

IV.—*The Present Position of the National Finances.* By Charles Eason, Jun., M.A.

[Read Tuesday, 7th February, 1888.]

THE expenditure and revenue of the United Kingdom have been equalised for the past few years by variations of the income tax. But this simple process can be continued no longer. The growth of expenditure, the adjustment of the relations of local and imperial finance, and the need of reducing the income tax so that it may be available in emergencies, render necessary a revision of the sources of income. But to understand the present condition of the finances, and the direction in which progress is possible, it is necessary to review the growth of expenditure and revenue since the year 1842. For the purposes of comparison, I adopt five years, viz.:—1842, 1853, 1860, 1867, 1887.

1. The year 5th January, 1841, to 5th January, 1842, shows the state of the finances prior to Sir R. Peel's financial measures.

2. The year ending 5th January, 1853. This shows the result of Sir R. Peel's policy, and precedes Mr. Gladstone's budget of 1853, when the Succession Duty was imposed, the Income Tax reimposed for seven years, and the Free Trade policy further developed.

3. The year ending 31st March, 1860. This shows the result of the growth of expenditure dating from the outbreak of the Crimean War in 1854, and shows the state of the finances when Mr. Gladstone entered upon his seven years' Chancellorship of the Exchequer (July, 1859, to June, 1866).

4. The year ending 31st March, 1867, which shows the result of Mr. Gladstone's administration of the finances.

5. The year ending 31st March, 1887. This shows the effect upon the finances of the policy adopted by the Parliaments elected after the Reform Act of 1867. In Table IV., relating to the sources of revenue, the additional year 1876 is introduced, because in that year occurred the smallest yield of Income Tax, and it marks the turning point in the yield of the Customs and Excise, and the commencement of the period of trade depression which is considered to have lasted more or less ever since.

Let us now consider the salient facts exhibited in these Tables.

*Expenditure.*

In the eleven years ending 1853, the expenditure increased somewhat less than a million. The increased cost of the Civil Services and of the Army and Navy was compensated by a reduction of £1,600,000 in the charge of the national debt, of which £625,000 was due to the conversion of the 3½ per cents. in 1843.

In the seven years ending 1860, the expenditure increased over £14,000,000, principally owing to the increased expenditure upon the army and navy which followed upon the Crimean War; but the expenditure upon civil government also largely increased.

The growth of expenditure was stopped under Mr. Gladstone's administration of the finances. The gross expenditure of 1867 was less

than that of 1860 by £2,387,000. This might seem to be due wholly to the falling in of terminable annuities, amounting to upwards of £2,000,000, but we can from this date compare the net expenditure, and we then find (see Table II.) that the reduction was effected in all departments. The Army and Navy costs  $1\frac{1}{2}$  millions less, and the Civil Service one quarter of a million less. In Table III. the Civil Service expenditure is analysed under four heads, and we find that the only increase was in grants in aid of local taxation.

Since 1867 the expenditure has steadily increased, and yet Mr. Gladstone has been Prime Minister during more than half the period. The increase is due to legislation. The parliaments elected since the Reform Act of 1867 have imposed upon the government numerous additional duties. Education, sanitary matters, merchant shipping, railways, mines, have all been made the subject of governmental oversight, and the state has been yearly contributing a larger amount towards the cost of the work performed by local authorities. The increased expenditure upon the Army and Navy is due to the abolition of purchase, the increase in the cost of Pensions, and, above all, to the outlay necessary to keep pace with the similar expenditure of other countries.

#### *Revenue.*

The changes in the sources of revenue are so well known that it is not necessary to dwell upon them. In 1842 Customs and Excise contributed 40 millions out of a total of 50 millions, while in 1887, they contributed £45,400,000, out of a total of over 76 millions. The governing principles of taxation have been to reduce the number of articles taxed as much as possible, by removing from the tariff all articles except luxuries, and of these to retain only such as yield a considerable revenue. The taxes on property have been increased by the introduction of the Income Tax and Succession Duty, and the revision of the other death duties. Up to 1876 the results of this policy were satisfactory; but since that date all the burden of the increased expenditure has fallen upon the payers of Income Tax.

We shall now proceed to consider what are the conditions governing the expenditure of the future, and from what sources the revenue to defray it should be derived.

#### *Expenditure.—National Debt.*

The charge of the National Debt consists of two parts: 1st, interest and cost of management; 2nd, repayment of capital.

