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SUBSTANCE
OF
OBSERVATIONS
ON THE
STATE
OF THE
PUBLIC FINANCES
OF
GREAT BRITAIN,
BY
LORD RAWDON,
IN A
SPEECH
ON THE THIRD READING OF THE
BANK LOAN BILL
IN THE
HOUSE OF LORDS,
On THURSDAY, JUNE 9, 1791.

LONDON:
PRINTED FOR J. DEBRET, OPPOSITE BURLINGTON
HOUSE, PICCADILLY.
MDCCLXCI.

Statement of the Select Committee, (May 10, 1791) principally referred to, calculated as a future Estimate, page 27, Appendix F, No. 5.

S P E E C H

OF

L O R D R A W D O N

ON THE

PUBLIC FINANCES.

MY LORDS,

I GAVE notice to your Lordships that I should avail myself of the Third Reading of this Bill, as an excuse to throw out a few remarks on the state of the Finances in general. The matter being understood in that light, it will not, I am sure, in point of form, be thought necessary that I move any precise question; it would be a point of order easily satisfied: but it would, in reality, be nugatory, as I only wish to urge a few observations for the reflection of your Lordships. Although the field which I have claimed be so wide,

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your Lordships need not fear that I shall run into much length. I am too well aware, that no attention can follow up a long and complicated detail of figures; I shall, therefore, have the policy to restrict myself to the plainer and more essential features of the subject, declining minor investigation. It is with this view to perspicuity that I shall argue from the date submitted by Ministers to the Committee of Finance, whose Report has been just published; and I beg to be understood as making my calculations upon those documents, unless where I expressly declare my deviation.

I shall, with your permission, begin with a brief advertence to a point, which, without doubt, interests me personally; but which would not be obtruded by me upon you, did it interest me alone. It is a matter of importance to the public as much as to myself. I allude to the balance between the receipt and the expenditure of the three years immediately following the establishment of the plan for diminishing the National Debt; namely, from 5th of January 1786 to 5th of January 1789. I had asserted in this House, that the million yearly, during that period, applied towards the reduction of the National Debt, did not spring from an annual surplus of income after the expenditure was defrayed; but that it was furnished from extra resources. In making that assertion, I took a distinction which I think was fair and liberal. I said, that were the question, what inference

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inference was to be drawn for the regulation of your finance in future years, from the balance between your income and expenditure in those three years? nothing ought to be taken into the calculation but actual revenue. By that designation I meant to describe the permanent taxes, and those imposts, which, though annual in their form, are always resorted to; sources which furnish a constant return to the Exchequer, and the produce of which, though it will necessarily fluctuate to a degree in its amount, may be capable of tolerable computation. The question, however, was not prospective; it was a question of mere fact, whether the income of the three years had furnished the annual million? In that point of view, all accidental sums paid within the term into the Exchequer, should be reckoned as well as the permanent supplies; even, although those sums should really have been due before the period of the three years commenced. The income thus complicated I would call *receipt* in contradistinction to *revenue*. It was upon the *receipt* I originally argued; and I again admit the *receipt* as the basis of the proposition, which I now re-assert. The evidence, as exhibited by the Committee of the House of Commons, stands thus:—

The produce of the permanent taxes	£
for the three years is stated by the	
Committee at	37,797,131
B 2	To

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Brought over	-	-	£.37,797,131
To this add the estimated amount of			
the Land and Malt Taxes for three			
years	-	-	7,674,000
			<hr/>
Total Revenue			45,471,831

Add farther,			
Respited duties paid by the East India			
Company in 1786	-	-	522,500

Imprest money repaid, and arrears of			
Land and Taxes, paid after 5th			
January 1786	-	-	476,686

Clear gain on the Lotteries during the			
three years	=	=	675,000
			<hr/>

Total Receipt	-		47,146,017
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Expenditure of the three years, as stated			
in the document (Appen. F. No. 5			
of the Report) subministered by the			
Treasury to the Committee	-		46,692,122
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Surplus in the three years	-		453,895
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Thus, simply upon the showing of Administration, the proposition which I advanced stands confirmed. For it is obvious, that a surplus of

453,895l.

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453,895l. did not furnish the three millions which the public was led to suppose that fund had supplied towards the liquidation of the National Debt. But this evidence of my having been well-founded, as to my principal position, is not entirely sufficient; although the proposition to which I pledged myself before the House, was, "that the annual million did not arise from an excess to that amount in the receipt beyond the expenditure." I recollect that I let drop two other observations on the subject; and I cannot leave it doubtful, whether I ventured upon even a contingent assertion respecting so important a topic without due foundation. The first of the positions to which I allude, was, that if the expenditure were compared with the *revenue* for the calculation of future prospects, the deficiency would be found alarming. This is at once justified by a comparison of the amount of expenditure, with the produce of the permanent taxes and ordinary annual resources; notwithstanding, as I shall shortly show, the statement is less unfavourable for those who maintained the existence of a surplus than closer investigation will warrant. The second position was, that on the balance between the *receipt* and the expenditure there was no surplus at all; but, on the contrary, a deficiency. To support this, it is evidently requisite that I should invalidate some of the accounts, which form the ground-work of the comparison already laid before you. I should be loth to go extensively

fively

sively into an arraignment of that nature; as the detail might distract attention from the main thread of argument which I wish it to pursue; luckily that digression will not be necessary; for where the object is only to prove that there was *no surplus*, the more or the less of the deficiency is immaterial. My purpose will be answered by two items: but I must make one general remark on the remainder of the account, because it involves a consideration worthy of serious attention. The accounts of the expenditure laid before the last Committee of Finance, differ essentially from those delivered to your Lordships in 1789: not under the head of miscellaneous services alone, in which there might be supposed room for casual alteration in the classing of articles; but in the distinct services of army, navy, and ordnance. I am willing to ascribe the error which occasions this discordance to the want of some fixed, unalterable form for making up the public accounts; but as the effect of the variation in the latter account is to diminish considerably the amount of the expenditure for the three years, it is just the policy which would have been pursued, had the assertions which have been made in Parliament, rendered it an object to soften the prominence of evidence resulting from the old statement. And the difference between the two accounts is not trifling; for, in more instances than one, it goes on a single article beyond 170,000*l.* Your Lordships see how the rectification of that point would operate for my argument.

