

from about seventy millions sterling to about thirty five millions sterling, a decline of one-half. The agreement of these three vital tests in measuring the extent of the decay is noteworthy

When prices of agricultural produce fluctuate, and its character and nature—as, in Ireland, from grain to meat—changes, there still remains one unfailing universal measure with which to test its human utility, and that is its capability of feeding mankind. The average annual consumption of grain per head of the population in the British Isles, for all human wants, including alcohol, is reckoned at 410 lbs., or in the roundest figures one-fifth of a ton. The average annual consumption of meat per head of the population in the British Isles is 100lbs. The production of meat is computed on an annual slaughter of 20 per cent. of all horned cattle, 40 per cent. of sheep, and 100 per cent. of pigs, the average carcase being taken at 600lbs. beef, 70lbs. mutton, and 100lbs. pig. The total yield of corn in Ireland in 1847 was 2,531,611 tons, which on the hypothesis approved of was capable of feeding 12,658,055 persons for one year. The numbers of horned cattle, sheep and pigs in Ireland, in 1847, were, respectively, horned cattle, 2,591,415; sheep, 2,186,177; and pigs, 622,459, which on the hypothesis approved of were capable of feeding 4,344,286 human beings. The grain and meat produced in Ireland in 1847 were capable of feeding for one year 17,002,341 persons. Contrast this with fifty years later. In 1897 the total grain yield in Ireland 985,974 tons, capable of feeding 4,929,870 persons for one year. In 1897 the numbers of cattle, sheep and pigs were, respectively, horned cattle, 4,463,935; sheep, 4,157,581; and pigs, 1,327,226, capable of feeding for one year 7,848,070 persons. The grain and meat produced in Ireland in 1897 were capable of feeding for one year 12,777,940 persons. Taking the number capable of being fed in 1897 from those of 1847, and it follows that the grain and meat produced in Ireland in 1847 were capable of feeding 4,224,410 more persons for one year than the grain and meat produced in 1897, though 1847 was a year of abnormal scarcity and famine. But this startling deficiency does not take into account the increase of arable land during the same period from 13,464,300 acres to 15,090,000 acres, and also that as grain enters more largely into human food than meat, the real decline is much greater than the apparent decline thus disclosed.

IV.—*Over-Taxation and Local Expenditure in Ireland.*

By NICHOLAS J. SYNNOTT, Esq.

[Read Tuesday, 27th January, 1899.]

THE speech delivered by Mr. Arthur Balfour in the House of Commons on the 5th July, 1898, has evidently been considered a particularly effective and unanswerable reply to the financial

demands of Ireland, for it was not only greeted with a chorus of plaudits at the time, but it has since been reprinted and published in pamphlet form by the Conservative Central Office, with an appendix containing tables of figures, now appearing for the first time.

As this statement of the case has received a quasi-official sanction, and to many has appeared final and conclusive, it seems the proper subject of special criticism.

Nobody can deny the effectiveness of the speech as a debating effort, but as a permanent justification for the attitude of the Government it will, I venture to predict, be as ineffectual as Mr. Gladstone's plausible justification for the imposition of the Income Tax on Ireland in 1853. We may re-affirm of Mr. Balfour's speech what the author* of the well-known article in the *Edinburgh Review* said of Mr. Gladstone's reasoning: "It is true also that he had a good debating answer—when has he not had one—but a good debating answer is one thing, and sound ground of policy quite another." The jugglery of Mr. Gladstone in dealing with the Consolidated Annuities was all sufficient for the House of Commons for the time being, and is now universally condemned; and it may be that Mr. Balfour's startling arithmetical results do not carry the argument one point further, inasmuch as they are worked out on a principle that assumes the main point at issue.

A CONTESTED PRINCIPLE ASSUMED.

Throughout the speech not only is the Irish contention based on the language of the Act of Union, the declaration of its framers, and the inferences to be drawn from long financial practice, ignored, but the Treasury division of public expenditure into Imperial and Local, is in general, assumed to be correct, though contested both in principle and detail by the Irish members. No one can know better than Mr. Balfour that until some definition of "local" and "Imperial" expenditure is established, it is beating the air to indulge in what he styles "nice arithmetical calculations," and there is not a definition yet suggested that applied consistently would not transform the items and totals of the Treasury figures. A hundred times in these debates it has been pointed out, that if you apply either the test of resultant benefit, or the test of place of expenditure, to local outlay, you must logically apply the same test to the items styled Imperial,—so that the whole account would be transformed; but not a word is said in the speech on this point.

* It is an open secret that Sir Alfred Milner, then President of the Board of Inland Revenue, was the author.—*Edinburgh Review*, January, 1897, p. 251.

VERBAL DISTINCTIONS AND THE ACT OF UNION.

Mr. Balfour's first point turns upon a verbal distinction, which has all the merit of novelty at any rate. The words "particular exemption and abatement" in the Act of Union cannot mean, he says, either of the things you are contending for. They cannot mean reorganization of taxation, on the one hand, because that is unreasonable and politically impossible, nor "subvention" on the other, because "subvention" is not "abatement" nor an "exemption." Was ever a document in the Court of Chancery construed with such a nice regard for literary precision? Imagine the "patriotic and sympathetic" statesman at the time of the Union, whose ghost Mr. Balfour invokes, imagine William Pitt construing a treaty between the two nations as if it were a special demurrer!

The Irish contention involves no undue stretching of the language of the Treaty of Union. That Treaty, and the Act consolidating the Exchequers in 1817, provides for "indiscriminate," "equal" taxes, subject to "exemption" and "abatements," in the case of Ireland, if circumstances demanded it.

But indiscriminate taxation, subject to abatements and exemptions in a particular country, becomes to that extent discriminate, and, therefore, the very "reorganization of taxation," which so horrifies Mr. Balfour, was specially contemplated, and not, be it observed, in favour of individuals or classes, but in favour of the whole country of Ireland. This specific form of relief, we admit, is now extremely inconvenient, (though the discrimination in favour of Ireland from the Union until 1853, shows it to be both legal and possible), but does the great inconvenience of performing the obligation in terms, mean that no obligation exists? Surely the impossibility of doing perfect justice, will not absolve statemen from doing as much as they can. I am not aware that the counterclaim of Ireland, the demand for beneficent public grants, in lieu of exemption from taxation, has ever been based on the argument that "abatement" means "subvention;"—the position taken up is that the Treaty provides for discrimination in favour of Ireland, and if considerations of convenience forbid the specific mode of relief named, some substituted form (*cy-pres*, as lawyers would say), must be found.

Then, is the policy of subvention a new one? Mr. Balfour (p. 5.) says that "the very last thing present to the minds of Mr. Pitt or Lord Castlereagh was, that any inequality which might occur in the incidence of indirect taxation was to be made up by a grant or dole from the Government."

Why, the policy of grants and doles is recognised in terms in the Union Treaty. Sec. 7, sub-sec. 9, in determining what is to happen after the consolidation of the debts of the two

countries, declares that the Imperial Parliament is to provide, for 20 years after the Union, "for the internal encouragement of agriculture and manufactures, or for the maintaining of institutions for pious and charitable purposes," a sum equal to what the Irish Parliament had given. The point to be noted is that this provision is quite general, and provides for an imperial subsidy, even after the general policy of indiscriminate taxation had commenced, for that might have happened within the 20 years named.

