local authorities. The net reduction of taxation shown would be so much less, but the growth of revenue would be so much greater.

The comparison would be still more significant if we started from 1871 instead of 1861. Here we find the contrast in the growth of the branches of revenue mentioned to have been as follows:—

## FIRST GROUP.

|               | 1871. | 1901. | Increase. |           |
|---------------|-------|-------|-----------|-----------|
|               |       |       | Amount.   | Per Cent. |
| Customs ..... | 20·1  | 26·3  | 6·2       | 31        |
| Excise .....  | 22·8  | 33·1  | 10·3      | 45        |
| Stamps .....  | 3·6   | 7·8   | 4·2       | 116       |
|               | 46·5  | 67·2  | 20·7      | 44        |

## SECOND GROUP.

|                    |      |      |      |     |
|--------------------|------|------|------|-----|
| Income tax.....    | 6·4  | 26·9 | 20·5 | 320 |
| Death duties ..... | 4·8  | 13·0 | 8·2  | 170 |
| Post Office .....  | 5·3  | 17·3 | 12·0 | 226 |
|                    | 16·5 | 57·2 | 40·7 | 247 |

Thus, while an addition of about 21 million £ has been made to the first three branches of revenue in thirty years, an increase of less than 50 per cent., the addition in the case of the second group is almost exactly double, or 41 million £, and has been at the rate of 250 per cent. Here, again, the effect of the contrast would hardly be mitigated by including the additional taxes imposed a year ago. The additional weight thrown on income tax and death duties "leaps to the eyes."

3. The next point must be that this change in relative position among different branches of the revenue has not occurred automatically in any way, that is by some taxes in course of time, through a natural development, becoming more productive than others. It has occurred, on the contrary, at least very largely, as the result of legislative and other changes. If we analyse, in fact, the list of taxes repealed or reduced, and taxes imposed or increased, to which reference has already been made, we find that the reductions in the early period are largely reductions of duties of Customs and Excise, and the increases in the later period are largely increases of income tax and death duties. On this head the list of rates of duty on principal heads of Customs (Table X) appears instructive. There is a slight increase in the charge for spirits; a slight increase on tobacco generally, but a decrease in the rates for cigars and snuff; a great decrease in tea, from 1s. 5d. to 6d. per lb.; a great reduction in sugar, from 18s. 4d., or 2d.

per lb. on refined, in 1861, to about  $\frac{1}{2}d.$  per lb., in 1871, while after that the heading disappears altogether, only to be restored very partially in the current year; corn, which was 1s. a quarter in 1861, had disappeared from the list in 1871, though only just before that year; and timber and various other articles which were dutiable in 1861, have likewise vanished. The reductions, except sugar and tea, were not generally important in amount, but the changes on balance have been all one way. In Excise there have been fewer or hardly any reductions, if we except the transfers made between 1881 and 1891 to local authorities, but the amount yielded by Excise has increased more than Customs, and the two of course should be taken together. On the other side, it will be seen that income tax, after beginning at 10*d.* per £ in 1861, and being as low as 4*d.* in 1871, has since been raised to 1s. in 1901, and now stands, as all of us know, at 1s. 2*d.* in the £. No doubt another change in the way of reduction has taken place in the income tax as already mentioned, viz., the increase of the lower limit of the tax and the increase of the limit up to which abatements are made (see Table VII); but this does not alter the fact of the increase of the rate of the tax as far as incomes above 700*l.* are concerned. With regard to death duties it would be tedious to make an arithmetical comparison, but two or three changes of obvious effect have been made, viz., the subjection of real property to the same rates and mode of charging as personal property, an increase of the duties generally, and a special increase of the rate of duty in proportion to the increase of the size of properties. The marvellous increase of the death duties is thus in no way surprising.

The net result of the whole change is the substitution of income tax and death duties in our tax system for duties of Customs and Excise, especially for duties on tea and sugar, on which we relied largely in 1861, and still relied to some extent as late as 1871. They also take the place, of course, of the minor Customs duties on corn and timber, &c., which existed without any feeling against them as involving a breach of Free Trade, because in fact they yielded some useful money to the exchequer without inconvenience to business.

3. To show the exact proportion of certain branches of revenue to the total revenue at different times, a separate table (Table XII) has been added in the appendix. This table speaks for itself. It confirms fully what has already been said as to the change in our tax system which has occurred. Income tax and death duties, which supplied 20 per cent. or one-fifth of the revenue in 1861, and 16 per cent. only in 1871, supplied in 1901 no less than 31 per cent. of the total. Customs and Excise, on the other hand, which supplied

61 per cent. in 1861, and 63 per cent. in 1871, now supply 45 per cent. only.

Summing up this analysis of revenue, and comparing the results with the corresponding facts as to the growth of expenditure already dealt with, we may conclude, I believe, that the showing in some respects is not unsatisfactory. It is unpleasant to have to spend so much as we do on armaments, and to recognise that this expenditure, or at least a large part of it, is of a permanent character, and is not coming to an end with a definite closing of the South African war. It is nevertheless satisfactory so far that we can meet a high expenditure—double and more than double the figures of forty and even thirty years ago—as easily in reality as the expenditure of those years was met. A Rip Van Winkle of the early sixties, if he were to come back to life now, would not find his imperial burdens any greater. If he were a total abstainer and his income were below the income tax level, he would find his burdens even less than they were. A great change has been made in the interval in the substitution of some taxes for others; but we have only to do with substitution and not with an increase of burdens. Opinions will of course differ as to how far the substitution has been wise, and whether the pressure of income tax and death duties on the community as a whole, is not more severe than the pressure of the sugar and tea duties, which contributed a great deal, and the corn, timber, and other duties which contributed a little, to the revenue of thirty and forty years ago; but this is the only point of dispute raised by the present retrospect. As to the changes themselves and the causes, and our ability to meet the increased expenditure of the present time, with no real increase of burden as compared with a recent date, there is absolutely no dispute.

#### *The Growth of Wealth.*

The income tax tables and the supplementary tables generally contain further information as to the growth of the resources of the country upon which the expansion of the revenue depends. Though it is not really necessary to show the growth of the country's ability to meet the largely increased expenditure of recent years—and I shall probably have an opportunity after 1905, if the Society will permit me, of continuing those studies on the income tax returns which were commenced before you in 1878—still I may be allowed to add a few more remarks bearing directly on this question.

What I should like to notice first of all, then, is that the doubling of our wealth and of our ability to bear increased burdens does not depend on any astonishing change in the productiveness of the industry of the country. It depends mainly on two factors:

(1), the growth of population, and (2), a very moderate increase in the wealth of the population per head. If the population had doubled, the wealth per head remaining the same, there would be no doubt of the country having twice its former ability to bear taxation. But short of doubling, the population may increase so greatly in a given time that a very moderate addition to the wealth per head may produce the same result. Now the increase of population is obscured for this purpose by dealing with the United Kingdom as a whole, which causes the decrease of population in Ireland to set off in part the increase in Great Britain, although the two peoples are not homogeneous. If we put the two together the increase is from 28·9 millions in 1861 to 41·5 millions in 1901, or  $43\frac{1}{2}$  per cent., which would require an increase of nearly 40 per cent. in the wealth per head in the interval to account for the doubling of the resources of the country. But if we take Great Britain only, the progressive part of the country, we find the increase of numbers is from 23·1 to 37 millions, or 60 per cent., which would suffice for the doubling of the resources of the country with an increase of 25 per cent. only in individual wealth per head, by no means so astonishing an increase as that which must be allowed for with a smaller increase of population. Against such an increase the deduction of a portion of the poorer population would be a very small set-off.

What the actual increase per head is since 1861 has been already glanced at. It cannot, in any view, be less than 25 per cent., in face of the figures showing the growth of income tax assessments between 1861 and 1901 from  $335\frac{1}{2}$  million £ to 788 million £, or over 130 per cent., as compared with a growth of population, reckoning Great Britain only, of 60 per cent. This would imply an increase of 40 to 50 per cent. per head, and would certainly more than justify the assumption of an increase of 25 per cent. only, which is necessary to the doubling of the resources of the country. Reckoning, moreover, the changes in the income tax returns by which the gross amount is understated as compared with what was the case formerly, that is adding nearly 40 million £ to the above figure of 788 million £, the increase then would be no less than 140 per cent. as compared with an increase of 60 per cent. in population, and would imply an increase of wealth per head of over 50 per cent.

Comparing 1871 with 1901, we have an increase from 465·5 million £ in the income tax assessments to the above figure of 788 million £, or, rather, 828 million £, or at the rate of about 80 per cent. as compared with an increase of 54 per cent. in the population of Great Britain only. This would be equal to an increase of 16 per cent. per head, and, although not quite doubling

the whole wealth of the country in thirty years, comes very near to doing so.

If it were possible to go more into detail with the income tax figures than has been found possible at short notice, these conclusions would be strongly supported. The large growth of "houses" for instance, nearly 200 per cent. (see Table XI), cannot but attract observation.

The great increase of the consumption of tea and sugar has already been adverted to, but the figures as to consumption of meat and other articles in the supplementary tables are equally instructive, and it is unnecessary to repeat them in detail. The evidence is, moreover, cumulative, the facts as to revenue supporting the other evidence as to the growth of wealth, and being themselves explained by that growth as they could not otherwise be explained. Nor is another fact apparent on the face of the supplementary tables and of the income tax returns, viz., the fact of a decline or stationary condition of agriculture and of some other industries, inconsistent with this conclusion. There is always an up and down in every sort of industry. New industries are continually starting up, and no one can foresee from year to year in what new directions we are to advance and where it is inevitable we should recede. The point is to have an increase of wealth and income on balance, and not set too much store on special changes.