The possibility of a reduction of the interest is now being generally discussed; and, provided that the peace of Europe is not broken, a conversion of the 3 per cents. may be expected. The amount of 3 per cents. is about 570 millions, and the interest about 17 million pounds. A reduction of interest to  $2\frac{3}{4}$  per cent. would save about £1,425,000, and the conversion could perhaps be effected at par. A reduction of interest to  $2\frac{1}{2}$  per cent. would save £2,850,000; but it could not be done without some increase of the capital, which would diminish the saving. It is sufficient for the pre-

sent to say that there is a fair probability of a reduction in the charge for interest amounting to from  $1\frac{1}{2}$  to 2 millions.

The amount now devoted annually to repayment of capital is about £5,000,000. Mr. Goschen, last year, reduced the amount so applied by £1,670,000. Considered in relation to the wealth of the nation, to the amount of the National Debt, or to the amount actually applied in the past to the same purpose, the sum of 5 million pounds does not appear excessive. But there is no clear principle to appeal to in the matter, and it is therefore to be regretted that the question has been forced into prominence. No further reduction in this sum should, I think, be made, and I will assume that no saving will be effected under this head.

#### *Army and Navy.*

The expenditure upon the Army and Navy increased by £9,000,000 between 1867 and 1887, and it will amount to over £31,000,000 in 1888. It is now universally admitted that much of this large amount is spent wastefully, and yet it cannot be said that the defence of the Empire is adequately provided for. The government is making a determined effort to re-organise the administration of both services, and we may count upon some considerable reduction in expenditure from this cause; but so many are the weak points in our present system of defence, that any money so saved should be applied to make good some of these deficiencies, and therefore I do not anticipate that any permanent reduction can be made in this branch of expenditure.

#### *Civil Government.*

The causes that will determine the amount of this expenditure in the future may be grouped under three heads:—1st, Economy of administration; 2nd, Enlargement of the sphere of governmental action; 3rd, Adjustment of the functions of imperial and local authorities. As to economy of administration, some good result may be expected from the attention at present being directed to this question. The causes of increase of expenditure are not exhibited in the published accounts so clearly as they might be. It has been admitted that the cost of any particular service cannot be traced from the Army and Navy accounts, and the same is almost equally true of Civil Service expenditure. Now, this is capable of being remedied, to a great extent, by a very simple addition to the appropriation accounts.

An example will show the defects of the present system and the simplicity of the remedy.

The Local Government Board (of England) cost £695,447 in 1876, and £703,226 in 1877. Now, suppose you desire to find the explanation of the increase. Turn to the appropriation accounts for 1877, and you find that the sum expended was £60 less than was granted. Then turn to the estimates for 1877, and you find the estimate was £693,287—a decrease of £2,242. By comparing each item of the vote, one by one, from the two volumes, the cause of increase would be, to some extent, ascertained; for instance:—

Registration cost £6,382 in 1876, and £9,679 in 1877—an increase of £3,300. It might be supposed that a reference to the Supplementary Estimates would explain the difference. When we refer to these, we find that an extra £10,000 was voted for Public Vaccinators. Here you might rashly suppose is the £10,000 we are seeking; but it is not so, the expenditure on Public Vaccinators was £16,076 in 1876, and £15,042 in 1877—a decrease instead of an increase. Now, the increase might be explained easily by including in the appropriation account a comparison of the expenditure of each year with that of the preceding one. The appropriation account would then form a complete record of the expenditure from year to year, and the history of the growth of the various votes could be easily traced by all persons. At present, so many different returns require to be referred to, that any results can only be ascertained after a laborious examination. A committee is enquiring into the working of the Civil Service. It is notorious that the hours of labour are less, and the number and length of holidays are greater, in governmental than in commercial offices, and many offices appear to be over-manned. There are other matters—such as the system of pensions, the scale of pensions, the classification of clerks, and the employment of temporary clerks and of boy copyists—which, perhaps, might be revised so as to effect a saving; but I do not express any opinion on this point. There still remain some sinecures and ornamental offices which might be suppressed altogether. The payments to the Royal Family, both direct and indirect, will, undoubtedly, in the future, undergo severe scrutiny; but I do not think there is any need for loyalists to object to such questions being mooted. Efficiency must here too be the first consideration, but no narrow interpretation must be placed on the term. The whole machinery of legislation and administration must be considered, and regard must be paid to the historical memories and associations of the Crown of England, and the position of the head of the Empire among the nations. The result will be that, while some useless offices may be done away with, and some petty items of expenditure, which excite comment, may be cut off, the nation will, if properly appealed to, not grudge the amount required to support the dignity of the Crown.

