

'Taxation in the Zenith': taxes and classes in the United Kingdom, 1816 - 1842

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Introduction

Stephen Dowell, who in 1884 wrote the first and still most comprehensive study of English taxation, *A History of Taxation and Taxes in England*, labelled the period from 1815 to 1842 "Taxation in the Zenith," the highest point being 1815 at the conclusion of the Napoleonic wars with France.¹ This era also has been the focus of work by historians on the development of class consciousness, although that attention has been on means of production, conditions of employment, and standards of living. Recently, historians studying the middle class have examined politics and political imagery, not economics.² None has connected taxation to the issue of class, be it the working or the middle class.

Even after the repeal of many war taxes, including the income tax, Sydney Smith, the best known wit of his day, lamented in 1820 that

We can inform Jonathan what are the inevitable consequences of being too fond of glory; – TAXES upon every article which enters into the mouth, or covers the back, or is placed under the foot – taxes upon every thing which it is pleasant to see, hear, feel, smell, or taste – taxes upon warmth, light, and locomotion –

¹ Stephen Dowell, *A History of Taxation and Taxes in England*, (4 vols, New York 1965 reprint).

² E.P. Thompson, *The Making of the English Working Class*, (London 1963). Dror Wahrman, *Imagining the Middle Class The Political Representation of Class in Britain, c. 1780-1840*, (Cambridge 1995).

taxes on every thing on earth, and the waters under the earth – on every thing that comes from abroad, or is grown at home – taxes on the raw material – taxes on every fresh value that is added to it by the industry of man – taxes on the sauce which pampers man's appetite, and the drug that restores him to health – on the ermine which decorates the judge, and the rope which hangs the criminal – on the poor man's salt, and the rich man's spice – on the brass nails of the coffin, and the ribands of the bride – at the bed or board, couchant or levant, we must pay; – The schoolboy whips his taxed top – the beardless youth manages his taxed horse, with a taxed bridle, on a taxed road: – and the dying Englishman, pouring his medicine, which has paid 7 per cent., into a spoon that has paid 15 per cent. – flings himself back upon his chintz-bed, which has paid 22 per cent. – makes his will on an eight pound stamp, and expires in the arms of an apothecary who has paid a licence of a hundred pounds for the privilege of putting him to death. His whole property is then immediately taxed from 2 to 10 per cent. Besides the probate, large fees are demanded for burying him in the chancel; his virtues are handed down to posterity on taxed marble; and he is then gathered to his fathers – to be taxed no more.³

Sydney Smith's complaints emphasize that no general tax, such as sales, income, or value-added tax, existed; individual items, whether sold domestically or imported, were the object of individual taxes. Most customs duties, also on individual items, were of more value as protection than revenue. Owners of some items – windows, racing horses – were taxed annually on those items; these assessed taxes were paid by the wealthy, with occasional exceptions such as the house tax.

The tax history of the period 1816 to 1842 can be sketched quickly.⁴ The growth of free trade practices led to the end of many import taxes and culminated in Peel's proposed abolition of duties on over 750 items in 1842. Contemporaries witnessed the reductions of large amounts of

³ *The Edinburgh Review* xxxiii (1820), pp. 77-8.

The passage is in a review of a book about America; Jonathan is an imaginary American.

⁴ For the period before 1815, see Patrick K. O'Brien, 'The political economy of British taxation, 1660-1815' *The Economic History Review*, 2nd ser., XLI, No. 1(1988), pp. 1-32, and J.V. Beckett and Michael Turner, 'Taxation and economic growth in eighteenth-century England' *The Economic History Review*, 2nd ser., XLII, No. 3 (1990), pp. 377-403.

taxation – £ 14,000,000 in income tax and over £17,000,000 in other taxes from 1816 to 1840 – though deflation and growth in the remaining taxes meant government revenues usually exceeded expenses.⁵ During this period of no income tax, taxation matters include:

1816	repeal of income and malt taxes (£17,000,000)
1819	reintroduction of malt tax and other consumption taxes (£3,190,000)
1820	free trade petition
1820s	repeal or reduction of over £9,000,000 in taxes
1830	beer tax repeal (£3,800,000)
1830s	repeal or reduction of over £8,000,000 in taxes
1838	deficits begin
1841	election fought on taxation
1842	reintroduction of income tax

A table of the revenues and expenditures for selected years reveals the remarkable stability of expenditure (and the percentage that went to service the national debt) and the shifting importance of various types of taxes to the national government.

TABLE 1 - United Kingdom Gross Public Income and Expenditure, 1816-1844
(In £)

Year	1816	1817	1821	1826	1831	1836	1841	1842	1844
Customs	14,276,362	11,896,341	11,857,624	18,749,076	19,348,635	21,986,857	23,387,268	23,492,884	22,609,957
Excise	29,502,370	26,925,634	29,922,326	22,583,422	20,025,888	14,413,455	14,871,537	14,762,370	13,955,429
Stamps	6,685,496	6,780,666	6,361,444	7,735,036	7,340,327	7,227,334	7,353,819	7,319,252	7,121,581
Land	9,503,757	7,348,696	6,232,891	5,355,804	5,257,906	5,908,634	4,164,876	4,712,782	4,388,417
Income	14,617,969	11,797,378	46,177					520,225	5,346,991
Post Office	2,324,695	2,156,119	2,053,350	2,235,072	2,203,926	2,230,873	1,324,341	1,393,168	1,575,650
Crown Lands	864	1,281	966				167,500	162,000	117,500
Total Income	76,911,503	66,914,325	58,494,818	56,662,360	54,277,682	49,767,153	51,269,401	51,842,456	55,119,525
Interest on Debt	32,219,343	32,893,807	32,822,425	29,238,032	29,236,058	28,610,279	29,467,473	29,714,872	29,390,012
Civil Government	10,708,336	12,270,292	9,683,320	9,857,921	8,792,239	8,173,454	8,951,251	9,360,190	9,769,402
Military & Naval	56,468,545	28,180,560	16,217,729	15,092,302	13,914,677	11,657,486	14,822,667	15,239,781	16,201,092
Total Expenditure	99,396,224	71,344,659	58,423,464	54,098,255	51,942,974	48,441,219	53,241,491	54,314,843	55,360,506
Surpluses (Deficits)	(22,484,721)	(4,430,334)	71,354	2,564,105	2,334,708	1,325,934	(1,972,090)	(2,472,387)	(240,981)

Source: House of Commons Session Paper, 1868-9 (366), xxv, part II.

These are not adjusted for price changes. After the post-war deflation ended, prices across the period fluctuated perhaps 10% around the mean with a very slight secular decline. Population grew about 30% during the period.