ment. But I proceed to prove my position more distinctly. The computations of the expenditure which I just now measured against the income, are taken from the Appendix, F. No. 5, of the Report of the Committee. In the year 1786, as there stated, the interest and charges of the National Debt are given at 9,010,404*l.* exclusive of interest on Exchequer Bills. In the next year, the same article is estimated at 9,276,000*l.* equally exclusive of interest on Exchequer Bills. Your Lordships see that no debt could be incurred in the year 1786, that could add 260,000*l.* interest money to your charges. But it is proved error by the separate account of the public debt of that year; which gives the interest and charges at 9,266,940*l.* exclusive of charges of management on the newly funded stock of the foregoing year. The account of the Committee of 1786 would confirm the matter, were the point disputable; for that Committee also charges the article at 9,266,940*l.* Upon this head, therefore, there appears clearly to be an omission in the statement of the expenditure for the year 1786, of more than 250,000*l.* The source of that omission is curious. Finding that the outgoings of 1786 ran higher, and the revenue lower, than was expected, the Minister was obliged to help the income by taking in the additional quarter of the consolidated fund, up to April 1787, and to ease the expenditure by delaying payments. For this latter purpose it was directed by an Act passed in 1786, that certain annuities,
upon

upon which a quarter's payment became due on the 5th of January, should, in future, be paid only half yearly, on the 5th of April and 10th of October. The effect of this (as the yearly accounts are computed from the 6th of January inclusive) was to throw out, in appearance, from the year 1786 that quarter which became due on the 5th of January 1787. The real consequence is, that a quarter of those annuities is carried forward, not answered by the income of the year in which it became due. The term used in describing this transaction, is not a happy one. "The public *availed* itself of the amount of one quarterly payment upon these annuities." It is Government which here assumes the name of the public; and the avowal of the convenience sought suggests the supposition of an advantage taken of the annuitants. No deviation from the conditions on which such persons purchased their annuities can be just, unless it be made with the consent of the parties. Their concurrence is not specified, nor is it to be inferred, since it could not be for their profit to have a quarter's salary withheld. For the Committee have misapprehended the case, when they say, that by the arrangement, a quarter's payment will, in future, be made in advance to those creditors. Nothing, according to the new settlement, is to be paid on the 5th of April; but the two quarters which would have been due on the 5th of January and 5th of April on the old footing; and the quarter due on the 5th of July is not to be paid

paid till the 10th of October. Therefore, about 250,000l. debt is regularly carried forward upon this article. It is clear, that in making up the account of the charges on the three years, that quarter's payment which became due within the period, must be reckoned; whether it was liquidated by Government, or the discharge deferred through motives of convenience.

To that sum I will add an over-charge in the credit taken for the produce of the Land and Malt Taxes. The amount of those taxes for the three years is calculated at 7,674,000l. that is to say, at the rate of 2,558,000l. per annum; the assumed estimate of the Committee. Now, by the account delivered from the Exchequer, on the requisition of this House, the sums really received from the Land and Malt Taxes in the three years amounted only to

	7,439,184
Deduct that sum from	7,674,000
There appears an over-charge of	234,816

The difference between the two accounts cannot arise from the circumstance that the militia charge is subtracted from the one and not from the other; because the addition of the amount of that charge to the smaller sum does not make it correspond with the other; but this is proved more satisfactorily in another method. The deficiency

deficiency of the Land and Malt Taxes is charged in the accounts of expenditure delivered to this House in 1789, distinctly from the expence of the militia; that deficiency being added to the net receipt, gives in each of the three years a sum beyond the 2,750,000l. at which those taxes are laid by Parliament, which can only be explained by supposing that arrears paid in during that period were reckoned with the current receipt: on that supposition, by adding the deficiency and the charge for militia, and then deducting the amount of arrears received, as specified in another document, the 2,750,000l. ought to be produced. This, however, is not the case; apparently through some defect in the form of the account. But the result assures me distinctly, that the charge for militia has been deducted before 2,558,000l. is assured as the net receipt from the Land and Malt Taxes; and, indeed, in the abstract which the Committee has published, to exhibit a comparison between your probable future income and expenditure, this position is justified completely; as the 95,000l. annual charge for the militia is there inserted amongst the out-goings, whilst credit is taken on the other hand for 2,558,000l. to arise from the Land and Malt. Now add the two sums which I have pointed out.

Omission in the charge for interest of public debt in 1786. 250,000

Brought

	£.
Brought forward	250,000
Over-charge on Land and Malt	234,816
	<hr/>
Total	484,816

which extinguishes the ostensible surplus of 453,895l. and leaves my assertion proved.