#### *Summary and Conclusion.*

This paper has extended, I fear, beyond the modest limits intended by my friends. Let me hasten therefore to summarise what has been said, and add a word or two of comment, if not exhortation.

1. The expenditure of the Imperial Government of the United Kingdom has increased since the completion of Free Trade reform in 1861, and mostly since 1891, from an initial figure of about 70 million £ to the present total of 180 million £ or thereabouts, of which about 150 to 160 million £ may be considered of a permanent character.

2. No part of this increase is due to the increase of the debt charge, which has rather diminished.

3. Further, the increase is only due in small degree to Civil Service expenditure, which has increased a few millions only, apart from education, while the expenditure of Customs and Excise has hardly increased at all. The increase for education, however, is nearly 12 million £.

4. A large part of the increase is due to the Post Office department, the outlay for which has risen from 3 to 13½ million £, in

consequence, it is obvious, of the additional services which the department conducts for the benefit of the public as compared with what it formerly managed, and in consequence of the extensive growth of the older services themselves.

5. The main increase of expenditure is, however, due to Army and Navy, on which we spent in 1900-01 over 121 million £ as compared with little more than 30 million £ in 1861, and about 22 million £ only in 1871. Although 70 million £ of this increase is set down in the budget as for war, the ordinary growth of Army and Navy being set down as no more than about 30 million £, reasons are given for the opinion that the expenditure for armaments is not permanently reducible by so large a figure as the amount set down for war. A total permanent outlay of at least 150 million £ is considered to be highly probable, of which 80 million £ or over will be for Army and Navy.

6. The revenue has also increased greatly since 1861, viz., from about 70 to 130 million £ in 1900-01, and to an estimated figure of 142½ million £ in the current year.

7. It is considered, however, that notwithstanding the increase of burden, the country is as well able to bear this load as it was to bear the smaller sum of 70 million £ levied in 1861 and 1871. It is pointed out that the population of Great Britain has increased 60 per cent. since 1861, and that with a very small increase of wealth per head, so large an increase of the progressive part of the population implies the doubling, and more than doubling, of the resources of the country.

8. A table is also given, compiled from the official returns, as to taxes repealed or reduced, and imposed or increased since 1861, showing that on balance the taxes have not been increased, but have rather been diminished in the interval. The diminutions amount to 71 million £, and the additions to 62·6 million £, making a net reduction of 8·4 million £. Reasons are given for the opinion that the real reduction is even greater, but the fact is placed beyond question that the larger revenue now raised is not due in any way to new taxation as compared with 1861 and even 1871, but is exclusively an automatic growth, due to the increased productiveness of the former scale of taxation.

9. While taxation generally has not increased, great changes have occurred among the taxes themselves. While income tax and death duties have been increased enormously, indirect taxes have been struck off, particularly duties on tea and sugar, besides minor duties on corn, timber, and other articles, all of which, it is pointed out, were in existence at a time when Free Trade had been completely established, so that there is no question of Free Trade involved in the substitution in question.



It is submitted, then, in conclusion, without going into all the arguments *pro* and *con*, that the time has now come for reviewing the question of national expenditure in a business way with reference to the international position and duties of the country, and without any concern as to the ability of the country to meet what is required. The time would also appear to have come for inquiring into the reasons for substituting income tax and death duties for certain indirect taxes. It can hardly be contended that the change has been deliberately made, seeing that the reductions of indirect imposts were made in the buoyant days, when prosperity was advancing by leaps and bounds, and we were drinking ourselves out of the "Alabama" claims, while the increase of income tax and death duties has taken place quite recently as a ready means of getting money, and without any inquiry as to the actual duties that had been last got rid of. No question as to Free Trade, it may be again repeated, is involved, as the nation was never more free trading than it was in the sixties. One or two duties, such as the corn duty, may be technically a breach of Free Trade, but the mischief resulting from such a breach, as it was considered in the days of Cobden, is much less than the mischief of a high income tax which is now the substitute. It is not proposed, however, to argue out the question here, but only to show that it is inevitably raised for discussion.

[NOTE.—I desire specially to express my thanks to Dr. Ginsburg, Secretary, and Mr. Mackenzie, Chief Clerk, for the preparation of the annexed tables. I have only been able to revise them partially, but I am sure they are completely trustworthy.—R. G.]

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## APPENDIX I.

TABLE I.—*Revenue and Expenditure of the Imperial Government of the United Kingdom.*

| Years ending<br>31st March,      | Revenue. | Expenditure. | Population of<br>United Kingdom. | Expenditure<br>per Head<br>of Population. |
|----------------------------------|----------|--------------|----------------------------------|---|
|                                  | Mln. £.  | Mln. £.      |                                  | £ s. d.                                   |
| 1861 .....                       | 70·3*    | 72·8*        | 28·9                             | 2 10 8                                    |
| '71 .....                        | 69·9*    | 69·5*        | 31·5                             | 2 4 3                                     |
| '81 .....                        | 81·9     | 80·9         | 34·9                             | 2 6 4                                     |
| '91 .....                        | 89·5     | 87·7         | 37·7                             | 2 6 6                                     |
| 1901 .....                       | 130·4    | 183·6†       | 41·5                             | 4 8 6                                     |
| Estimate for }<br>1901-02..... } | 142·5    | 191·3        | 41·5                             | 4 12 2                                    |

\* These figures include Army and Navy extra receipts and contributions by India for military charges, and are not strictly comparable with the later years. Excluding these amounts, the figures for 1871 would read, revenue 68·2 million £, expenditure 67·8 million £.

† Including 68·6 million £ for war expenditure.

TABLE IA.—*Revenue received by Imperial Government, and paid over to Local Authorities, and Government subventions as acknowledged by Local Authorities.*

[Mln. £'s.]

|           | Amount Received and<br>Handed Over to<br>Local Authorities. | Subventions as<br>Acknowledged by<br>Local Authorities. |
|-----------|---|---|
| 1861..... | —   | —*  |
| '71.....  | —   | —*  |
| '81.....  | —   | 3·4   |
| '91.....  | 7·1   | 8·6   |
| 1901..... | 9·6   | 14·2  |

\* There were Government grants in 1861 and 1871, as well as in later years; but the summary of the local taxation accounts in the "Statistical Abstract," from which the figures in this column were taken, does not go so far back as 1861, and the exact sums for comparison could only be ascertained with difficulty. They would be less, and not more, than in 1881.

*Note.*—The amounts in column 1 do not appear in the ordinary accounts of Imperial revenue and expenditure. The amounts in the second column include the amounts in the first column as well as in the grants.

TABLE II.—*Amount of the National Debt, and Charge for Interest.*

[Mln. £'s.]

| Years ending 5th April, | Total Debt, excluding Local Loans Stock after 1881. | Annual Charge for Interest and Sinking Fund in Budget. |
|-------------------------|---|--|
| 1861 .....              | 824·6   | 26·3   |
| '71 .....               | 789·2   | 26·8   |
| '81 .....               | 770·8   | 29·6   |
| '91 .....               | 686·0   | 25·2   |
| 1901 .....              | 705·7   | 19·8   |
| '02 (estimated) ...     | —   | 21·6   |

*Note.*—The annual charge includes the amount of the whole instalment for annuities as well as interest on the permanent funded debt, and also includes other appropriations for repayment of debt, varying in different years. After 1881 a separate issue was made of local loans stock, and the amount of this stock is not now included as part of the national debt, there being corresponding assets on the other side, and the receipts and payment of interest being outside the budget. To make a proper comparison, the amounts for the earlier years, 1861, 1871, and 1881, should be reduced somewhat. The local loans about 1887, when the change was made, amounted to 36 million £.

TABLE III.—*Army and Navy Expenditure, excluding Amounts Charged to Capital.*

[Mln. £'s.]

| Years.         | Army. | Navy. | Total. |  |
|----------------|-------|-------|--------|--|
| 1861.....      | 15·0  | 13·3  | 31·3*  | * Including 3 mln. £ for Chinese war.  |
| '71.....       | 13·5† | 9·0   | 22·5   | † Including 1·4 mln. £ vote of credit, war in Europe.                          |
| '81.....       | 14·7  | 10·5  | 25·8‡  | ‡ Including 500,000 <i>l.</i> grant for Afghan war, &c.                        |
| '91.....       | 17·9  | 15·5  | 33·5   |  |
| 1901.....      | 91·9  | 29·5  | 121·4§ | § Including 68·6 mln. £ for war expenditure.                                   |
| '02 (estimate) | 90·0  | 30·9  | 120·9  | The figure has been changed several times, and this is the nearest I can give. |

TABLE IV.—*Civil Service and Post Office Expenditure.*

[Thousand £'s.]

| 1                        | 2   | 3          | 4                                | 5       | 6                                       | 7  |
|--------------------------|---|------------|----------------------------------|---------|---|--|
| Years ending 31st March, | Consolidated Fund Charges, exclusive of Debt Charges. | Education. | Other Civil Service Expenditure. | Total.  | Revenue Collection, Excise and Customs. | Post Office Telegraphs and Packet Service. |
| 1861 .....               | 2,296,  | 1,097,     | 6,266,                           | 9,659,  | 2,569,                                  | 2,999,*                                    |
| '71 .....                | 2,113,  | 1,859,     | 7,991,                           | 11,963, | 2,573,                                  | 3,949,                                     |
| '81 .....                | 1,670,  | 4,281,     | 11,405,                          | 17,356, | 2,850,                                  | 5,372,                                     |
| '91 .....                | 2,068,  | 6,114,     | 9,551,                           | 17,733, | 2,643,                                  | 8,661,                                     |
| 1901 .....               | 1,569,  | 12,662,    | 10,623,                          | 24,854, | 2,834,                                  | 13,471,                                    |

\* Post Office and packet service only.