The most important of all the circumstances affecting the national expenditure is the view which will prevail regarding the sphere and functions of government. We must start from this fact, that the social condition of the people is not one of equilibrium. Masses of the nation are sunk in poverty, and masses are only just able to obtain the barest necessities of life. The Reform Act of 1867 has been followed by an important extension of the sphere of state action, or, in other words, the people have insisted upon their rulers seeking to accomplish ends always admitted to be desirable, but which the governing classes had previously not felt the necessity of seeking to attain. In a general way, they always desired that the poor should be educated and that the public health should be cared for; but there was no agreement as to what should be done, and it was only when the working classes obtained the franchise that Parliament was obliged to take up the solution of these

problems in some form or another. And so it will be again. Some effort must be made to diffuse the benefits of civilisation more widely; the young must all be educated and get an opportunity of making an honest living; the working classes must be better housed; and the streams of poverty and crime must be checked at their sources. I am altogether of opinion that legislation and state action cannot accomplish these results, that general prosperity and a high state of intelligence and morality can only result from individual action, that a righteous people cannot be produced by legislation or an army of public officials, but only by the influence of people who are themselves righteous. But while the state cannot do everything, it can assuredly do something, and at least it can proceed tentatively and make experiments. For my present purpose, it is sufficient to say that an increase in the duties thrown upon the state is probable, and that this will involve a considerable increase of expenditure. Yet at the same time social reformers should bear in mind that every addition to taxation is an evil no matter how skilfully the system of taxation be adjusted.

As to the relations between Local and Imperial Expenditure, the question at present stands thus. Successive parliaments since 1867 have affirmed that the cost of certain duties devolving upon local authorities presses with undue severity upon the agricultural classes, and the owners and occupiers of houses, and the present government stands pledged to throw a greater portion of this burden upon the nation at large. The result may be accomplished in any of three ways.

1st. By transferring certain duties and the cost of executing them from local bodies to the central authority, as for example the maintenance, and for the most part the control, of prisons have been transferred to the state. As a rule, uniformity and economy of administration are promoted by such a change; but the life and energy of local bodies are impaired, and all such transfers increase the power of the bureaucracy, and leave the individual more at the mercy of the state.

2nd. The second way is to leave the performance of the duties with the local authority, but to contribute part of the cost from the exchequer. This is the system which has been adopted up to the present. It relaxes the checks upon economy, the rates have not been relieved to an equal extent, the tendency is for local bodies to enter more freely upon new expenditure. Moreover, the central authority necessarily asserts some control as a condition of making these "grants in aid," and the tendency is for such control steadily to increase and to enfeeble the local bodies, who are more and more inclined to take direction from the central authority, and to refer to it for guidance, instead of depending upon their own judgment.

3rd. A third way of relieving the payers of local taxation would be to increase the sources of revenue, either by transferring to local bodies some taxes now paid to the exchequer, or by giving them power to levy new taxes, as for example, to make personal property liable to taxation, as in the United States. This plan has not hitherto been adopted; but proposals have been made to transfer to local authorities

the Inhabited House Duty, the liquor licences, and some other licences, such as the male servants, carriage, and dog licences.

A diminution of the sphere of local action should be the last resource adopted, for the experience gained in local administration is a most valuable training for the people,—is even well worth the sacrifice of some degree of efficiency. The second plan cannot be dispensed with altogether. It is probable even that it may be more largely resorted to in the future than in the past, for the relief of the poor is a national obligation, while the administration of relief must be done through local bodies. Under the present system the localities where the poor happen to congregate have to bear the heaviest charge. The ear of wasteful administration of relief can alone excuse the perpetuation of this inequality.

The third method is the simplest, and should be adopted; the difficulty in the way of it is to find acceptable means to fill the gap thus made in the imperial revenues.

As regards my immediate object, it is sufficient to point out that whatever method be adopted, the ultimate result will be to necessitate an addition, and a not inconsiderable one, to the amount of revenue raised by imperial taxation.

#### *Ireland.*

The government of Ireland will almost certainly involve increased imperial expenditure. Should a Unionist government continue in power, an effort will almost certainly be made to carry out the sale of the land to the occupiers, and any such measure, to be successful, will require,—and I think rightly,—that part of the loss arising out of the depreciation of landed property in Ireland, shall be borne by the British tax-payers. On the other hand, should a scheme of Home Rule be adopted, the financial arrangements would be conceived in a generous spirit, and would involve some loss to the imperial revenue.