Taxes and their incidence were subjects for the early political economists who devoted substantial effort to the topics, largely because they were writing in a period of significant tax changes. The full title of David Ricardo's magnum opus, *On the Principles of Political Economy and Taxation*, reveals his interest and, by page count, the work devotes over one-quarter of its space to taxation. And several other writers, some nearly unknown today, such as Jean-Baptiste Say, James Mill, Henry Parnell, J.R. McCulloch, Harriet Martineau, Robert Torrens, and John Craig discussed incidence theoretically in the 1820s and 1830s. And the writings of others, including pamphleteers, were extensive.⁶ Later in the century Edwin Seligman, partly stimulated by the 'marginal revolution' of the 1870s which justified progressiveness in taxation, interested himself in tax incidence, and his *The Shifting and Incidence of Taxation* is still the most substantial volume on the topic.⁷ Today it is more common for studies of tax incidence to be combined with government expenditure under the heading of public finance, but these works rarely have a historical dimension.⁸

A spate of writings recently has looked at the economics and politics of the post-Napoleonic Wars, and most at least glance at the issue of taxation. The Tory period, long viewed as the origin of free-trade ideology, has seen substantial work, with especial interest on 'economists,' those

⁵ Including £1 million for the post office, these numbers are the amount of a tax in the year before its disappearance or reduction, which is how contemporaries discussed the matter. That the income tax would have produced more than £14 million annually after 1816 as the economy grew was ignored.

⁶ See *Catalogue of The Goldsmiths' Library of Economic Literature*, vol. II: printed books 1801-50, (London 1975).

⁷ Edwin Seligman, *The Shifting and Incidence of Taxation*, 4th ed., (New York 1921). A. Asimakopulos and J.B. Burbidge, 'The Short-Period Incidence of Taxation' *The Economic Journal*, 84 (1974), pp. 267-88. Joseph A. Pechman and Benjamin A. Okner, 'Who Bears the Tax Burden?' *The Brookings Institution* (Washington D.C. 1974).

⁸ Richard Musgrave and Peggy Musgrave, *Public Finance in Theory and Practice*, 5th edn., (New York, 1989).

politicians "with substantial credentials ...[who] played an important role in parliamentary debates and legislative policy making."⁹ These works move increasingly away from the ideas of the political economists and reject the role of ideology, particularly free trade. As such, they fit, loosely, in the tradition of historical writing called 'High Politics,' where maneuver and the seeking and holding of office constitute the story.¹⁰ As twentieth-century scholars have not found taxes of the earlier period very interesting, Stephen Dowell's four-volume work was, in the absence of anything else, reprinted in 1965.¹¹ And histories of tax incidence are rare indeed.

Incidence, who 'really' pays a tax, underlies all debates on public finance, and the purpose of this paper is to examine attitudes to the incidence of taxes by parliamentary speakers in the quarter century when England had no income tax, a period begins with the repeal of the income tax following the end of the French wars and ends with the reimposition of that tax in 1842. The examination will also question whether issues of class help explain events of the day. Though Sir Robert Peel, leader of the Tory government, told parliament that the income tax was temporary and that its imposition would enable him to reduce other taxes, especially customs, in fact the income tax has never lapsed. Neither has the issue of class.

Ideas about incidence

The taxation discussion, like all debates, had assumptions, though only a few were universally shared. Everyone apparently accepted Adam

⁹ Frank Whitson Fetter, *The Economist in Parliament: 1780-1868*, (Durham, North Carolina 1980), p. ix. Boyd Hilton, *Corn, Cash, Commerce The Economic Policies of the Tory Governments 1815-1830*, (Oxford 1977). Barry Gordon, *Economic Doctrine and Tory Liberalism 1824-1830*, (London 1979). Philip Harling, *The Waning of 'Old Corruption' The Politics of Economical Reform in Britain 1779-1846*, (Oxford 1996). Cf. Peter Mandler, *Aristocratic Government in the Age of Reform Whigs and Liberals 1830-1852*, (Oxford 1990).

¹⁰ Norman Gash, *Mr. Secretary Peel The Life of Sir Robert Peel to 1830*, 2nd ed., (London 1985) and *Sir Robert Peel The Life of Sir Robert Peel after 1830*, (London 1972).

¹¹ The Oxford History of England volume for this period, Llewellyn Woodward's *The Age of Reform 1815-1870*, 2nd ed., (Oxford 1962) has no index entry for 'customs,' 'excise,' 'taxes,' or 'taxation.' Peter Mathias expressed surprise two decades ago about historians' neglect of taxation, a neglect noticed again in 1990 by Beckett and Turner. Peter Mathias, *The Transformation of England*, (New York 1979), p. 117. Beckett and Turner, 'Taxation and economic growth in eighteenth-century England' *op. cit.*, p. 377.

Smith's first maxim of taxation that taxes should be paid proportionate to one's means, that, in James Mill's words "A tax, to operate fairly, ought to leave the relative condition of the different classes of contributors the same, after the tax, as before it."¹² (It is worth noting that this maxim was applied to individual taxes, not the entire tax system.) Secondly, it appears that many, at least until the 1830s, accepted Malthus's arguments and thought workers lived at subsistence. Thus any tax that fell on them had to result in increased wages or the workers would starve. Finally, few distinguished short-term incidence from long-term.

When writers and speakers discussed the incidence of taxes, their theories were based on their understandings of the British social structure. The Industrial Revolution and factories had affected understandings only somewhat, though the analyses of political economists with their emphasis on the opposition of wages and profits increasingly popularized the view of society as a horizontal layering of classes. Land, still the chief source of wealth of the country, was owned by landlords, rented by farmers, worked by labourers, and was often treated separately from other forms of capital because it was fixed in amount. Those other forms of capital, whether employed by a manufacturer, a farmer (who rented from the landlord), or a merchant, all of whom were increasingly referred to as 'the middle classes,' produced profits.¹³ The workers, the industrious class, the poorer sort, those surviving on wages, made up the bulk of the population though speakers were vague about this group, both as to its size and income levels. Thus, the social structure of Britain was simplified into landlords, capitalists, the middle classes, and workers, and taxes could fall on land, capital, rent, profits, wages, or a mix of those.

Another, older, view of the society as divided into vertical interests rather than horizontal classes also appeared in debates. Here the agricultural interest was pitted against the shipping interest, the manufacturing interest, etc. Ignoring issues of social class, the agricultural

¹² Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, book V, ch. ii, vol. ii, (Oxford 1979), p. 825. James Mill, *Elements of Political Economy*, 3rd ed., (London 1826), p. 273.

¹³ For a discussion of the terms for the middle class, see Dror Wahrman, *Imagining the Middle Class*, *op. cit.*

interest included landlords, farmers, and agricultural labourers. This view predominated, for instance, when the duty on imported wool was raised in 1824 in order to compensate the agricultural interest for the reduced income resulting from a higher malt tax. That the same farmers did not raise sheep as barley meant that the actions hurt and benefited different groups but all were within the agricultural interest.¹⁴ Lord Holland, whose London house was the centre of Whig activity, articulated the confusions of old and new in 1826, "...the divisions of classes and great interests are arrayed against each other – grower and consumer, lands and funds..."¹⁵

The ideas and language of the political economists were common coin in parliamentary debates, and, as volumes have been directed to the works of individual political economists of the eighteenth and nineteenth centuries, this short paper cannot hope to do justice to their theories.¹⁶ Moreover, some theorists sat in parliament and participated freely. Henry Parnell, whose *On Financial Reform*, was very influential, headed a parliamentary commission in the late 1820s whose examination of governmental finance resulted in many aspects of Whig policy.¹⁷ Of theorists' writings, however, the impact is less certain because many, Ricardo especially, were not easy to read. Moreover, political economy was, for most MPs, an obscure subject. Robert Torrens made one of the longest recorded speeches of the period about taxation and political economy in 1833. After delivering himself of an oration about the income tax that covered more than four columns in Hansard, he had to listen to William Cobbett say "he was not so fortunate as to understand" the arguments and Viscount Althorp, chancellor of the exchequer, declare the matter not relevant to politics as "The question was a purely scientific one."¹⁸ Thus, popular attitudes to tax incidence were based on writers' general conclusions and easily remembered statements, not their premises or reasoning.