*Note.*—The figures in column 4 are obtained by subtracting the totals of columns 2 and 3 from column 5.

TABLE V.—*Principal Branches of Revenue.*

|  | [Min. £'s.] |       |       |       |       |
|--|-------------|-------|-------|-------|-------|
|  | 1861.       | 1871. | 1881. | 1891. | 1901. |
| Total Imperial expenditure ....  | 72,8*       | 67,8  | 80,9  | 87,7  | 183,6 |
| <i>Total Imperial revenue—</i>   |             |       |       |       |       |
| Customs .....  | 23,3        | 20,1  | 19,2  | 19,5  | 26,3  |
| Excise .....   | 19,4        | 22,8  | 25,3  | 24,8  | 33,1  |
| Stamps (excluding death<br>duties) .....   | 4,9         | 3,6   | 4,5   | 5,9   | 7,8   |
| Income tax ....  | 10,9        | 6,4   | 10,7  | 13,3  | 26,9  |
| Land tax†.....   | 3,1         | 2,7   | 1,0   | 1,0   | 8     |
| House duty .....   |             |       |       |       |       |
| Death duties .....   | 3,4         | 4,8   | 6,6   | 7,5   | 13,0  |
| Post Office and telegraphs ....  | 3,4         | 5,3   | 8,3   | 12,3  | 17,3  |
| Miscellaneous (including<br>interest on advances for<br>local works and Govern-<br>ment Suez Canal shares,<br>&c.) ..... | 1,9         | 2,5   | 4,6   | 3,6   | 3,6   |
| Total .....  | 70,4        | 68,2  | 81,9  | 89,5  | 130,4 |
| ‡ Revenue received and paid to local<br>authorities—   |             |       |       |       |       |
| Customs.....   | —           | —     | —     | 2     | 2     |
| Excise .....   | —           | —     | —     | 1,1   | 1,4   |
| „ licences.....  | —           | —     | —     | 3,4   | 3,9   |
| Death duties.....  | —           | —     | —     | 2,4   | 4,1   |
| Total .....  | —           | —     | —     | 7,1   | 9,6   |

\* Including Army and Navy extra receipts, and the contributions by India for military charges, formerly brought to account as revenue, and thus causing a corresponding increase in expenditure.

† These figures were not given separately in the “Statistical Abstract” in 1861 and 1871.

‡ These receipts formerly formed part of the Imperial revenue; since 1888 89 they have been paid to the local authorities in relief of local burdens.

TABLE VI.—Net Receipts from Principal Heads of Customs.

| [Thousand £'s.]                              |                |               |                |                |                |
|--|----------------|---------------|----------------|----------------|----------------|
|  | 1861.          | 1871.         | 1881.          | 1891.          | 1901.          |
| <i>Customs—</i>                              |                |               |                |                |                |
| Spirits (foreign and colonial)               | 2,624,         | 4,419,        | 4,444,         | 4,493,         | 4,770,         |
| Tobacco and snuff .....                      | 5,606,         | 6,614,        | 8,659,         | 9,534,         | 12,839,        |
| Tea .....                                    | 5,420,         | 3,235,        | 3,866,         | 3,412,         | 6,265,         |
| Sugar and molasses .....                     | 6,067,         | 3,219,        | —              | —              | —              |
| Coffee .....                                 | 439,           | 416,          | 200,           | 182,           | 190,           |
| Cocoa .....                                  | —              | 32,*          | 53,*           | 105,           | 242,           |
| Currants, raisins, and dried<br>fruits ..... | 219,*          | 463,          | 491,           | 324,           | 349,           |
| Wine .....                                   | 1,145,         | 1,584,        | 1,376,         | 1,318,         | 1,488,         |
| Corn, meal, and flour .....                  | 869,           | —             | —              | —              | —              |
| Timber .....                                 | 237,*          | —             | —              | —              | —              |
| Other imported articles .....                | 395,           | 127,          | 88,            | 80,            | 90,            |
| Miscellaneous receipts .....                 | 258,           | 129,          | 34,            | 32,            | 39,            |
| <b>Total .....</b>                           | <b>23,278,</b> | <b>20,239</b> | <b>19,210,</b> | <b>19,479,</b> | <b>26,271,</b> |

\* Gross receipts.

TABLE VII.—Income Tax Assessments, Schedules A—E, Gross Amounts, Years ending 5th April.

| [Min. £.]           |       |       |       |       |       |
|---------------------|-------|-------|-------|-------|-------|
| Divisions.          | 1861. | 1871. | 1881. | 1891. | 1900. |
| England .....       | 282,2 | 398,4 | 493,6 | 597,3 | 678,7 |
| Scotland .....      | 30,4  | 41,0  | 55,5  | 63,4  | 75,8  |
| Great Britain ..... | 312,6 | 439,4 | 549,1 | 660,7 | 754,5 |
| Ireland .....       | 23,0  | 26,1  | 36,1  | 37,8  | 33,5  |
| United Kingdom...   | 335,6 | 465,5 | 585,2 | 698,4 | 788,0 |

  

| Year.....                                | 1861.                        | 1871.          | 1881.         | 1891.         | 1900.  |
|--|------------------------------|----------------|---------------|---------------|--|
| General rate to tax .....                | 10 <i>d.</i>                 | 4 <i>d.</i>    | 6 <i>d.</i>   | 6 <i>d.</i>   | 1 <i>s.</i>  |
| Lowest income without<br>abatement ..... | 150 <i>l.</i>                | 200 <i>l.</i>  | 400 <i>l.</i> | 400 <i>l.</i> | 700 <i>l.</i>  |
| Lowest income taxed<br>Abatements—       | 100 <i>l.</i>                | 100 <i>l.</i>  | 150 <i>l.</i> | 150 <i>l.</i> | 160 <i>l.</i>  |
| On income under .....                    | 150 <i>l.</i>                | 200 <i>l.</i>  | 400 <i>l.</i> | 400 <i>l.</i> | (a.) 400 <i>l.</i><br>(b.) 500 <i>l.</i><br>(c.) 600 <i>l.</i><br>(d.) 700 <i>l.</i> |
| Amount of abate-<br>ment .....           | Pay 7 <i>d.</i><br>rate only | } 60 <i>l.</i> | 120 <i>l.</i> | 120 <i>l.</i> | (a.) 100 <i>l.</i><br>(b.) 150 <i>l.</i><br>(c.) 120 <i>l.</i><br>(d.) 70 <i>l.</i>  |

TABLE VIII.—*Net Receipts from Principal Heads of Excise.*

[Thousand £'s.]

|                             | 1861.   | 1871.   | 1881.   | 1891.   | 1901.   |
|-----------------------------|---------|---------|---------|---------|---------|
| <i>Excise—</i>              |         |         |         |         |         |
| Spirits .....               | 9,226,  | 11,464, | 14,394, | 14,771, | 19,207, |
| Malt .....                  | 6,209,  | 6,978,  | 2,676,  | —       | —       |
| Beer .....                  | —       | —       | 3,482,  | 9,390,  | 13,491, |
| Sugar used in brewing ..... | —       | 95,     | 502,    | —       | —       |
| Chicory .....               | —       | } 17,   | { 1,    | 2,      | 1,      |
| Coffee mixture labels ..... | —       |         |         | —       | 3,      |
| Railways .....              | —       | 506,    | 748,    | 324,    | 331,    |
| Licences .....              | 1,493,  | 3,729,  | 3,568,  | 230,    | 250,    |
| Other receipts .....        | 2,621,  | 45,     | —       | 4,      | 5,      |
| Total .....                 | 19,548, | 22,834, | 25,372, | 24,724, | 33,287, |

*Net Receipts of Duties Collected for Local Authorities by Imperial Officers.*

|   |                          |   |   |   |        |        |
|---|--------------------------|---|---|---|--------|--------|
| Additional beer and spirit duties ..... | { Customs<br>Excise .... | — | — | — | 206,   | 219,   |
| Excise licences .....                   |                          | — | — | — | 1,095, | 1,367, |
|   |                          | — | — | — | 3,360, | 3,886, |

TABLE IX.—*Yield of a Penny on the Income Tax at different Periods.*

|         | Figures from the Budget Speech. |           | Figures from Inland Revenue Returns. |  |
|---------|---------------------------------|-----------|--------------------------------------|--|
|         | £                               |           | £                                    |  |
| In 1901 | } a penny produced....          | 2,400,000 | 2,426,000                            |  |
| „ 1891  |                                 | 2,300,000 | 2,215,856                            |  |
| „ '81   |                                 | 1,943,000 | —                                    |  |
| „ '71   |                                 | 1,525,000 | —                                    |  |
| „ '61   |                                 | 1,100,000 | —                                    |  |

TABLE X.—Rates of Duty on Principal Heads of Customs.