#### *Revenue.*

The result of this review is that expenditure will go on increasing; and we now come to consider the sources of revenue from which it can be defrayed. I do not limit the question to the finance of the present year. It is probable that apart from the changes dependent upon the Local Government Bill, Mr. Goschen will have a substantial surplus. But even in this case a revision of the sources of revenue would be desirable, and Mr. Goschen has expressed his wish to deal with the question.

The first step should be to determine the incidence of the present taxes, in order to ascertain what classes are unduly burdened, whether workingmen, the payers of income-tax—the traders, professional men, land owners, farmers, or the wealthy. I am not in a position to answer this question, but I may remark that the incidence of taxation has been fundamentally altered since 1842. The systems of taxation of 1842 and 1887 cannot both have been just. If the workingmen paid an undue proportion of taxation in 1842, the injustice has been now to a great extent removed. It is possible that even yet workingmen pay too much; but there are serious objections to any further

reduction of the taxes which press specially upon them. These will come before us in due course, and I now proceed to consider the existing taxes.

#### *Customs and Excise.*

The total produce of the Customs and Excise in 1887 was £45,405,000. Of this intoxicating liquors yielded £26,700,000,—viz.,—spirits, £17,000,000; beer, £8,500,000; and wine, £1,100,000. These taxes should not be reduced; the articles are luxuries, and do a great deal of mischief to many of the consumers, and through them to the nation at large. On the other hand, it is not likely that a larger sum can be obtained from this source. The revenue has been decreasing, and it is doubtful whether an increased duty would yield a larger revenue. Mr. Childers' proposal, in 1885, to increase the spirit and beer duties was rejected, partly on the ground that the wine duties were not increased at the same time. This objection is not of any weight. It sounds well to denounce the increase of the tax upon the poor man's drink, and leave the rich man's alone; but the rich are more effectually reached by other taxes, and any disturbance of the wine duties creates friction, and raises troublesome questions with foreign countries, while the total amount yielded by an increase of these duties would be inconsiderable.

The tobacco duty yielded £9,370,000. Mr. Goschen has taken off the extra 4d. added in 1878. It did not yield the expected increase, and the result seems to show that the duty has reached its limits. The tea duty yielded £4,500,000. An increase would probably be productive; but the duty is already high in proportion to the value of tea. Would it not be better to have more articles on the tariff? The abolition of the duties on tea and tobacco would leave a large proportion of the people almost untaxed. I think that sugar and corn should be again subjected to taxation, of course strictly for purposes of revenue only. There would be difficulty in adjusting duty on sugar, owing to the many different kinds of sugar. The duties, when abolished in 1874, ranged from 2s. to 3s. per cwt. The quantity retained for consumption in 1886 was 21½ million cwts.: a duty of 2s. per cwt. on this quantity would yield £2,150,000. As to corn, the quantity of wheat imported in 1886, was 65 million cwts.; of barley, 13,700,000 cwts., of oats, 13,500,000, and of maize, 31,000,000 cwts. Allowing 10 per cent. for re-export, a duty of 3d. per cwt. would yield £1,370,000. I do not think that taxes upon commodities can be dispensed with, as I do not see any way to levy direct taxes from the working classes. It would be most injurious if the classes who have the greatest political power did not bear a due share of the expenditure. Yet as a matter of fact the income tax payers have had to bear almost the whole burden of increased expenditure since 1876.

#### *Stamps.*

The revenue from stamps in the year 1887 was £11,830,000. The principal items were Death Duties, £7,401,957; Deeds, etc., £2,006,566; Receipts and other 1d. stamps, £978,571; Bills of

Exchange, £641,400; Patent Medicines, £179,508; Marine Insurances, £130,025; Solicitors' Certificates, etc., £156,400.

