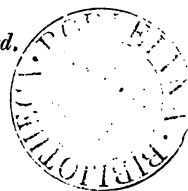


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*Respice, Aspice, PROSPICE.*

*St. Bernard.*



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## ART. III.—NATIONAL DEBT AND TAXATION.

1. *The National Debt.* (Article in Penny Cyclopædia.)
2. *Thoughts on the Principles of Taxation, with Reference to a Property Tax and its Exceptions.* By Charles Babbage, Esq. London: Murray. 1848.

It is impossible for a thoughtful man in these days to avoid feelings of misgiving concerning our whole system of National Debt. The profligate expenditure in the French Court, from the time of Louis XIV. downward, occasioned the first dreadful overturn of the throne, the aristocracy, and the entire social life of that country. The equally profligate expenditure of Louis Philippe could not have continued much longer without issuing in a similar revolution to that which has been precipitated by other causes. But the conduct of French royalty has this unhappy excuse, that other powers have done the same. The Pope set the example of mortgaging the public taxes; the Dutch and the French did but follow it. The English have been more eager imitators still, if the absolute amount of our engagements is considered: and, as if *to rule and to borrow* were things identical, we have run up in India also a debt which would seem gigantic, only that it is dwarfed to the imagination by the immeasurable heap of our English liabilities. In all Europe there is but one nation which has learned how to work herself clear of debt; the comparatively poor and very democratical Norwegians. Lest this should entice us to believe that prodigality is peculiar to monarchs, and that a republic is a cure for the vice, the United States on the other side of the Atlantic have just brought on themselves an unmanageable debt by their Mexican war. It is therefore fair to regard this as the besetting sin of our age, prompted by the high development of commercial credit and by the great stability of governments. As a hale and strong man persuades himself that he may without mischief indulge in a bout of intoxication; so our governments, when their credit stands high, rush into courses which tend to lay that credit low. There never was, from the beginning of the world, a nation

that had lasted a thousand years on so broad a basis of social strength, with a political constitution so well tempered, and with industry so various, so energetic, so intelligent and so unbroken by calamity, as England; and never was there a nation which compared to our fathers in the lavish eagerness with which they contracted debts to be left to a distant posterity. The mischievous nature of the taxes by which the national credit has been supported is equally striking. In spite of elaborate commissions of Parliament and Sir Henry Parnell's zealous efforts, such a heap of absurdities continued, that Sir Robert Peel had to deal with 400 articles at once, which ought never to have been taxed. Yet the Excise, the Window Tax, and the License Duties, and the enormous percentage on Tea and Wine, are still a scandal; only that all this is outweighed by the greater scandal, that from year to year we struggle on in doubt and alarm about our incomings. When it is considered that we are by far the wealthiest nation that the earth has ever seen, it is surely a phenomenon which deserves to be deeply pondered, that in a long general peace we make no sensible progress in paying off the debts of war. Nay, it is hard to keep any little surplus in prosperous seasons, which may free us from anxiety about the public revenue in years of comparative poverty. We who individually understand Insurance against Fire, Sea, Hail, and even Death, scarcely make an approach to such management in national affairs.

While the habit of *living on credit* is undoubtedly a vice of the Age, it deserves to be the more seriously still pondered, that it is also a vice of our peculiar Constitution. A despotic monarch seldom dares to tax his people so heavily as a Parliament will tax them; and certainly, he can never saddle posterity with the same amount of debt; for he cannot persuade men to trust him so far. It has often been said that the liberties of England were bought of our kings in old times; but the same has lasted almost to this day. The party-instinct of Toryism has often denounced the Whig Revolution as the great era from which corruption of Parliament began; and if that is not strictly true, yet it is certain that thenceforth National Debt and Constitutional Rights sprang together into vigorous life. Ever since the triumph of the aristocracy