I come now, my Lords, to the Bill immediately before you. In pitching upon it as the vehicle for my observations, I did not chuse at hazard: I had animadversion to express upon this particular measure; though complicating it, as I now do, with other materials, I shall not expatiate upon it so largely as the subject might well deserve. My objection applies to the mode in which we know this loan to have come forward. Had it been a voluntary agreement with Government, on the part of the Bank, there would not have been any thing to have said against it. But the shape in which it presents itself, is this:—As one of the resources to defray the expence of the armament against Spain, the Minister points at the Unclaimed Dividends accumulated at the Bank. The Bank pleads, that the advantage of having these dividends suffered by the owners so to rest in their hands, is one great inducement to their bargain with Government for undertaking the payment of the interest on the National Debt. The plea is contemned; yet the resistance compels reflection. A reluctant sense of the dangerous

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wound which must be given to public credit by perseverance in the original measure, causes terms of accommodation to be suggested. The composition proposed is exactly this: "Offer us a loan of 500,000l. or we will, by the hand of power, wrest from you a much larger sum." There is no need for comment on the tone of this extortion: the spirit of the original attempt, however, is not veiled by that compromise: therefore let two words be addressed to that point. It is the magnitude of those balances, suffered by their right owners to sleep in the Bank, which enables the Corporation to accept Exchequer Bills, &c. to the amount that now takes place: consequently, Government counteracts its own material convenience in striking at that fund. But this is a consideration trifling, in comparison to the shock which the measure must have given to public credit. It has, I know, been urged (you shall judge how fallaciously) that the right of the public creditor was not to be impaired, nor was even his security to be altered; his title to the sum remained the same, though the money was removed from the Bank to the Exchequer; and Government stood, just as it did before, in the light of his debtor. To this I answer, that solicitation at the Exchequer, and demand at the Bank, are very different processes. The Bank, for a certain allowance and contingent emoluments, undertakes to pay for Government the interest to the public creditors, at the period when it shall become due.

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By this contract, although Government is the security to the Bank, and the ultimate security to the public creditor, the latter, in the first instance, has his remedy directly against the capital of the Bank; and so distinctly, that it assures him against the apprehension of delay in payment. Will it be asserted that responsibility is similarly defined, or punctuality similarly imposed, with regard to the Exchequer? Let Administration speak for themselves to this point, in the document which I am about to lay before you. Your Lordships are aware, that exactitude of payment of the interest, no less than facility in the transfer of the capital, is the inducement for most persons, who have to live on the interest of certain sums, to place their money in the public funds, rather than on private mortgage; in which last mode, the security for the capital would be as good as in the former, and the interest higher. Now observe how this expectation is answered towards those who have to look to the Exchequer instead of the Bank. When the Tontine Loan took place, the annuity was not to commence for a certain time: but till the term of its commencement, the subscribers were to be allowed 4 per cent. on their money. By the act establishing that loan, a year and a quarter's interest, at the above rate, was to become due on the 10th of October, 1790. I have in my hand the Gazette of the 8th of March, 1791, in which there is a notification from the Exchequer, that the interest due on the above-mentioned 10th of
October

capacity of acceptance in the Bank obviously diminished.

These preliminaries, my Lords, have opened the view to a juster consideration of the immediate state of the finances at large; as that state is offered to you by the balance, in point of fact, between your income and your expenditure, for the five years, from the 1st Jan. 1786, to 1st Jan. 1791. In arguing the subject, I shall take the sums as Administration has stated them; though, in the expenditure, they are, for the first three years, subject to all the observations which I have already made upon them.

According to the documents which were subministrated to the Committee, "the sums applicable to "the public expences in the five "years" amounted to	£. 88,040,055
The expenditure by the same statement, including the sums paid towards liquidating the public debt, amounted to	88,116,916
So there remained unsatisfied, only	76,861

To this statement I shall object: and I shall do it upon the ground which secretly occurred to the Minister when he quitted the simple exhibition of income, and adopted the ambiguous expression of "sums.

"sums applicable to the public expences." I shall argue, that certain of the sums, for which he has taken credit, were of a nature not to be applicable, in the point of view in which he has exhibited them, to the services of the five years in question. I shall first enumerate the sums which I should, on that principle, subtract, and make the deduction, in order to shew how I think the balance really stands; I will afterwards give the reasons for striking off each particular sum; as in that mode I shall less embarrass the perspicuity of the measurement.

I then deduct,

Monies in the Exchequer, 5th Jan. 1786	£. 1,172,119
Army Savings in ditto, 5th Jan. 1786	492,378
Interest received for money lent abroad	34,000
Tontine loan	1,002,140
Total	<u>2,700,637</u>

Before this sum be subtracted from the amount of the receipt for the five years, the over-charge for land and malt, which I noticed in the account of the three years, should be deducted.

Supposed income of the five years	88,040,055
Over-charge for land and malt	234,816
Carried forward	<u>87,805,239</u>
D	Brought

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Brought forward	£.87,805,239
Deduct	2,700,637
Remains—real income	85,104,602
Expenditure of the five years, with the addition of 250,000l. interest of public debt, omitted in the ac- count of 1786	— 88,366,916
Deficiency	3,262,314

Still it is incontestable, that in the five years the sum of 4,750,000l. was paid to the Commis- sioners for reducing the public debt. Now from that sum must be deducted that which, it appears, the income of the five years could not furnish.

Applied to reduce debt	— 4,750,000
Deficit of income in the five years	3,262,314
	<u>1,487,686</u>

It is thus shewn, that about one million four hundred and eighty-eight thousand pounds was all that could be dedicated to the reduction of the National Debt from the actual income of the five years; including in that income all contingent receipts which did really fall in within that term. The difference between that sum and the four mil- lions seven hundred and fifty thousand pounds must have been furnished from extra resources.

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The quality of those extra resources is, therefore, what I have now to examine: and the result of the investigation will determine whether I have proceeded on just grounds in classing, as extra resources, those sums which I have deducted from the statement of income.