*The Death Duties.*

It was generally admitted in the debate on Mr. Childers' proposal in June, 1885, that the Death Duties required revision, and that the duties should be equalised upon real and personal property. Mr. Childers' proposal to equalise the duties was opposed, on the ground that the burdens on real property should not be increased until real property was granted the relief admittedly due to it from the excessive pressure of local taxation, or until personal property was made liable to taxation for local purposes. The present Death Duties are exceedingly complicated, and it is difficult to avoid inaccuracies in speaking of them in general terms; but it appears that personal property is subject to two duties—viz., Probate and Legacy Duty, while property liable to Succession Duty is exempt from any other duty. The Legacy and Succession Duties at present are graduated according to relationship only, with exemption of small estates; but should not the Probate Duty be also graduated according to the total value of the estate? This question arises also in connection with the Income Tax; and if a tax should come to be imposed on personal property, it will arise also in regard to it—should the rate per cent. increase with the total value? Now, the question stated in its widest aspect is simply this. Should the rich, as such, be required to pay a larger proportion of the national expenditure than the not rich? Now, up to the present, and very possibly even at present, the not rich pay a larger per-centage of their incomes than the rich. In other words, the rich, who have controlled legislation and taxation, have maintained a system of taxation under which some of the earnings of the working classes have been confiscated. But it is argued that this was not designed—not done intentionally: the taxes themselves fall equally upon commodities, whether consumed by rich or poor. But to deliberately frame a tax which shall take a larger proportion of a man's income, simply because he is rich, is described as communistic, socialistic, unjust, dishonest, etc. In reply, I would say the Probate Duty used to be graduated in favour of the rich—being taxed at a lower rate as the value of the estate increased. But I would ask the rich to consider the matter dispassionately. A man in receipt of £5,000 a-year can spare ten per cent. of his income without more sacrifice than a man in receipt of £500 a-year can spare five per cent. Let the rich recognise their obligation to relieve their less-favoured countrymen, and consent to pay the higher rate of taxation. In fact, the position taken by the well-to-do in regard to taxation is very much this:—We object to a graduated Income Tax, for you will find it impossible to levy it from us—we shall raise so many difficulties in assessing it. We shall be so tempted to tell lies, that our moral character will be ruined. We object to graduated Probate Duty, for we shall evade it by gifts from property before death. We object to taxation of



personal property, because we have such facilities for understating the true value, that we shall be easily able to evade it. Now, I do not ignore the difficulties of direct taxation: but, keeping the end steadily in view, I would say:—I am not particular as to the way in which an extra per-centage is to be levied from “the better classes.” Settle the exact method among yourselves, but, in some way or other, the thing must be done. If we approach the problem in this spirit, I do not despair of a solution being arrived at.

There is a further reason why the rich should be willing to contribute to the public expenditure in larger proportion than the working classes. It should be a matter for regret to all who have abundance that there are so many who find it hard to make both ends meet. Now, a diminution in the amount of taxes is a great boon to all the artizan class, and is equivalent to a money payment, which could not be made to them directly, without injury to their independence.

As to the basis of graduation of the Probate Duty, it should be done tentatively, in the first instance, by a slight increase in the per-centage as the value of the estate increases. It must stop far short of such an amount as would stimulate alienations of property before death, or as would diminish the motives to accumulation.

As to remaining Stamp Duties, that on Patent Medicines should be abolished. It creates a false impression of confidence in the minds of the people, and thus promotes the sale of those medicines, whatever be the character of them: and if the medicines are really beneficial, it is objectionable, as being a heavy charge upon an article of necessity. The tax yielded £179,000 in 1887. The duty on silver and gold plate should also be got rid of; the only obstacle appears to be the difficulty of dealing with the question of drawback on stocks in hand, but this should not be allowed to baffle the ingenuity of the revenue officials.

#### *The House Duty.*

The assessment of this tax requires amendment, as, under the present system, the houses of the country nobility and gentry are assessed upon an imaginary value, at which it is supposed they might be let, which is far below their real value to the occupiers. On ordinary houses the valuation varies approximately with the rent, and the rent must at least give a fair interest upon the cost of building. Therefore, the value of a country residence should be estimated by reference to the cost of construction. The present system is really an instance of graduated taxation in favour of the rich.

#### *The Income Tax.*

This is the most important and valuable tax in our financial system. It possesses the valuable property that it can be depended on to produce what is expected from it, and can be raised or reduced without any disturbance to trade. It is thus a reserve power which should be kept available to meet grave emergencies. But in order that this may be the case, the tax must be kept low—say, not above 4d. Now it has not been below 5d. since 1877: it has been levied

