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**MR. GOSCHEN'S FINANCE.**

**1887—1890.**

*Reprinted, with additions, from*

**THE CONTEMPORARY REVIEW.**

# MR. GOSCHEN'S FINANCE.

1887—1890.

BY

SIR THOMAS H. FARRER.

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LIBERAL PUBLICATION DEPARTMENT,  
41 & 42, PARLIAMENT STREET, S W.

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1891.

X7.3.M9

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LONDON:

PRINTED BY THE NATIONAL PRESS AGENCY, LIMITED,  
18, WHITEFRIARS STREET, FLEET STREET, E.C.

3384

## PREFACE.

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The following pages are reprinted from three articles in the *Contemporary Review*, which appeared in October, November, and December, 1890. In revising them for the press, I have done my best to fill up gaps and to correct mistakes; but am not sanguine enough, in dealing with matters so various and so complicated, to hope that there are no errors left. To various criticisms, public and private, I am much indebted, but they have been such as to strengthen my original conclusions with respect to the financial measures of the last four years. Some things—such as the conversion of the National Debt; the establishment of the Local Loans Fund; and the imposition of additional taxation on businesses and on speculation—have been done well and in a workmanlike manner. But in other matters—more important and more numerous—there have been displayed very different qualities—restless cleverness; rashness mingled with cowardice; good notions made abortive and mischievous by evil surroundings—in short, a policy of meddle and muddle. In saying this I do not refer exclusively or chiefly to such measures as the Wheel and Horse

Taxes, the Sugar Convention, or the Publicans' Compensation Clause, upon which judgment has already passed; but to other financial innovations which, though they have received Parliamentary sanction, are no less important and no less mischievous. The most important of these are the following, viz. :—

1. The reduction, in time of profound peace, and of reviving prosperity, by a sum of not less than £3,000,000 a year, of the annual sum, or New Sinking Fund, which, under the wise prudence of a Conservative predecessor, the nation had in less prosperous times set apart in order to discharge the interest and principal of the National Debt. (See Chap. I., pp. 12-17.)

2. The expenditure on Army and Navy, which is not only larger in amount than has ever been expended before in times of peace, but has been so charged upon the future and so withdrawn from the usual constitutional checks as to make it uncertain what the amount expended really is; when it will be repaid; and whether the surpluses claimed by the Chancellor of the Exchequer are real or fictitious. (See Chap. I., pp. 32-37.)

3. The extension and perpetuation of the system of subsidising local authorities by appropriating to them integral parts of the Imperial resources, instead of providing them with their own separate local funds, a system which is at once embarrassing to the Imperial Exchequer and demoralising to local authorities. (See Chap. II., pp. 73-92.)

4. The unfair distribution of these subsidies, when compared with the standard which Mr. Goschen himself established in 1870-1. In these years he proved, and the proof has been confirmed by subsequent experience, that it was the great towns, and especially London, which were suffering most from new rates, and which most needed relief; whereas the measures of the present Government have been such as to give the largest amount of relief to rural districts, and to give to the towns, and especially to London, a comparatively small proportion of these subsidies. (See Chap. II., pp. 93 *et seq.*)

5. The total absence of any attempt to give to the ratepayers of the great towns, and especially of London, the relief which, as Mr. Goschen proved in 1870, is the relief really wanted, viz., the transfer of a part of the burden of rates to the owners of land in those towns. (See Chap. II., pp. 95-97.)

6. The removal of existing checks on the expense of the Metropolitan Police, and the assumption of new and indefinite powers of taxing the Metropolis for this purpose. (See Chap. II., pp. 104-107.)

7. The meddling and unsatisfactory changes made in the levy and appropriation of the Death Duties. These changes, whilst admitting the existing injustice and confusion of this great branch of taxation, have aggravated that injustice and confusion, and have rendered it more difficult, if more necessary, to deal with the whole subject fairly and fully.

8. The confusion introduced into the National Accounts by the mingling of Imperial with Local



Funds, and by the withdrawal, both in the case of Local Finances and of Army and Navy Expenditure, of the ordinary constitutional checks. (See Chap. II., pp. 81-83; and Chap. III., pp. 154-157.)

Remission of Taxation and Reduction of Debt have been forced upon the Government by surpluses which they did not anticipate, and by prosperity with which they had about as much to do as Mrs. Partington's mop with the Atlantic Ocean, but the acts and omissions I have noticed above are their own.

If amongst these doings and misdoings I were to make a guess at the one which is likely to be most fatal to Mr. Goschen's reputation as a statesman, it is—that having had such an opportunity, as does not occur once in a century, of establishing the wholesome old English principle of Local Self-Government by a self-supporting system of Local Finance and Local Self-Taxation, he has preferred the easy and cowardly plan of subsidising Local Bodies by doles from Imperial Funds, ill selected, ill applied, and ill distributed—doles demoralising at once to the giver and to the receivers.

T. H. FARRER.

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