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978-0-521-03748-8 - Trusting Leviathan: The Politics of Taxation in Britain,
1799-1914

Martin Daunton

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Trusting Leviathan

Martin Daunton's major study of the politics of taxation in the 'long nineteenth century' examines the complex financial relationship between the state and its citizens. Around 1800, taxes stood at 20 per cent of national income; by the outbreak of the First World War, they had fallen to less than half of their previous level. The process of fiscal containment resulted in a high level of trust in the financial rectitude of the government and in the equity of the tax system, contributing to the political legitimacy of the British state in the second half of the nineteenth century. As a result, the state was able to fund the massive enterprises of war and welfare in the twentieth century. Combining new research with a comprehensive survey of existing knowledge, this lucid and wide-ranging book represents a major contribution to our understanding of Victorian and Edwardian Britain.

Martin Daunton is a fellow of Churchill College and professor of economic history at the University of Cambridge. He is the author of *Progress and Poverty: An Economic and Social History of Britain, 1700-1850* (1995), and editor of Volume III of *The Cambridge Urban History of Britain* (2000).

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Frontispiece: 'Guides to truth', *Punch* 22 September 1909. The cartoon refers to the 'People's budget' of 1909. At the rear, the leader of the Conservatives, Arthur Balfour, is amending a sandwich board carried by Herbert Asquith, the Liberal prime minister. At the front, the former Liberal prime minister, Lord Rosebery, announces his opposition to the budget.

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Preface

The initial idea for a book on the politics of taxation in Britain, from the late eighteenth century to the present, came from David Cannadine and John Morrill. At the end of a protracted period of research and writing, I still remain grateful for their suggestion that I should tackle the subject. Their original idea expanded, for it soon became clear that a considerable amount of archival research was needed in order to make sense of the developments from the First World War through to the Thatcherite reforms. I was fortunate to obtain generous support from the Nuffield Foundation, which awarded me a Social Science Research Fellowship in 1992/3, and from the Humanities Research Board (now the Arts and Humanities Research Board) which provided an additional term of sabbatical leave in 1995/6. I was therefore able to collect a considerable amount of archival material around the country, mainly relating to the period from 1890 to the present. As a result, the initial plan for a short, single volume was abandoned, and the project migrated from Longmans to Cambridge University Press. Both Andrew McLennan and Heather McCallum at Longmans, and Elizabeth Howard and Richard Fisher at Cambridge University Press, were supportive and understanding as the project grew and developed.

The present book provides an overview of the ‘long nineteenth century’, from the initial introduction of the income tax in 1799 during the wars with revolutionary France when taxation amounted to about 20 per cent of the national income, through to the outbreak of the First World War when taxation was about 10 per cent of national income. It is a story of fiscal containment: the level of taxation was reduced and held down to a greater extent and for a longer period of time than in most other European countries. At the same time, the fiscal system widely came to be seen as ‘fair’ and equitable between interests, so helping to create the high level of legitimacy which characterised the British state in the second half of the nineteenth century and into the twentieth century. From 1914, the pattern changes: the level of fiscal extraction rose during the First World War to about 25 per cent of national income, with scarcely any fall

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in the 1920s and 1930s; a further increase during the Second World War took taxation to about 40 per cent of national income. The implications of this pattern will be explored in a further book, which considers in detail the demise of what may be termed the Gladstonian fiscal state whose creation is the subject of the current study.

The attempt to make sense of a new and complex topic requires more than time; it needs intellectual debate and discussion to clarify ideas and concepts. I have, again, been particularly fortunate. The intellectual stimulus for this book arose from the writings of two other historians with whom I was in close contact as I was researching and writing the book – Patrick O’Brien and Colin Matthew. Their articles on taxation in the ‘long eighteenth century’ and on Gladstone’s budgets gave me the basis from which to start, and the present book owes much to their pioneering work. The death of Colin Matthew in 1999 shocked and saddened his many friends.

My attempt to make sense of the long-term development of the British tax system was considerably assisted by an invitation to spend three months at the Research School of Social Sciences of the Australian National University in 1994, as part of the programme on ‘Administration, Governability and Compliance’. The comments on the papers I gave there in 1994 at the start of the process of writing, and again in 1996, were of great assistance in shaping my analysis. I am extremely grateful to Professor Patrick Troy of the Research School for his continued generosity and encouragement; and for providing such a congenial environment for interdisciplinary exchange. Of particular help were the comments of two other visitors: Margaret Levi of the University of Washington and Rodney Lowe of the University of Bristol.

The research and much of the writing for this book were undertaken at University College London where my students suffered from my obsession with taxation; they are spared my next obsession by my move to Cambridge. The book was completed at Cambridge, where I have been stimulated by the work of new colleagues, especially Chris Bayly, Eugenio Biagini, Peter Clarke, Boyd Hilton, Craig Muldrew, Jon Parry, Richard Smith, Gareth Stedman Jones, Simon Szreter and Adam Tooze, who have helped to bring together interests in political language, the development of welfare systems, trust, investment in public health, the finance of the empire, economic knowledge, and many other topics. I have benefitted from conversations with David Feldman, Julian Hoppit, Joanna Innes, Paul Janssens, Frank Trentmann and many others who have heard me give too many seminar papers over too long a period of time. Peter Mandler provided a thorough and extremely helpful reading. I am grateful to my Suffolk neighbour, Dave Cole, of middlegateprints.com both

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for finding the *Punch* cartoons and for permission to reproduce them from his collection; and to the British Museum and the Victoria and Albert Museum for permission to reproduce the cartoons of the tax eater state (Ill.1) and ‘Tax land *not* food’ (Ill.6). The completion of the book was greatly assisted by Chris Beauchamp who compiled the bibliography, by Linda Randall who copy-edited with her usual eye for detail, and by Auriol Griffith-Jones who produced the index.

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Abbreviations

AMC	Association of Municipal Corporations
BL	British Library
BLPS	British Library of Political and Economic Science
Bod. Lib.	Bodleian Library, Oxford
<i>DNB</i>	<i>Dictionary of National Biography</i>
FRA	Financial Reform Association
FRU	Financial Reform Union
ILP	Independent Labour Party
LCC	London County Council
LGB	Local Government Board
LRC	Labour Representation Committee
LSE	London School of Economics
MBW	Metropolitan Board of Works
NDC	National Debt Commission
NLW	National Library of Wales
PP	Parliamentary Papers
PRO	Public Record Office
SDF	Social Democratic Federation