¹⁴ *Hansard Parliamentary Debates*, new ser., vol. 10, col. 270.

¹⁵ Quoted in K.G. Feiling, *The Second Tory Party 1714-1832*, (London 1959), p. 402.

¹⁶ Edwin Seligman, *The Shifting and Incidence of Taxation*, *op. cit.* Mark Blaug, *Economic Theory in Retrospect*, 4th ed., (Cambridge 1985).

¹⁷ Henry Parnell, *On Financial Reform*, (London 1830).

¹⁸ *Hansard*, 3rd ser., vol. 17, cols. 842-6.

Many political economists, beginning with eighteenth-century writers, were largely unaffected by industrial changes and adopted the view that taxes fell on land. In France the Physiocrats believed agriculture was the only source of new wealth and therefore land bore the weight of taxation. They recommended taxing land directly and saving the expense and waste of other taxes, a view adopted by the French revolutionary assembly. The British equivalent was Adam Smith, though with some qualifications. Any tax on profits, to Smith, would result in higher prices as capitalists had to obtain their 'usual return' on their investments. If the capitalist was a farmer, he might reduce the rent he paid or increase the price of his produce. An industrialist would raise his prices. Thus, taxes fell on the landlord, through reduced rent, or consumers, through higher prices. Consumers shift the increase, if on necessities, back to profits by means of higher wages but bear the tax if on a luxury. To the extent consumers were agricultural labourers, the tax would find its way back to rent, and then to land. Ignoring some other, minor qualifications, we can say that Smith believed taxes were paid by landowners and consumers of luxuries.¹⁹

David Ricardo, besides writing extensively, served in parliament until his death in 1823, so his views were well aired. Ricardo's theories on taxation are representative of the 1820s. "Taxation under every form presents but a choice of evils."²⁰ Taxation had to come from either capital or revenue and, as taxes on inheritance and other property transfers were the only taxes he examined that came from capital, the remainder of his discussion ignored that item.²¹ A tax on a commodity, be it a necessity or a luxury, raises the price by the amount of the tax, with no direct effect on profits. However, a commodity tax on a necessity raises wages (as workers are at subsistence) and lowers profits, whereas such a tax on a luxury falls wholly on the consumers and does not increase wages or

¹⁹ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, book V, ch. ii, vol. ii, *op. cit.*, p. 847. Cf. Mark Blaug, *Economic Theory in Retrospect*, *op. cit.*, pp. 59-60.

²⁰ David Ricardo, *On the Principles of Political Economy and Taxation*, (Cambridge 1951), p. 167. Carl S. Shoup, *Ricardo on Taxation*, (Morningside Heights, New York 1960).

²¹ David Ricardo, *On the Principles of Political Economy and Taxation*, *op. cit.*, p. 150.

lower profits. Therefore the tax on necessities lowers the profits of farmers, traders, and manufacturers but does not affect landlords or fundholders (owners of the national debt). The necessities tax also hurts exports and raises imports (as would a luxury tax but he did not mention that). All that is left is to draw the line between luxuries and necessities: corn was a necessity, wine and pleasure horses were luxuries.²² An income tax, on the other hand, is best as it affects all and leaves them in the same relative position as before, and it also does not encourage imports. Beyond that Ricardo was silent in his *Principles*. And in parliament he spoke rarely on taxation.

Following Ricardo, J.R. McCulloch, one of the most prolific writers of the day, continued Ricardo's distinction between revenue and capital.²³ Revenue, consisting of rent, profits, and wages, was a permissible object of taxation but capital was not because such a tax impeded growth. To McCulloch, taxes on profits fell on profits, on rent fell on landlords, but on wages were shifted back to capital; the income tax was the fairest tax. Henry Parnell, a theorist as well as MP, believed in taxation of the income from land and the Funds but not capital directly; also any tax on workers, to Parnell, would be shifted to profits, at least to the extent the tax fell on necessities. Harriet Martineau, the great popularizer of utilitarian views, supported direct taxes as not falling on the poor while criticizing the myriad regulations attached to the various excises.²⁴ Not all writers, David Buchanan and Robert Torrens being the notable exceptions, believed workers were at subsistence; therefore a tax on them, their wages, or their consumption was in fact paid by them.²⁵ Some writers were less certain about incidence. For example, Jean-Baptiste Say and John Craig took a tax-by-tax approach as did James Mill, though Mill's *Elements of Political Economy*, which went through several editions in the 1820s

²² David Ricardo, *On the Principles of Political Economy and Taxation*, *op. cit.*, p. 167.

²³ *Supplement To ... Encyclopedia Britannica*, vol. 16 (Edinburgh 1824), pp. 608-45. D.P. O'Brien, *J.R. McCulloch*, (London 1970).

²⁴ Harriet Martineau, *Illustrations of Taxation*, (London 1834).

²⁵ David Buchanan, *Observations on the subjects Treated of in Dr. Smith's Inquiry*, (Edinburgh 1814). Robert Torrens, *An Essay on the Production of Wealth: with An Appendix, in which the Principles of Political Economy are applied to the actual circumstances of this country*, (London 1821).

(third by 1826), evolved to show landlords how various tax proposals would benefit them at the expense of the rest of society.²⁶ One writer in 1829 rejected any doctrinaire approaches, saying taxes fell on everything.²⁷ And at the extreme, Andrew Hamilton adopted a “we can’t tell” approach, believing that, with economic growth, taxes got lost in the continuous circulation.²⁸ But Hamilton was not much quoted.

In parliament members, in both Lords and Commons, spoke to taxation. However, even in the Commons the group was small; often fewer than ten men (in a house of over 500) spoke on taxation during an entire session, and several were the writers mentioned above, Ricardo, Parnell, Torrens. Liberals in both parties – Viscount Althorp, William Huskisson, for example – accepted the political economists’ ideas, particularly free trade, while aristocratic Whigs and High Tories held views that were pragmatic and traditional, respectively, on economic issues. On the government side, the Chancellor of the Exchequer, President of the Board of Trade, and Prime Minister dominated as did their counterparts in the opposition. Generally, the government proposed a budget fairly early in the parliamentary session and any tax changes were announced at that time. While MPs might make suggestions, rarely did a government alter anything, exceptions being when the Tories lost the income tax in 1816 and then gave up the malt tax as well and the Whigs lost the attempted transfer tax in 1831. Once, in 1834, the government announced that a reduction was proposed and let the commons choose the tax.²⁹ The only significant debate on taxation occurred in 1830 when the Whigs, partly for political gain, forced a debate on the overall tax structure. Incidence was directly mentioned only three times in a debate which lasted several hours and involved at

²⁶ Jean-Baptiste Say, *A Treatise on Political Economy*, C.R. Prinsep trans., 4th ed., (London 1821). John Craig, *Remarks on Some Fundamental Doctrines in Political Economy*, (Edinburgh 1821).