over the despotic pretensions of the Crown has been complete, it is easy to trace the interest which every ministry has had in making the administration as expensive as the Parliament and the nation will endure. Corruption in its grosser forms scarcely now exists, yet the pressure of the aristocracy on the possessors of patronage makes it morally impossible for the best of ministers to be more economic than Parliament or the public poverty compel him to be. On the other hand, the tumults of war and the scandalous prodigality of past times has led to an hereditary mystifying of the public accounts; so that it is equally impossible for Parliament effectually to control the minister. All that can be done is to complain of too large a stipend to some prince or royal lady; to carp in vague terms at lavish expenditure, or doggedly refuse some new tax: but to suggest retrenchment in detail is seldom within the power of unofficial persons. Thus no check is left against profuseness, except public calamity or wide-spread popular agitation.

Let it be remembered, that this is our normal state, under Whigs or Tories alike. A minister cannot reduce army or navy, withdraw a governor, throw up a useless dockyard, or undo what his predecessor wrongly did, without bringing on himself active odium from the persons necessarily discharged. And in fact there is an impropriety in the State suddenly cashiering its servants, except from absolute necessity: thus every step of increased expense is apt to be permanent. What is more discreditable, but not wonderful,—when retrenchment *must* be made, the minister is sure to cashier the little and weak people, but pass over the strong, whose enmity is feared. But into details of this sort (which will probably ere long be forced into light), we do not now intend to go: suffice it to say, that while a step backward is so difficult, a minister needs great virtue to refuse to be urged forwards into new and new expense. Since the Reform of Parliament, thrice within ten years we have heard England re-echo with the panic of military and naval men, who desire to expand their own profession with a zeal natural to every class: moreover, as civilians find it hard to oppose their own opinions to what is called a scientific and experienced judgment, an English minister has an unfair battle to fight,

should he even personally be uninfected by the alarm. Hence he is tempted to lay all new payments, as far as possible, on posterity, thus mortgaging the national revenues deeper and deeper. In the midst of prosperity, and while the taxes were near 6 millions less than now, we engaged to pay 20 millions to aid our slave-colonies in the passage to freedom ; and the sum was added to the permanent debt ! Recently, also, when Parliament voted 10 millions to relieve Irish famine, 8 of the 10 were borrowed, and to obtain this, the sum of 9 millions was added to the Consols. This is the more remarkable, because the Chancellor of the Exchequer was understood to be averse to that arrangement, but to have been overpowered by the money-lenders, who chose to dictate it.—“They are very fond of Consols !”—No wonder : we do not blame them : such stock suits those who live by keeping their money moving : it is more marketable than terminable annuities. But see the humbled position of a great State, when it has to supplicate the money-lender. It is not allowed to practise the virtue of self-denial, but is ordered to forestal the resources of posterity !

Meanwhile statesmen have apparently abandoned all idea of paying off the Debt. Mr. Pitt’s celebrated device of “a sinking fund,” formed by storing up one million a-year, had at least the merit of confessing that there ought to be a day of honest payment. In fact, however, this miserable million was *borrowed* year by year,—borrowed, when the credit of the government was lower than that of the merchant !—and caused the State a clear loss of eleven millions before the fund was abolished : thenceforth people seem satisfied to let the payment of interest be literally perpetual. The able writer on the National Debt, whose article in the Penny Cyclopædia stands in our heading, quietly remarks, that “*experience has proved* that the only important relief which will ever be obtained,” consists in lowering the yearly interest of the Debt ; as, from 5 per cent. to 4, and from 4 to 3½. This remark is no doubt an *induction* made from the conduct of past statesmen, which is assumed to be a law for futurity. If so, a horrible catastrophe awaits us, which will convulse the whole English empire ;—not perhaps during this generation, yet certainly within calculable prospect. So mighty a frame

will die hard; but it cannot contend against the laws of Economy, which are real laws of Nature.