four years at 5d., two years at 6d., one year at 4½d., one at 7d., and two years at 8d., the average of the first five years being 5½d., and of the second five 6¼d. I therefore consider it would be advisable to have recourse to other taxes for the sole purpose of reducing the Income Tax. There are some points to be considered in the levying of the Income Tax. First, can it be adjusted to press more lightly on incomes derived from labour and skill, than on incomes derived from investments? I think that the arguments put forth by Mr. Gladstone in his great speech in 1853, are practically conclusive against any attempt at a complete classification of incomes according to their nature. But something might be done in the direction of not taxing savings, following the precedent already recognised, in the exemption of life insurance premiums. A fixed percentage—say, 10 per cent.,—might be allowed to be deducted from incomes derived from trade and the professions. The second question is, how should it be graduated, assuming that graduation is desirable? Now, one of the great objections to graduating this tax is the difficulty of the task. It is argued that to establish different rates would upset the present method of collection by which the tax in the case of railways and other companies is paid by the companies, not by the holders of the securities. This difficulty would be surmounted by making the increase in the rate an additional tax to be paid by the individual on the total assessment,—that is, he would first be charged with the ordinary rate on all sources of income, and, as at present, would not pay the tax on the income from securities, and then be charged with the additional tax dependent upon the total income from all sources. It must be admitted that this will increase the temptations to fraud; but the revenue officials must do their best to cope with the difficulty.

#### *A Property Tax.*

A good deal has been said lately in regard to imposing a tax upon personal property, and I think such a tax would be advisable. It is well to have a variety of taxes, so that the inequality arising from any particular tax may be alleviated by keeping the tax at a moderate rate. A tax upon property would also help to counterbalance the undue pressure of the Income Tax upon life incomes.

A property tax means a tax upon the *capital* value of all property, and is thus quite distinct from the Income Tax which is levied upon the annual income from the property. A property tax is the main source of revenue of the local authorities—state, county, municipal, school, in America; and I shall first refer to the experience of its operation there.

The total value of property—real and personal—in the United States on 1st June, 1880, amounted to 43,642 millions of dollars. The amount contributed by different classes was as follows:—

	Millions of Dollars.
Farms, ... ..	10,197
Residence and building, real estate, ... ..	9,881
Railroads and equipment, ... ..	5,536

	Millions of Dollars.
Telegraphs, shipping, and canals, ... ..	419
Live stock and farm machinery, ... ..	2,406
Household furniture, paintings, books, clothing, jewellery, supplies of food, fuel, &c. ... ..	5,000
Mines and quarries, and half the annual product, ...	781
Three-quarters of the annual product of agriculture and manufactures, and of the annual importation of foreign goods, ... ..	6,100
Churches, schools, public buildings, and other real estate, exempt from taxation, ... ..	2,000
Specie, ... ..	612
Miscellaneous items, including tools of mechanics, ...	650

The average tax amounted to 1·85 per cent. on the assessed, or 0·70 per cent. on the true valuation.

The values in the preceding table are the true values, as estimated by the Census Commissioner.

The assessed value upon which the taxes were levied was 16,903 millions—that is, 38·73 per cent. of the true valuation; the value of real estate was 13,037 millions, and of personal estate 3,866 millions. The difference between the assessed and true value is startling. The assessed value of real estate increased 31 per cent. between 1870 and 1880, while the assessed value of personal estate decreased from 4,264 millions to 3,866 millions of dollars. The ratio of the assessed to the true values varies very much from state to state. It is 60 per cent. in Rhode Island; 56 per cent. in Massachusetts; 35 per cent. in New York; 31 per cent. in Pennsylvania; 25½ per cent. in Illinois. This variation is partly due to difference in the mode of assessment. In some places real estate is assessed up to its selling price on a favourable market, as proved by actual sales; while, in other places, it falls to 40 or 50 per cent. of the selling price. As to personal property, some of the irregularity is due to variations in the laws regarding exemptions. Property is exempted in some places “on the ground of avoiding double taxation, or of inviting the residence of capitalists, or of encouraging the application of capital to manufactures or trade.” (*Report of 10th Census of the U.S.*, vol. 7, p. 10.) Another cause of irregularity is, that the “habits of assessment” vary widely in different localities. It is evident some of these irregularities arise principally from the tax being levied locally, and would not arise if the tax were levied by the central government. They constitute a serious objection to giving local authorities power to tax personal property.

There can be no doubt that the tax is largely evaded, and the Census Commissioner does not suggest that such evasion can be prevented. But I do not think these difficulties should be allowed to stand in the way of introducing the tax. They are not more serious than the evils which accompany other taxes. It may be asked, should a property tax be levied upon all kinds of property, or upon personal property only? I do not think any property should be exempted. The distinction between real and personal property

is to a large extent artificial, and does not correspond with any real difference in the power to bear taxation. The tax should be levied upon the true capital value of real property, full deduction being allowed for all expenses necessary to its maintenance. The difficulty of assessing the various taxes upon property arises largely from the numerous interests of all sorts which the law allows to be created. It will not be possible to make taxation simple till the law curtails the almost unlimited power at present enjoyed by testators over the disposition of their property.