I recapitulate them,

Monies in the Exchequer previous to 5th Jan. 1786	—	£.	1,172,119
Army savings similarly circumstanced			492,378
Interest on money lent abroad	-		34,000
Tontine loan	— —		1,002,140
			<u>2,700,637</u>

On the first of these I must inquire, with some surprize, why we never, till of late, when the ques- tion was so hard pressed in this House, heard of those monies in a specific aggregate? That there were in the Exchequer balances remaining from certain heads, after the services were discharged to which those funds had been appropriated, was known: their amount was not. Why, when it was of this magnitude, was it not brought forward as a sum? I mean not to impute that there was any disposition to employ this money in a manner not advantageous for the public, much less to in- tercept any of it from the national service. But that which I distinctly charge from the face of the transaction, is, an attempt to confound this sum

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with the income arising from the sources properly belonging to the term posterior to the 5th of Jan. 1786. The inference which it was hoped the public would draw, if the attempt succeeded, was, the improved condition of the finances in the hands which then managed them. This sum was insinuated by petty portions in the grants subsequent to January 1786, under ordinary titles of surplus remaining from such or such a fund, that excited no curiosity or investigation. The motive of that policy is plain : had this sum been acknowledged, in its extent, as existing when the Committee of Finance published their Report in March 1786, the observation respecting it was so obvious, that it could not have failed being urged on the occasion. " If there be (it would have been said) above a million in hand, you never can pretend to carry that forward for the service of this year : because the plan which you have produced for the reduction of the National Debt goes upon the distinct assumption, that the balance between the annual income and the annual expenditure, will leave a surplus adequate to your object. You insist upon this in contempt of all our doubts ; therefore you cannot need extraneous aids to swell that income. And, indeed, you have made a fallacious statement of the condition of the country as to its debt, if, having this sum in hand, you do not give the public credit for it in your computation. The natural destination for that sum would be to extinguish with it a portion of the
Navy

Navy Bills, or other unfunded debt, charging the country so much less in the burden which you hold out to them : for you, indisputably, would not wish the debt to appear a million greater than it really is, in order that you may have the higher merit in seeming to alleviate their distresses."— Such, my Lords, would have been the inevitable comment which must have prevented this sum, had it been acknowledged, from being confounded with the future income. It is owned, that the monies were in the Exchequer previous to January 1786 : the sum was then a consolidated possession which ought to have balanced, as far as it went, against the debt ; at least it ought to have been stated in so distinct a manner, as to have been regarded in the light of a remedy against any part of the floating debt that might become inconvenient. Whatsoever was the reason that it was not then proclaimed, now that its nature appears fairly to you, I think the conclusion irrefragable, that it never can be admitted as a part of the income of the five years to be measured against the expenditure of the same period.

The case of the second article, the Army Savings, stands precisely on the same ground. The whole amount under that head, applied to the service of the five years, is 1,091,147l. ; from this I deduct only what appears to have accrued before the period which we are measuring ; namely, the excess of the supply for land forces in
1784,

1784, the same for 1785, and a surplus of monies voted for Chelsea Hospital in 1785; making together 492,378l. If that balance existed in favour of the public, previous to January 1786, it ought to have been stated in favour of the public: it was the property, already realized, of the community, and their debt was by so much the less. The debt has been diminished by the employment of that sum; but that is not the question now agitated; it might have been equally diminished by the application of that sum before the 5th of January, 1786. The sum has nothing to do with the income of the five years; upon the exuberance of which, under their conduct, the present Ministers affect to rest the proof of their superior management. This money, as well as the former article, ought to have been applied in discharging a portion of the debt, before the plan for reducing the debt by surplusses of income was set a-foot; then the latter would have stood on its own merits.

The third article was thus produced: It was judged expedient to aid the Prince of Orange with a loan of 187,000l. That sum was raised here for the purpose: it was, however, understood at the time, that this loan was not to be regarded as an addition to our public debt, because that regular payments from Holland were, by instalment, to furnish the interest, and gradually to discharge the capital. Credit is taken for the

187,000l. in the account of extra sums applied to the service of the five years; and I have admitted it, upon the supposition that it is, on the other hand, charged as an expenditure; imagining it, though not specifically described, to be included under a head of 191,342l. granted in 1789, to make good money employed in secret service abroad. It is clear, that a sum remitted from Holland to defray a portion of the interest, and extinguish a part of the principal of that loan, was intercepted by the Exchequer, and applied to other purposes: consequently, we must provide, in some other manner, for the discharge of so much interest, and such a portion of the capital, as the Dutch have exonerated themselves from by that remittance. It comes then to the same thing as if we had borrowed 34,000l. the amount of that payment, from Holland; and when it is proved equivalent to a loan, it is, of course, precluded from standing as an article of income.

It would be superfluous to expatiate on the fourth article; the Tontine Loan, money borrowed to supply deficiency of income, never can be represented as income.

A question next arises, with what degree of advantage these extra resources have been applied? I mean, how far their expenditure has operated in really diminishing the public debt during the five years. The statement which I now lay before you,

you, may enable you to judge upon this point more clearly than you well could, from the several facts as they stand dispersed in the Report of the Committee.

The stock bought by the Commissioners up to the 1st of February 1791, amounted to 6,772,350*l*. The annual interest on this sum was 203,170*l*.

Here it will be proper to remark to your Lordships, that the computation of the National Debt by its capital is indubitably an erroneous mode of considering it. As the capital of the monies vested in the funds cannot be demanded of Government, it is only for the regular payment of interest on those monies, at the stated periods, that Government is responsible. In other words, Government only owes perpetual annuities to the amount of the interest agreed for on the deposit of those sums; which annuities are upon certain conditions redeemable by the nation. The reduction, therefore, of the public burdens in the five years, is the extinction of an annuity of 203,170*l*. Let us examine how this has been compassed: the monies applied for the purpose, beyond the receipt of the five years, may be classed under three descriptions; as sums expended, as debts acknowledged, and as debts obviously chargeable. With regard to those two heads of debt, it is apparent that they have been thus incurred. Portions of the annual income which should have answered

answered certain current services, have been applied to the purchase of stock. Hence the payment of those services was either left in arrear, or supplied by resources which entailed debt in some other shape. It must be understood, that every annual service is defrayed before a surplus can be reckoned: therefore, the application of any sum to the purchase of stock, leaving, thereby, a service undischarged, was tantamount to borrowing that sum in order to make the purchase; and, in that light, the amount of the debt so incurred is here to be considered.