²⁷ Sometimes identified as William H. Sleeman, *On Taxes, or the Public Revenue, the Ultimate Incidence of their Payment, their Disbursement, and the Seats of their Ultimate Consumption*, (London 1829).

²⁸ Andrew Hamilton, *An Enquiry into the Principles of Taxation, chiefly applicable to Articles of immediate Consumption*, 2nd ed., (Edinburgh 1793).

²⁹ *Hansard*, 3rd ser., vol. 21, col. 395.

least eighteen speakers, including Charles Poulett Thomson, Huskisson, Parnell, Peel and Althorp.³⁰

Other discussions on tax incidence occurred when an individual member raised the issue. The government would resist any change on revenue grounds. As a consequence, coherent or complete theories of incidence did not appear. Certain individuals clearly represented a group interested in a particular tax: John Maberly, MP for Abingdon, repeatedly brought up and argued the unfairness of the house and window taxes. When the silk industry had problems in the 1820s, MPs for the silk working cities of Macclesfield and Taunton spoke for protection. Joseph Hume, who sat for Aberdeen in the 1820s and Middlesex in the 1830s, often sought a legacy tax, though his greatest interest was government waste. After the franchise reform of 1832, Cobbett joined Hume as a gadfly on taxation issues.

Finally, many others, especially those in or hoping to be in a government, rejected political economy, because governments tended to be pragmatic – a certain tax cannot be repealed as the revenue was needed or proposals for a tax repeal must be coupled with proposals for an alternative source of revenue. Some speakers rejected political economy, with its “monstrous doctrine of transfer,” because of its occasionally cruel conclusions, as did Michael Sadler, MP for Newark, when Scottish kelpworkers were being ruined by imports of barilla.³¹

In summary, landlords, if they accepted the views of the Physiocrats or Adam Smith, saw themselves paying all the taxes, though Smith had an exception for taxes on luxuries. Later writers, focusing on consumption taxes, be they customs or excise, decided consumers paid taxes on luxuries while shifting those on necessities to farmers, traders, and manufacturers. Smith disliked the income tax, not on theoretical grounds but because he believed, as to stockholders “An inquisition into everyman’s circumstances” would be “continual and endless vexation” and the income from land was subject to problems of fairness in the assessment.³² Almost all political economists after Smith believed an

³⁰ *Hansard*, new ser., vol. 23, cols. 857-919.

³¹ *Hansard*, 3rd ser., vol. 2, col. 222.

³² Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, *op. cit.*, book V, ch. ii., vol. ii, p. 848.

income tax fell on the people who paid it. Much parliamentary debate was pragmatic – an industry or activity was suffering and removal of a particular tax would help – and the issue of incidence was never directly addressed. Moreover, the form of tax imposition – taxes on individual items – led men to attack individual taxes, not the tax structure. The babel of possibilities from political economists was mirrored in parliament, and supplemented by self-interest.

Taxes on malt, houses and windows, and income

The malt tax, house and window taxes, and income tax were the most discussed taxes in the period. The first made up a substantial part of government revenues, and the last was seen by almost all political economists as the fairest tax and by politicians as one that would produce substantial revenues and perhaps enable the government to pursue free trade abroad and free manufactures domestically. The house and window taxes well represent the issues that industrialization and urbanization brought to the taxation debate.

After the Napoleonic Wars, the malt tax, part of which was seen as a 'war tax,' was reduced in the frenzy of 1816 but was raised again in 1819 in order to balance the budget. Temporarily repealed (for less than a month) in 1821, the tax was lowered in 1822 to a level that remained unchanged for the rest of the period covered by this paper.³⁵ The repeal of the beer tax in 1830 led to increased consumption and malt tax revenues jumped nearly one-third in the 1830s, producing about 10% of revenue in 1840. The tax survived until 1880.

The malt tax, because it provided so much revenue, was one of the most frequently discussed taxes in parliament and provides a good example of the conflicting views about incidence. Barley, the source of malt, was grown by a wide range of farmers, which made it a constant topic for the agricultural interest. As the primary purpose of malt was to make beer and ale, beverages drunk by all of the English but especially by the 'labouring classes', those who thought a tax on workers increased

³⁵ *Hansard*, new ser., vol. 4, col. 1384, and vol. 5, col. 27. Chancellor Frances Baring put a 5% surtax on all excises in 1840.

wages and therefore reduced profits disliked the tax.³⁴ In the early 1820s Ricardo saw beer as a luxury, and therefore paid by consumers, whereas the Whig Henry Brougham declared it a necessity.³⁵ And some believed the tax fell on the workers and was not shifted, which was unfair as it made the contribution of the 'poorer sort' to the national revenue disproportionately large.³⁶ On the other hand, in 1816, when members of the House of Commons were smarting from criticisms that the repeal of the income tax and reduction of the malt tax had been votes of self-interest by landed society, speakers argued that the malt tax fell on drinkers, not the landed.³⁷ Occasionally, opponents to a malt tax reduction predicted that any savings would go to the maltster, not the farmer or the drinker. Finally, some thought the tax spread over "a very large portion of the community, and did not press heavily on any particular class."³⁸ Governments, be they Whig or Tory, fought to keep the malt tax because of the amount of revenue involved.

In 1825, the Tory Chancellor of the Exchequer, Frederick John Robinson, declared that the reductions in the malt tax had worked because beer consumption had grown by 16 1/2% since 1816, which argued beer was a luxury and the tax, therefore, paid by the drinker.³⁹ However, by 1830, Henry Goulburn, the then Tory Chancellor, in arguing to abolish the beer tax, said that the reduction of a million pounds of government revenue raised by the beer tax would reduce the price of beer a farthing a quart whereas a reduction of the malt tax by a similar amount would only see the price to the drinker drop 1/12th of a penny, so the tax was not paid by the drinkers.⁴⁰ Foregone was any pretence that consumers paid it, something apparent as early as 1819 to the Tory Chancellor Nicholas Vansittart and seen by the Whig Althorp in 1823. To those most active in the politics of taxation, farmers paid the malt tax.

If the malt tax pitted agriculturalists against the government, middle

³⁴ Stephen Dowell, *A History of Taxation and Taxes in England*, *op. cit.*, vol. 4, pp. 78-85.

³⁵ *Hansard*, new ser., vol. 6, col. 485, and vol. 9, col. 215.

³⁶ *Hansard*, new ser., vol. 13, col. 385.

³⁷ *Hansard*, 1st ser., vol. 33, col. 457.

³⁸ *Hansard*, new ser., vol. 5, col. 20.

³⁹ *Hansard*, new ser., vol. 14, col. 1321.

⁴⁰ *Hansard*, new ser., vol. 23, col. 312.

class concerns appeared when the discussion involved taxes on houses and windows. Proponents of repeal obtained substantial relief in 1823, 1824, and 1825 (totalling £2,870,000 annually). By 1830 the two taxes were each producing about £1,200,000 annually, and in 1833 figures were produced that the house tax was being paid by 43,000 out of the 2,846,000 houses in Great Britain and the window tax by 38,000.⁴¹ In 1834 Althorp, forced to choose between the house and window taxes, opted to repeal the house tax. Efforts continued to abolish the window tax but after the 1834 the revenue could not stand the loss. The window tax survived until 1851.

