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Signatur

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BUDGET SPEECH OF MR. CHANCELLOR OF THE EXCHEQUER
(EXPLANATORY MEMORANDUM).

RETURN to an Order of the Honourable The House of Commons,
dated 1 May 1896 ;—for;

COPY "of MEMORANDUM explaining the Basis of some of the Figures which
Mr. Chancellor of the Exchequer used in his Budget Speech on Thursday,
the 16th day of April 1896, relating principally to the Progress of
Population, Revenue, and Expenditure."

Treasury Chambers, }
30 April 1896. }

R. W. HANBURY.

(Mr. Hanbury.)

Ordered, by The House of Commons, to be Printed,
1 May 1896.

LONDON:
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BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

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COPY of MEMORANDUM explaining the Basis of some of the Figures which Mr. Chancellor of the Exchequer used in his Budget Speech on Thursday, the 16th day of April 1896, relating principally to the Progress of Population, Revenue, and Expenditure.

MEMORANDUM explaining the Basis of some of the Figures which Mr. Chancellor of the Exchequer used in his Budget Speech, on Thursday, the 16th April 1896, relating principally to the Progress of Population, Revenue, and Expenditure.

I.—*Comparison of the Progress of Population, Revenue, and Expenditure since 1875-76.*

IN delivering his Budget speech on the 4th April 1881, Mr. Gladstone instituted a comparison intended to show the progress or retrogression of revenue derived from taxes, as compared with the increase of population and expenditure, in certain periods. The periods which he selected, and in each of which he compared the first and last years, were four in number, viz.:—

Hansard, Third Series, Vol. 260, p. 567.

(1.) From 1841-42, which was the last year before the Income Tax was re-imposed in Great Britain by Sir Robert Peel, to 1858-59, which was the first year of normal expenditure after the Crimean war;

(2.) From 1858-59 to 1873-74, during which period the Revenue showed an almost continuous elasticity;

(3.) From 1873-74 to 1877-78, which represented what Mr. Gladstone called "the setting sun of our prosperity"; and

(4.) From 1877-78 to 1879-80, during which the Revenue actually receded.

The broad results which he established by his calculations are summarised in the following Table:—

TABLE A.—Showing the average Increase or Decrease per Cent. per Annum of Population, Taxes (other than Income Tax), and Expenditure in certain Periods selected by Mr. Gladstone.

PERIOD SELECTED.	Increase (+) or Decrease (—) per cent. per annum.		
	Population.	Customs, Excise, Stamps and Taxes.	Expenditure.
1841-42 to 1858-59 - -	+ $\frac{1}{3}$ per cent.	+ $1\frac{3}{4}$ per cent.	+ $2\frac{1}{2}$ per cent.
1858-59 to 1873-74 - -	+ 1 „	+ 3 „	+ $1\frac{1}{3}$ „
1873-74 to 1877-78 - -	+ 1 „	+ $1\frac{1}{4}$ „	+ $3\frac{1}{4}$ „
1877-78 to 1879-80 - -	+ 1 „	— $2\frac{2}{3}$ „	+ $2\frac{1}{6}$ „

Mr. Gladstone also compared the yield of the Income Tax per penny in certain years, nearly corresponding with the periods which he selected. The following Table gives this further comparison:—

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TABLE B.—Showing the Increase or Decrease of the Yield per Penny of Income Tax in certain Years selected by Mr. Gladstone.

YEAR.	Yield per Penny of Income Tax.	Amount of Increase (+) or Decrease (—) over prior year.	Average Annual Increase (+) or Decrease (—).
	£.	£.	£.
1842-43	772,000	—	—
1852-53	810,000	+ 38,000	+ 3,800
1877-78	1,990,000	+ 1,180,000	+ 47,200
1881-82	1,943,000	— 47,000	— 11,750

The details of these calculations were subsequently explained in a Return presented to the House of Commons (No. 154 of 1882).

In the Budget speech delivered on the 16th April 1896, the present Chancellor of the Exchequer drew an analogous comparison between the years 1875-76, 1885-86, and 1895-96. This comparison was framed on materials, and on principles, similar to those which Mr. Gladstone used 15 years ago; and it is proposed in this Memorandum to give in detail the figures on which the statement made by Sir Michael Hicks Beach was based, and to explain how the figures were arrived at.