The detail and amount of those extra resources will stand as follows:—

SUMS EXPENDED.	
	<i>l</i> .
Money in Exchequer, previous to Jan. 1786	1,172,119
Army savings previous to ditto	492,378
Interest money for abroad	34,000
Tontine Loan	1,002,140
	2,700,637

DEBTS ACKNOWLEDGED,	
	<i>l</i> .
Navy	457,950
Deficiency of Grants	80,590
Ordnance	61,909
	600,449
Carried forward	3,308,086
E	Brought

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Brought over £. 3,301,086

DEBTS CHARGEABLE.

	£.	
Additional Exchequer Bills	750,000	
Anticipated Quarter of the		
Consolidated Fund	628,982	
		<hr/>
		1,378,982
		<hr/>
Total	4,680,068	

In explanation of the first description, nothing need here be added to the illustration which I before gave of those sums.

Upon the second head, the acknowledgement of Ministers leaves no occasion for observation.

The third head requires more dilation; because both the articles contained in it have been the subject of repeated controversy. The question on the Exchequer Bills stands thus: in finding a part of the floating debt in 1784, the outstanding Exchequer Bills were left at 4,500,000l. In the year 1785, the Minister applied to Parliament for leave to issue an additional million. This could not be to answer any pressure in the current demands of the year, because your Lordships know the income did, in that year, exceed the expenditure by more than 900,000l. It could not have been recommended by the result of the preceding year, for

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for that also had produced a large surplus. In fact, it does not appear that more than 250,000l. from that million was applied within the year 1785. The construction, therefore, to be put upon the request to Parliament for that million necessarily is, that it was intended as a provision for extinguishing some other unsettled charge, whose form might render it more troublesome, than an addition to the amount of Exchequer Bills. I have at this moment in my contemplation the Navy Debt; any part of which that remains undischarged so long as (according to the custom of the department) to become entitled to interest, grows very burdensome. No application of this nature appears with regard to 750,000l. of the million in question. Be it here observed, that a Distribution Paper, as it is called, marking the dates at which portions of the million were issued, could not decide the point; for, it is clear, that the whole million might have been issued in payment of the current services of the year, and the income naturally applicable to those services might, to the same amount, have been with-held; which would produce the same effect of keeping the additional sum in hand: consequently, no part of the million can be deemed to have been expended beyond what shall correspond with the amount of demands liquidated, distinct from the balance between the services and the receipt of the year. In 1786, that additional million was carried forward in the new vote of Exchequer Bills. Seven

hundred and fifty thousand pounds, therefore, were thrown into the credit of that year. When the Minister brought forward his plan for the reduction of the National Debt, upon the supposition that there would be an annual excess of income beyond current demand, had he then applied to Parliament that he might add 750,000l. to the debt under the head of Exchequer Bills, in order to produce the excess which he prophesied, the proposal would have been held laughable. The weakest capacity would have discovered that, if the excess could not be secured without such an aid, the expected surplus was visionary. To borrow by way of exhibiting a surplus, would have been a delusion too gross to have passed on any understanding. Now, practically the carrying forward that sum of 750,000l. in Exchequer Bills, comes to the same point, although it was not absolutely granted within the term. If those bills are supposed to have existed as a sum in the hands of Government at the opening of that plan, (and there is no proof of their expenditure previous) they are subject to the same remark which I have made upon the other monies existing in the Exchequer, when the statement of its debts was exposed to the nation by the Committee in 1786. Of course, it must justly be charged as an extraordinary sum sunk within the five years.

The anticipated quarter is thus circumstanced ;
the account of the Consolidated Fund used to be
2 made

made up to Christmas. In 1786, the Minister, having appropriated to the supplies the quarter's income of that fund, accumulated upon the 5th of April, took four quarters more up to the 5th of April 1787, for the service of the year 1786. Thus, to answer four quarters expenditure he applied five quarters income. The amount of the fifth quarter thus anticipated, was 628,982l. Take this sum in what light you please, either as a sum already accumulated, at the disposal of Government, or as an anticipation of revenue, it cannot be admitted as a portion of the natural income of the years in question. If it is to be considered as an accumulated sum, always at the command of Government, it ought to have been so stated by the Committee of Finance in 1786, and the nation ought to have had credit to the amount. If it be regarded as an anticipation of revenue to which the quarter's expenditure is not brought up, it is obvious that there is, by that means, a quarter's debt constantly carried forward. This debt has been added clearly within the five years. The sum, therefore, by the sinking of which, this debt was entailed, must be charged either under this head, or under the head of Money in the hands of Government, previous to the establishment of the plan for the reduction of the national debt.

The conclusion which I propose to draw from this statement, is, that nothing, whatever, has hitherto been effected towards diminishing the public
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lic debt, by surpluses of income. I have represented the extraordinary sums expended, under the three several heads, to amount to four millions six hundred and eighty-thousand pounds; a total nearly approaching to the entire sum paid into the hands of the Commissioners. This, your Lordships will take notice, was not stock, but solid cash. At four and a half per cent. the interest on this sum would be

£.210,600

The Commissioners have reduced the annual demand on the nation for interest

203,107

It here appears that you have only extinguished an annuity of two hundred and three thousand pounds, by the annihilation of a sum, the return from which would, in the common course of interest, have been superior. That the 4,750,000l. applied by the Commissioners, has not expunged an interest greater than what the 4,680,000l. is rated to produce, arises from this circumstance: that in the constitution of the plan for reducing the public debt, there is a tendency (which shall be explained presently) to keep up the price of stock in the funds beyond its natural relative value; so far clogging the operation of the measure.