| Articles.  | 1861.                       | 1871.   | 1881.                          | 1891.                                     | 1900-01.                        |
|--|-----------------------------|---|--------------------------------|---|---------------------------------|
| Spirits, foreign and colonial <i>per gall.</i>               | { 10s. 2d. to<br>10s. 5d. } | 10s. 2d. to<br>10s. 5d.                       | 10s. 4d. {                     | 10s. 4d. and<br>6d. for local<br>taxation | { 11s. 4d. }                    |
| *Tobacco and cigars { Unmanufactured ..... } <i>per lb.</i>  | 3s.                         | { 3s. to 3s. 6d.<br>and 5 per<br>cent. add. } | { 3s. 6d. to<br>3s. 10d. }     | { 3s. 2d. to<br>3s. 6d. }                 | { 3s. to<br>3s. 4d. }           |
| { Manufactured and cigars } ,                                | 9s.                         | { 4s. 6d. to<br>5s. }                         | { 4s. 4d. to<br>5s. 6d. }      | { 4s. to 5s. }                            | { 3s. 10d. to<br>5s. 6d. }      |
| Tobacco, snuff .....   | 6s.                         | 3s. 9d. {                                     | { 4s. 1d. to<br>4s. 10d. }     | { 3s. 9d. to<br>4s. 6d. }                 | { 3s. 7d. to<br>4s. 4d. }       |
| Tea .....  | 1s. 5d.                     | 6d.   | 6d.                            | 4d.                                       | 6d.                             |
| Sugar and molasses, { Raw .....                              | { 12s. 8d.<br>to 16s. }     | { 4s. to<br>5s. 8d. }                         | { —<br>— }                     | { —<br>— }                                | { —<br>— }                      |
| <i>per cwt.</i> { Refined .....                              | 18s. 4d.                    | 6s.   | —                              | —   | —                               |
| Coffee { Kiln dried ..... } <i>per lb.</i>                   | —                           | —   | 2d.                            | 2d.                                       | 2d.                             |
| { Raw..... } ,   | 4d.                         | 4d.   | —                              | —   | —                               |
| „ ..... <i>per cwt.</i>                                      | —                           | —   | 14s.                           | 14s.                                      | 14s.                            |
| Cocoa ..... <i>per lb.</i>                                   | 1d.                         | 1d.   | 1d.                            | 1d.                                       | 1d.                             |
| „ chocolate and paste... „                                   | 2d.                         | 2d.   | { and prepared cocoa           | 2d.                                       | imported                        |
| „ butter .....   | —                           | —   | —                              | —   | 2d.                             |
| „ in husk..... <i>per cwt.</i>                               | 2s.                         | 2s.   | 2s.                            | 2s.                                       | 1d.                             |
| Currants .....   | —                           | —   | —                              | —   | 2s.                             |
| Raisins, figs, &c. .... „                                    | { 7s. }                     | 7s.   | { 7s. }                        | 7s.                                       | 2s.                             |
| Wine (not in bottles) ..... <i>per gall.</i>                 | { 1s. to<br>2s. 11d. }      | 1s. to 2s. 6d.<br>and                         | 1s. to 2s. 6d.<br>3d. a degree | 1s. to 2s. 6d.<br>over 42                 | 1s. 3d. to 3s.<br>proof         |
| Corn { Wheat ..... } <i>per qr.</i>                          | 1s.                         | —   | —                              | —   | —                               |
| { Meal, &c. .... } <i>per cwt.</i>                           | 4½d.                        | —   | —                              | —   | —                               |
| Timber { Hewn ..... } <i>per load</i>                        | 1s.                         | —   | —                              | —   | —                               |
| { Sawn, &c. .... } „   | 2s.                         | —   | —                              | —   | —                               |
| { Teak, for ships... } „                                     | 1s.                         | —   | —                              | —   | —                               |
| Beer { Mum and spruce } <i>per 36 gall.</i>                  | 1l.                         | { 1l. 1s. to<br>1l. 4s. }                     | { 1l. 6s. to<br>1l. 10s. 6d. } | { 1l. 6s. to<br>1l. 10s. 6d. }            | { 1l. 12s. to<br>1l. 17s. 6d. } |
| { Other sorts ..... } „                                      | 1l.                         | 8s. to 16s.                                   | 6s. 6d.                        | 6s. 6d.                                   | 8s.                             |
| Hops ..... <i>per cwt.</i>                                   | 1l.                         | —   | —                              | —   | —                               |
| Malt ..... <i>per qr.</i>                                    | 1l. 5s.                     | { 1l. 4s.<br>To 1st April,<br>1871, 1l. 5s. } | { —<br>— }                     | { —<br>— }                                | { —<br>— }                      |
| Cards, playing..... <i>per doz. packs</i>                    | 15s.                        | 3s. 9d.                                       | 3s. 9d.                        | 3s. 9d.                                   | 3s. 9d.                         |
| Corks, ready made..... <i>per lb.</i>                        | 3d.                         | (Free from                                    | 1st April, 1861)               | —   | —                               |
| Dice..... <i>per pair</i>                                    | 1l. 1s.                     | —   | —                              | —   | —                               |
| Hats or bonnets..... <i>per lb.</i>                          | 1l. 3s.                     | (Free from                                    | 1st April, 1861)               | —   | —                               |
| Paper { Paper and books... } <i>per cwt.</i>                 | 15s. to 16s.                | { (Free from                                  | 1st October, 1861)             | —   | —                               |
| { Printed, painted<br>or stained paper<br>hangings ..... } „ | 14s.                        | —   | —                              | —   | —                               |
| Plate { Gold ..... } <i>per oz.</i>                          | 17s.                        | 17s.  | 17s.                           | —   | —                               |
| { Silver..... } „  | 1s. 6d.                     | 1s. 6d.                                       | 1s. 6d.                        | —   | —                               |

\* Tobacco. In 1871 and 1881, higher duty charged when containing less than 10 per cent of moisture.

In 1891, higher duty charged when containing less than 13 per cent. of moisture.

„ 1900-01

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TABLE X.—*Rates of Duty on Principal Heads of Customs—Contd.*

| Articles.  | 1861.                 | 1871. | 1881. | 1891. | 1900-01. |
|--|-----------------------|-------|-------|-------|----------|
| Ships: foreign, built of wood. On the registration thereof as British ships, for every ton of gross registered tonnage, without any deduction in respect of engine room or otherwise ..... | 1s.                   | —     | —     | —     | —        |
| Varnish, containing any quantity of spirit or alcohol .....  | 12s. <i>per gall.</i> | 12s.  | —     | —     | —        |
| Vinegar .....  | 3d.                   | 3d.   | —     | —     | —        |
| „ pickles, preserved in vinegar .....  | 1d.                   | 1d.   | —     | —     | —        |

TABLE XI.—*Gross Assessments to Income Tax of Lands, Houses, and Railways (United Kingdom). Years ending 5th April.*

[Million £'s.]

|           | Lands. | Houses. | Railways<br>(United Kingdom). |
|-----------|--------|---------|-------------------------------|
| 1862..... | 60·3   | 61·9    | 14·8                          |
| '71.....  | 65·4   | 86·3    | 22·0                          |
| '81.....  | 69·3   | 117·5   | 29·1                          |
| '91.....  | 57·7   | 140·6   | 36·4                          |
| 1900..... | 52·8   | 174·4   | 39·4                          |

TABLE XII.—*Proportion of certain Branches of Revenue to Total Revenue (Exchequer Receipts). Years ended 31st March.*

| Branch of Revenue.                                 | 1861.         |                              | 1871.         |                              | 1881.         |                              | 1891.         |                              | 1901.         |                              |
|--|---------------|------------------------------|---------------|------------------------------|---------------|------------------------------|---------------|------------------------------|---------------|------------------------------|
|  | Million<br>£. | Per<br>Cent.<br>of<br>Total. | Million<br>£. | Per<br>Cent.<br>of<br>Total. | Million<br>£. | Per<br>Cent.<br>of<br>Total. | Million<br>£. | Per<br>Cent.<br>of<br>Total. | Million<br>£. | Per<br>Cent.<br>of<br>Total. |
| a. Property and<br>income tax.....                 | 10·9          | 15                           | 6·4           | 9                            | 10·7          | 13                           | 13·3          | 15                           | 26·9          | 21                           |
| b. Death duties .....                              | 3·5           | 5                            | 4·8           | 7                            | 6·7           | 8                            | 7·4           | 8                            | 13·0          | 10                           |
| c. House duty and<br>land tax.....                 | 3·1           | 4                            | 2·7           | 4                            | 2·7           | 4                            | 2·6           | 3                            | 2·5           | 2                            |
| Total.....   | 17·5          | 24                           | 13·9          | 20                           | 20·1          | 25                           | 23·3          | 26                           | 42·4          | 33                           |
| d. Customs and<br>excise.....                      | 42·7          | 61                           | 42·9          | 63                           | 44·5          | 54                           | 44·3          | 49                           | 59·4          | 45                           |
| e. Stamps .....                                    | 5·0*          | 7                            | 3·6*          | 5                            | 4·4*          | 5                            | 6·0*          | 7                            | 7·8           | 6                            |
| f. Post office and<br>telegraph ser-<br>vice ..... | 3·4           | 5                            | 5·3           | 8                            | 8·3           | 10                           | 12·3          | 14                           | 17·3          | 13                           |
| Miscellaneous ...                                  | 1·8           | 3                            | 2·5           | 4                            | 4·6           | 6                            | 3·6           | 4                            | 3·5           | 3                            |
| Total revenue...                                   | 70·4          | 100                          | 68·2          | 100                          | 81·9          | 100                          | 89·5          | 100                          | 130·4         | 100                          |

\* Excluding death duties.

TABLE XIII.—Statement of Taxes Imposed or Increased, and Repealed or Reduced, in the Years 1861-1901, showing the Estimated Gain or Loss in a complete Year.