Hansard, Vol. 304
of 1886,
pp. 1643, &c.

There was more than one reason why 1875-76 was selected by Sir Michael Hicks Beach as the year with which to start the comparison. The period comprised the last two decennial periods; and decennial periods, though arbitrary, are usually appropriate periods to take—being neither too long, nor too short. The year 1875-76 is the year with which Sir William Vernon Harcourt drew a comparison 10 years later, when he made his Budget statement on the 15th April 1886; and, moreover, it is the first year given in the well-known Parliamentary Return, for which Sir Henry Fowler, M.P., has for some years moved, and which has come to be recognised as the standard basis of comparative statements relating to Public Income and Expenditure.*

The essential condition of a true comparison is that like should be compared with like. When, therefore, a comparison is carried back to any year previous to 1888-89, before which certain charges of a local character, which are now met out of taxes or parts of taxes diverted to the Local Taxation Accounts, were borne by the Exchequer, it is necessary in years subsequent to 1887-88 to add to the Exchequer Revenue the amounts assigned to local authorities, and to add to the expenditure met out of the Exchequer the expenditure met out of the Local Taxation Accounts. Otherwise, neither the true burdens of taxpayers, nor the entire amount of charges for which the Imperial Government has made itself responsible, would be shown.

1. The comparison of *Revenue* is confined to the proceeds of taxes, with the exception of the Land Tax, which is omitted, because it is a fixed impost. It is necessary, for obvious reasons, to deal with and test separately the Income Tax.

(1.) In this comparison, therefore, taxes, other than Income Tax, comprise the proceeds of Customs (including the surtax for local purposes on foreign spirits and beer), Excise (including the surtax for local purposes on home-made spirits and beer, and the "Local Taxation Licences"), Stamps (including the proportions of the old Probate Duty and present Estate Duty payable to the Local Taxation Accounts), and the Inhabited House Duty.

Changes in taxation make it difficult to measure with accuracy the automatic growth or decline of Revenue derived from taxes, but the method of computation adopted by Mr. Gladstone in 1881 enables us, for all practical purposes, to attain the end which is in view. That method was to take the actual produce of the taxes in the first of the selected years; to analyse the amounts of taxation imposed or increased and remitted or reduced between that year and the next selected year; and then either to add to the produce of the first year the net amounts

* The latest issue of this Return is No. 398 of 1895.

amounts imposed or increased in the interval, or to deduct from the produce of the first year the net amounts remitted or reduced in the interval. The result of such addition or deduction, as the case may be, should give, at any rate approximately, the amount of Revenue which would have been received from taxes in the second selected year, had the produce of the taxes remained stationary; and, consequently, the comparison of that assumed sum with the actual produce of the second selected year should show whether there has been progression or retrogression, or, in other words, elasticity or inelasticity.

It would be beyond the scope of this Memorandum to give in detail all the changes that have taken place in taxation during the last 20 years. But they will all be found to be set out in the "Statistical Abstracts of the United Kingdom;" and, in order to make the method of calculation clearer, it may be well to illustrate it by the actual figures of one tax. Accordingly, the tea duty, which underwent a reduction from 6*d.* to 4*d.* per lb. in the course of the second decennial period, is taken by way of an example.

Produce of Tea Duty in 1885-86.	Deduct Estimated Loss to Revenue by reduction of Duty in 1890-91.	Assumed Amount which would have been received in 1895-96 had the Produce of the Duty remained stationary.	Actual Produce of Duty in 1895-96.	Amount representing elasticity of Duty in Decennial Period.	Percentage of elasticity in Decennial Period.
£.	£.	£.	£.	£.	
4,187,000	1,072,000	3,115,000	3,745,000	630,000	20·22

The following Table C. gives the results of comparing on this basis the taxes, under their four principal heads, for the two decennial periods ending on the 31st March 1886 and 1896 respectively:—

TABLE C.—Showing the Increase or Decrease of Revenue derived from Taxes (other than Income Tax) in the two Decennial Periods ending the 31st March 1886 and 1896.

FIRST PERIOD.—1875-76 to 1885-86.