There are some who, with Southey, maintain that the nation *collectively* is not poorer for the debt; and although they egregiously err in maintaining that it is no evil, they seem in other respects to have more truth than their adversaries will often admit. More perhaps is to be said for that side than Southey knew how to say. At first thought, it may appear that if the nation spent 700 or 800 millions in wars which brought her no benefit, she must now be poorer by that large sum, and by all which on the principle of ordinary increase ought to have accrued to it. But this is a mere arithmetician's view. If such a sum as 800 millions were this instant poured into our lap, and we had no debt to pay off, we should undoubtedly be embarrassed what to do with the property. A large part would be spent in present enjoyment, and would not reproduce itself; another larger part would go abroad for a hundred mushroom schemes; as much more would be wasted in unprofitable speculations at home; and only a small fraction of the whole would add to the permanent wealth of the country. Much more would this have been the case from thirty to sixty years ago, when steam conveyance was in its infancy and investments of every kind were fewer than now. Even in spite of the immense waste of our American and French wars, we have been many times troubled by overabundance of capital. This caused the speculations of 1825 and of 1837; so that if we had had a government as frugal as it was extravagant, as peaceful as it was pugnacious, the probability is that the low interest of money in England must long since either have checked the farther increase of capital, or have driven the capital abroad to look for investments, where the greater part would have been lost. In any case it is hardly probable that the capitalists of England would have been sensibly richer than now: but there is an honourable possibility remaining. Great Britain might be now adorned with thousands of splendid and beautiful monuments and other delightful improvements which yield no private profit;—enjoyment for poor, as well as rich. But we confess that it is very doubtful whether refinement and knowledge were at all so ripe among us as to make the last contingency probable.

How then is our present state affected by the Debt? Simply in this: that the Government, instead of letting individuals either spend their money or find investments for it, has come forward to offer an investment itself on the faith of the nation. Thus the firstfruits of general industry are nipped off and presented to private persons. Those private interests indeed honestly bought their right, and to confiscate it would shake all existing property. Yet *the effect* to the majority is just the same as if a privileged order of men were allowed to tax the nation for its own convenience: *for the mass of tax-payers have received nothing as an equivalent for that which they pay.* Now when Southey argues that *the nation collectively* is no poorer by the process of gathering money from *all* and re-distributing it *to a part*, we quite agree to the statement, looking at least to the results of a single year: but the same remark would hold, if instead of thus collecting and re-distributing 27 millions yearly, we were to increase the sum to 100 millions; or again, if we dispensed with the formality of first borrowing and throwing away the money of individuals, and granted away to them the national revenues as a free gift; or if we laid all the taxes on one class, (especially on the poor,) and exempted the rich. It is evident that the tendency of this would be to depress the many and enrich the few; which is really the effect of our present system.

But this leads us farther to a yet more fundamental and painfully anxious topic:—Is it morally right to forestal the revenues of posterity? Some will reply, “Certainly not, *if it can be helped;*” and will think that this solves the whole question. But the interrogation must be repeated: “Is there no limit beyond which we may not count the revenues of posterity *our own*?” For certainly, if asked whether it was allowable to mortgage one’s neighbour’s property, no one would answer, *Not if you can help it.* What is it, then, which justifies us in treating the property of future generations as our own, so as to make our acts binding on our successors? There is no longer difficulty in answering:—it is,—the fact of our transmitting property to them. This also shows what is the limit; namely, we may not burden our successors to a greater amount than the worth of the property which we transmit: or

more accurately still, we do not and cannot burden our successors at all ; we can only transmit to them property more or less burdened.—A new and most unwelcome light seems thus to be shed on national debt. No minister, in contracting a loan, can mortgage any thing but *the existing property* of the country for the payment : if he pretend to mortgage its *future industry*, his act is of itself as null and void, as if he had contracted to sell the children and grand-children into slavery.