[In million £'s.]

| Years ended<br>31st March, | Period 1861-71.          |                         | Years ended<br>31st March, | Period 1881-91.          |                         |
|----------------------------|--------------------------|-------------------------|----------------------------|--------------------------|-------------------------|
|                            | Imposed or<br>Increased. | Repealed or<br>Reduced. |                            | Imposed or<br>Increased. | Repealed or<br>Reduced. |
| 1862 .....                 | 0·1                      | 2·7                     | 1882 .....                 | 0·7                      | 2·6                     |
| '63 .....                  | 0·3                      | 0·4                     | '83 .....                  | 2·8                      | —                       |
| '64 .....                  | —                        | 4·6                     | '84 .....                  | —                        | 3·3                     |
| '65 .....                  | 0·1                      | 3·4                     | '85 .....                  | 2·0                      | —                       |
| '66 .....                  | —                        | 5·3                     | '86 .....                  | 4·3                      | —                       |
| '67 .....                  | —                        | 0·6                     | '87 .....                  | —                        | —                       |
| '68 .....                  | 1·6                      | 0·3                     | '88 .....                  | 0·1                      | 2·6                     |
| '69 .....                  | 1·5                      | —                       | '89 .....                  | 0·9                      | 3·5                     |
| 1870 .....                 | 1·1                      | 4·8                     | 1890 .....                 | 1·4                      | 3·7                     |
| '71 .....                  | 0·1                      | 4·6                     | '91 .....                  | —                        | 3·1                     |
|                            | 4·8                      | 26·7                    |                            | 12·2                     | 18·8                    |

  

| Years ended<br>31st March, | Period 1871-81.          |                         | Years ended<br>31st March, | Period 1891-1901.        |                         |
|----------------------------|--------------------------|-------------------------|----------------------------|--------------------------|-------------------------|
|                            | Imposed or<br>Increased. | Repealed or<br>Reduced. |                            | Imposed or<br>Increased. | Repealed or<br>Reduced. |
| 1872 .....                 | 3·1                      | —                       | 1892 .....                 | —                        | —                       |
| '73 .....                  | —                        | 3·9                     | '93 .....                  | —                        | —                       |
| '74 .....                  | —                        | 3·2                     | '94 .....                  | 2·2                      | —                       |
| '75 .....                  | —                        | 4·3                     | '95 .....                  | 7·2                      | 1·6                     |
| '76 .....                  | —                        | —                       | '96 .....                  | —                        | —                       |
| '77 .....                  | 1·8                      | 0·4                     | '97 .....                  | —                        | 2·3                     |
| '78 .....                  | —                        | —                       | '98 .....                  | —                        | —                       |
| '79 .....                  | 4·5                      | 0·1                     | '99 .....                  | —                        | 1·3                     |
| 1880 .....                 | —                        | —                       | 1900 .....                 | 1·0                      | —                       |
| '81 .....                  | 11·6                     | 8·4                     | '01 .....                  | 14·2                     | —                       |
|                            | 21·0                     | 20·3                    |                            | 24·6                     | 5·2                     |

*Summary.*

| Period.                                       | Imposed or Increased. | Repealed or Reduced. |
|---|-----------------------|----------------------|
| 1861-71 .....                                 | 4·8                   | 26·7                 |
| '71-81 .....                                  | 21·0                  | 20·3                 |
| '81-91 .....                                  | 12·2                  | 18·8                 |
| '91-1901 .....                                | 24·6                  | 5·2                  |
|   | 62·6                  | 71·0                 |
| Deduct taxes imposed or }<br>increased..... } | —                     | 62·6                 |
| Net reduction .....                           | —                     | 8·4                  |

## APPENDIX II.

## Supplementary Tables.

|   | 1861.              | 1871. | 1881. | 1891. | 1901.           |
|---|--------------------|-------|-------|-------|-----------------|
| <b>Population—</b>  |                    |       |       |       |                 |
| England ..... mlns.   | 20,1               | 22,7  | 26,0  | 29,0  | 32,5            |
| Scotland ..... „  | 3,1                | 3,4   | 3,7   | 4,0   | 4,5             |
| Great Britain..... „  | 23,1               | 24,1  | 29,7  | 33,0  | 37,0            |
| Ireland ..... „   | 5,8                | 5,4   | 5,2   | 4,7   | 4,5             |
| Total ..... „   | 28,9               | 31,5  | 34,9  | 37,7  | 41,5            |
| <b>United Kingdom—</b>  |                    |       |       |       |                 |
| Birth-rate per 1,000 (3 years' average) .....   | (Gt. Britain) 34,6 | 33,6  | 32,8  | 29,9  | 1897-98-99 28,9 |
| Death-rate per 1,000 (3 years' average) .....   | (Gt. Britain) 21,6 | 21,5  | 19,9  | 19,2  | 1897-98-99 17,9 |
| Marriage-rate per 1,000 (3 years' average) .....  | (Gt. Britain) 16,4 | 15,0  | 13,6  | 14,4  | 1897-98-99 15,4 |
| Production of coal..... mln. tons   | 83,6               | 117,4 | 154,2 | 185,5 | 225,2*          |
| Pig iron† ..... „   | 3,7                | 6,6   | 8,1   | 7,4   | 9,0*            |
| Ships built ..... 1,000 tons<br>(Exclusive of vessels built for foreigners and of vessels built for the Royal Navy) | 200,8‡             | 354,4 | 501,2 | 670,6 | 736,9*          |
| Miles of railway open ..... 1,000   | 10,9               | 15,4  | 18,2  | 20,2  | 21,9*           |
| Acres cultivated ..... mlns.  | 45,4§              | 46,7  | 47,6  | 48,2  | 47,8            |
| Corn crops ..... „  | 11,4§              | 11,8  | 10,7  | 9,4   | 8,5             |
| Green crops ..... „   | 4,9§               | 5,3   | 4,8   | 4,5   | 4,2             |
| Permanent pasture ..... „   | 22,1§              | 22,5  | 31,2  | 27,6  | 28,4            |
| Stock of cattle ..... „   | 8,7§               | 9,3   | 9,9   | 11,3  | 11,5            |
| „ sheep ..... „   | 33,8§              | 31,4  | 27,9  | 33,5  | 30,8            |
| <b>Shipping owned—</b>  |                    |       |       |       |                 |
| Sailing..... mln. tons  | 3,9                | 4,3   | 3,6   | 2,8   | 2,0*            |
| Steam ..... „   | 0,4                | 1,3   | 2,9   | 5,3   | 7,4*            |
| Total ..... „   | 4,3                | 5,6   | 6,5   | 8,2   | 9,4*            |
| Crews of shipping ..... 1,000's   | 172                | 200   | 193   | 240¶  | 247*¶           |
| <b>Foreign trade—</b>   |                    |       |       |       |                 |
| Imports of merchandise mln. £'s   | 217,5              | 331,0 | 397,0 | 435,4 | 522,2           |
| Re-exports of foreign }<br>and colonial produce }   | 34,5               | 60,5  | 63,1  | 61,9  | 67,8            |
| Net imports ..... „   | 183,0              | 270,5 | 333,9 | 373,5 | 454,4           |
| British and Irish exports „   | 125,1              | 223,1 | 234,0 | 247,2 | 280,5**         |
| Excess of imports ..... „   | 57,9               | 47,4  | 99,9  | 126,3 | 173,9           |

\* Figures for 1900.

† Including pig iron produced from foreign ores.

‡ Vessels built and first registered in United Kingdom.

§ Figures for 1867.

|| Excluding masters.

¶ Including masters. Including Lascars and Asiatics serving under Asiatic articles of agreement.

\*\* Including ships, new (not registered as British).