*Conclusion.*

It may be said that the various suggestions which I have put forward in this paper are opposed to the general current of opinion, and are, therefore, impracticable—as, for example, that the working classes will not submit to any increase in taxes upon commodities, and that the upper classes will not tolerate any system of graduated taxation. My answer is that the function of this society is to form opinion not to bow to it. A Chancellor of the Exchequer must, of course, move along the line of least resistance, and combine and modify his proposals so as to keep the support of his party; but it should be our aim to discuss these complex questions from all sides, and by the formation of an intelligent public opinion prepare the way for the proposals of the practical politician.

APPENDIX.

TABLE I.—EXPENDITURE (GROSS).

Year ending.	National Debt.	Civil Government.	Army and Navy.	Total.
	£	£	£	£
Jan. 5, 1842, ...	29,714,873	9,360,190	15,239,781	54,314,844
„ 1853, ...	28,114,533	10,688,889	16,505,906	55,309,328
March 31, 1860, ...	28,747,228	14,124,401	26,739,102	69,610,791
„ 1867, ...	26,074,871	15,346,976	25,801,642	67,223,489
„ 1887, ...	27,366,367	30,711,846	31,918,539	89,996,752
	Increase + or Decrease -			
11 years, 1842-53,	- 1,600,340	+ 1,328,699	+ 1,266,125	+ 994,484
7½ years, 1853-60,	+ 632,695	+ 3,435,572	+ 10,233,196	+ 14,301,463
7 years, 1860-67,	- 2,672,357	+ 1,222,515	- 937,460	- 2,387,302
20 years, 1867-87,	+ 1,291,496	+ 15,364,870	+ 6,116,897	+ 22,773,263

TABLE II.—EXPENDITURE (NET)—CHARGE UPON TAXES.

	National Debt.	Civil Government.	Army and Navy.	Total.	Less net Receipts of Post Office.	Net Charge upon Taxes.
	£	£	£	£	£	£
March 31, 1860, ...	28,648,693	11,179,893	24,503,402	64,331,988	408,316	63,923,672
„ 1867, ...	25,918,890	10,934,602	22,928,519	59,782,011	1,319,900	58,462,111
„ 1887,	26,615,000	19,445,000	31,920,000	77,980,000	2,640,000	75,340,000
	Increase + or Decrease -					
7 years, 1860-'67, ...	- 2,729,803	- 245,291	- 1,574,883	- 4,549,977	+ 911,584	- 5,461,561
20 years, 1867-'87, ...	+ 696,110	+ 8,510,398	+ 8,991,481	+ 18,197,989	+ 1,320,100	+ 16,877,889

TABLE III.—EXPENDITURE UPON CIVIL GOVERNMENT.

	Imperial.	Public Education.	In Aid of Local Taxation.	Collection of Revenue.	Total.
	£	£	£	£	£
1859-60, ...	5,991,548	1,034,920	1,704,907	2,448,518	11,179,893
1866-67, ...	5,607,377	978,915	1,983,976	2,364,334	10,934,602
1886-87, ...	6,245,000	4,735,000	5,855,000	2,610,000	19,445,000
	Increase + or Decrease -				
7 years, 1859-60 to 1866-7	- 384,171	- 56,005	+ 279,069	- 84,184	- 245,291
20 years, 1866-67 to 1886-7	+ 637,623	+ 3,756,085	+ 3,871,024	+ 245,666	+ 8,510,398

TABLE IV.—GRANTS IN AID OF LOCAL TAXATION FOR THE YEAR 1887-8.

	England.	Scotland.	Ireland.	Total.
	£	£	£	£
Police, ... ..	1,439,000	148,000	1,580,000	3,168,000
Prisons, etc. ... ..	643,000	183,000	202,000	1,025,000
Prosecutions, ... ..	164,000	50,000	20,000	234,000
Local Government—Sundry objects, ... ..	350,000	28,000	149,000	527,000
Lunatics, ... ..	490,000	90,000	102,000	682,000
Rates on Government Property, ... ..	186,000	10,000	33,000	229,000
Roads, ... ..	245,000	35,000	—	280,000
	3,517,000	544,000	2,086,000	6,147,000

TABLE V.—PRODUCE OF TAXES AT VARIOUS DATES.