Were the consideration to stop here, I should have troubled your Lordships to little purpose; I should have only indicated what must, from the uncertain

uncertain foundation of speculations in finance, too frequently happen, that the public had embraced a delusive expectation, under which considerable sums had been applied, not very advantageously: but we have to look forward; and it is incumbent on us to form from past experience some judgement for the regulation of our future conduct. The principle of calculation which seems least liable to error is, that we should embrace a period which may give room for all the contingencies ordinarily affecting income and expenditure. Let us, therefore, draw an average from the accounts of the five years, as they have been exhibited by administration.

Produce of permanent taxes for five years	£.	£.
		65,303,877
Land and Malt Taxes, at 2,558,000l. per annum	-	12,790,000
Gains on the Lottery for five years	-	1,212,692
		<u>5)79,306,569</u>
Average	-	15,861,313
Expenditure, adding 190,000l. for two years Militia	-	79,274,923
		Brought

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Brought over	£.	79,274,923	£.	15,861,313
Deduct secret service				
Money	-	187,000		
		<u>5)79,087,923</u>		
Average	-		<u>15,817,584</u>	
Remainder	-			43,729

Out of this sum of forty-three thousand seven hundred and twenty-nine pounds, the annual million is to be provided. I entreat that your Lordships will be pleased to advert to the ground on which I have formed this estimate. I have given the amount which flowed from each head of usual yearly produce, just as it is stated from the Exchequer. I have made no deduction from the receipt for 190,000l. evidently anticipated on the rum duties in 1790. The rum, on its importation, pays no duty; it is lodged in the King's warehouse; the merchant takes it out by quantities as there is demand for it; and, in proportion as he takes it out, he pays the impost. Part of the provision to defray the expence of the late armament was an additional duty on rum, to take place in January 1791. The Act imposing this duty passed in November 1790; in consequence, every merchant who had rum stored, took it out in the ensuing month to escape the new tax. I called for the return of the duty paid upon rum in last

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last December, and in the corresponding month of the former year. The duty of last December, on that article, exceeded the former by above 190,000l. This is, evidently, an anticipation of part of the income of 1791; because, in the ordinary course, the rum would not have been taken out till after January 1791, when the 190,000l. would have stood part of the income of that year. In like manner on the expenditure side, I have not made any addition in respect of the 250,000l. the payment of which was deferred in 1786; although it is plain, that in a calculation for future years, four quarters payment of interest on the public debt must be computed in each year; and I have deducted 187,000l. the sum lent abroad, because I suppose it to be included in the expenditure, under the head of Secret Service Money; and as I do not reckon the sum in the income, the employment of it should not be charged in the outgoings.

I know that an average drawn from the five years has been opposed, upon the professed plea, that the first of those five years fell remarkably short in point of income; and that the second, likewise, was still below what had been the expectation. It may be the interest of a Minister to inflate the appearance of the finances under his management; but it never can be the interest of your Lordships, or of the public, to embrace any self-delusion on so momentous a subject. If those two years were inferior in income, to what

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may,

may, hereafter, be fairly expected; let it be remembered, on the other hand, that the latter years have been attended with circumstances of advantage, which must be considered as accidental and transitory. A part of Europe has been engaged in war; other powers have been convulsed with internal troubles; and, in others, the activity of commercial enterprise has been checked by the apprehension of similar distresses. Enjoying the inappreciable blessings of a peace, which I hope we shall not wantonly cast away, we have drawn emolument from the difficulties of all those nations. We have either directly supplied the wants, against which those countries had not leisure to provide by their own exertions, or we have had the factorage on all the mercantile intercourse of the better part of Europe. The adventitious increase to your income from casualties, such as I have stated, will be wholesomely balanced (if we are in earnest in our search for a just ground of expectation) by those deficiencies, which, having occurred once, may occur again. It is evident that a war must materially affect those sources of affluence, whence this nation has latterly been able to pay such prodigious sums into the Exchequer; and many other incidents may be imagined that would similarly reduce the amount of income. You cannot then, upon this ground, expect that your receipt shall, after the annual charges are paid, furnish you with the million destined to the diminution of the National Debt. And this view of the subject is confined by the obvious

obvious consideration, that many of the fountains which have supplied the deficiency of your annual resources during the five years are entirely exhausted. Of these, indeed, the army savings, and repayment of interest monies, are the only ones which might bear the appearance of promising a future supply; when their nature is examined, the hope will vanish: they were the consequences of a war; on the great scale of which immense sums were advanced upon account. The reduction which immediately on the peace took place in all your warlike establishments, precluded the application of much of this money in every department. The individuals in office, to whom the sums were issued, on making up their accounts with Government, have returned such portions of the money as were not demanded for the supply of their respective branches of service; but they returned them once for all. Having paid in their balances, they have nothing more to pay on that score; nor are they likely to contract new debts. You have restricted your establishments, and have measured accordingly, the sums allotted for their support. The source of supply from savings or repayment of imprest money, at least, to any amount, stops here, unless the calamity of a new war should befall us; or extensive and repeated armaments should leave something to be gleaned towards ordinary services, from that which the nation shall have granted for indispensable extraordinary provisions. The establishment of a fund, which

has served so well in supporting the appearance of the five years, would not be very salutarily purchased on such terms.