## Supplementary Tables—Contd.

|  | 1861. | 1871. | 1881.   | 1891.   | 1901.   |
|--|-------|-------|---------|---------|---------|
| <i>Imports—</i>  |       |       |         |         |         |
| Wheat..... mln. cwts.  | 30,0  | 39,4  | 57,1    | 66,3    | 69,7    |
| „ flour ..... „  | 6,2   | 4,0   | 11,4    | 16,7    | 22,6    |
| Wheat and wheat flour „  | 36,2  | 43,4  | 68,5    | 83,0    | 92,3    |
| Rice..... „  | 3,3*  | 4,6*  | 8,5     | 6,2     | 6,8     |
| Indian corn ..... „  | 13,2  | 16,8  | 33,5    | 26,8    | 51,4    |
| Barley..... „  | 5,0   | 8,6   | 9,8     | 17,5    | 22,1    |
| Oats..... „  | 5,1   | 10,9  | 10,3    | 16,6    | 22,5    |
| Sugar ..... „  | 11,9  | 14,4  | 22,1    | 28,8    | 38,2    |
| Tea ..... mln. lbs.  | 96,6  | 169,9 | 209,8   | 240,8   | 297,3   |
| Timber (excluding<br>furniture and hard<br>woods) ..... } mln. loads     | 3,4   | 4,6   | 5,7     | 6,8     | 9,2     |
| Raw cotton ..... mln. cwts.  | 11,2  | 15,9  | 15,0    | 17,8    | 16,3    |
| „ wool ..... mln. lbs.   | 147,2 | 323,0 | 451,4   | 721,9   | 712,2   |
| „ jute ..... mln. cwts.  | 0,9   | 3,5   | 4,9     | 6,9     | 6,4     |
| „ silk, and thrown<br>and spun..... } mln. lbs.                          | 8,8   | 8,4   | 3,0     | 3,0     | 2,0     |
| Flax and hemp ..... mln. cwts.   | 2,2   | 3,9   | 3,3     | 3,8     | 4,3     |
| Hides, imported ..... „  | 0,9†  | 1,3   | 1,0     | 1,0     | 1,1     |
| Leather „ ..... mln. lbs.  | —     | 23,1  | 66,4    | 108,5   | 148,2   |
| Iron ore imported..... 1,000 tons  | —     | 324,0 | 2,451,  | 3,180,5 | 5,546,8 |
| Copper ore and regulus „   | 94,5  | 76,4  | 147,    | 212,2   | 192,7   |
| „ unwrought<br>and part wrought } 1,000 cwts.                            | 324,5 | 657,5 | 690,0   | 930,0   | 1,354,0 |
| Pig iron, in bars, un-<br>wrought and part<br>wrought ..... } 1,000 tons | 35,5  | 74,3  | 111,5   | 139,3   | 198,5   |
| Lead, pig and sheet,<br>unwrought and<br>part wrought ..... } „          | 23,1  | 64,9  | 93,6    | 169,7   | 218,1   |
| Tin, unwrought and<br>part wrought ..... } 1,000 cwts.                   | 73,1  | 171,7 | 406,2   | 564,1   | 707,9   |
| <i>Exports—</i>  |       |       |         |         |         |
| Coal..... mln. tons  | 7,9   | 12,7  | 19,6    | 31,1    | 43,8    |
| Cotton piece goods .... mln. yds.  | 2,563 | 3,417 | 4,777,3 | 4,912,5 | 5,364,6 |
| Wool, and woollen<br>and worsted yarn } mln. lbs.                        | 42,2  | 55,7  | 43,8    | 58,2    | 68,9    |
| Wool, and woollen<br>and worsted yarn<br>manufactured ..... } mln. yds.  | 164,4 | 367,9 | 272,9   | 224,8‡  | 156,2‡  |
| Jute and linen yarn .... mln. lbs.                                       | 35,0  | 49,9  | 36,3    | 48,0    | 56,0    |
| „ „<br>manufactured..... } mln. yds.                                     | 116,4 | 282,8 | 378,3   | 443,1   | 365,6   |

\* Excluding rice imported in the husk.

† Including tanned and untanned.

‡ Blankets not included.

*Supplementary Tables—Contd.*

|  | 1861.  | 1871.  | 1881.  | 1891.  | 1900.  |
|--|--------|--------|--------|--------|--------|
| <i>Articles retained for Home Consumption.</i> |        |        |        |        |        |
| Consumption per head—                          |        |        |        |        |        |
| Sugar, raw and refined    lbs.                 | 35·49  | 46·73  | 67·35  | 80·17  | 87·7   |
| Tea .....                                      | 2·69   | 3·91   | 4·58   | 5·36   | 6·11   |
| Spirits .....                                  | 0·86   | 1·06   | 1·06   | 1·04   | 1·12   |
| Malt, British ...    bushels                   | 1·61   | 1·72   | —      | —      | —      |
| Beer.....    gallons                           | —      | —      | 27·79  | 30·16  | 31·75  |
| Wine .....                                     | 0·37   | 0·51   | 0·45   | 0·39   | 0·39   |
| Imported—                                      |        |        |        |        |        |
| Wheat.....    lbs.    }                        | 134·51 | 150·43 | 180·67 | 195·04 | 187·34 |
| "  meal and flour    "  }                      |        |        |        |        |        |
| "  Bacon and hams .....                        | 1·97   | 3·41   | 36·23  | 49·01  | 57·90  |
| "  Beef, salted and fresh .....                | —      | —      | 13·95  | 13·11  | 19·62  |
| "  " (from imported, live) .....               | —      | —      | 3·37   | 6·19   | 11·74  |
| Meat { Mutton, fresh .....                     | —      | —      | —      | 9·02   | 9·23   |
| { Pork, salted and fresh ...                   | —      | —      | —      | 4·91   | 9·28   |
| { Meat, preserved, other                       | —      | —      | 1·16   | 0·92   | 2·54   |
| { than salted .....                            | —      | —      | 1·78   | 2·11   | 1·92   |
| <i>Petroleum—</i>                              |        |        |        |        |        |
| Imports .....                                  | 0,4    | 9,0    | 59,2   | 130,6  | 255,0  |
| Population .....                               | 28,9   | 31,5   | 34,9   | 37,7   | 41,5   |
| Per head.....    gallons                       | —      | 0·29   | 1·69   | 3·46   | 6·14   |

DISCUSSION *on* SIR ROBERT GIFFEN'S PAPER.

SIR ALFRED BATEMAN, K.C.M.G., having taken the Chair, in place of the President, who was compelled to leave, welcomed the opportunity thus accidentally given to him of presiding at a meeting at which his distinguished predecessor at the Board of Trade had read one of those excellent papers which he had contributed to the Society. Even if Sir Robert Giffen were to come there as an economic heretic, they would welcome any paper of his. He had provided already a good many attractive papers, and the present one was, above all things, suggestive. No doubt it would be criticised by the experts present, rather from the point of view of what it hinted at than of what it said. There was a charming and cheerful optimism about it which was very agreeable in these days of depression. That optimism was especially noticeable in the passage where Sir Robert spoke of the paper which he proposed to read after the year 1905, and, whatever they might think of the present paper, that was a hope which they would all wish might be fulfilled. It was, he was sure, the hope of all present that Sir Robert would be able to fulfil his promise to give them another paper, and indeed, many others, after the year 1905.

The Right Hon. G. SHAW LEFEVRE said he felt it difficult to enter upon a discussion of Sir Robert Giffen's paper without raising questions of policy wider than it was perhaps desirable that that Society should embark upon. The whole of the paper was based upon the proposition that in the author's view the expenditure of the country upon Army and Navy should be very largely increased. The statistical tables which Sir Robert had given were no doubt very valuable and very clear throughout, but they appeared to him to be a peg on which to hang the proposition enlarged upon at the end of the paper, namely, that a considerable revision should take place in the taxation of the country in the sense that a larger proportion of the revenue should be raised by indirect taxation upon the food of the country, and a smaller proportion from the Income Tax and the Death Duties. This again was based on the proposition that the expenditure of the country upon the Army and Navy must be very largely increased. He could not himself subscribe to this. He did not believe it was necessary to increase the enormous expenditure of the country on the Army and Navy, but rather the reverse. He thought that the view of Sir Robert Giffen on this point was unfounded and unjustifiable. It seemed to arise from an exaggerated militarism. He entirely agreed with him in disregarding all other expenditure, such as that on Education and the Post Office. It was mainly with the Army and Navy that they had to deal in commenting on the national expenditure. The expenditure on

Army and Navy now amounted to 60 million £. It had nearly trebled since 1871, and had doubled since 1891. But Sir Robert Giffen not only thought it necessary to add another 20 million £, but, not satisfied even with that addition, thought that another 20 million £ would have to be added, bringing up the total to 100 million £. With regard to the Navy, he would remind the Society that the expenditure between the years 1869 and 1894 under successive Governments amounted on the average to no more than 10 million £ a year. It then rose by degrees, and in 1891 it amounted to about 15 million £. Since then it had been going up by "leaps and bounds," and now amounted to 30 million £. Sir Robert Giffen was not satisfied with that enormous addition, and wanted to add another 10 million £ to it. His demands went far beyond those of the most extreme of naval alarmists. Even Lord Charles Beresford, in a speech he made a few days ago, stated that he considered an expenditure of 30 million £ upon the Navy was quite sufficient, but he thought that the money might be better spent. Personally he was always inclined to discount Lord Charles' demands by 20 per cent. But Sir Robert Giffen, with his superior knowledge of the wants of the Navy, and he presumed of the intentions of other Powers, asked them to write down another 10 million £ on that service. Then again as to the Army, the cost of which had doubled in the last ten years, they had been told recently by the Secretary for War that in his view the normal force should be 270,000 men, at an annual cost of 30 million £, these estimates to include the provision of a force of 15,000 men in South Africa. Here again Sir Robert Giffen was not satisfied with the demands of the responsible chiefs of the Army, and asked us to write down another 100,000 men as being necessary for the permanent establishment—50,000 men being for the occupation of South Africa, and 50,000 at home to provide for their relief. The increased cost of this he estimated at 13 million £. That was an alarming view of the future of South Africa. It would mean that for every able-bodied Boer in the two States which had been annexed as British Colonies, we should have to keep an armed British soldier as a sentinel or guard. He could not but hope himself that the war would end in an understanding with the Boers which would render it unnecessary to keep a large force in South Africa. By adding his estimated increase of 20 million £ to the existing expenditure of 60 million £, Sir Robert having increased the expenditure on the Army and Navy by 20 million £, arrived at a total normal expenditure of the country of 150 million £, as compared with 130 million £, the present estimate. As the revenue for the current year was estimated at 142 million £, it would appear that an increase of taxation would become necessary beyond the present war taxation. So far from giving them any hope that at the end of the war there would be a reduction of taxation, Sir Robert evidently contemplated a further increase. Sir Robert then proceeded to make a comparison with the year 1861, and said that the present taxation was no greater in amount relatively than that in 1861, and that the country was just as well able to bear