This reasoning (we beg to inform the reader) has come upon us as a painful discovery, and is original to ourselves, though probably it has long been familiar to the Chartists ; for poverty and the pressure of taxes sharpens men's wits as to such matters. We have revised it again and again, and can find no error in it ; so directly does it seem to flow out of first principles. It is thus demonstrably clear that only that wealth which existed prior to 1815 can justly be taxed for the National Debt. Now in what does that consist ? The first reply will be, that the thing mortgaged was, *Government Property* of every kind. Yet it must not be forgotten, that no one would ever advance money on many parts of this property. Not only Martello Towers or Portsmouth fortifications would afford to a mortgagee a very poor revenue ; but even Government Offices and Royal Palaces would be worth little, unless there were a *rich* Government willing to pay high rent for the use of them. In this way, certainly, if a debt is but moderate, it may be fixed upon what is strictly public property, without peculiarly implicating that which is private. But while not a quarter of the eight hundred millions could have been borrowed on this understanding, it is doubtful whether the entire public property in 1815 could fitly be valued at from one to two hundred millions. It is farther to be considered, that even if the Government had then yielded over to the creditor the whole public estate, the enormous annual sums paid on the score of the debt by the industrious were in ten years' time abundantly sufficient to replace all that Government could reasonably desire. Yet these payments with some diminution continue to this day, and the interest of the debt is still 27½ millions. The industrious have thus already far more than re-possessed themselves of the actual public property of the

country, and there is nothing whatever left equitably to meet the claims of the fundholder, but the *Private estates* of land and houses which have been transmitted from the times in which the debt was contracted.

This is a very formidable conclusion ; but if it be true, let us not shut our eyes to it ; and even if it be not wholly and without modification true, let it be considered how many an honest man among the Chartists is unchangeably persuaded of it, and by no means intends to oppose the just rights and sound principles of property, when he repudiates the National Debt, *in its present form*, as “ a fixed injustice ;” though he would have no objection to fixing it on the estates of the landowners. It need hardly be said, that not only is that impossible without a violent revolution, but, by reason of the land having been purchased in ignorance of this fearful mortgage, it would be resisted as unjust. But in what a condition does this represent the nation ! We have a debt of about 767 millions, to repudiate which will not only disgrace us, but will by the shock given to mercantile confidence bring industry to a stop, and afflict us with unmentionable horrors. Yet industry *ought not* to pay the debt or its interest, and property *will not* or *cannot*. The Chartists loudly proclaim, that they will “ repudiate ” as soon as possible, and that they regard as pillage the taxes imposed on them ; thus disaffection spreads and will spread. Meanwhile the thought forces itself on us,—What is all this but a confession that the STATE, as such, is utterly INSOLVENT, though we are a wealthy people ?

One thing seems manifest ; that if the present spirit of logical and fanatical resistance to taxation is met in no other way than hitherto, all our evils must be exasperated. If Government expenditure continues ; if taxes, a little remitted from the lowest class, are, by means of an income tax, put upon the professional and commercial classes ; these last also, in despair of other remedy, will in great numbers become Chartists. Not only all new taxes, but the substitutes for many old taxes too, must come upon hereditary wealth ; else the history of the past will be more and more raked up, and the sins of the old landowners will be visited on their living representatives. Nevertheless, in the outcry of public indigence, and after

so many continental revolutions, the Reformed House of Commons will not hear even of subjecting Freehold Land to those Legacy and Probate duties which all other property has so long paid! This is something very like the aristocracy crying as the Chartists do,—“Other people may pay the debt; we do not care who; but we will not.”

Whether we are to be *called* an Insolvent State, is quite a secondary question: but we make bold to assert, that a moderately wise statesman would feel bound in conscience to *act* on that assumption, and look upon it as his first duty to call out in every rank, not only an increased willingness to pay taxes, but even, if possible, patriotic enthusiasm. At present, they talk and act as if the State had no embarrassments; in fact, they could not be haughtier, if, instead of a *debt*, they had a *store* of 767 millions. Parsimony is treated as contemptible; every other *honour* is thought more of, than the honour of clearing off our debts: and it is wholly useless to propose schemes of retrenchment, because it is perfectly certain that they will not be carried. Yet an entire revolution in finance is essential, to arrest us in our career of improvidence;—to break violently through those evil *precedents* of a lavish and unprincipled race of ministers, by which all our statesmen are bound hand and foot. The month of March does not leave affairs in England in the same state in which the month of February found them. The revolutions of France, Italy and Germany have shortened the time allotted to us for self-reformation; and *our existing legislators*, though the new Parliament is far less aristocratic than its predecessors, *remain blind to our danger!*