But here again, facts speak for themselves. If indiscriminate taxation be ideal abstract justice, not only as between individuals, but as between the two countries, how is it that special "subventions" to Ireland did not cease when both direct and indirect taxation became indiscriminate. The grant to the Irish National Education Board, to the Constabulary, to Maynooth, to the Queen's Colleges, to Industrial Schools, were either instituted or continued after the Exchequers were amalgamated, and the Customs and Excise were unified, and were again renewed after 1860, when equalization of taxation was the rule.

There is, in fact, a practical recognition of the principle, which Mr. Balfour finds so novel, in the report of the Select Committee of 1864. (Parliamentary Papers, 513 of 1864, 330 of 1865). That Committee recognises the obligation of the Treaty of Union as to exemptions and abatements, that "it was not surprising that the general levelling up of taxation had given cause to complaint," and they suggest the increase of reproductive expenditure in Ireland, by the advance of public money for improving land and furthering arterial drainage.*

But if a specific instance were required of an admission of the principle that inequality in the incidence of taxation should be met by a grant or dole from the Government, it is to be found in the action of Parliament in 1853, in sanctioning the increase of the spirit duties and imposition of the Income Tax in Ireland, and at the same time by way of compensation, remitting half of the Consolidated Annuities, which was a local charge, and, in fact, affected only part of Ireland (Hansard, Vol. 126, p. 475, and Vol. 127, p. 522).

Finally, if a strictly literal interpretation is to be the rule, it should be the rule all round. If "exemption" and "abatement" are to be construed, *au pied de la lettre*, let the same canon be applied to the declaration in the Treaty of Union that the "expenditure of the United Kingdom shall be defrayed indiscriminately," and to the Act amalgamating the Exchequers which recited the expediency of "further carrying into effect

* *Royal Commission Report*, Appx. I., p. 347.

the Acts of Union that all the public revenues of the United Kingdom should be consolidated and applied to the service of the United Kingdom." This canon of interpretation would absolutely forbid the splitting up of public expenditure into imperial and local, and the plea of set-off which is elaborated on the end of the speech, would be deprived of its sole foundation.

Mr. Balfour proceeds next to give two illustrations to shew that the true incidence of indirect taxation cannot be measured by merely comparing the taxable capacity of one country with another, "by these simple methods of addition and subtraction."

"Suppose," he says, "the duty on tea, tobacco, and spirits were raised to amounts which would make it impossible for any of the poorer classes in Ireland to enjoy any of these three articles of consumption. On this supposition the Irish grievance would disappear. Ireland would pay nothing, because it consumed nothing; and because it paid nothing, it would have no ground for financial complaint. Tax it sufficiently, and you remedy all its wrongs!"*

This is evidently considered most striking and conclusive by the Conservative Central Office, for the last five lines are printed in larger type.

MR. BALFOUR'S ILLUSTRATION A "REDUCTIO AB ABSURDO"

If by this illustration Mr. Balfour means that taxes prohibitive of consumption be imposed both in Ireland and Great Britain, then the resultant void in the Treasury would have to be filled by other methods of taxation, and the financial grievance would remain, but would take another shape.

If, however, (as is more probable), the supposition is that there is a prohibitive tax in Ireland and a moderate tax in Great Britain, the hypothesis assumes the Chancellor of the Exchequer to be a raving lunatic, and the Parliament of Great Britain tyrannous and stupid enough to deprive a large number of poor people of the comforts and necessities of life without any public advantage. This is not a "reductio ad absurdum," but a "reductio ab absurdo," for the folly is not in the conclusion so much as in the premiss. I admit that in such a case Ireland would pay no tax, but the contested taxation grievance would be changed into an admitted and more burdensome economic grievance, not measurable exactly it may be, but none the less real, and financially oppressive.

* Pamphlet, pp. 6 and 7.

AND PROVES TOO MUCH.

The fact is, Mr. Balfour's illustration, if it proves anything, proves too much, namely, that indirect taxation is not, in fact, a burden on those who consume the taxed articles. The fact that I do not pay the tax if I refrain from purchasing a dutiable article, either because I voluntarily refrain, or because the duty is prohibitive, does not in the least prove that the tax is not paid when the article *is* consumed.

Mr. Balfour's illustration can be met by another which is not "ad absurdum." Suppose an increase in duty on tea, in Ireland only, not sufficient materially to diminish consumption, with the result that the proceeds of tea duty were increased; the arithmetical test, which Mr. Balfour rejects, would be strictly accurate, for it could not be denied that the increase of Irish taxation would be exactly measured by the increased duties paid in Ireland.

I have said that Mr. Balfour's illustration proved too much; another example will show this.

If his illustration is applied to direct taxation, it can easily be proved that the Income Tax is no burden at all!

Suppose in Ireland the Income Tax on profits increased to 99 per cent., with the natural result that profits practically disappear, and with them the tax also, Ireland would then pay no Income Tax. True,—but does this in the slightest degree disprove the proposition that a tax on incomes, not so high as to prevent the earning of income, is a burden exactly measured by the proportion levied?

The next illustration is equally fallacious, but contains a fallacy of a different and perhaps not so obvious a kind.

"Suppose," says Mr. Balfour, "that the effect of the diminution of the tobacco duty is to increase the consumption of tobacco in Ireland, and that the increased consumption is not merely sufficient to make up the loss to the Exchequer, but more than sufficient. Suppose the tax proves an elastic tax; then the result of my right honourable friend's reduction of it will be to increase the Irish grievance; the cheapening of tobacco will be an addition to Ireland's wrongs." (p. 7.)

Presumably this means either an increased consumption in Ireland only, or a greater increase there than in the rest of the United Kingdom, for if the increase were general, the proportion of taxation would remain unaltered, and the illustration would have no point. Ireland would then pay more tobacco duty, but it would be absolutely incorrect to conclude (and certainly no one has yet concluded) that her financial grievance would be thereby increased. The reason is obvious—though the volume of taxation would be greater, the consumption also

would be greater, because Ireland would buy her tobacco at so much per pound cheaper.

The power to purchase articles of consumption at a lower rate, would then be an equivalent or set-off disentitling Ireland to complain of the greater bulk of taxation, due merely to the lowering of the duty. If she pays more, she gets more, and a less proportion is taken by the State for duty out of the incomes of the vast number of her population. When complaint is made in Ireland of the reduction of the duty, or of its consequences, and not till then, will there be any point in this illustration.

REVIVAL OF AN OLD AND EXPOSED FALLACY.

The fact is that, underlying Mr. Balfour's argument and illustration, lies the economic heresy which, in the early stages of this controversy, he propounded at Manchester, namely, that taxes on consumable articles are *voluntarily* paid by those who consume them, and, therefore, are not, strictly speaking, taxes at all. "The extra money," to use Mr. Balfour's language at Manchester, "raised by Ireland was raised by indirect taxation, and there was an element of free will as to payment, which made it quite impossible to compare the duty with a direct tax."* Mill, and other economists, have long ago shown the fallacy of this reasoning, yet the error permeates still the minds of many who would not openly acknowledge the doctrine.†

If the theory were true, then the whole basis of the doctrine of Free Trade would go, for protective duties could not be considered a tax on the consumer, and it would also follow that if the whole revenue were raised from indirect duties, there would be no taxation at all, being made up of voluntary payments.

In like manner the standing argument for an Income Tax would, on this basis, disappear, for there would be no sense in attempting to equalise taxation between rich and poor by a judicious mixture of indirect and direct taxation, if indirect taxation were voluntarily paid.

One great flaw in this reasoning lies, of course, in the ambiguous use of the word "voluntary." I may voluntarily buy the tobacco, but I do not pay the duty voluntarily, but because the State compels either me or the bonded warehouseman to do so, with the help and sanction of Custom House Officers and Policemen.