With several spokesmen in parliament – Maberly, John Cam Hobhouse, MP for Westminster, Samuel Whalley, who sat for Marylebone – the case against both taxes was constantly presented and reductions sought. Adam Smith had given his imprimatur of approval to these taxes because they taxed items that well represented the wealth of their owners and, in houses built on leased land, the taxes fell jointly on the landlord and the tenants.⁴² Ricardo agreed, though he thought the taxes violated the maxim that “the burdens of the State should be shared by all in proportion to their means.”⁴³ Ricardo, and later McCulloch, believed housing was sufficiently inelastic that the taxes “presented little obstacle to growth and accumulation.”⁴⁴ However, by 1830 opinion had shifted as many houses also included shops and therefore the taxes interfered with trade and manufacture, which let opponents make the usual arguments about such taxes.⁴⁵

The house tax in particular was paid largely by residents of London and a few other cities so was clearly seen as a tax on trade and manufacture because so many houses included the workplace of

⁴¹ *Hansard*, 3rd ser., vol. 17, col. 1831.

⁴² Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, *op. cit.*, book V, ch. ii, vol. ii, pp. 841, 846.

⁴³ David Ricardo, *On the Principles of Political Economy and Taxation*, *op. cit.*, p. 204.

⁴⁴ D.P. O'Brien, *J.R. McCulloch*, *op. cit.*, p. 617.

⁴⁵ David Buchanan, *Observations on the Subjects Treated of in Dr. Smith's Inquiry*, *op. cit.*, pp. 300-1. R.M. Martin, *Taxation of the British Empire*, (London 1833), p. 89. An Ultra Tory, *A Letter to Sir Henry Farnell, shewing the unsoundness of the doctrines laid down in his work on Financial Reform and proving that free trade will inevitably produce the ruin of the country*, (London 1830), p. 60.

craftsmen, artisans, and manufacturers.⁴⁶ The tax, based upon the rental value of the house, did not reach the rich because the upkeep of large country houses was so great they had no rental value. The window tax, while paid by aristocrats with large houses, also affected factories, where long banks of windows were necessary for light. Also it was “too bad to tax the light of heaven,” especially as it was seen so seldom.⁴⁷ After various exceptions were included for middle-class concerns, the Whig Chancellor of the Exchequer, Thomas Spring Rice, declared in 1837 that repeal of the window tax was of low priority because it would help only the top 1/7th of the nation.⁴⁸ Althorp’s decision in 1834 to repeal the house rather than the window tax was partly motivated by the fact the wealthy did not pay the former.

The story of the income tax, often called property tax by contemporaries, begins with an end – the repeal in 1816 – and then evolves into episodes of High Politics carried along by the current of tax reduction, deficits, and free trade. With the end of the Napoleonic wars, the clamour for an end to all ‘war taxes’ led to a defeat for the government when the House of Commons rejected the government’s efforts to extend the income tax even though the rate of 10% would have been cut in half and farmers’ profits given even more relief. While the debates touched upon incidence, figures were scarce. The Chancellor of the Exchequer, Nicholas Vansittart, in defending the tax against charges that it fell on the wrong people, produced numbers about families in trade and handicrafts:

total	1,131,000	
made returns	266,000	(25% of total)
exempt as under £50	109,000	
income from £50 to £150	121,000	(lower rate)
income from £150 to £1000	32,000	
income above £1000	3,692 ⁴⁹	

⁴⁶ *Hansard*, 3rd ser., vol. 17, col. 759.

⁴⁷ *Hansard*, 3rd ser., vol. 38, col. 504.

⁴⁸ *Hansard*, 3rd ser., vol. 38, col. 506.

⁴⁹ *Hansard*, 1st ser., vol. 32, cols. 1127-9.

By the government's figures, fewer than 14% of all families in trade and handicrafts paid tax and over three-quarters of those at the reduced rate. As to agricultural families:

total assessed	589,000
income under £150	432,500
income above £200	42,000 ⁵⁰

One critic recalculated the numbers to show that families assessed from £50 to £100 – those who “formed the very poorest class of society” – contributed £7 million, or one-half of the total raised.⁵¹ This statement occurred as members of the House of Commons, having voted to repeal the tax, had one of their longer debates about incidence, a debate whose purpose was to convince themselves that they, as landed society and the wealthy, had not been selfish in repealing the tax.

Objections to the income tax were detailed in the debates of 1816 and then rehearsed for the next twenty-five years. English freedoms were at stake because the means of assessment and collection were ‘vexatious’ as the government could pry into one’s affairs. This concern led Henry Brougham to call for the destruction of the records and an *auto-da-fé* occurred in Old Palace Yard.⁵² Many felt that clearer distinctions should be drawn between steady income, presumably land-related, and earned income, that of professionals and the like, as the latter was less certain. The Irish paid no income tax as no structure was available to collect it. The most repeated complaint involved a perception of fairness as owners of the national debt, the fundholders, were not taxed. (Some believed an understanding when the government borrowed the money but precluded taxing the interest paid.) When Peel proposed the income tax in 1842, these arguments were all trotted out; the only addition, as Peel proposed to tax fundholders, was that foreigners holding the national debt (the Dutch) should not be taxed as they derived

⁵⁰ *Hansard*, 1st ser., vol. 32, cols. 1127-9.

⁵¹ *Hansard*, 1st ser., vol. 33, col. 437.

⁵² B.E.V. Sabine, *A Short History of Taxation*, (London 1980), p. 119. Ironically, duplicates were kept by the King’s Remembrancer so the information was not lost.

no protection from the government and foreign governments might retaliate by taxing British money abroad. It is hard to avoid the conclusion that these objections to the income tax, none based on incidence, and the general defensiveness of the 1816 debate masked the real reason for the repeal.

After 1816, mention in parliament of an income tax disappears until 1830 when the Whigs moved for a select committee on the issue of taxes, which included a study of an income tax.⁵³ Some members of the Tory cabinet, including Peel, thought an income tax a good idea but they lost to the Duke of Wellington, the prime minister and constant defender of landed society.⁵⁴ Whatever the intent of the Whigs' motion, the effect, from 1830 to 1842, was to make the income tax a political weapon, an episode of High Politics in which principle was subordinated to the quest for office. Althorp, in 1836, said "He should pity that unfortunate mortal who, as Chancellor of the Exchequer, had either to propose a property-tax or to defend it," and Althorp knew political economy and probably supported an income tax on principle.⁵⁵ The Opposition, be they Whigs in 1830 or Tories in 1833 moved for an income tax and the government of the day opposed the motion.⁵⁶ One government supporter complained about "Members, who got up a debate every night on every tax proposal, with the view to goad the noble Lord and his colleagues into the imposition of [an income tax]."⁵⁷ (In that particular debate Tories were also attacking taxes to divert attention from the growing agitation for reform of the franchise.) Althorp, leader of the Whigs in the House of Commons and no amateur at politics, turned the issue to his party's benefit in 1833 when the agricultural interest succeeded in a motion to repeal the malt tax. When he announced to the House that such a repeal would mandate an income tax, Peel led the Tories in an immediate retreat.⁵⁸ When Peel, as prime minister, finally proposed an income tax, both supporters and

⁵³ *Hansard*, new ser., vol. 23, cols. 862 *et seq.*

⁵⁴ Norman Gash, *Mr. Secretary Peel: The Life of Sir Robert Peel to 1830*, *op. cit.*, p. 616.