	Year ending.					
	Jan. 5, 1842.	Jan. 5, 1853.	March 31, 1860.	March 31, 1867.	March 31, 1876.	March 31, 1887.
	£	£	£	£	£	£
Customs, ...	23,492,884	22,137,055	24,460,901	22,303,000	20,020,000	20,155,000
Excise, ...	*16,432,835	*17,274,383	*21,659,085	*21,999,012	27,626,000	25,250,000
Stamps, ...	7,319,253	6,919,429	8,043,598	9,420,000	10,400,000	11,830,000
Land Tax, etc. ...	†3,042,319	2,040,092	1,933,915	2,138,988	2,496,000	2,980,000
Income Tax, ...	— Rate	(7d.) 5,654,678	(9d.) 9,596,106	(4d.) 5,700,000	(2d.) 4,109,000	(8d.) 15,900,000
	50,287,291	54,025,627	65,693,605	61,561,000	64,651,000	76,115,000

\* Including Assessed Taxes on Servants, Carriages, Horses, Dogs, Game Duties, etc. Excise Licences were substituted for these in 1869.

† This head gives produce of Land Tax and Window Duty in 1842, and of Land Tax and House Duty in subsequent years. House Duty was substituted for Window Duty in 1851.

TABLE VI.—REFORM OF CUSTOMS DUTIES. REVENUE RECEIVED FROM PRINCIPAL ARTICLES SUBJECT TO DUTY.

Name of Article.	Year ending.				
	Jan. 5, 1842.	Jan. 5, 1853.	March 31, 1860.	March 31, 1867.	March 31, 1887.
	£	£	£	£	£
Butter, ...	262,614	143,341	107,986	—	—
Cheese, ...	134,598	70,000	47,461	—	—
Coffee, ...	887,723	437,229	441,437	397,190	190,034
Corn, ...	568,341	404,385	499,268	797,639	—
Cotton, ...	528,488	—	—	—	—
Currants, ...	220,189	285,303	368,837	275,531	311,478
Raisins, ...	186,795	179,817	151,773	108,786	165,842
Seeds, ...	132,490	25,083	—	—	—
Silk, ...	243,001	222,936	225,573	—	—
Spirits, ...	2,417,255	2,581,488	2,523,654	4,173,027	4,219,271
Sugar, ...	5,307,304	4,054,194	6,007,081	5,647,787	—
Tallow, ...	195,475	77,633	70,674	—	—
Tea, ...	3,973,668	5,984,172	5,404,874	2,658,716	4,514,874
Timber, ...	1,499,676	515,818	621,051	—	—
Tobacco, ...	3,550,825	4,542,571	5,590,513	6,455,011	9,367,185
Wine, ...	1,720,703	1,795,013	1,634,287	1,391,192	1,128,073
Wool, ...	129,853	—	—	—	—
Other Articles,	1,555,376	818,137	690,615	394,187	239,098
	23,515,374	22,137,120	24,391,084	22,299,066	20,135,855
No. of Articles Subject to duty,	1,052	466	419	48	—



TABLE VII.—SUMMARY OF EXCISE DUTIES.

Name of Article.	Year ending.				
	Jan. 5, 1842.	Jan. 5, 1853.	March 31, 1860.	March 31, 1867.	March 31, 1887.
	£	£	£	£	£
Auctions, ...	311,788	—	—	—	—
Bricks, ...	443,018	—	—	—	—
Glass, ...	660,559	—	—	—	—
Hops, ...	69,055	231,360	452,218	—	—
Licences, ...	1,036,582	1,183,322	1,463,814	2,304,318	3,541,294
Malt, ...	5,263,362	5,323,935	6,648,881	6,816,386	*8,495,053
Paper, ...	583,644	941,827	1,291,769	—	—
Post Horses, ...	199,863	150,061	—	—	—
Railways, ...	—	280,144	359,212	471,632	316,069
Soap, ...	814,228	1,126,046	—	—	—
Spirits, ...	5,178,175	6,226,736	9,778,960	10,855,849	12,852,766
Sundries, ...	42,553	328,304	245,613	260,138	6,201
	14,602,827	15,791,735	20,240,467	20,708,323	25,212,883
Assessed Taxes,	1,670,464	1,528,328	1,298,085	1,329,012	Included under Licences.
	16,273,291	17,320,063	21,538,552	22,037,335	—

\* Beer Duty.