* See *Annual Register*, 1897, p. 7.

† J. S. Mill, *Political Economy*, Vol. II., pp. 419-420; Bastable, *Public Finance*, p. 322.

MR. BALFOUR'S TEST IGNORES THE ACT OF UNION.

Mr. Balfour next proceeds to enunciate what is the proper test to be applied. He asks his readers to put themselves in the frame of mind of "a patriotic and sympathetic statesman at the time of the Union," and get an answer to the two test questions,—are the existing taxes injurious to the industries of Ireland, or are they oppressive to individuals? (p. 8).

In the first place these are not the tests propounded by the framers of the Union, and they are not to be found either in the speeches of the promoters of that measure, or in the text of the Treaty. The ghost of Lord Castlereagh, whom Mr. Balfour invokes, would search in vain for the words "individuals or industries" in the Union articles; but he would find there the words "the respective circumstances of the two countries," and he would, no doubt, recollect the language of the living Lord Castlereagh, referring to the "relative means of the two countries," as "the best criterion . . . in order to fix the relative proportions of their contributions."

To the first query, and indeed to both questions, I answer, yes. The existing taxes are injurious both to industries and individuals, exactly in proportion as they are paid by persons living in Ireland in excess of the relative resources of the country. Every penny that the State exacts beyond what is due, is a direct injury to the individual, who could otherwise spend it or save it, and injurious to industries either as a diminution from profits, or from capital which could be turned to a profit.

To a poor country whose crying want is lack of capital, the diminution of its available resources by two and a half millions per annum is no slight injury. If Ireland is overtaxed because she is poor, she is also poor because she is overtaxed.

It is surprising to find Mr. Balfour adhering so tenaciously to what may be called the "individual" test of taxation, after the unanswerable case made against it, and the admissions of financiers and politicians who agree with him in the main result. Sir Thomas Sutherland was the only member of the Royal Commission who considered it a satisfactory and final test. The terms of the reference to the Committee of 1890, drawn by Mr. Goschen showed that, in his opinion, the comparison should be between countries and not individuals. Sir Edward Hamilton practically adopted the same view, and Sir Alfred Milner whose article in the *Edinburgh Review* has become a sort of catechism on this question, expressed his disagreement with Sir Thomas Sutherland's view, and declared that "the idea of the separate consideration of Ireland is rooted in history," and recognised in the Act of Union, and that a refusal so to regard

it, "if defensible, would be in the highest degree cowardly and impolitic." (*Edinburgh Review*, January, 1897, pp. 257, 258).

Moreover, the whole basis of the plea of set-off on account of public expenditure in Ireland, to which we come next, would disappear if test were the injury or benefit to individuals, for whatever may be advantages of "local expenditure," it does not replace the tax taken out of the pockets of individuals.

The next part of Mr. Balfour's speech purports to show, first, that assuming Ireland's taxable capacity to be one twenty-first of that of the United Kingdom, she is now contributing to common or Imperial purposes far less than her proper share; secondly, that this would be the result even if Ireland were charged with only half cost of the Constabulary, and that upon the supposition that Ireland contributed only one twenty-first of the total taxation, there would be a net dead loss to the public exchequer, or a similar deficit, if Ireland had a separate taxation and government.

MR. BALFOUR'S FINANCIAL TABLES BASED ON AN UNPROVED ASSUMPTION.

Until the figures justifying this statement were made public, (and they made their first appearance in the appendix to the pamphlet we are considering) effectual criticism of these apparently startling inferences was impossible. An examination of them in the light of the text will show (as I hope to prove) that Mr. Balfour has advanced no fresh argument; that he assumes, in fact, as a basis of his calculations, principles that have been contested over and over again, and that the only novelty in the result is due to his bringing the figures up to date, and the inclusion of the Irish Agricultural Grant. Let Mr. Balfour speak for himself: "I accept for the sake of argument, the general finding of the Commission that the taxable capacity of Ireland is one twenty-first the taxable capacity of this country. . . . But if the taxable capacity of Ireland be one twenty-first of the taxable capacity of the United Kingdom, the contribution of Ireland for the purposes common to the United Kingdom ought also to be one twenty-first. What is it, or rather what will it be after the Local Government Bill is in operation? It will be one fifty-second." To meet the views of opponents he adds, "I suppose the Constabulary (the cost of which is about £1,400,000) to be reduced by one-half, the Lord Lieutenantcy to be abolished, and the cost of the legal vote to be reduced by one-third, and I find even then, with all those reductions, that Ireland, whose taxable capacity is said to be one twenty-first of the United Kingdom, does not contribute more than one thirty-third of our common expenditure."

The figures work out thus. (See Appendix I., III., and IV.):

The total estimated revenue of the United Kingdom is	...	£114,180,000
Total <i>Local</i> expenditure in United Kingdom		43,348,000
		<hr/>
Leaving for <i>Imperial</i> expenditure	...	£70,832,000
		<hr/>
Now Total Revenue raised in Ireland is (including non-tax revenue)	...	£8,114,500
<i>Local</i> expenditure in Ireland (including £615,000 net additional grant under the Local Government (Ireland) Act, 1898)		6,749,500
		<hr/>
Leaving Balance, Irish Contribution to Imperial expenditure	...	£1,365,000

£1,365,000, Ireland's contribution, is 1-52nd part of the whole £70,832,000, on this basis.

These are the actual figures in the returns for 1897-98. (Parliamentary Paper, 313 of 1898).

If, however, the contribution of Ireland be taken as one twenty-first part of the total tax revenue, and the same deductions be made from the actual cost of Irish Government, the following is Mr. Balfour's statement as to the result: "If Ireland did not pay a shilling to the Army, nor a shilling to the Navy, nor a shilling to the Diplomatic Service, nor a shilling to the Public Debt, nor a shilling to any other general Imperial matter whatever, and if her local expenditure were diminished in all the ways I have described, even then Ireland, if she only contributed one twenty-first of the whole taxation of the United Kingdom would still cost the Imperial Exchequer half a million a year." (p. 10, 11). According to this same supposition, were Ireland separated from England, "An independent Ireland, taxed only to the extent which the Commission think would correspond to the present taxation of Great Britain, could have neither fleet, nor army, nor debt, and even without fleet, or army, or debt, could not meet the ordinary expenses of Government." (p. 13).

What I have cited are picturesque versions of the following tables: (Appendix V., VI.)

Local expenditure in Ireland, including adjustment for Agricultural Grant, etc.		£6,750,000
<i>Deduct</i> half cost Constabulary		
(a) and Metropolitan Police	£727,000	
(b) „ Lord Lieutenant	20,000	
(c) „ One-third Law Charges, etc. (£161,000)	54,000	
		801,000
Local expenditure reduced to	...	£5,949,000
Total Tax Revenue of United Kingdom	...	£97,502,000
One twenty-first part of do.	...	4,643,000
Add non-tax revenue raised in Ireland	...	971,000
		£5,614,000
Excess of expenditure over revenue		£335,000