In fact, the Minister has been aware of the conclusion that must flow from such a measurement as I have made; and to guard against it he has resorted to an expedient of a most extraordinary nature. He has given you an estimate of your expenditure for the time to come. An estimate which I confidently say, is constructed on no other principle than that on its comparison with the assured income it shall leave a surplus. It does not even affect to give a reason in justification of its limits; and it sets at defiance all regard to past experience. Observe the detail:—

The average expenditure of the Navy,	£.
for the last five years, exclusive of	
the Armaments which are separately	
provided for is	2,289,907
The estimate now presented is	2,000,000

Difference 289,907

The average of the Army for the five	
years is	1,880,353
The estimate is	1,748,842

Difference 131,511

The

The average of Ordnance for the five	£.
years is	461,668
The estimate is	375,000

Difference 86,668

The average of the five years for mis-	
cellaneous Services, exclusive of the	
Loyalists is	269,450
The estimate is	128,416

Difference 141,034

Thus, there is in all near 650,000l. difference between that expenditure which experience warns you to apprehend, and that which is now arbitrarily assumed. I ask, upon what rational foundation is this estimate offered to you by the Minister? I say, by the Minister, because the Members of the Committee have distinctly declared that they did not think the ground on which that estimate was formed, a matter within their cognizance. They conceived their province to extend no farther than to the comparison of such documents as were furnished to them by the Minister; holding the amount stated in those documents respectively, a matter for which the Minister alone was responsible. In this, those Gentlemen undoubtedly judged well; because, according to the construction of the Committee, they had not the means of examining the particulars which constituted the

several fums. And, in truth, the service which they did undertake was sufficiently laborious, and entitled them fully to the applause of the public for the industry and ability of their investigation. A more perspicuous statement upon so intricate a subject has never been presented to any nation. It is in the data alone, for which the Committee is not responsible, that any error can lurk. I have already charged error against some of those data; I now advance my apprehension of it with regard to this estimate. In the year 1786, the Committee, upon as wide a view of documents as those which have lately been submitted for inspection, estimated your future expenditure at 14,478,181*l*. The calculation was arraigned as a wild and arbitrary speculation: it was, however, pertinaciously maintained. After an experience of five years it is abandoned; but it is not abandoned in favour of the scale which the experience of the five years might have substantiated. A new estimate is obtruded upon your credulity, resting upon the same species of vague assumption as that of 1786; notwithstanding a mortifying refutation of all the predictions on the subject, now forces you to admit an error in the supposition of the Committee of 1786, to the amount of above a million yearly on an average, or of near a million and a half in the last year. And what is the motive that impels the Minister to give into this delusion? It is, that, having pinned the fame of his management on the production of a million annual

annual surplus: the million must, at all events, appear to be forth-coming. Had the average expenditure of the five years been measured against the average revenue of the three best of those years, which the Committee take as the basis for future expectation, it must have appeared at once that the surplus million would not exist. The average revenue of the three last years was 16,030,286*l*. The average expenditure of the five years, deducting the charge for the Loyalists, which the Lottery is supposed to answer, and deducting the 187,000*l*. secret service money, amounts to 15,560,709. Observe that this expenditure does not include the million applied annually towards liquidating the debt; therefore, the revenue would exceed the expenditure by no more than 469,577*l*. Were the estimate of the expenditure to be taken from the average of the last three years, as has been done with regard to the income, the balance would be still smaller, because, unfortunately, your expenditure seems to have increased in proportion as your income augmented. I will then say to those who bring forward the present estimate, "Do you really mean to condemn your own management of the public treasures for five years, by stating, as the extent of that which the public service can require, a sum so much short of that which you have actually lavished?" For, the difference between what has been annually expended during the five years, and that which we are told will be sufficient for

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for the public service, is no less than five hundred and eighty-one thousand one hundred and thirty-one pounds yearly. But, my Lords, the circumstance which most completely overturns this estimate, is the conduct of the Minister with regard to the supplies for the current year. The report in which this estimate is ushered to the public was not yet dry from the press, when the Minister himself exploded the estimate by the amount of supply which he demanded for the ordinary service of the year 1791. For the Navy he requires 2,131,000*l.* For the Army 1,853,000*l.* For the Ordnance 443,000*l.* For Miscellaneous service, exclusive of American Loyalists 260,000*l.* making, in the whole, after a deduction of 76,000*l.* to be repaid by the East India Company, 4,611,000*l.* This is 360,000*l.* above the estimate, which scarcely a fortnight before he had offered to the nation, as describing the probable future expenditure under these heads. You will remark, that this demand is for the ordinary services, and has no relation to the existing armament; under the provision for which one might rather suspect some portion of the excessive charge for ordinary services would be smothered. Yet one may doubt, whether, even by this demand, adequate provision has been made for the several services; as each of the articles falls short of the correspondent article taken on the average of the five years. In the article of miscellaneous services, especially, there is reason to look forward to a heavier charge. On the average.

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rage of five years, the lottery has not answered the expence of the Loyalists. If that resource continue inadequate, the residue of their claims must be otherwise furnished under the head of Miscellaneous services. No provision appears to have been considered for the completion of Carleton House: a provision which must not only be expected, but in common decency desired, nay, in mere economy; otherwise, the sum already granted on account has been wastefully expended on that building. I feel no little pleasure that the report of a Committee of the House of Commons renders it unnecessary for me to enter upon those discussions on the subject, which I should have otherwise thought indispensable. Suffice it, that the public has been distinctly informed by the Committee, how the money already granted for that building has been applied; that the Prince of Wales never assumed the direction of that sum appropriated towards the completion of an edifice, which (though the residence of his Royal Highness) is the property of the King; but caused the architect to draw for the money as it was required, accounting for the expenditure to his Majesty's Board of Works. The object of that grant being to render the habitation becoming for the Heir Apparent of the Crown, it is to be conceived that the purpose will not be dropped in the middle. If we wish, really, to form a just idea of what are likely to be our out-goings, we cannot but look forward to this among many other impending expences, for

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which

which no allowance appears to have been made in the calculation.