	Produce in 1875-76.	Add Net Taxes imposed and Deduct Net Taxes reduced in course of next 10 Years.	Assumed Amount of Revenue which would have been received in 1885-86 had the Produce remained stationary.	Actual Produce in 1885-86.	Amount representing Elasticity(+) or Inelasticity(—).	Percentage of Elasticity(+) or Inelasticity(—).
	£.	£.	£.	£.	£.	
1. Customs - - -	19,190,000	+ 558,000	20,748,000	19,720,000	— 1,028,000	— 4·95
2. Excise - - -	27,569,000	+ 66,000	27,635,000	25,442,000	— 2,193,000	— 7·93
3. Stamps - - -	10,232,000	+ 1,021,000	11,253,000	11,600,000	+ 347,000	+ 3·08
4. House Duty - -	1,421,000	— 30,000	1,391,000	1,867,000	+ 476,000	+ 34·22
TOTAL - - £.	59,412,000	+ 1,615,000	61,027,000	58,629,000	— 2,398,000	— 3·93

SECOND PERIOD.—1885-86 to 1895-96.

	Produce in 1885-86.	Add Net Taxes imposed and Deduct Net Taxes reduced in course of next 10 Years.	Assumed Amount of Revenue which would have been received in 1895-96 had the Produce remained stationary.	Actual Produce in 1895-96.	Amount representing Elasticity(+) or Inelasticity(—).	Percentage of Elasticity(+) or Inelasticity(—).
	£.	£.	£.	£.	£.	
1. Customs - - -	19,720,000	— 1,517,000	18,203,000	20,935,000	+ 2,762,000	+ 15·17
2. Excise - - -	25,442,000	+ 1,579,000	27,021,000	31,553,000	+ 4,532,000	+ 16·77
3. Stamps - - -	11,600,000	+ 4,033,000	15,633,000	21,470,000	+ 5,837,000	+ 37·34
4. House Duty - -	1,867,000	— 570,000	1,297,000	1,488,000	+ 191,000	+ 14·73
TOTAL - - £.	58,629,000	+ 3,525,000	62,154,000	75,476,000	+ 13,322,000	+ 21·43

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(2.) The *Income Tax*, which has to be tested by its yield per penny imposed, has next to be adjusted.

In the periods under comparison two changes were made and have to be taken into account: one in the first period, and another in the second period.

In 1876-77 the total exemption from the tax was extended from incomes of 100*l.* and under to those of 150*l.* and under; and in lieu of an abatement of 100*l.* on incomes not exceeding 300*l.*, the abatement was increased to 150*l.* and the incomes benefiting therefrom to 400*l.* These additional reliefs to small incomes are estimated by the Commissioners of Inland Revenue to have weakened the productiveness of the yield of the tax by 60,000*l.* per penny.

In 1894-95 small incomes were still further relieved; the total exemption being raised from incomes of 150*l.* and under to incomes of 160*l.* and under, and an abatement of 160*l.* being allowed on all incomes up to 500*l.* Some relief was at the same time afforded under Schedule A., and these alterations, taken together, are estimated to have diminished the yield of the tax per penny by 175,000*l.*

If these adjustments are made, the comparison of the yield per penny will be established, and is shown in the following Table:—

TABLE D.—Showing the Increase or Decrease of the Yield per Penny of Income Tax in the two Decennial Periods ending 31st March 1886 and 1896.

PERIOD.	Actual Yield per Penny at commencement of Period.	Deduct Estimated Loss by Relief given in Period.	Estimated Yield per Penny at commencement of Period, with allowance for such Loss.	Yield per Penny at end of Period.†	Actual Growth in Period.	Percentage of Growth in Period.
	£.	£.	£.	£.	£.	
1875-76 to 1885-86	1,978,000	60,000	1,918,000	1,980,000	62,000	3.23
1885-86 to 1895-96	1,980,000	175,000	1,805,000	2,012,000	207,000	11.47

† The yield per penny in 1895-96 can only at present be stated approximately.

2. The comparison of *expenditure* is confined to what is sometimes called "optional expenditure." It, therefore, excludes expenditure in connection with National Debt charges, and relates (mainly) to Supply Services which are under the annual control of Parliament.

Such "optional expenditure" is classified under the heads specified in Sir Henry Fowler's Return, and is calculated on the basis adopted in that Return, which, as explained in the notes annually prefixed to it, is intended to show the true cost of Government so far as it falls on the general taxpayer.

