

BRITISH BUDGETS

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BRITISH BUDGETS

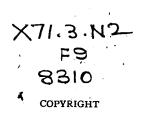
Second Series

1913-14 то 1920-21

by SIR BERNARD MALLET, K.C.B. and C. OSWALD GEORGE, B.Sc.(Econ.)

MACMILLAN AND CO., LIMITED ST. MARTIN'S STREET, LONDON

1929



PRINTED IN GREAT BRITAIN

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P.C., G.C.M.G.

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BY WHOSE FRIENDLY ADVICE BRITISH BUDGETS WAS ORIGINALLY DESIGNED TO CAREY ON THE STORY OF OUR PUBLIC FINANCE FROM THE CONCLUSION OF HIS OWN FIRANCE AND POLITICS

SIXTEEN years ago I published, under the title British Budgets, 1887-88 to 1912-13, a volume which, like its prototype, a well-known book by Sir Stafford Northcote afterwards Lord Iddesleigh, was intended to provide a "convenient summary of the financial measures of recent years." I have postponed the preparation of a continuation of that work longer than I should have done had I realised the amount of the material to be dealt with in an account of war and post-war budgets, which has made it impossible to include more than ten budgets in the present volume. My colleague and I have therefore been obliged to defer bringing our subject up to date to another which we shall hope to issue without undue delay. This volume, accordingly, is confined to the war budgets (which have already been ably dealt with in other publications though not on similar lines to ours), beginning with one normal pre-war budget (1913-14) and ending with a post-war budget (1920-21), which marked the highest point of revenue so far reached in this country. The plan of my earlier book has been exactly followed in this one, but certain points, particularly in connection with expenditure and local taxation, must be deferred for discussion to our next volume.

The interest of the present series is of a very different kind from that of the series completed in

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1913. In that quarter of a century it fell to me to trace a development of public finance of a gradual and orderly kind, even allowing for what at the time seemed the almost revolutionary character of Mr. Lloyd George's first budget-a "process of expansion and adjustment," as I then expressed it, "by which the revenue system had been enabled to cope with the increasing cost of administration" and "a successful endeavour made to apportion the burden of taxation, both as between individuals and as between classes, in accordance with modern theories of equity." The interest of the period was enhanced by the personality of the protagonists; and such men as Goschen, Harcourt and Hicks-Beach all made themselves felt as masters in their financial household.

In our present period not only were men generally overshadowed by the cataclysmic events with which they were faced, but the character of the budget speeches and of the financial discussions suffered both from the comparative absence of party controversy, and from the fact that, alike in Parliament and outside, the war was the all-absorbing topic, and the raising and spending of vast sums of money a mere incident in its prosecution. Never in our history, however, had the necessity for so tremendous a financial effort arisen, nor the after-effects of such an effort on the position of the country been more profound. Important as are the lessons which may have been learned for future guidance on the problems of war finance, loans, inflation and so on, of even greater interest from our point of view are the changes which have been brought about in the budgetary conditions of subsequent years, and the impetus given to tendencies in

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public finance which, as I noticed in the preface to my earlier work, had been in progress for many years before the outbreak of the war.

The raising of the standard of living, the creation and satisfaction of new wants, the weakened sense of the need for economy, both public and private, the unlimited confidence in the efficacy of public action and public money in dealing with social problems, and the widened conception of the objects for which taxation may legitimately be imposed-such tendencies as these, coupled with the decline in the power of Parliament and of Governments to control expenditure, whether national or local, may or may not have been the inevitable consequence of the democratisation of our political institutions. All these tendencies have in any case been immensely stimulated by war conditions and war expenditure, and increasingly embarrass and complicate the problems of public finance. But in spite of a disproportionate amount of unemployment the social condition of the population presents some encouraging features; and there is the appearance, if not the reality, of increased and widely diffused material well-being, and even luxury, which is hard to reconcile with the fact that the war has seriously jeopardised the commercial position of this country in comparison with rivals wealthier or more hard-working and hard-living than ourselves, and has imposed upon us a load of taxation which to pre-war financiers would have been unimaginable.

In view of the experience of the last few years it would nevertheless be hazardous to question the possibility of some similar revenue expansion in the

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future. But there must be a limit to the amount of taxation which a country situated as Great Britain is to-day and dependent, as she is, for the very existence of her population on foreign trade, can support; and students of British financial and economic conditions will not be disposed to take an optimistic view of the capacity of the taxpayer to bear an increased burden. There is however every indication that the growth of public expenditure will continue to outrun the natural growth of the revenue, and that increasing resort will be had to the direct taxation of accumulated wealth to satisfy the lavish demands of the modern state.

Such a process cannot long continue unless wealth is continually replenished, and the industrial and productive capacity of the nation can be made at least to keep pace with the growth of expenditure. The present Chancellor of the Exchequer, Mr. Snowden, has lately emphasised the interdependence of finance and industry, and reminded us in the gravest terms that "the national revenue can only be derived from trade," and that "therefore it is a matter of supreme importance that we should put forth our efforts . . . not merely to restore trade--that is not enough-but to expand and increase our trade." How to reconcile these conflicting claims, whether, in short, taxation even on its present scale can continue to be levied without discouraging and restricting commercial and industrial enterprise-this is the vital question which is being forced to the front by the abandonment of all real hope of economy in public expenditure. It is one which hardly arises in connection with the budgets now under review, though it

will be present to the minds of those who study them. B_vt a good deal of light will no doubt have been thrown upon it before the publication of our next series.

J have to thank the Controller of H.M. Stationery nice for permission to reproduce various tables, or portions of them, from Government publications and reports. There are some private friends who have kindly allowed me to consult them on certain points, but my principal obligation is to Mr. C. O. George, without whose assistance I could hardly have embarked on this new series. The appearance of his name on the title page as joint author with myself is an indication, however inadequate, of the part he has played in the preparation of the present volume.

B. M.

October 1929.

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