Now, with the exception of the deduction allowed by Mr. Balfour, for half cost of Constabulary, Lord Lieutenant, etc. (which is, in fact, no concession at all), the whole basis of these tables, and the result deduced from them, is the assumption that the public money collected and expended by a single Parliament, and one system of administration can be split up into "Local" and "Imperial," and that the particular division adopted by the Treasury officials is the right one. Mr. Balfour adopts the details of their division of expenditure, although it had been shown repeatedly in the course of the debates on this question, and in particular by Mr. Samuels, Q.C., in his well-known pamphlet, that in the Treasury Memorandum, upon which all these conclusions are based, no single principle was followed, except, perhaps, the principle "when in doubt, charge Ireland." Not only this, but he completely ignores the arguments drawn from the words of the Act of Union, the explanatory statements of Lord Castlereagh and others, from the whole system of revenue collection and expenditure, and from the very fact of Union. The underlying assumption of Mr. Balfour has been contested from the first moment that it was seriously supported by Sir Edward Hamilton. In Sir David Barbour's report, the points that Mr. Balfour now uses with such rhetorical effect are put in the clearest possible manner, and are fully dealt with in the reports of Mr. Childers and the O'Connor Don. There

is, therefore, no new argument, and the controversy has not advanced beyond the initial stage.*

The fallacy of all the reasoning on which the supposed set-off of accounts rests, is apparent when the theory of the Treasury division of expenditure is clearly set out, as in the original Memorandum of 1894:—

“From this point of view the two islands must be regarded as a co-partnership possessing a single banking account, drafts on which are applicable to the individual expenditure of the two partners as well as to the requirements of the partnership. . . . Nor, on the other hand, do any considerations arise as to the purpose or utility of any part of the expenditure. The Treasury is only required to class that expenditure as joint or separate.”†

This statement of the principle on which the adjustment of figures is based, which Mr. Balfour adopts *in globo* without a word of qualification or comment, really gives away the whole case. The very essence of this plea of set-off is that the items of expenditure should be for the sole and special benefit of Ireland, and yet the Memorandum of 1894, on which all the returns since are admittedly based, says the “purpose” or “utility” of a particular expenditure is not considered.

UNION NOT PARTNERSHIP.

It is, moreover, absolutely misleading and contrary to historical fact to treat the relations between the two islands, at any rate since 1817, as a co-partnership. It is a union, not a partnership, and the Treaty specifically provides for a joint expenditure only. But, after all, one of the best tests of the nature of a relation is the acts of the parties themselves. If this question were to be decided by a jury, on evidence from the course of business; the methods of finance, and the form of accounts for

* Sir David Barbour thus deals with the matter:—

“If Ireland pays more revenue than would be due from her on the basis of a contribution in proportion to her resources, she receives back the whole of the excess, and, at least, one million sterling in addition, in expenditure for Irish purposes.”

“If this proposal” (to increase expenditure or reduce taxation by £2,000,000) were given effect to, Ireland would no longer—

“(1.) Pay anything on account of debt;

“(2.) Pay anything on account of military expenditure incurred on Ireland;

“(3.) Give any assistance towards the cost of Imperial defence.

And she would, on the other hand, receive from Great Britain a small yearly contribution to enable her to meet the cost of her own civil expenditure incurred within the limits of Ireland.”—*Report of Royal Commission*, p. 124.

† Parliamentary Paper, 313 of 1894, p. 3.

nearly a century, would compel the tribunal to pronounce that the expenditure should be treated as common and indivisible. If there is a difference between local and Imperial, between separate and joint expenditure, where is there a trace of its recognition in the books of the partnership? There is, in fact, only one set of books, at any rate since the transitional period of fixed contribution; the administration has been single, not multiple, and Ireland has never been debited with separate receipts any more than Cornwall. If she were to be so debited, one would expect to find, not only separate entries and an agreed principle of division, but also some right on her part to contest a disputed point. It is now said that the "respective circumstances" of the two countries referred to in the Act of Union mean that regard should be had to respective local expenditure. If so, the whole series of Chancellors of the Exchequer and Treasury officials since 1800 have all either misread the Act of Union or have signally failed in their duty in keeping proper accounts. What is more, the experienced men who sat on the 1864 Committee never hinted at the interpretation now suggested, nor in their report made use of Mr. Chisholm's elaborate returns for such purpose. It may be added that the very orders of the House of Commons on the matter, the various returns (*), the Memorandum of the Treasury, and Sir Edward Hamilton's comment upon it, all go to show that this division of accounts into Imperial and local is not only novel and devised *ex post facto*, but practically impossible to carry out. Sir Edward Hamilton states (Report, Appendix, p. 365, etc.) that Mr. Chisholm's figures in the 1864 return do not agree with the "Finance Accounts"; he admits that practically the materials do not exist for accurate classification of items during a great part of this century, and that the annual returns now presented are largely "hypothetical." What would be thought of a "managing partner who sought to make his co-partner liable on such materials?"

TREASURY DIVISION OF EXPENDITURE OPPOSED TO CONSTITUTIONAL THEORY AND PRACTICE.

The suggested division between local and Imperial expenditure is not only inconsistent with the practice of Parliament, but is at variance with the admitted theory of Parliamentary government. We have not a federal system, but a single legislature, the levying and appropriation of taxes are done by one and the same body, and of that body each member represents,

* H. of C., No. 329, Sess. 1891; Nos. 93, 305 and 334 of Sess. 1893; Nos. 118 and 314 of Sess. 1894.

not his own locality merely, but all the constituencies of the United Kingdom, at any rate when the Legislature, by a majority, adopts a definite Budget resolution. A tax is demanded and levied by the compulsion of the whole State for a common public purpose, and the general weal is the only justification for that compulsion. Taxes are spent, as they are levied, for the common good, and not for the particular benefit of individuals or classes, except under a corrupt Government. Subventions to local bodies, or subsidies in relief of the poor-rate or the education rate, are not different in kind or object from any other form of State expenditure. Public money may be better administered locally, or the wants of one portion of a community may vary from that of another, but the predominant motive is, or ought to be, some good in which all taxpayers share. If I am compelled by the machinery of the policeman and soldier to help my neighbour, it is because, in the main, his well-being is also mine.

It is notorious that conceptions of what are, or ought to be, the functions of the State are constantly changing, and they vary now in every country in Europe, but that is not because the main object aimed at, *i.e.*, the common good, is different, but because opinions vary as to what is the common good, and as to the methods of attaining it. Elementary education has been State-supported in Ireland for more than half a century, it is gradually being subsidised more and more largely in England; but it is preposterous, on this account, to style the Imperial grant for education a local expenditure in each country. If local charges are to be divided off on any such theory of particular local benefit, it is very evident that a definition that will hold good now will be useless or misleading in a few years, when different views will obtain as to State functions or State control.

This theory of endeavouring to make a particular area of the United Kingdom contribute to taxation in proportion to benefits received, or justifying over-taxation by a returned equivalent, is as fallacious as the same doctrine applied to individuals. Nobody pretends now that such a doctrine is the basis of any scheme of taxation, or that it ever could be worked out in practice. As Mr. Henry Sidgwick says: * "The most important, and actually the most costly functions of government, and the utilities provided by those functions, cannot be apportioned with even approximate exactness among the individual members of the community." But, on the whole, he points out† there is no injustice done "in throwing a part of the cost of services which

* *Elements of Politics*, p. 172.

† *Principles of Political Economy*, p. 558.

men are compelled to receive on persons other than the recipient, since from this point of view the only admissible reason for compelling any individual to purchase such services is that the interests of others will be damaged if he is allowed to dispense with them, hence it seems not unfair that these others should bear a part of their cost."

In other words, Ireland contributes towards English naval dockyards for the same general reason that England contributes towards Irish police and Irish lunatics, because there is a common interest, which is none the less real because it is not accurately measurable. If there is not such a common interest, then compulsory taxation for any of such purposes is not justified at all, either in England or Ireland.

The framers of the Union, therefore, in providing for indiscriminate expenditure, were acting on a principle just in itself, and economically sound, embodied in Lord Castlereagh's statement that "if expenditure is from time to time fairly divided among the different parts of the country it is immaterial to Great Britain where the expenditure takes place."