⁵⁵ *Hansard*, 3rd ser., vol. 32, col. 568.

⁵⁶ *Hansard*, 3rd ser., vol. 19, col. 24.

⁵⁷ *Hansard*, 3rd ser., vol. 2, col. 645.

⁵⁸ *Hansard*, 3rd ser., vol. 17, col. 817.

opponents had a field day with the Whigs pointing to statements made by Peel over the years opposing the tax and Tories alleging many Whig calls for just such a tax.⁵⁹ High Politics exposed.

While Whigs and Tories shadow danced over an issue that would upset landed society, the income tax became the open programme of a small group of MPs labelled Radicals. Middle-class industrialists, they pushed the income tax explicitly on fairness grounds. What converted the income tax from a radical idea to a Peel proposal was the string of deficits in the late 1830s. The Whig government of the day, led by Lord Melbourne, continued the tradition of the Tory governments of reducing taxes and moving towards free trade. In 1833 slavery in the Empire was abolished, the £20 million payment to slaveowners added to the national debt, the £750,000 interest on the payment added to the expenditures of the budget. A series of foreign problems – Canada, China, Syria, Afghanistan – added expenses to the army and navy budgets. The deficits grew from £747,590 in 1838 to £2,472,387 in 1842. Additionally, population growth and limits on British agricultural productivity meant the effects of the corn law became more apparent – what was a protection was also becoming a tax, as the 1839 budget included £1 million paid on imported corn.⁶⁰

It was Peel, prime minister of the new Tory government formed as a result of the election of 1841, who proposed the income tax, a tax to be for the temporary period of three years. Coupled with removal of many import duties, and a changed corn law, the income tax would supply the money to tide the budget over until the effects of free trade would produce growth and raise the remaining taxes. Peel's proposal met several criticisms of the tax structure of Britain in the 1840s yet it is still surprising how little the debates dwelt on such matters. Rather, the discussion was about alternative taxes and the inquisitorial nature of the income tax. The income tax, proposed for three years though Peel admitted it might last five years, was designed to remedy, at least a bit, the perceived

⁵⁹ *Hansard*, 3rd ser., vol. 62, cols. 84 *et seq.*

⁶⁰ John Prest, 'A Large Amount or a Small? Revenue and the Nineteenth-Century Corn Laws' *Historical Journal* 39 (1996), p. 469. This amount fluctuated widely, being as low as £35,000 in 1833.

problems of tax incidence and his entire budget aimed to reduce advantages held by the landed interest while still leaving that segment of the economy well protected. The income tax, with its floor set at £150, divided the British economy into five areas and the government estimated the income and tax revenues from each as follows⁶¹:

Schedule	Type of Income	Income before exemptions	Tax revenue
A	Rent of land & houses, tithes, dividends of companies, mines & ironworks	72,829,000	1,600,000
B	Rent of land in tenancy	26,000,000	150,000
C	Income from public funds	30,000,000	646,000
D	Profits of trades & professions	56,000,000	1,220,000
E	Income of officials	7,000,000	155,000
Total		191,829,000	3,771,000

While Peel generated no enthusiasm, even from his own party, his proposals met many of the complaints of the previous quarter century. At last the fundholders contributed to the kingdom's tax revenues; any objections that the tax violated the contract when the money was borrowed received little sympathy and less debate. Public officers, long the object of attack as holders of sinecures, agents of waste, pensioned supporters of the government, etc., would be taxed. Landlords saw the new industrial wealth at last taxed and the industrial interest realized its demands that inherited wealth contribute. Both also believed they stood to benefit from other aspects of Peel's budget – land by the continued protection of the corn law and commerce by the furtherance of free trade. The exemption of £150 eliminated the workers and, by one calculation, left the tax to be paid by 200,000 people out of a population exceeding 18 million.⁶² That the landed interest with over 50% of the nation's income was paying 46% of the total tax raised did not quiet complaints that the agricultural interest was being hit harder or cheer the sullen faces of Tory backbenchers. In an influential book, Benjamin Sayer, a collector of the old income tax, had also asserted the income tax would hurt the landed

⁶¹ *Hansard*, 3rd ser., vol. 61, col. 444, and vol. 64, col. 25.

⁶² *Hansard*, 3rd ser., vol. 62, col. 329.

interest and "it is only just."⁶³ The landed interest believed, because Peel had told them over a decade earlier, they were being hurt.⁶⁴

Conclusion

Many writers and speakers opined about tax incidence, but examining incidence rather than asserting it was rare. No one made a comprehensive estimate until 1833, when R.M. Martin, as part of his study, *Taxation of the British Empire*, looked at all the taxes as of his day. As Table 3 shows, five items – malt, sugar, spirits, tea, and tobacco – accounted for over forty per cent of tax revenues and, by Martin's figures, the middle class and working class paid nearly ninety percent of those taxes⁶⁵.

Writing just after the French had thrown out Charles X and during English Reform agitation, Martin's book called for an income tax, which would reduce the burden on the middle class, and declared that the present system must be changed or revolution will result. The roundness of Martin's class by class breakdown suggests personal estimates and his figures are based upon the working class constituting 57% of the United Kingdom whereas recent work suggests 81% is closer.⁶⁶ Thus the overall value to historians of his figures is questionable, but, while his work is not mentioned in parliamentary debates, he did provide the only practical work available to those without access to the details of government numbers.

Another examination of the incidence issue would attempt to decide if landed society and the agricultural interest were bearing their share of the load. Certainly the tone of speeches in the House of Commons in 1816 following the repeal of the income tax suggests a defensiveness.

⁶³ [Benjamin Sayer], *An Attempt to shew the justice and expediency of substituting an Income or Property Tax for the present taxes, or a part of them*, (London 1833), p. 64.

⁶⁴ Hansard, new ser., vol. 23, col. 912, and 3rd ser., vol. 61, col. 1001, vol. 63, col. 630, and vol. 64, col. 293.

⁶⁵ R.M. Martin, *Taxation of the British Empire*, *op. cit.*, p. 193.