Accordingly, the figures in the following table, relating to the growth of expenditure in the last two decennial periods, represent the amount issued out of the Exchequer to meet the annual requirements of Public Departments, or (in other words) the *Exchequer Issues*, less any earnings or receipts not derived from taxation, which, so far as they are not already appropriated in Aid of Votes, are set off against corresponding charges. To such expenditure, however, under the head of local charges, it is necessary, for reasons already given, to add the expenditure met out of taxes paid to the Local Taxation Accounts.

TABLE E.—Showing the Progress of Expenditure in the two Decennial Periods ending the 31st March 1886 and 1896.

Year.	Military Services.			Civil Administration.	Public Education.	Local Charges.	Cost of Collecting Taxes.	Total of preceding Columns.	Percentage of Growth of Expenditure
	Army.	Navy.	Total.						
	£.	£.	£.	£.	£.	£.	£.	£.	
1875-76 - - -	14,402,0 0	10,798,000	25,200,000	6,187,000	2,454,000	4,026,000	2,589,000	40,456,000	—
1885-86 - - -	17,174,000	12,660,000	29,834,000*	6,458,000	4,582,000	5,775,000	2,675,000	49,324,000	
Increase (+) or Decrease (—) in 10 years -	+2,772,000	+1,862,000	+4,634,000	+271,000	+2,128,000	+1,749,000	+86,000	+8,868,000	21·92
1895-96 - - -	18,468,000	19,664,000	38,132,000	7,453,000	9,127,000	10,660,000†	2,702,000	68,074,000	
Increase (+) or Decrease (—) in 10 years -	+1,294,000	+7,004,000	+8,298,000	+995,000	+4,545,000	+4,885,000	+27,000	+18,750,000	38·01
Increase (+) or Decrease (—) in 20 years -	+4,066,000	+8,866,000	+12,932,000	+1,266,000	6,673,000	+6,634,000	+113,000	+27,618,000	68·26

* Exclusive of Vote of Credit of 9,701,000*l.* for Naval and Military Operations in connection with Egypt and Russia.

† Of this amount, there was charged to Votes 3,293,000*l.*, and (2) there was met out of Local Taxation Accounts 7,367,000*l.*

3. The *population* is taken from the annual estimate of the Registrar General, which is given in the "Statistical Abstract" for the middle of each calendar year; and the figures, therefore, which are used in the following Table, represent the estimated number of the people in the United Kingdom on the 1st July in the selected financial years ending the following 31st March.

TABLE F.—Showing the Increase of Population in the two Decennial Periods.

PERIOD.	At commencement of Period.	At end of Period.	Increase.	Percentage of Increase.
	No.	No.	No.	
1875 to 1885 (middle of years) - -	32,839,000	36,016,000	3,177,000	9·67
1885 to 1895 (middle of years) - -	36,016,000	39,134,000	3,118,000	8·65
1875 to 1895 (middle of years) - -	32,839,000	39,134,000	6,295,000	19·17

The comparative figures relating to population, revenue, and expenditure in the two decennial periods, to which the Chancellor of the Exchequer referred in his Budget speech, can now be brought together in tabular form.

TABLE G.—Showing the Increase or Decrease per Cent. of Population, Revenue, and Expenditure in the two Decennial Periods ending the 31st March 1886 and 1896.

PERIOD.	Increase (+) or Decrease (—) Per Cent. in Period.			
	Population.	Revenue.		Expenditure.
		Taxes other than Income Tax	Income Tax (yield per Penny).	
1875-76 to 1885-86 - -	+ 9·67	— 3·93	+ 3·23	+ 21·92
1885-86 to 1895-96 - -	+ 8·65	+ 21·43	+ 11·47	+ 38·01

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It will be observed that the revenue derived from taxes in the second decennial period, showing a progression of 11·47 per cent. under income tax, and of 21·43 per cent. under other taxes, compares very favourably with the revenue derived from taxes in the first decennial period, which shows a progression of only 3·23 per cent. under income tax, and an actual retrogression of 3·93 per cent. under other taxes. But the satisfactory result of the second selected period is in great part due to its including the remarkable year just closed; for, had the second selected period been confined to the nine years ending the 31st March 1895, the growth under taxes other than income tax would have been about 12½ per cent. only, instead of 21·43 per cent. The increase of population is somewhat less in the second of the two decennial periods; but the increase of expenditure, though large in the first period, is considerably larger in the second period, amounting to 38·01 per cent.