PUBLIC EXPENDITURE NOT A SET-OFF.

There is another fallacy involved in the assumption that public expenditure in a locality is in the nature of a set-off against taxation. The assumption goes, indeed, further than this in the case of persons who admit, with Sir David Barbour, that Ireland is, in fact, taxed beyond her relative means, but that the injustice is made up by what is called local expenditure. Upon this principle the high rate of taxation in France is not a matter of complaint, and the inhabitants of Turkey ought to be content with their lot, for in each case the money raised is all spent in the country. As Sir Edward Clarke said in the last House of Commons debate, upon this theory you have only to double the expenditure for the constabulary and you go far to remove the Irish grievance. The flaw in the reasoning which this illustration exposes is not far to seek. When money is taken from the inhabitants of a country by taxation, the greater part is never returned to them, either directly or indirectly, but goes into the pockets of a comparatively small body of officials. If a peasant in Connemara pays, in indirect taxes, on an average, an amount greatly exceeding his rent, or if a trader in Dublin pays one-thirtieth of his profits in Income Tax, is it not folly to suggest that there is any recoupment because the Chief Secretary's office costs £42,000, or the Survey of Ireland £48,000 a year? It may be said this money is spent in the country, and the benefit of the expenditure is spread automatically, now in one direction, now in another. Even assuming this to be true, only a small percentage of the total spent can be properly

treated as money returned, as goods, labour, and services are given in exchange for the money spent, and the net profit, if any, can alone be treated as a recoupment. Even if forage and beef for the Curragh troops were bought in Kildare, and not in Scotland or America, the benefit to the local farmer is only the *extra* profit he makes by the increased local demand, not the total bill for hay, oats or cattle.

Allowing for partial indirect recoupment of this kind, which is entirely accidental and precarious, there is an essential difference between having the money to spend myself, and being compelled to give it to others to spend for me, not as I may wish, but as they may think is for my benefit. If taxes were a voluntary payment the argument would pass, but the margin of over-taxation, which Ireland does not in any sense willingly pay, is not balanced except what she accepts as an equivalent. A compulsory tax must carry its own justification; *primâ facie* compulsion is itself a wrong.

It may be said that these criticisms do not apply to the case where there is a State payment to local bodies in relief of rates. There may be cases, I admit, in which the sum saved to an individual in respect of rates will be identical with the sum he pays beyond the due proportion of Imperial taxation, but such cases must be isolated and accidental, and there are no *data* to trace this operation. The broad fact is certain, that there are in Ireland many tax-payers who are not ratepayers, or who are ratepayers to a very small extent; and there are also many who contribute largely to the rates whose taxation is comparatively trivial.

AGRICULTURAL GRANT NOT A SET-OFF.

Take the recent Local Government grant, the whole amount of which, £615,000, Mr. Balfour takes credit for as a set-off. In the first place, it is the owner and occupier of agricultural land only who get any benefit; the residents in county boroughs or urban districts get no advantage from the Act, though their contribution per head to taxation is probably larger than the class who do get the benefit. It is impossible at present to know the exact rateable value of the excluded area, but it must be a considerable portion.* Moreover, the circumstances under which the grant was made, and the declared object of precisely similar and proportionate grants to England and Scotland, absolutely preclude its amount being taken into account at all. The grant was made to Ireland (see statement by Mr. Gerald

* According to *Thom's Directory* the rateable value in 1897-8 of cities and towns in Ireland with Urban Councils was £2,085,000; that of towns having Commissioners under the Towns' Improvements Act, £1,340,000. The tenement valuation of Ireland in 1897 was £14,533,603.

Balfour at Keighley, Dec. 20th, 1898): (1) to prevent owners of agricultural property suffering from the burden of rates which, under the new system of Local Government, would be imposed without their control, and in some measure as a compensation for past agrarian legislation; (2) to put Ireland on the same footing as England and Scotland. It is obvious that the first reason has no more relevance to any question of over-taxation than the binomial theorem, and the very statement of the second reason precludes the notion of special compensation to Ireland. A subsidy in relief of rural rates was granted because they pressed with particular severity on a decaying industry, which had suffered, as other industries had gained, from cheap food, and in order to adjust to some extent the inequalities of incidence of local taxation as between real and personal property. There was also the feeling strongly expressed before the Royal Commission on Agricultural Distress, that many onerous duties such as the relief of the poor, now falling on the rates, were more properly functions of the State than of localities. Every one of these reasons apply with even greater force to Ireland than to England and Scotland. The principle of division in the three countries according to the area of agricultural land, was the merest justice, and if Ireland obtained relatively a greater sum it was, *ex hypothesi*, because this particular relief was more required. But in so far as the Agricultural Rating Act recognised that poor-relief was, in fact, a State duty, there was, properly speaking, no local charge or subsidy at all, but a delegation by the State to local authorities of a newly-recognised State obligation, and to that extent, therefore, it must be recognised as an Imperial charge. Apart from this, the mere fact that the fund was to be locally divided and administered does not make the expenditure less Imperial or common, when every parish in the United Kingdom shares upon an identical principle of division. If a man's pocket is picked he is not compensated by dividing up the plunder between him and his cousins and his aunts.

It is, in fact, understating the case to treat this grant as common to the three countries; it is no more a grant to Ireland now than it was to England when the Agricultural Rating Act was framed, for it is a grant, not to localities at all, but to the individuals, wherever domiciled, who carry on the industry of farming. Such a grant can be no more compensation to the general body of tax-payers in one country than would be a general subsidy to the shipowners, chimney-sweeps, or barbers of the United Kingdom.

Apart from the foregoing considerations, there are two circumstances which ought to be borne in mind in connection with this grant, which is made to serve as many various pur-

poses as re-duplicated stage soldiers. Mr. Gerald Balfour, in the speech previously referred to, admitted that Ireland had a reasonable claim to be treated equally with Great Britain; but upon this basis there are two years' arrear of the grant due to her, amounting to some £1,200,000, inasmuch as the English grant began as from September, 1896. Another fact is that the amount of taxation levied in Ireland since the year inquired into by the Royal Commission has increased from £7,568,649 in 1893-94 to £8,114,500 in 1897-98, *i.e.*, by an amount very little short of the increased grant, representing an increase of taxation per head from £1 12s. 10d. to £1 15s. 9d. Nor can it be affirmed that this increase of taxation, represented by 1-16th or over 6 per cent. of the total, is counterbalanced by a corresponding increase of wealth. The proceeds of Income Tax in Ireland, which had increased from £641,000 in 1893-94 to £703,000 in 1895-96, fell again in 1897-98 to £670,000, whilst in Great Britain the Income Tax collected has increased annually from £14,701,000 in 1893-94 to £16,501,000 in 1897-98.*

LOCAL TAXATION PAYMENTS NOT A SET-OFF.

The other items making up the total paid to the Local Taxation accounts consist of the additional Beer and Spirit Duties under 51, 52 Vict., c. 41 and 53 Vict., c. 8; Miscellaneous Licences under the first-named Act and 52, 53 Vict., c. 50 (Scotland) and 61, 62 Vict., c. 37 (Ireland); and the share of Estate Duty under the Finance Act, 1894 (57, 58 Vict., c. 30).