⁶⁶ J.A. Banks, "The social structure of nineteenth century England as seen through the Census", in Richard Lawton (ed.), *The Census and Social Structure An Interpretative Guide to Nineteenth Century Censuses for England and Wales*, (London 1978), pp. 179-223

TABLE 3 - Incidence of Taxes in the United Kingdom (in £ millions)

Article Taxed	Total Tax	Tax by Class			Per Capita Tax by Class		
		Rich	Middle Class	Working Class	Rich	Middle Class	Working Class
Malt & hops	5.00	1.00	2.00	2.00	.400	.250	.143
Sugar & sweets	5.00	1.00	3.00	1.00	.400	.375	.071
Gin & Whisky	5.30	.30	2.00	3.00	.120	.250	.214
Tea	3.30	.50	1.80	1.00	.200	.225	.071
Tobacco	3.10	.10	1.00	2.00	.040	.125	.143
Rum	1.60	.20	.80	.60	.080	.100	.043
Brandy & Geneva	1.90	.70	1.00	.20	.280	.125	.014
Soap	1.10	.10	.50	.50	.040	.063	.036
Wines	1.50	.95	.50	.05	.380	.063	.004
House tax	1.30	.30	.80	.20	.120	.100	.014
Window tax	1.20	.20	.80	.20	.080	.100	.014
Land tax	1.10	.10	.60	.40	.040	.075	.029
Post-office	2.20	.80	1.35	.05	.320	.169	.004
Probate & legacy	2.10	1.00	1.00	—	.400	.137	—
Licenses & certificates	1.10	.20	.60	.30	.080	.075	.021
Fire & marine insurance	1.00	.40	.60	—	.160	.075	—
Law stamps & deeds	1.50	.50	1.00	—	.200	.125	—
Timber	1.30	.30	.80	.20	.120	.100	.014
Glass & paper	1.20	.20	.90	.10	.080	.112	.007
Servants, carriages	1.20	1.00	.20	—	.400	.025	—
Coffee & cocoa	.60	.10	.30	.20	.040	.037	.014
Bills of exchange	.75	.20	.50	.05	.080	.063	.004
Bricks & auctions	.60	.10	.30	.20	.040	.037	.014
Stage-coaches	.65	.20	.40	.05	.080	.050	.004
Currants & fruit	.60	.20	.35	.05	.080	.044	.004
Newspapers	.70	.20	.40	.10	.080	.050	.007
Spices	.15	.05	.08	.02	.020	.010	.001
Corn & seeds	.65	.05	.40	.20	.020	.050	.029
Butter, cheese	.30	.05	.20	.05	.020	.025	.004
Silks & gloves	.20	.10	.10	—	.040	.012	—
Cotton & wool	.70	.10	.40	.20	.040	.050	.014
Oils & gums	.10	.03	.06	.01	.012	.007	.001
Crown lands	.40	.10	.25	.05	.040	.031	.004
Bankers' notes	.10	.03	.06	.01	.012	.007	.001
Starch & paper	.10	.05	.05	—	.020	.006	—
Vinegar & turpentine	.10	.02	.06	.02	.008	.007	.001
Coals	.10	.03	.07	—	.012	.009	—
Indigo, furs	.10	.04	.05	.01	.016	.006	.001
Drugs & dyes	.10	.03	.06	.01	.012	.007	.001
Total	50.00	11.53	25.44	13.03	4.612	3.180	.945

Speaker after speaker argued that land was too heavily taxed and that local taxes in particular, such as county rates and tithes, bore heavily on agriculture. Even so, hidden in the complexities of tax law were other favoritisms to the agricultural interest. In 1823 it was claimed that of 26 million bushels of malt consumed annually, 7 ½ million were used by the rich in private brewing, and hence went untaxed. However, to extend the tax to such usage would, in effect, lower profits because farmers brewed and served beer to their labourers.⁶⁷

The repeated efforts to reduce the malt tax were justified by arguments that the agricultural interest was suffering.⁶⁸ In 1822 the Duke of Buckingham produced figures for the taxes a 'typical' farmer paid; of the total of £33, the malt tax accounted for nearly £13, on an income of over £600. Moreover, one of the farmer's labourers, who paid a total tax of over £6, paid nearly £2 ½ tax on his ale, which, farmers argued, raised the price of the labourer's wages. [The Duke's figures are hard to follow; the total tax is about 5% of income, but the figures include only wheat income; also he appears to be assuming the labourer's taxes are all borne by the farmer but he is vague about the number of labourers. If it is five, as appears likely, then with the Duke's assumptions, the farmer is paying about 10% of his income in tax.]⁶⁹ Similarly, in the 1830s, the Marquis of Chandos, son of the Duke and a self-proclaimed 'farmer's friend,' produced figures which suggested a farmer would gain £70-80 annually by repeal.⁷⁰

Comments abound throughout the period that contemporaries believed the rich were not paying their fair share.⁷¹ Alexander Baring, a City financier, said many MPs thought that taking care of the landed interest was their purpose.⁷² In 1823, the government reduced or eliminated taxes on horses, carriages, and servants, and explicitly acknowledged the changes helped the rich. However, it was argued the rich could now hire more poor.⁷³

⁶⁷ *Hansard*, new ser., vol. 9, col. 593.

⁶⁸ Farmers were having hard times. M.E. Turner, J.V. Beckett, and B. Afton, *Agricultural Rent in England 1690-1914*, (Cambridge 1997), pp. 238-45.

⁶⁹ *Hansard*, new ser., vol. 6, cols. 735-41.

⁷⁰ *Hansard*, 3rd ser., vol. 26, col. 740.

⁷¹ F. Shehab, *Progressive Taxation A study in the Development of the Progressive Principle in the British Income Tax*, (Oxford 1953).

⁷² Frank Whitson Fetter, *Economists in Parliament 1780-1868*, *op. cit.*, p. 125.

Also the assessed taxes hampered a landlord's display and hurt deference.⁷⁴ Lord Liverpool, prime minister in 1824, stated that more direct taxes would be a good thing because they made up a lower proportion in Britain than elsewhere, an opinion the radical Hume voiced in 1836.⁷⁵ However, farmers did not so believe and, even after the reform of the poor law in 1834 and a drop of nearly 50% in poor rates, the agricultural interest claimed distress and sought a repeal of the malt tax.⁷⁶

How about the middle class? Historians have had a lively debate over the origins and nature of the 'middle class' in this period. Many have reinterpreted the consequences of 1832 to argue that Reform merely strengthened traditional elite power.⁷⁷ Recently it has been argued that the representation of the middle class might be treated separately from the social reality, that political life was separate from economic changes, and that the Reform Bill, while it did not change parliament much, did represent a significant change in how certain groups viewed themselves.⁷⁸ Events in 1833 and 1834 test these interpretations. In 1833 the House of Commons, without governmental sanction, voted to reduce the malt tax, but, as too much revenue was involved, Viscount Althorp, Chancellor of the Exchequer, told the house that an income tax would be necessary unless the vote was changed. This merged into a debate over the house tax, another tax constantly queried, and the Whig government succeeded in framing the issue as malt tax versus house tax, landed interest versus the

⁷³ *Hansard*, new ser., vol. 8, col. 201.

⁷⁴ Boyd Hilton, *Corn, Cash, Commerce The Economic Policies of the Tory Governments 1815-1830*, *op. cit.*, p. 32.

⁷⁵ Boyd Hilton, *Corn, Cash, Commerce The Economic Policies of the Tory Governments 1815-1830*, *op. cit.*, p. 260. Philip Harling, *The Waning of 'Old Corruption' The Politics of Economical Reform in Britain, 1779-1846*, *op. cit.*, p. 167. *Hansard*, 3rd ser., vol. 32, col. 573.

⁷⁶ B.R. Mitchell, *British Historical Statistics*, (Cambridge 1988), p. 605. Anne Digby, *The Poor Law in Nineteenth-Century England*, (London 1985), figure 1.

⁷⁷ D.C. Moore, 'The Other Face of Reform' *Victorian Studies* 5 (1961), pp. 7-34. For the debate, see Dror Wahrman, *Imagining the Middle Class The Political Representation of Class in Britain, c. 1780-1840*, *op. cit.*, p. 330, and Michael J. Turner, 'Before the Manchester School: Economic Theory in Early Nineteenth-Century Manchester' *History*, 79, no. 256 (1994), p. 225.