It may be urged that, while 1875-76 was a fairly prosperous year and 1895-96 was a year of great expansion, the year 1885-86 was a year of considerable depression, and therefore not fairly comparable with the other two years. Accordingly, though decennial periods may for comparative purposes be usually preferable to longer periods, it may be best to compare the year 1875-76 with 1895-96, and to give the results for the entire period of 20 years.

TABLE H.—Showing the Increase or Decrease of Revenue derived from Taxes in the last 20 Years, viz., 1875-76 to 1895-96.

(1.) TAXES other than INCOME TAX.						
	Produce in 1875-76.	Add Net Taxes imposed, and Deduct Net Taxes reduced in course of 20 Years.	Assumed Amount of Revenue which would have been received in 1895-96 had the Produce remained stationary.	Actual Produce in 1895-96.	Amount representing Elasticity (+) or Inelasticity (—).	Percentage of Elasticity (+) or Inelasticity (—).
	£.	£.	£.	£.	£.	
1. Customs - - -	20,190,000	— 959,000	19,231,000	20,965,000	+ 1,734,000	+ 9·01
2. Excise - - -	27,569,000	+ 1,645,000	29,214,000	31,553,000	+ 2,339,000	+ 8·01
3. Stamps - - -	10,232,000	+ 5,054,000	15,286,000	21,470,000	+ 6,184,000	+ 40·45
4. House Duty - -	1,421,000	— 600,000	821,000	1,488,000	+ 667,000	+ 81·24
	59,412,000	+ 5,140,000	64,552,000	75,476,000	+ 10,924,000	+ 16·92

(2.) INCOME TAX.						
PERIOD.	Actual Yield per Penny at commencement of Period.	Deduct Estimated Loss by Reliefs given in Period.	Assumed Yield per Penny at commencement of Period, with allowance for such Loss.	Approximate Yield per Penny at end of Period.	Actual Growth in Period.	Percentage of Growth in Period.
	£.	£.	£.	£.	£.	
1875-76 to 1895-96 -	1,978,000	235,000	1,743,000	2,012,000	269,000	15·43

If the percentages given in Table H. are compared with the percentages already given in Tables E. and F., the relative progress of population, revenue, and expenditure during the last 20 years will be exhibited. This comparison, which was made by the Chancellor of the Exchequer in his Budget speech, is given in the following Table :—

TABLE I.—Showing the Increase or Decrease per Cent. of Population, Revenue, and Expenditure in the Twenty Years ending the 31st March 1896.

PERIOD.	Increase (+) or Decrease (—) per Cent. in Twenty Years.			
	Population.	Revenue.		Expenditure.
		Taxes other than Income Tax.	Income Tax (Yield per Penny).	
1875-76 to 1895-96 - -	+ 19·17	+ 16·92	+ 15·43	+ 68·26

It will be seen from this table (I.) that, while the revenue derived from taxes has increased at a somewhat smaller ratio than that at which population has increased during the last 20 years, the percentage of increase under the head of expenditure is very materially larger, being indeed about four times greater than the increase of taxes.

Unlike population, which (according to the Registrar General's estimate) increases year by year with considerable regularity in the United Kingdom, the tax revenue and expenditure do not progress annually with similar uniformity. The amount of expenditure is to a great extent the result of policy. Revenue is affected by circumstances which are beyond the control of Governments or the House of Commons. Consequently, though a selected period may show a general increase under these two heads, there may be a progression one year and retrogression the next, under either or both of them. But, notwithstanding this spasmodic tendency, Mr. Gladstone compared the average annual increase or decrease per cent. of the revenue and expenditure, as well as of the population in the periods which he selected; and it is proposed to draw a similar comparison for the last 20 years. Mr. Gladstone arrived at the results which he gave to the House of Commons by dividing the percentage of the periods by the number of years comprised in the different periods. Such a division, however, does not bring out a correct average annual increase, because the annual increase is not a simple increase but a compound increase, or an increase upon an increase. Accordingly, the true average percentage per annum during the last 20 years has been calculated; and the result of the calculation is given in the following table:—

TABLE J.—Showing the average Increase or Decrease per Cent. of Population, Revenue, and Expenditure in the 20 Years ending the 31st March 1896.