It may now be asked, what is the view and object of all this detail? For, if no suggestion that may be of public advantage is to be deduced from it, your Lordship's time has been unprofitably employed in listening to the statement. Surely, however, an inference of immediate importance presents itself irresistibly: I mean the necessity of adopting some principle of real and not ostentatious economy, which shall stop the growth of your expences, if not reduce them. For it is a lamentable consideration, that, in proportion as your income has been augmented by the imposition of new taxes, or a stricter exaction of old ones, your expenditure, also, has increased. In 1786, a tax to produce 100,000l. annually was all that was held out as necessary to ensure a million surplus in each year. Year after year new burdens have been laid on the country, and the proposed effect is not yet secured. The cause is obvious; you set out with a plan of restricting your expences to 14,478,181l. annually; but, in the very next year you exceed that estimate by more than twelve hundred thousand pounds; and, in this last year you have exceeded it above a million and a half. Had the expenditure been kept down, and the income proved inadequate to produce the million towards reducing the debt, the imposition of fresh taxes would have been accounted for to the satisfaction

satisfaction of every man. For there can be but one opinion as to the necessity of endeavouring to diminish the debt; though there may be much difference of sentiment, whether the present plan for affecting that object be the best that could have been adopted. To anatomize that plan, though not foreign to the present discussion, would lead me into too great extent. It is sufficient to have shown, from the documents of Ministers, as I trust I have shown, that you have made little progress in your undertaking; and that you are not likely to make a much greater without a positive and serious reduction in your current expences. It is not the disappointment alone or the dangers of delay that are to be lamented; but the plan is attended with inconveniences that would render it highly objectionable, were there not a rational prospect of real advantage to result from it. In order to keep up the appearance of surplusses in the Exchequer, a thousand little expedients must be resorted to, ruinous to the individuals upon whom they apply: I mean the retardment of payments to the classes of men whose necessities most require punctuality of supply; loyalists, half-pay officers, pensioners, servants of the State in all the different branches of employment, whose allowance from the public is their only support. Another evil of the scheme is, the delusion in which it holds the public with respect to the funds: heretofore, the rate of the funds was a criterion which gave some indication of the general prosperity. When the

funds funk, the vigilance of Government or of the nation was attracted to discover and remedy the cause; at present the estimation of the funds is wholly fallacious. It is obvious what must be the consequence of the notoriety, that, at least, 250,000l. is to be laid out by Government every quarter in purchasing stock whatsoever be its price in the market. The tendency of this arrangement is naturally to induce each stock-holder to increase the valuation which he puts on his stock; for he argues, that if by aiming at too high a price he misses his sale in the immediate instance, he has the chance of the next quarter open to him. The effect of this is visibly to counteract, in a material degree, the main purpose of the plan; since in proportion as stock is bought by the commissioners, that which remains to be purchased will be heightened in price. It is from this influence that the rate of the funds is kept up without advertence to external circumstances; so that, as you have seen, they have not been affected by even impending war.

These considerations, however, are trifling in comparison with others. I have met persons so strangely deluded by the outward show of things, as to consider the magnitude of the burden under which the country labours a proof of its prosperity. It is true, that a nation which had not acquired an extraordinary degree of opulence could not have sustained so severe a draft upon its industry; but the

the effect of those imposts, as counteracting that industry and ruining that opulence, ought to be seriously weighed. The habits of an activity which has led to affluence, will not be at once abandoned; because it will not, at once, be perceived that affluence no longer accrues to the individual from them. But it is clear, that the complication of taxes affecting every article of sustenance must operate to repress the growing gain of the manufacturer, and of the country at large. For, upon those commodities, which are to be sold in a foreign market, and the produce of which keeps up the circulation of this country, must be charged all the additional burdens with which Government directly or indirectly loads the manufacturer; otherwise his work would not make him a necessary return for his labour. Hence, the commodity offers itself at so high a price in foreign countries, that it is beaten out of the market by the productions of other nations; possibly not of equal quality, but so reasonable as to extinguish the other consideration. Add to this the political consequence which must, in some degree, follow your present system of finance. If your Lordships will turn to the items which constitute your income, you will perceive that the material increase of your revenue arises from the extension of the excise; a mode of taxation which the exigencies of the State unfortunately render indispensable, but which is, in its nature, the most vexatous, and the most repugnant to the idea of a free community

community that can possibly be imagined. There is not one of you, even in your situations, that are not exposed to the teasing insults inseparable from that species of collection. The habit of acquiescence, under the overbearing intrusions which the officers of excise are authorized and necessitated to make, breaks the spirit of a people in a dangerous degree, and makes them see little to be lost by entire submission to absolute power. And it is an axiom which should never be forgotten, that power is in its nature so progressive and encroaching, as not to be resisted but by general compact, and by precise definition of some boundary, which (howsoever indifferent in itself that boundary may seem) it must never be permitted to over-step. The reflection is the more material as the magnitude of your public debt enrols a body which weighs heavily against constitutional energy. They, whose support flows solely from the public funds, and whose security rests upon the public tranquillity, must support, indiscriminately, every administration, whatsoever be their measures. For these fluctuations, on which the salvation of public liberty might depend, would, to such men, be attended with hazard of considerable diminution in the value of their possessions; therefore, they are interested both to preach and practise apathy, under every invasion of constitutional rights.

I will

I will conclude this discussion by observing, that any Minister may increase the revenue of this country; for it is not only to lay new taxes to which the good sense and general information of the people of Great Britain will always secure a cheerful obedience; but the aim of a Minister ought to be to render such burdens of short duration, by applying their present produce to the extinction of annual claims upon the nation. If he suffer the increased receipt to be swallowed by the augmentation of current expences, the additional sums which he raises on the public are a grievance. It must be from reform in the expenditure that any Minister shall have a right to claim credit with the nation. So far from any such reform having taken place during the five years, it is evident that your expenditure has increased immoderately; and unless some important reduction shall speedily take place, it cannot fail to lead you into extreme difficulties.

THE END.

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