the burden now imposed upon it as it was to bear its burden in that year. He did not quite agree with Sir Robert's figures as to that, but he would assume that he was right and that the amount of taxation in 1861 was relatively about equal to that at the present moment. He must remind the meeting that there were grave complaints in 1861 against the then taxation and the then expenditure. Having entered Parliament not long after that date, he could bear testimony to the strong feeling there was then in Parliament against the excessive expenditure of the country and the excessive taxation. As a result, with the concurrence of both parties, there was a great reduction in the expenditure on the Army and Navy. That average rate of expenditure was maintained by both parties, and was not increased for many years. It followed that Parliament was able to reduce the income tax from 10*d.*, at which it stood in 1861, to 4*d.* in 1871. It was able also to abolish the sugar duties, to reduce the tea duties by two-thirds, to abolish the remaining tax upon wheat and timber, and in a variety of other ways to reduce taxation. He believed himself that a great deal of the prosperity of the succeeding twenty or twenty-five years was due to this reduction of taxation, and to the husbanding of the resources of the country, and that much of the improvement in the condition of the labouring people resulted from the fact that taxes were taken off articles of food, such as tea, sugar, and wheat. But Sir Robert Giffen would go back upon all this. He considered it necessary to maintain the present war taxation, and to revise it in the sense of throwing the burden upon the food of the people. He (the speaker) did not think it was necessary to increase the expenditure of the country, and it would be a grave misfortune if Sir Robert's view were adopted, and the taxes upon tea and sugar were increased. If the present normal rate of expenditure were maintained, and not increased, it would be possible at the end of the war, according to Sir Robert Giffen's figures, to reduce taxation by 20 million £. That would enable the Chancellor greatly to reduce the Income Tax, to abolish the Sugar Duty, and to reduce the duty on tea, and to repeal the Coal Tax. For his part, he believed it might be possible to effect a still greater reduction in the naval and military expenditure, and he looked forward himself, therefore, to still further reduction of taxation. For these reasons he could not subscribe to the proposals of Sir Robert Giffen, which he thought were unwise and unnecessary, and due to an altogether exaggerated view of the military wants of the country.

Sir GUILFORD MOLESWORTH, K.C.I.E., remarked that it was necessary in the first place to discriminate between the sources from which our finances were recruited. These were: First, from the proceeds of investments; Secondly, from industries and commerce. And, with reference to the first, it was necessary to carry back the retrospect further than 1861. In 1815, at the close of the war, the whole trade and commerce of the world was in our hands, our dependence on foreign supplies engendered by a policy of free imports had caused the price of wheat to rise to 12*6s.* per quarter. The Corn

Laws were then re-enacted and the policy of strict protection was adopted. The prosperity of England under this policy was very great. Alison in his "History of Europe" had stated: "There is no example in the annals of mankind of a nation having made such advance in industry, wealth, and number. During the thirty years which elapsed after the Battle of Waterloo the population increased more than half, its imports doubled, its exports tripled, its shipping doubled, agriculture prospered. The dependence on foreign supplies steadily diminished until the grain imported on the average of five years preceding 1835 was only one two-hundredth part of the average year's consumption." The price of wheat steadily fell, and in 1835 was the lowest that has been reached during the half century 1800-50. The distress in 1843 which led to the anti-corn law agitation in England, and subsequently to the adoption of Free Trade, had nothing to do with the Corn Laws, for, excepting 1835, the price of wheat was lower than it had been during the century. It was a money famine, not a bread famine. The whole of the civilised world shared that wonderful tide of prosperity which was due to inventions in machinery and manufactures, to the introduction of railways and steam navigation which set in about the year 1835, and was increased by the gold discoveries of 1850-55, but England was in a position to take the lion's share; she had, in fact, under a policy of strict protection, amassed enormous capital, and, when Free Trade was adopted in 1846, she was the great capitalist nation; she had the markets of the world in her hands, she had a monopoly of manufacture, having then developed her coal, and her iron, and her textile industries, and she not only supplied every country with her machinery and manufactures, but she also furnished capital for railways, and for every public work abroad, with the understanding that plant of every description should be supplied from England; but it was to be feared that the last twenty or twenty-five years had made great inroads on her capital. She was living on her investments, spending more than she produced, as indicated by the excess of 173 million £ of imports beyond her exports in 1901. Turning to the second source of our wealth, the condition of our industries did not appear to justify the assertion that the period between 1861 and 1891 had been one of great and continuous prosperity. It would naturally take a long time for other nations to overtake her when she had so formidable a start, and it was not until twenty or twenty-five years after the introduction of Free Trade, in 1846, that the effects of our policy began to tell upon her, with the result that our agriculture had been ruined and our other industries had been struggling hard for existence. Our markets were contracting, no other civilised countries had adopted Free Trade, but all were increasing their tariffs. Even our colonies had adopted the policy of protection. Evidence before the Royal Commissions appointed in 1879, 1885, and 1893, to inquire into the depression of our industries, showed that there was a permanent and increasing depression in British trade and industry, especially agriculture. Nearly three million acres of wheat had gone out of cultivation, and while the production of wheat had diminished so greatly

in England, it had greatly increased in protectionist countries on the continent. In 1891 the tin plate trade had been ruined by the McKinley Act, and had seriously affected the South Wales iron trade. The depression extended to almost every industry. Most of the witnesses before the Commissioners attributed the depression to increased foreign competition and to the burden of taxation, but especially local taxation. The increased discoveries of gold throughout the world in recent years had somewhat improved trade and caused a slight revival in our industries, but the competition of foreign nations was greatly increasing in intensity. Mr. Ernest Williams's Book, "Made in Germany," disclosed a very serious menace to our trade, and Sir Courtney Boyle was constrained to admit that the competition of Germany and the United States was very serious. The competition of America was far more formidable than that of Germany. America was handicapped by wages nearly double those which prevailed in England, and by the heavy tariff of the McKinley Act, which our statesmen prophesied would be the ruin of the United States. But during the decade 1890-99, under the McKinley tariff, the United States enjoyed great prosperity, and increased her exports by nearly 85 million £, while our increase was represented by less than 1 million £. America increased her exports by 48 per cent. in ten years, while England increased her exports by only  $\frac{1}{4}$  per cent. This, he urged, was a proof that the time had come to review our policy. He proceeded to criticise our system of taxation, and pointed out that Mr. McKinley had shown that between 1870 and 1880 Free Trade had increased our rate of taxation by over 24 per cent., whilst the United States in the same decade had diminished it by nearly 10 per cent. Sir Robert Giffen's comparison of taxation per head of population was misleading. Our present fiscal policy did not tax the masses directly *pro rata*, but placed the burden on the wealthy classes—that is, on the capitalists, or, in other words, mainly upon our industries. This told heavily upon them in competition with the foreigner, and ultimately re-acted on the working classes in reduction of wages and employment. Moreover, Sir Robert had altogether neglected to take into account that local taxation of which the burden was so heavily felt, and which amounted to more than 100 million £ in 1901. It had nearly quadrupled in the last twenty-four years, and was increasing by leaps and bounds. We had imported in 1900 manufactured goods to the value of 55 million £, and food to the value of 120 million £, but not a penny has been paid by the foreign producers of these articles as their share of the burden of taxation. How could our industries sustain competition under such unfair conditions? Our system of direct, instead of indirect, taxation transferred to our shoulders that burden which ought to be borne by the foreign producer.

Sir FRANCIS S. POWELL, Bart., M.P., said the speech of Sir Guilford Molesworth was a consoling speech, because it showed that the optimistic feeling of the author of the paper was not without its antidote. His own sympathies were with

the reader of the paper rather than with the gloomy tone of Sir Guilford Molesworth. The figures as to pauperism, issued only a few days previously, by no means showed a growth of poverty. The paper being "A Financial Retrospect," dealt rather with the past than with the present, and he fully sympathised with Sir Robert Giffen in deprecating political discussion at a meeting of that class. They were dealing with cold statistics, and they looked forward to the future not with a view to expressing an opinion as to the wisdom of a policy, but in order to fix their minds upon the inevitable—a future which no discussion could alter, and which appeared to be governed by the circumstances of the times in which they were living. Whether this policy were wise or foolish, there could be no question that it must lead to a considerably increased expenditure, both upon the Army and upon the Navy, for some years to come. He did not think that a statistician, dealing with the question from a statistician's point of view, would act wisely if he ignored what he regarded as the elementary facts of the situation. It was impossible to master all the author's figures at one effort; but he thought it also impossible to hear such a paper read without feeling the great blessings which had resulted to this country from a liberal financial policy. He certainly hoped that we should never go back to Protection in any form whatever. Upon this question fallacies were beginning to pass current as truths, and the time had come when these errors should be eliminated by careful and full discussion. The danger to Free Trade was in silence, not in debate. He was always glad on occasions of this kind to hear remarks which would cause people to think and to express the conclusions they had reached.