PERIOD.	Average Increase (+) or Decrease (—) per Cent. per Annum.			
	Population.	Revenue.		Expenditure.
		Taxes other than Income Tax.	Income Tax (Yield per Penny).	
1875-76 to 1895-96 -	+ ·88	+ ·77	+ ·72	+ 2·63

In conclusion of this comparison, it may be well to forestall a criticism which may be made by the statistician on the method of calculating the progress or retrogression of revenue derived from taxes other than income tax.

It may be said that the approximation of the calculations to facts would somewhat depend on the year of the selected period in which the changes of growing or declining taxation took place; whether the changes occurred early or late in the selected period. It will be admitted that the shorter is the selected period, the less room is there for uncertainty connected with this factor in the calculation. Consequently, the figures used by the Chancellor of the Exchequer have been tested by dividing the period of the last 20 years

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into four quinquennial periods; and it is found that, on combining the ratios of increase or decrease per cent. in each of the four quinquennial periods, the resultant ratio of increase is practically the same * as that which is obtained when the period of 20 years is taken as one period. Such a result is satisfactory and need not create surprise; inasmuch as, in statistical calculations of this kind, where there are both upward and downward movements, the causes of divergence tend to compensate one another. Therefore, the final results given in Tables I. and J. may be submitted with tolerable confidence.

II.—Other Comparative Statements bearing on the same Periods.

It may be interesting to add a few other figures bearing on the financial position of the periods compared by the Chancellor of the Exchequer. The figures which are contained in the following tables, and which were in part quoted in the Budget speech, speak for themselves, and therefore do not need to be prefaced by explanations.

TABLE K.—Showing the Surplus or Deficit of Revenue on (1) the Post Office and (2) Telegraph Accounts in the two Decennial Periods ending the 31st March 1886 and 1896.

1. POST OFFICE.

	1875-76.	1885-86.	1895-96.
	£.	£.	£.
Postal Revenue (including extra receipts) -	6,147,000	8,500,000	11,380,000
Post Office and Packet Service expenditure -	3,866,000	5,524,000	7,733,000
SURPLUS REVENUE - £.	2,281,000	2,976,000	3,647,000

2. TELEGRAPHS.

	1875-76.	1885-86.	1895-96.
	£.	£.	£.
Telegraph Revenue (including Extra Receipts)	1,271,000	1,753,000	2,840,000
Telegraph Expenditure:			
1. Administration - - - - -	1,018,000	1,742,000	2,721,000
2. Charge for Interest on Debt created for purchase of Telegraphs - -	295,000	326,000	299,000
TOTAL EXPENDITURE - - -	1,313,000	2,068,000	3,020,000
DEFICIT OF REVENUE - - -	42,000	315,000	180,000

3. POST OFFICE SERVICES (combined).

	1875-76.	1885-86.	1895-96.
	£.	£.	£.
Revenue - - - - -	7,418,000	10,253,000	14,220,000
Expenditure - - - - -	5,179,000	7,592,000	10,753,000
NET SURPLUS REVENUE - - -	2,239,000	2,661,000	3,467,000

Note.—The figures in this Table are taken from those given in Sir Henry Fowler's Return, with the addition of the charge for interest on the Telegraph Debt.

* Ratio of increase per cent. in taxes other than income tax in the period of 20 years 16.92
 Combined ratios of increase or decrease per cent. in the two decennial periods - 16.65
 Ditto - - ditto - - - four quinquennial periods - 16.83

TABLE L.—Showing the Increases or Decreases in Consumption of ALCOHOLIC DRINKS in the two decennial periods ending the 31st March 1886 and 1896.