Now Licence duties are paid back to the respective local taxation accounts of England, Scotland and Ireland, precisely, according to the respective amounts collected in each of the three countries. The grant to each country is exactly equal to the tax collected there, so that these items ought not to appear in the set-off account at all. Either this is Imperial taxation or it is not. If it is Imperial when collected, it is equally so when returned, earmarked and unaltered, but it does not change its character, and so is not a local set-off. If it is not Imperial taxation proper, but rather a local tax levied, for convenience sake, by the more efficient machinery of the Central Government, then it ought not to figure for the purpose we are considering in the Imperial Budget at all.

The only other remark to make about these licence duties is this: That a certain number, namely, those on carriages, armorial bearings, and male servants are levied in Great Britain, but not in Ireland, and the Dog Licence is higher, namely, 7s.

* See Parliamentary Paper, 310 of 1898, pp. 13, 9 and 5.

6d. in Great Britain, as against 2s. in Ireland. The total of these duties is:

Dogs	...	...	...	...	£524,771
Carriages	...	...	...	...	504,423
Armorial Bearings	...	...	...	...	75,276
Male Servants	...	...	...	...	151,952
					£1,256,422*

But every penny of this sum is earmarked, and goes back to England and Scotland under the Local Government Act, 1888. This sum, therefore, should, properly speaking, be struck out of the total amount credited to Great Britain Kingdom as taxes paid to Imperial Exchequer, as it never goes into the general fund, except to be repaid to Great Britain. At any rate this sum cannot be made to serve the double purpose, first of increasing the total taxation of the United Kingdom, thus making the quota of Ireland larger, and next serving as the point of the argument of those who, like Sir John Colomb, dwell on the fact that Ireland is free of certain taxes to which Great Britain is subject.

As to the share of Estate Duties, and the additional duties on Beer and Spirits, they are divided up amongst the three countries in proportion to what was considered their relative contribution to general taxation, namely, of a hundred parts, 80 to England, 11 to Scotland, and 9 to Ireland.

But in no sense, either having regard to the avowed object of the Act distributing these duties, or its result, was there any relief or reconpiment of general taxation. One clear object was to adjust throughout the United Kingdom the incidence of rates which were felt to fall too hardly on land, and so the Probate Duties, *i.e.*, a tax on Personal Property, were selected as the fund that was to be divided up; and when the Probate Duties were merged in the Estate Duty, the sums were to be paid out "of the proceeds of the Estate Duty," derived from *Personal Property* (57, 58, Vict., c. 30, s. 19).

This is an object, however admirable, as remote from the question we are considering, as the atomic theory. That the expenditure should be treated as an Imperial one, is shown by the fact that Parliament not only gives the money, but also defines and limits the purposes for which it is to be spent, *e.g.*, £5,000 to the Royal Dublin Society, a portion for salaries of Poor-law officials, a portion for the road authorities, and so on.

Apart from these considerations, what answer is there to the argument tersely put by Mr. Lecky, that "it was absurd to

* See *Finance Accounts of the United Kingdom*, p. 21, Schedule to 51, 52, Vict., c. 41.

maintain that a grant which is common to the two countries, is a special favour to one of them." Mr. Balfour's only answer is, that although the principle of division is the same, Ireland, being more agricultural, receives more than Great Britain, population for population. But this admits the very principle which applied to taxation, Mr. Balfour denies, that an indiscriminate rule can operate unequally. Equality of taxation, he declares, is equitable, but equality of grant is the reverse. So here, as throughout this discussion, when some principle works in favour of Ireland it is contested, when it works against her claim, it is supported.

TREASURY DIVISION OF EXPENDITURE BASED ON NO LOGICAL PRINCIPLE.

An illustration of this is the way in which the two principles of division according to special benefit, or place of expenditure, are alternately used in the Treasury Memorandum, in assorting expenditure into local and Imperial. For example, the cost of Volunteers in Great Britain is claimed as Imperial, upon the principle of benefit, but the Chief Secretary's office expense is charged to Ireland specially, upon no conceivable principle, except that Dublin Castle is in Dublin. Again, Sir Edward Hamilton, submitted as a definition of "local expenditure" for Ireland, all expenses which would not have to be incurred if Ireland had no existence. If that is so, any expenditure which would be undiminished if Ireland had no existence, should be charged against Great Britain. It is said the existence of Ireland renders necessary certain local charges: but if that line of argument be pursued, it is equally true that the existence of Ireland does not render necessary any part of the expenditure in the Army and Navy. It would be hard to maintain that Great Britain could spare a single regiment or a single ship to defend her shores and world-wide interests, were the melancholy ocean to absorb Ireland to-morrow. If the conclusion is absurd (as I admit it is), that, therefore, no part of such Imperial expenditure should now fall on Ireland, it only shows that the premiss is false or impossible. Substitute the word separation for non-existence, and the fallacy is the same in the hypothesis put by Mr. Balfour of a completely independent Ireland. Someone has said, with truth, that if England declared Ireland independent to-day, she would have to reconquer to-morrow for her own safety. The hypothesis is an impossible one, and even if it were possible, the discussion of it would not throw the smallest light on the question we are considering, which must be argued on the footing that there is a Union, with all the consequences involved in that supposition. If there is no Union, the problem we are considering simply

disappears. No living person could predicate with the slightest pretence to accuracy what the cost of administration to an independent Ireland would be; indeed, I always thought that one of the strongest arguments used against the Home Rule Bills, were that Mr. Gladstone's typical Irish Budgets were purely fanciful, and that the difference between the 1886 and 1893 financial proposals showed it. All these attempts, however ingenious, to show how much Ireland gains or England loses financially by the Union by manipulation of figures, seem waste of energy, for money value is put on things that are not properly so measured at all. The great work of Pitt is tested, balanced, and audited, as if the question were the policy of absorption by Harrod's Stores of an adjoining shop. Upon principles such as these, it would not be difficult to make out a financial table, showing that Portsmouth is a dead loss to the Empire, because the expenditure there is in excess of the taxes levied; or *per contra*, that Malta and Gibraltar should contribute in taxation amounts equal to the money spent locally on fortifications and dockyards. One is reminded of John Stuart Mill's warning, "that the practice of setting definite values on things essentially indefinite and making them a ground of practical conclusions is peculiarly fertile in false views of social questions." (*Political Economy*, Vol. II., p. 349).

The cost of administering Ireland, *i.e.*, the cost of her being an integral part of the United Kingdom, is tested as a matter of purely Irish concern, when the amount of the National Debt would not compensate England for loss of the Island, considered merely as a strategic position. The United States pay millions to a conquered foe for the Philippines, and it is supposed that Delagoa Bay is worth a considerable sum to this country, and yet the value of Ireland to England, is supposed to be measured by exactly balancing local taxation against local expenditure.

To come to details, without in the least going over the ground already covered by Mr. Samuels' paper, let us glance at two or three of the items contained in the so-called local expenditure account.

The cost of collection of taxes in Ireland figures as £241,000. It is difficult to understand upon what principle this is anything but an Imperial charge. The collectors are employes of the Inland Revenue, Customs, and Excise Departments, paid out of the general public funds, and Somerset House is the head office where the system of administration is fixed, and where doubtful questions are decided. The Treasury officials treat the cost of an audit as Imperial, and there is not a particle of difference in principle between the two items of collection and audit. And what is the fund collected? Even Mr. Balfour would admit that

some of the taxation collected in Ireland ultimately forms her contribution to Imperial purposes; but the cost of collecting all is treated as local. But it is obvious that even on the assumption that some portion of the expenditure is local, it is clear that taxes, when first collected, are all public or general, for one reason, besides many others, that they form an undistinguishable mass. Whether a person lives in Ireland or in Great Britain, he pays Income Tax on his profits wherever made, and on his property wherever situate in the three Kingdoms; and on his death, Estate Duty is paid on his property on the same principle; and in the case of indirect taxation the place where the tax is first paid is by no means a safe test as to where it ultimately falls. It is only by means of elaborate calculations made afterwards; by using the principle of averages and a good many rather arbitrary hypotheses, that the "true revenue" of Ireland is distinguished from the revenue collected in Ireland. For instance, with infinite ingenuity the Treasury tackled this problem since 1890, and for some years they were upon one item of taxation alone, some half a million wrong without discovering it. Of the £9,283,000 of taxation revenue collected in Ireland, it is calculated that £7,144,000 is truly contributed by her, *i.e.*, £2,139,000 of taxes paid by Englishmen and Scotchmen is collected in Ireland, yet Ireland is charged for the collection of the whole sum.*

POST OFFICE EXPENSES WRONGLY TREATED AS LOCAL.