The question, which of late seemed so interesting, concerning the relative advantages of Income and of Property Tax, is now merged in far greater considerations. For *all* Property and *all* Incomes have so much to lose by leaving the Debt unsettled and the Taxes on the poor unjust, that it may seem suicidal for either class of the rich to insist punctiliously on their rights. But unhappily, the same landlord class which refuses to be taxed, insists also on maintaining the public expenses at their present height; fatally assimilating themselves to the old

nobility of France. Such a combination is quite unbearable to the middle classes, who, in their turn, imitate the Parliament of France, in resisting farther taxation, in spite of the difficulties of the Government. And what now are the true prospects of the Fundholder? Is it not already revealed what a mockery and cheat is that word *Perpetuity*? If we estimate the payment as a *real* perpetuity,\* it appears that (at 5 per cent) about 2½ millions added to the annual interest would exterminate the whole in half a century: and so mad a proceeding is it to leave the debt to perplex remote posterity, that our first impulse is, to advocate this process; namely, by sustaining the revenue 2½ millions above what would otherwise be necessary. But we have to choose and compromise between opposite injustices, (what clearer mark seek we that the State is Insolvent?) and as, without continued sacrifice of strict right by the industrious, the interest of the debt cannot be paid at all,—neither 50 years, nor one year,—it seems, under the difficulties, a mild compromise to fix a rather distant time, (say 60 years hence,) on which the payments shall totally cease. Few persons now living will be affected by that; and *if it made part of a comprehensive system of financial reform, adding stability to the Government and constitution*, it is probable that it would not lower the Funds at all, nor in any way affect Public Credit.

That the interest of the debt was mingled up with the general expenses, instead of being defrayed by special taxes, is no accident, but matter of State Craft. To secure us from this in future, we want a law to forbid all public loans without stipulations for extinguishing the debt in ten years time; and to enact that special taxes, within those years only, shall be always levied to defray it. Perhaps a real Reformer would even now insist on providing for the 27½ millions by separate taxation.

\* The difficulty is, what rate of interest to assume. We find that at the end of the century, a little more than 23½ millions *for ever* will still be due to the fundholder. The value of that (at 5 per cent.) in the year 1900, as paid down, would be twenty times the sum: accurately, £471,600,000. Now as £1 a-year for fifty years amounts to £209,348, at 5 per cent., it follows that £2,252,708 a-year, for fifty years, (i. e. from 1850 to 1899,) would remunerate the fundholder for losing all payments *after* 1899.

Unless the landed aristocracy is willing to pay the half of it themselves, or an enormous reduction of expenditure takes place, no part of their power, and perhaps no part of their estates, will be retained by their immediate children.

But all Financial Reform is and must be a delusion, until a decisive Organic Reform of both Houses of Parliament takes place. If members chosen by the poor formed a powerful minority in the Lower House, and the Upper were disabled from obstructing, our finances might yet be saved, the parsimony suitable to bankrupts might be enforced, and the hearts of the masses be won back to the Constitution.

The absorbing interest of these topics almost paralyzes us from more than a slight notice of Mr. Babbage's pamphlet, noticed at the head of this article.

From the name of the author all would know it to be lucid and ingenious. As in a mathematical treatise, the whole of his few pages is evolved out of his primitive Postulate, which stands thus:—

“It is obvious, as a general principle, that all taxation ought to be proportioned to the cost of the service for which the taxes are paid.”