Mr. H. BIRCBENOUGH spoke of the great obligation, not only of that Society, but also, he thought, of the public at large, to Sir Robert Giffen for his exceedingly luminous paper. One of the most valuable points which Sir Robert had made was his bringing out in so very clear a manner the exceedingly narrow basis—in his opinion the dangerously narrow basis—on which our system of taxation rested. In this country we had rather an evil habit of building large superstructures upon very narrow bases. Our system of credit, for example, rested on the very narrow basis of the reserve of gold in the Bank of England; our military system rested on the narrow basis of voluntary enlistment; and our system of taxation rested on the narrow basis of drink and tobacco, the income tax and the death duties. Out of the whole revenue raised we derived 40 million £ a year from the income tax and the death duties, and 50 million £ from drink and tobacco, in all 90 million £ from these limited and exhaustible sources. He did not know the exact difference between a political and an economic discussion, and he thought it difficult to discuss economic questions of this kind, which were also practical questions, without touching upon political controversy. It was obvious that the war, and still more the great changes in the international position, had brought entirely new factors into the financial situation. Money had to be found in one way or another to meet our national obligations. It had been easy to raise 60 million or 70 million £ a year by direct

taxation, but it was a very different matter when they had to raise something in the neighbourhood of 150 million £. As Sir Francis Powell had very properly said, the Free Trader did not deprecate discussion. He was himself a Free Trader, but at the same time he thought the Free Traders had their fallacies, exactly as Protectionists had theirs. One of the delusions which a previous generation had entertained was the conviction that any indirect tax was in itself a bad tax. He was not sure that delusion was not largely nurtured and maintained by the merchant class. In future Chancellors of the Exchequer would be faced by the problem how to raise the immense sum of 150 million £ a year. They could not possibly confine themselves to sources which were practically exhausted, and would be driven by the necessities of the situation to seek a very much wider basis of taxation than that to which they had hitherto been accustomed. There were many taxes which could be levied, and which would have to be levied in the course of the next two years, which would be technical breaches of Free Trade principles. He did not for one moment fear the exercise of such taxation. The sugar tax had already led the way, and he thought it was plain that similar taxes must follow this year upon commodities of various kinds. Their aim must be as far as possible to widen the basis of taxation without inflicting any serious injury on the trade of the country.

Major P. G. CRAIGIE thanked Sir Robert Giffen for acceding to the request to put clearly before them certain elementary facts which, in the light of the national position at this moment, it had seemed to many of his colleagues on the Council it would have been a dereliction of their statistical duty to have left disregarded. Sir Robert, in sharply contrasting the nation of 1861, and the taxes, the duties and the functions of Government which then obtained, with the nation as we knew it to-day, with its vaster population, its extending empire, its increasing responsibilities, and its still more largely-increasing wealth, had presented to them two pictures which they would, as statisticians, do very well to study in detail. He hoped they would go home from this discussion determined to look further into these suggested figures, and he thought he could promise Sir Robert Giffen that long before 1905 they would have many fiscal debates, not only at the meetings of that Society, but throughout the country, as the immense changes in their position became recognised. The views that would be taken and the opinions that would be expressed as to the resultant action were by no means likely to be identical or unanimous; but it was their business, as men of figures, to see that they had got all the factors clearly set out. Whether Sir Robert was right in his method of selecting particular years rather than groups of years for measuring the growth of taxation was a matter open, as he would himself admit, to statistical argument. He would, too, have liked for his own part to have brought the parallel pressure of local taxation more directly into account. But where the change was so large as this, and the contrasts themselves were so huge, the qualifying difference between any one year, or any two or three years, might be masked in the broad general effect of the figures presented.

There was no doubt that the functions which Government had assumed at the present time were entirely different from the narrow conceptions of Government which prevailed some forty or fifty years ago. That in itself was a justification for re-discussing the whole question of the basis of taxation. Again, on the question to which Mr. Shaw Lefevre had especially directed attention, namely, the growth of naval expenditure, no one who had inquired into and realised the real facts behind these big figures could doubt that, comparing relative cost with relative force, the cost of warlike material and of the necessity of national defence had largely enhanced. Ships and guns, and even men, all cost individually far more than they had done forty years previously. If they were going to protect their country at all, they must expect a normally larger expenditure. The cold dry light of the figures before them left no alternative, whatever questions of policy might be involved. The question for statisticians to discuss was not policy but fact, but it was a further duty both for the politician and the statistician to see how the burden of taxation might be fitted to the back of the taxpayer. Certain measurements of the breadth of national back were laid before them now, and they had to see whether those were true measurements, and whether there had not been, as suggested, a slipping on one side of the burden, which could be carried with ease if adjusted fairly on each shoulder. If the contrasts now before them were correct, the nation and the empire could stand the taxation threatened. It was not so much its magnitude, as they must all agree, that need frighten them, but rather the question whether the pressure of that taxation should be spread over a wider or narrower section of the community.

MR. CÉDRIC ERLUND said he had quite recently returned from an extended trip through most of the important countries of the world, in the course of which he had had the opportunity of meeting a very large number of the leaders of commerce, and the interesting paper which Sir Robert Giffen had read seemed to him to be in the nature of a foundation from which to build up certain conclusions, having in view what was occurring to-day and what would be happening to-morrow. He did not believe that industry in Germany was at all as depressed and stagnant as was supposed by those who had only superficial knowledge of the prevailing conditions. The difficulty largely arose from their antiquated system of banking, which caused delay in the transfer of credits. Only actual cash was used in the commerce of the country, and so from nine to fifteen times as much cash was required there as was the case in England, in the United States, or in the British Colonies. This stringency caused the present lack of competition on their part with our manufactures; but that state of things could not long continue, and therefore far keener competition from Germany might be expected in the near future. From the United States they must also expect far greater competition. Great syndicates were making arrangements to acquire a large proportion of our mercantile marine, to be reinforced by vessels now being built on the other side of the Atlantic, for the purpose of transporting their manufactured products, such as cotton, iron, and steel, not

only to the continent, but even to carry cotton to Manchester. The intention was to get the great bulk of our exports by substituting American for British coal in these ships—five-sixths of our entire weight of exports being in coal—and to introduce the more highly finished products on the top of that. In his judgment, looking to the future, the resources of the country must be protected,—not using the word protection in its anti-Free Trade sense. If they were to meet the present or increased expenditures, it should be the policy of whatever Government might be in power to give the colonies every possible means of developing themselves by a freer interchange of *Miscellanea*. other colonies and with the home country by taxing foreign goods. Only in that way could the prosperity of the Empire and its ability to meet its increasing burdens be maintained.

Sir ROBERT GIFFEN, in reply, said he did not think there was much in the discussion that called for observation, especially as upon some of the points raised he had already had the opportunity of saying a great deal before this paper was prepared. Mr. Shaw Lefevre ought not to have spoken of him as an “advocate” of a large military and naval expenditure. He was undoubtedly in favour of an increase, but he was not an “advocate” in the ordinary sense of the word. It was unavoidable in his view that further expenditure should be incurred, but the necessity was an unpleasant one, as he had stated in the paper. What he wished our public men to do was to look into the matter deliberately and carefully, and with proper regard to economy, and see what they must do, whether they liked it or not, instead of waiting till circumstances forced them, when the work was certain to be done badly and at an excessive cost. That was really the whole effect of what he had said about a probable increase in the military expenditure. Mr Shaw Lefevre had dwelt much on what was called the ordinary as distinguished from the extraordinary expenditure, representing that he (Sir R. Giffen) was in favour of increasing the ordinary expenditure. But the distinction which was now made in respect of the Army between the ordinary expenditure and the so-called war expenditure, was altogether improper and unjustified, and he (Sir R. Giffen) had refused to recognise the distinction, and had spoken of the two together as not likely to diminish greatly from the present total. We were in the habit of criticising such distinctions when they appeared in the budgets of foreign nations. We had to face the expenditure, and what applied to foreign States applied to ourselves; and whether we called it ordinary or extraordinary, it did not make much difference. He maintained that, taking the present figure of expenditure at about 180 million £ upon the estimates of the current year, it was not a figure in respect of which, as wise and prudent men, they could look forward to any great reduction at a very early period, or one below the total of 150 million £ he had mentioned. He might be quite wrong in the view he took of the South African occupation, and of the international position; but what he was anxious for was that the subject should be discussed, and that public men should really

face the situation, and discuss the facts as they were. They ought to lay before the country the true conditions of the international position, and explain what provision ought to be made. When that was done, he had no doubt we should have the figures of which he had spoken, but without its being done there was no use declaiming against high expenditure. There had been many discussions regarding the expenditure upon the Army and the Navy in his time; but he could not remember one in which the position was really faced, and the country was told the substantial truth as to the exigencies of the international position, and what would really have to be done. Mr. Shaw Lefevre said he recollected, as he (Sir R. Giffen) recollected, the feeling which prevailed in Parliament against what was thought to be high taxation. It was for that reason amongst others that he (Sir R. Giffen) had referred to the famous debate on Mr. Stansfeld's resolution in 1862, because events had immediately proved quite conclusively that all the talk about excessive expenditure and excessive taxation at that time was in the air: there was nothing excessive in the taxation, because in the next ten years the country was in so prosperous a condition that the revenue grew by leaps and bounds, and enabled the Government to dispense with a great many of the so-called excessive taxes. He was not quite sure but that the neglect of our public men in past times to look into the facts of the international position, and to prepare the country, as they ought to have done, for the fulfilment of its international duties, had not resulted really in a very great loss to the country. He agreed with what Mr. Birchenough had said as to the disposition of people in this country to carry on business on too small a foundation, and thought the illustrations which he had given were very much to the point. He remembered a remark which was made privately to him by a distinguished officer three years previously, before the South African war broke out, namely, that we were working our army on a high-pressure system, which would not answer. The South African war had proved this only too conclusively. That high-pressure system had been the cause of much loss of life, and a great deal of our indirect losses in *prestige* and otherwise. We must look into Army and Navy matters closely now, and see that this high-pressure system was relieved. It was no doubt an omission in his paper that he had not dealt with local taxation: he could only express his regret that time did not enable him to do so. No doubt a paper like this should be regarded as merely preliminary, and he hoped that they would have a great many other discussions not merely about imperial, but about local finance also, and if he should have helped in any way to prepare the ground, he would have cause to regard this paper with some satisfaction.

The CHAIRMAN said it only remained for him, as he was sure all would wish, to move a cordial vote of thanks to Sir Robert Giffen for having given them so excellent a paper.

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