Take another item. Included in the hypothetical Budget for Ireland in Appendix VI. of the pamphlet, is £971,000 for non-tax revenue, which sum includes £824,000, the receipts from Post Office and Telegraphs in Ireland. By including this item on the credit side, there is plausibly let in, on the other side of the account, the expenses of the Post Office in Ireland, which are figured out at £866,000, and this is included as a local expenditure without a word of comment. This is explained in the Treasury Memorandum of 1894, by the bald statement, as to the Post Office, that "the revenue collected in Ireland is taken, as the 'true revenue derived from Ireland, the expenditure on the other side of the account being treated in a similar manner.'" To begin with, this rule is clearly wrong. Obviously the amount of stamps affixed, and payments made in England, for letters and telegrams addressed to Ireland, should proportionately, at any rate, be attributed to the receipts of the Irish Post Office, as part of the service is rendered in Ireland, and *per contra* 'he cost of establishments, Post Offices, etc., in Ireland should be shared by Great Britain, for they all serve a

* *Parliamentary Return*, 313 of 1898, p. 4.

joint purpose. But there is a wider and truer view to take: that the Post Office is a single and indivisible service carried on by the State, it may be at a loss in one district, and at a considerable profit in another, because it is the interest of all the inhabitants of the United Kingdom that there should be one administration and uniform rates.

A penny cannot possibly pay for the cost of carrying a letter from London to the Hebrides any more than to Valentia Island, but in the whole result those who live near St. Martin's le Grand gain as much from uniformity and cheapness of postal rates as those who live 600 miles away, besides which, as experience has proved, the Exchequer gains in the net result.

According to the returns, the receipts and expenditure for Post Office services are:—

Great Britain.		Ireland.	
Receipts	£14,413,000	Receipts	£824,000
Expenditure	10,102,000	Expenditure	866,000
	<hr/>		<hr/>
Profit	£4,311,000	Loss	£42,000

Not only are these figures assorted on a crude and incorrect method, (as has been pointed out), but there is an underlying misconception as to the nature of the service rendered.

It is treated as if the State were selling matches or tobacco, a business which, possibly, could be localised; but what is supplied is a method (by which the sender and receiver are mutually benefited) of communication and carriage, which is as much international (so to speak) as local, and formed of interlacing threads that cannot be separated. This fiction of the Treasury, in *ex post facto* splitting up the functions of a department whose essential characteristic is unity of purpose and a central administration, finds no support, at any rate, in the recognised and habitual practice of Chancellors of the Exchequer and Post-masters-General. Whether the point of view be profits or expenses or services, official statements and official returns consistently belie the notion of this being anything but an essentially Imperial service. For example, nobody would deny that the administration of the Savings' Bank was an Imperial and not a local matter, and yet in this precious Treasury return the repairs of, and the wages paid in, every Irish Post Office where money is deposited are charged against Ireland. A nice comment upon this operation is the fact, brought out by Mr. Murrough O'Brien before the Royal Commission, that these balances at the Irish Savings' Bank, on which the Treasury pay 2½ per cent. interest, were, until recently at any rate, lent out to Ireland through the Board of Works and the Public Works Loan

Commission at an average rate of $3\frac{1}{2}$ per cent. *Sic vos non vobis.*

I shall take only one other item. Rates on Government property are treated as local expenditure, in both Great Britain and Ireland, and £44,000 charged against Ireland under this head. But what are these payments? They are payments made by the Government as owners and occupiers of lands and buildings, say at Portsmouth or the Curragh, to local bodies for services rendered in repairing roads, lighting, or similar work in the vicinity. If the Government were not occupier and did not pay the rates, somebody else would take their place, and the State in this respect pays for the *quid pro quo* like any other private individual. Yet this is treated as a State set-off against the whole of Ireland, counterbalancing over-taxation!

A REVISED IRISH BUDGET.

Eliminating these figures, and the sums paid to the local taxation account I have already dealt with, from the local expenditure account, and treating them as Imperial; and transposing a few other items which have been already criticised by others, or need no comment, it is possible to make out an Irish Budget with a very different result.

Taking the figure as given by Mr. Balfour (Appendix VI.) for local expenditure at £5,949,000, I deduct the following:—

Net increased grant under the Local Government	
Act	£615,000
Other local taxation grants (Customs, etc., Duties, Licences, Estate Duty, etc.) ...	511,000
One half of Constabulary, not allowed for by Mr. Balfour	680,000
Post Office expenditure	866,000
Collection of taxes	241,000
Surveys	48,000
Rates on Government property	44,000
Public works and buildings, out of a total of £179,000, say	100,000
Treasury	6,000
Stationery	35,000
Chief Secretary's office expenses	42,000
Prisons	102,000
Reformatory schools	110,000
Superannuation and retired allowances	79,000
Temporary Commissions	12,000
Valuation	13,000
Total	£3,504,000

The justification of treating these as Imperial, appears on the face of most of these items; it is only necessary to add that:

Surveys and Valuations are necessary for collection of Income Tax.

Public Works and Buildings include cost of maintaining of Dublin Castle, Viceregal Lodge, Chief Secretary's Lodge, Custom House, Royal Hospital, etc.

Stationery is (I believe) all bought out of Ireland, Ireland's gain is, therefore, the value of the waste paper. Besides this item is common to all these counties.

Prisons and Reformatory Schools.—These are subsidised also in Great Britain, and are *per se* Imperial.

Temporary Commissions.—Expenses incurred to investigate the blunders of Imperial Parliament.

I am still, for argument's sake, treating such items as—

Public Education	...	£1,198,000
Local Government Board	...	137,000
Public Works Office	...	38,000
Land Commission	...	108,000
Pauper Lunatics	...	137,000

as local to Ireland, and am leaving undisturbed the rest of the Treasury division. On this basis Ireland's local expenditure would be—

		£5,949,000
Less	...	3,504,000

£2,445,000

The total taxation of Ireland being	...	£7,144,000
Local expenditure being	...	2,445,000

Leaves available for Imperial expenditure... £4,699,000

Imperial expenditure, on this basis would be	£70,832,000
Add transferred from local account	... 3,504,000

Total ... £74,336,000

That is to say, Ireland is on this basis now contributing, not 1-52nd or 1-33rd, but between 1-15th and 1-16th of the so-called Imperial expenditure, i.e., more than her proper proportion.

Even supposing Ireland were to contribute 1-21st part of the taxation of the United Kingdom, which is the basis of the Budget in Appendix VI., she would have:—

Taxation being	... £4,643,000
Deduct local expenditure	... 2,445,000
	<hr/>
An available surplus of	... £2,198,000

instead of Mr. Balfour's imaginary deficit of £335,000.