	1875-76.	1885-86.	Increase (+) or Decrease (—) in 1885-86 over 1875-76.	1895-96.	Increase (+) or Decrease (—) in 1895-96 over 1885-86.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
Spirits :					
Foreign - - - - -	11,893,000	8,013,000	— 3,880,000	8,097,000	+ 84,000
Home made - - - - -	30,309,000	26,281,000	— 4,028,000	30,935,000	+ 4,654,000
TOTAL Spirits - - -	42,202,000	34,294,000	— 7,908,000	39,032,000	+ 4,738,000
Per Head of Population - -	1.29	.95	— .34	1.00	+ .05
Beer - - - - -	1,083,610,000	963,093,009	— 115,517,000	1,186,667,000	+ 218,574,000
Per Head of Population - -	33.0	26.9	— 6.1	30.3	+ 3.4
Wine - - - - -	17,614,000	13,519,000	— 4,095,000	15,250,000	+ 1,731,000
Per Head of Population - -	.54	.37	— .17	.38	+ .01

TABLE M.—Showing the Increases or Decreases of REVENUE derived from TEA and TOBACCO, and the Increases or Decreases in CONSUMPTION of TEA, TOBACCO and SUGAR in the two decennial periods ending the 31st March 1886 and 1896.

	1875-76.	1885-86.	Increase (+) or Decrease (—) in 1885-86 over 1875-76.	1895-96.	Increase (+) or Decrease (—) in 1895-96 over 1885-86.
Tea :	Duty, 6d.	Duty, 6d.		Duty, 4d.	
Revenue - - - - -	£3,707,000	£4,187,000	+ £480,000	£3,745,000	— £442,000
Consumption per head of population	4.51 lbs.	4.65 lbs.	+ .14 lbs.	5.74 lbs.	+ 1.09 lbs.
Tobacco :	Duty, 3s. 1½d.	Duty, 3s. 6d.		Duty, 3s. 2d.	
Revenue - - - - -	£7,745,000	£9,299,000	+ £1,554,000	£10,748,000	+ £1,449,000
Consumption per head of population	1.47 lbs.	1.44 lbs.	— .03 lbs.	1.69 lbs.	+ .25 lbs.
Sugar :					
Consumption per head of population	60.78 lbs.	70.28 lbs.	+ 9.5 lbs.	89.16 lbs.	+ 18.88 lbs.

IMPORT PRICE per lb.

	d.	d.	d.	d.	d.
Tea - - - - -	16.73	12.14	— 4.59	9.65	— 2.49
Sugar - - - - -	2.37	1.66	— .71	1.24	— .42

TABLE N.—Showing the increases or decreases of Revenue derived from (1) DEATH DUTIES and (2) GENERAL STAMPS in the two decennial periods ending the 31st March 1886 and 1896.

	1875-76.	1885-86.	Increase (+) or Decrease (—) in 1885-86 over 1875-76.	1895-96.	Increase (+) or Decrease (—) in 1895-96 over 1885-86.
	£.	£.	£.	£.	£.
(1.) DEATH DUTIES.					
Probate and Estate Duties - -	2,254,000	4,103,000	+ 1,849,000	10,281,000	+ 6,178,000
Legacy Duty - - - - -	2,707,000	2,475,000	— 232,000	2,731,000	+ 256,000
Succession Duty - - - - -	824,000	858,000	+ 34,000	1,051,000	+ 193,000
Corporation Duty - - - - -	—	33,000	+ 33,000	40,000	+ 7,000
TOTAL DEATH DUTIES - - -	5,785,000	7,469,000	+ 1,684,000	14,103,000	+ 6,634,000
(2.) GENERAL STAMPS.					
Deeds, Instruments, &c. - - -	4,447,000	4,131,000	— 316,000	7,367,000	+ 3,236,000

TABLE O.—Showing the Revenue derived from INCOME TAX in the Three Years ending the 31st March 1876, 1886, and 1896.

	Year 1875-76.	Year 1885-86.	Year 1895-96 (Approximate).
RATE - - - - -	2d. in £.	8d. in £.	8d. in £.
Schedule A.:	£.	£.	£.
Lands - - - - -	520,000	1,650,109	1,292,000
Other Property - - - - -	758,897	3,451,333	3,534,000
TOTAL - - - - -	1,278,897	5,101,442	4,826,000
Schedule B. - - - - -	152,102	399,137	223,000
Schedule C. - - - - -	348,041	1,322,274	1,215,000
Schedule D. - - - - -	2,019,105	7,502,109	8,577,500
Schedule E. - - - - -	234,257	922,350	1,105,500
TOTAL - - - - -	4,032,402	15,247,312	15,947,000

TABLE P.—Showing the Increases or Decreases in the Capital Liabilities of the State, under their various Heads, in the Two Decennial Periods ending the 31st March 1886 and 1896.