He proceeds to argue that the Service performed by the State is an annual one, and that accounts must be annually made up. He *tacitly assumes* that the cost of the service is proportional to the value of the property defended, and infers that men ought to be taxed according to that annual value, whether the property be permanent or temporary. An Income Tax therefore is the proper enactment. One objection to his doctrine he condescends to notice and refute; viz. that “permanent structures” are not an annual outlay; but he replies that on an average the same sum is devoted to them every year; which prevents their affecting his conclusion. Yet, strange to say, he does not at all notice the Debt! On his “annual” principle, such a Debt is an impossibility. But while this hangs about our necks, that he should enter the lists as a champion for an Income Tax is a peculiar absurdity, damaging to his own cause; for it follows at once from his principles (as indeed from ours) that the Debt falls equitably only on hereditary property

as old as 1815. To pay it therefore, in Interest or Principal, we do not want an *Income*, but an *Old Property Tax*. To omit the Debt, is to omit the only thing of importance: for if we were free from it, even the Colonial Empire would not weigh heavy upon us, nor all the countless wastefulness of our administration: nor should we hear complaints from our patient commercial and professional classes.

Moreover his second assumption is grossly untrue. The cost of protecting property is not at all in any fixed ratio to its annual value; nor has any one ever imagined this: but the reason for taxing people in that proportion has been for their presumed ability to bear it. Mr. Babbage says that a man may then "*justly complain* that he is taxed for being richer than another:" we reply, *not justly*. It is *primâ facie* right that he should be taxed more *because* he is richer; although that is rendered obviously inexpedient where it would discourage self-denial and industry. The presumption that a man's ability to pay taxes increases in at least as high a ratio as his absolute wealth, appears to us a much closer approximation to truth, than that which asserts the cost of protecting property to follow that ratio.

Mr. Babbage's theory supposes each individual of a nation to be so isolated from the rest as to have no presumable interest in their welfare. Each, it seems, is to pay a sort of *insurance* on his own property, and his own only. Accordingly, any one who chose to decline the insurance and take the risk, ought to be at liberty to do so. This would be carrying the Voluntary Principle farther than has hitherto been proposed. Many have said that protection of person and property is the sole duty of government: Mr. Babbage however puts the *person* out of the question by a strangely satirical argument, (*viz.*, that the magistrates and the legislature, when a poor man is erroneously imprisoned or transported, do not rate his loss very high!) and resolves the protection of property into so individual a thing, that each man's property is to be protected at his own cost. But society has great moral interests: all are concerned that all should be protected; the rich are interested in not allowing any class to be ground down by taxation, and this is of greater importance than Mr. Bab-

bage's proposed Law, of which nothing practical, it seems to us, can be made, in respect to the general government.

On the other hand, the more the taxation can be thrown off from the general government on to localities, the better; because it strengthens political vitality, adds to the cheerfulness of contributions, and prevents times of Reform from producing dangerous excitement. This is certainly one application of Mr. Babbage's principle, to which no one can object: but local taxation has been guided by a better instinct than his in apportioning its burden. For the support of the poor, of the highways, of the police, the rates are levied, not according to men's total wealth, but according to the expensiveness of their dwelling. This is indeed sometimes oppressive,—as when the same house is at once the dwelling and the place of business, especially with shopkeepers in a spot where ground-rent is high; in which case the rates are a tax on the gross outgoings, not on the net expenditure. But when levied on what is strictly a dwelling-house, the tax appears as unobjectionable as any possible. Each man has to judge for himself at what rate he can prudently live; and to this sum the impost bears a pretty near approximation,—as it ought. Whatever is laid by goes to swell the permanent capital of the country, and will in due time be subjected to full demands. If our debt were disposed of, a *judicious* House Tax would well supersede all other Direct Taxation, except that on Building Land, which ought to be unsparingly heavy. Yet the aristocracy so managed that Peers' villas used often to pay less house-tax than Dolly's chophouse; so resolute are they not to touch our burdens with their little fingers.

But we have little heart to reason about any details, or any but the broadest principles, where it is certain that nothing will be done till our legislative machinery is remade, and men unshackled to precedent hold the helm of State. Let us hope that that may come speedily, and before the fate of France overtakes us.