⁷⁸ Dror Wahrman, *Imagining the Middle Class The Political Representation of Class in Britain, c. 1780-1840*, *op. cit.*, chs. 9 and 10.

middle class.⁷⁹ The House then retreated and the malt tax was left unchanged. In 1834, Althorp established, in the words of a critic, “the Westminster races,” when he announced that £1.2 million of taxes could be reduced.⁸⁰ Another test of strength resulted between the landed interest seeking to cut the malt tax and the opponents of the house tax. Four times over the next five months attempts to reduce the malt tax failed.⁸¹ After these debates and votes, few could argue that things had not changed in parliament. Rarely has a shift of power been illustrated so vividly by such a clash.

The middle class gained in other ways when the Whigs came to power in 1831. When Althorp attempted, in his 1831 budget, to tax the transfer of shares and funds, to the tune of £1.2 million, the outcry from the City was such that he was humiliated in his retreat.⁸² In 1833 a proposed increase, on wine, also was dashed. Besides preventing taxes that fell on their group, the middle class reduced other taxes besides the house tax. In 1833 the major reduction in the window tax and one on servants in business brought nearly £300,000 in relief, probably largely to the trading and manufacturing classes. The 1834 house tax repeal was chosen because the aristocracy did not pay much house tax and even though the window tax hurt the poor in matters of health. Peel, when faced with the deficits of the 1840s, was shown by W.E. Gladstone that the house tax could balance the budget, but Peel believed it was politically impossible to reimpose that tax.⁸³ Finally, in 1836, the reduction of the tax on newspapers opened a middle-class readership. The Whig ministries from 1831 to 1836 reduced taxes by a total of £6.4 million, of which over £2 million was perceived to be of direct benefit to the middle class and much of the other was of benefit to trade. Land and the workers got nothing directly. The Whigs knew their constituency.

The workers? The taxes enacted in 1819 to balance the budget – malt, tea, tobacco, spirits, foreign wool – were thought to fall on the poor, but

⁷⁹ *Hansard*, 3rd ser., vol. 17, col. 717, and vol. 21, col. 682.

⁸⁰ *Hansard*, 3rd ser., vol. 21, col. 395.

⁸¹ *Hansard*, 3rd ser., vol. 21, cols. 659 and 692, vol. 22, col. 283, and vol. 24, col. 1270.

⁸² Philip Harling, *The Waning of 'Old Corruption': The Politics of Economical Reform in Britain, 1779-1846*, *op. cit.*, pp. 218-9.

⁸³ Norman Gash, *Sir Robert Peel: The Life of Sir Robert Peel after 1830*, *op. cit.*, p. 302.

some had a belief they would be shifted to the rich.⁸⁴ In the 1820s Tories had lessened the burdens of several taxes – salt, leather, imported wool (used to make cheaper clothing), coal, houses of the poor – on the grounds they affected the workers. The Tory *Quarterly Review*, in 1827, believed “the labouring classes do not pay taxes, either directly or indirectly, in their numerical proportion.”⁸⁵ In the 1830s taxes on candles and soap were repealed although their use in manufacturing was at least as instrumental in the decision as their impact on the workers. The largest single reduction of the entire period, done with little debate, was the beer tax repeal of 1830, £3 million, about 6% of the budget. By 1840 few taxes, except those on spirits, tea, tobacco, and sugar remained to be removed from the backs of the poor, or so many MPs thought. And Peel’s income tax exempted income below £150.

The proportion of the total revenues generated by taxes on a few items fluctuated only a little throughout the period. If taxes are examined using contemporaries’ categories of necessities and luxuries, the steady growth of the share of the burden carried by luxuries is apparent⁸⁶: see Table 4.

	Beer*, Malt, Spirits	Beer*, Spirits	Salt**, Sugar, Tea, Tobacco	Sugar, Tea, Tobacco
1816	16%	11%	13%	11%
1817	15	12	18	16
1821	22	14	20	18
1826	27	19	21	21
1831	23	15	20	20
1836	29	17	25	25
1841	25	15	25	25
1842	23	14	24	24
1844	22	14	25	25

Removing malt, which most believed fell on farmers, and salt, which was also used in industrial processes, leaves items of pure consumption.
* Beer tax repealed in 1830
** Salt tax repealed in 1825

⁸⁴ John Craig, *Remarks on Some Fundamental Doctrines in Political Economy*, *op. cit.*, p. 68.

⁸⁵ Wilmot Horton, ‘Taxation and Expenditure’ *Quarterly Review* xxxv (1827), p. 293.

⁸⁶ Source: House of Commons Parliamentary Papers, Financial Accounts, each year.

By 1841, tax revenues were concentrated heavily on a few items (see Table 5)⁸⁷:

Item	Amount	Per cent of revenues
spirits	£7,795,457	15
malt	5,263,362	10
sugar	5,114,388	10
tea	3,973,666	8
tobacco	3,550,823	7
total		50

In 1840 Frances Baring, Chancellor of the Exchequer, added 5% to customs and excise taxes and 10% to the assessed taxes, but the yield on the excise taxes only rose 1/2% as consumption dropped – the limits had been reached. One interpretation of the period 1816 to 1842 was that it tested Adam Smith's views on taxation – avoid the income tax, tax luxuries – and Baring's actions showed the limitations of Smith's theory.

Peel's repeals and reductions of customs duties, largely on manufactured items and raw materials for industry, did not reach these items of consumption. Many saw these as consumed by the lower orders, and even though the workers were paying the bulk of the taxes, as they were doing it on items they could forego, consciences could be eased. (Curiously, only rarely were these referred to as "sin taxes.") Also, viewed thus, the issue of incidence becomes one of who drank. We do not have a clear answer to these questions, but the drop in revenue from spirits (£0.5 million) in 1841 when many Irish adopted the pledge is suggestive.

So what had happened? Andrew Hamilton, writing in the 1790s, had argued that in "a thriving society" taxes "do not fall on any fixed fund, class or rank of the people as such" and that "all speculation, whose object is to shew, on what fixed fund, or class, taxes must fall, are vain and unsatisfactory."⁸⁸ Politics and politicians, however, had convinced British society otherwise, and the issue of taxation reflected, and

⁸⁷ Source: House of Commons Parliamentary Papers, Financial Accounts (1842).

⁸⁸ Andrew Hamilton, *An Enquiry into the Principles of Taxation, chiefly applicable to Articles of immediate Consumption*, *op. cit.*, pp. 159, 182, 183.

contributed to, the developing views of class society. After the war tax repeals of 1816, the Tories, in their governments from 1817 to 1831, had reduced taxes over a total of £10 million. The income tax reduction of 1816, in the amount of £14 million, and other changes led to the growing importance of consumption taxes. In the 1830s the Whigs repealed taxes of £6.4 million, repeals which most contemporaries thought benefited the middle class. When the income tax was passed, it taxed that middle class to the sum of £1.7 million, but it also taxed agriculture, fundholders, and office holders nearly £4 million. The industrious classes, the trading and manufacturing sector, the middle class, enfranchised by the Act of 1832, had become an economic and society reality, not merely a political concept, and by their actions in parliament had reason to believe their total tax burden had been reduced by about £4 million.