Supposing on the other hand, we allow all these items of local expenditure for Ireland to stand as in Appendix V. of the pamphlet, *i.e.*, apply the test of place of expenditure, instead of the test of character and object. The following items, to select some of the most obvious, being all spent in Great Britain, and being equally necessary (following up Sir Edward Hamilton's test), if Ireland did not exist, should be treated as local to Great Britain:—

Volunteers' Pay	... £627,000
War Office Salaries	... 248,000
Ordnance Factories, Woolwich, Waltham Abbey, etc.	... 2,963,000
Military Education Pay	... 178,000
Naval Victualling and Clothing	... 1,806,000
Royal Naval Reserves	... 250,000
Shipbuilding—Personnel	... 2,009,000
" Material	... 2,187,000
" Contract Work	... 5,248,000
Naval Armaments	... 2,709,000
Works, Building and Repairs	... 655,000
Admiralty Office	... 251,000
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Total	£19,071,000
	<hr/>
The total Imperial expenditure	£70,832,000
Diminished by	19,071,000
	<hr/>
Is reduced to	£51,761,000

Allowing Mr. Balfour the whole of his set-off of local expenditure, and taking his figure, £2,166,000, as Ireland's contribution to Imperial expenses, that contribution is between 1-24th and 1-25th, and not 1-33rd, of the whole.

If, in addition, we make the deduction above indicated from Irish local expenditure, and treat Ireland's contribution to Imperial expenses (as previously worked out) at £4,699,000, and

the total Imperial expenditure at £51,761,000, Ireland's contribution comes out at 1-11th.

These specimen Budgets may be taken, not as admitting in any degree the doctrine of setting off local expenditure against taxation, but as showing that the nice arithmetical calculations of the speech are transformed in their results if any one principle is consistently applied.

Mr. Balfour admits that Ireland is "a special subject for British generosity and benevolence" on the ground of the "scandalously selfish" policy of England before the Union. But after all that selfishness was no breach of contract; but since the Union we are justified in urging that non-fulfilment of an obligation towards a poor neighbour is more blameworthy than merely refusing to give him alms. If there were an inter-State tribunal to decide the question, it would find the case for the claimant substantially admitted, and the counter-claim based on acts done in the interests of the defendant, or of some third party not the claimant. That taxation is now disproportionate to relative capacity is not denied, and it is conceded that the ratio of 15 to 2 fixed by the Union was too high, that the increased taxation of 1853 and the following years was unjustifiable, and that it was only within the last few years that the local expenditure was relatively high.*

IMPERIAL CHARGES ON THE IRISH CHURCH FUND.

It would be interesting to know what such a High Court would say of the dealings with the Irish Church Fund. The official returns are so meagre that we can only state broadly that, from the first, that fund has been used to pay the debts of the United Kingdom out of Irish money. We are reminded of the man who, out of his great bounty, built a bridge at the expense of the county. Take the case of the Maynooth Grant. This had been recognised as an Imperial charge for thirty years after the Union, even by a Protestant and unreformed Parliament, and a reformed Parliament had actually increased the Grant. Sixty-nine years after the Union, Mr. Gladstone relieved the Imperial Exchequer of the charge and transferred it to an Irish Fund. And how was this done? By taking from Maynooth part of the money saved to the British taxpayer. Maynooth was given from the Irish Fund a capital sum of £372,000, representing only 14 years' purchase of its previous

* The full account of local expenditure since the Union remains to be taken.

In 1859-60 according to the Treasury return, the local expenditure was £2,304,000, leaving a balance of 5,396,000 available for Imperial purposes. (*Party Paper*, 310 of 1898, p. 20).

income, this being, apparently, the high value put on the obligation of a State annuity. The covenant of the richest Government in the world was valued at 14 years' purchase, when the Consolidated Annuities were worth at least 33 years' purchase, and although, by the same Irish Church Act, the Government were compelling the tithe payers of Ireland to pay 22½ years' purchase to redeem their tithes. Mr. Gladstone, in fact, valued the State obligation to Maynooth at 8½ years' purchase less than the promise of the unhappy Irish tithe-payers.

At 30 years' purchase the Maynooth Annuity would be worth £795,000, and that sum should have been either given to Maynooth or placed on the Consolidated Fund. Instead of that, he robbed Ireland of £372,000, and Maynooth of the balance, £423,000.

The *Regium Donum*, which had been a State charge for centuries, was, to the amount of £774,000, next saddled on the Irish Church Fund, on the same basis of compensation. Then we find £1,270,000 charged on the same fund for the relief of distress, *i.e.*, Ireland was to pay for her own poverty. We now hear of a coming Imperial grant for the West Indies to relieve distress. I suppose that is because the West Indies do not pay taxes and have no Act of Union.

As a last illustration, we may take the Sea Fisheries Fund. For many years there had been a small annual subsidy by Parliament of £5,000 to this fund, but this was dropped in 1883. Then by the Sea Fisheries Act (46, 47 Vict., c. 26), a fund of £250,000 was created and charged on the Irish Church Fund, and this was ultimately transferred to the Congested District Board to be administered by that body.

The extraordinary thing is that the recital of this very Act declares that "the promotion, improvement and encouragement of the Irish Fisheries are objects of great importance, not only to Ireland, but to the wealth, commercial prosperity and naval strength of the United Kingdom;" so that, absolutely, a fund which Parliament has appropriated to the relief of unavoidable calamity and suffering in Ireland, is applied to a purpose declared by Parliament to be of Imperial interest.

TESTS OF A LEGITIMATE SET-OFF.

These, and many more questions, will have to be sifted if the account of so-called local expenditure is ever thoroughly investigated. In the meantime, having indicated what is not a legitimate set-off to Ireland's claims, we may briefly state what may be recognised and accepted as compensation for over-taxation, assuming for the moment that discrimination in rate of taxation is impossible.

The conditions I should tentatively put forward would be some such as the following:

The expenditure should be out of general taxes.

- (1) For some special Irish purpose.
- (2) Not common to, or shared by Great Britain.
- (3) Either directly relieving tax-payers in Ireland, or indirectly benefiting them.
- (4) Not spent in mere administration, but reproductive.
- (5) Not a mere increase of recognised Imperial expenditure in Ireland (*e.g.*, at Haulbowline).
- (6) Accepted by Irish representatives as an equivalent.
- (7) Finally, no money already applied by Parliament to satisfy an obligation of an admittedly different kind (*e.g.*, support of Constabulary, as compensation for the Corn Laws), can now be credited to another and different purpose.

The Liability of Married Women to Income Tax.

By WILLIAM LAWSON, Esq., LL.D., Barrister-at-Law.

[Read, Tuesday, March 14th, 1899.]

I DESIRE to call attention to the anomalous state of the law as regards the liability of married women to Income Tax. The statute which regulates this liability is Section 45 of the Income Tax Act of 1842 (5 & 6 Vict., c. 35). This statute, which applied to Great Britain only, was extended to Ireland by the Act of 1853, which imposed Income Tax on Ireland for the first time. Section 45 provides that—"Any married woman acting as a sole trader by the custom of any city or place, or otherwise (or having, or being entitled to, any property or profits to her sole or separate use) shall be chargeable to such or the like duties, and in the like manner except as hereinafter is mentioned, as if she was actually sole and unmarried. Provided always that (the profits of) any married woman living with her husband (shall be deemed the profits of the husband, and the same) shall be charged in the name of the husband, and not in her name or of her trustee. Provided also that any married woman living in Great Britain separate from her husband, whether such husband shall be temporarily absent from her or from Great Britain, or otherwise, who shall receive any allowance