YEAR ending 31st March.	CAPITAL LIABILITIES.							Estimated Assets.	Exchequer Balances.	Average Price of Consols bearing Interest at 3 per Cent. to 1888, and 2½ per Cent. sub- sequently.
	Funded Debt.	Capital Value of Terminable Annuities.	Unfunded Debt.	TOTAL.	Other Capital Liabilities.	Aggregate Gross Liabilities.	Per Head of Population.			
	£.	£.	£.	£.	£.	£.	£. s. d.	£.	£.	£.
1876 - - - - -	713,658,000	45,847,000	11,402,000	770,907,000	5,290,000	776,197,000	23 13 9	24,897,000	5,120,000	93·75
1886 - - - - -	638,850,000	85,830,000	17,603,000	742,283,000	2,757,000	745,040,000	20 13 8	31,585,000	5,626,000	99·33
Increase (+) or Decrease (—) in 10 Years -	−74,808,000	+39,983,000	+6,201,000	−28,624,000	−2,533,000	−31,157,000	−3 - 1	+6,688,000	+506,000	+5·58
1896 - - - - -	589,147,000	49,218,000	9,976,000	648,341,000	3,685,000	652,026,000	16 13 2	24,069,000	8,975,000	106·16
Increase (+) or Decrease (—) in 10 Years -	−49,703,000	−36,612,000	−7,627,000	−93,942,000	+928,000	−93,014,000	−4 - 6	−7,516,000	+3,349,000	+6·83
Increase (+) or Decrease (—) in 20 Years -	−124,511,000	+3,371,000	−1,426,000	−122,566,000	−1,605,000	−124,171,000	−7 - 7	−828,000	+3,855,000	+12·41

TABLE Q.—Showing the Growth of Savings Bank Deposits between the Years 1875-85, 1885-93, and 1893-95.

YEAR.	Amounts on Deposit.			Increase over Prior Period.	Increase per Cent. per Annum.	Amount of Deposits per Head of Population.
	Trustee Banks.	Post Office Banks.	TOTAL.			
	£.	£.	£.	£.		£. s. d.
1875	42,766,000	25,187,000	67,953,000	—	3·35	2 1 5
1885	46,795,000	47,670,000	94,465,000	26,512,000		2 12 6
1893	42,853,000	80,598,000	123,451,000	28,986,000	7·92	3 4 3
1895	45,901,000	97,880,000	143,781,000	20,330,000		3 13 6

Average annual rate of increase of amount per Head of Population - - - - - { Between 1875 and 1885 - 1s. 1d.
" 1885 and 1893 - 1s. 6d.
" 1893 and 1895 - 4s. 7d.

Estimated increase due to Act of 1893 (56 & 57 Vict. c. 69), which extended the limit of annual deposits:

(1.) Amount - - - - - £. 10,368,000 } in two years.
(2.) Percentage - - - - - 8·4

III.—*Indirect versus Direct Taxation.*

One of the points to which the Chancellor of the Exchequer directed attention in his Budget speech was the transfer of burdens that has taken place in our financial system during the last half century, gradually but continuously, from the indirect taxpayer to the direct taxpayer, that is, from the community at large to the propertied classes.

He went back to the year 1841-2, because that year was the year before the income tax was re-imposed in Great Britain; and he compared the relative amounts raised from indirect and direct taxation in that year with the amounts so raised at certain intervals subsequently.

It must be remembered that no precise distinction can be drawn between taxes which are indirect and taxes which are direct, because there are some taxes (as, for instance, license duties) which, though nominally falling on the person from whom they are levied, and thus constituting direct taxes, may be or are, wholly or in part, shifted on to the shoulders of others, and thus really constitute indirect taxes. But for the purpose of comparing the relative proportions raised by indirect and direct taxation, it is usual and also sufficient to treat all taxes on consumable articles as indirect taxes, and all other taxes as direct taxes; and it is this classification which was used by the Chancellor of the Exchequer, and which is adopted in the following Table :—

TABLE R.—Showing the relative amounts of REVENUE raised by INDIRECT and DIRECT TAXES at Decennial Periods from 1841-42 to 1891-92, and in 1895-96.

PROPORTIONS of REVENUE contributed by INDIRECT and DIRECT TAXES respectively.

	1841-42. Year ended 5th January, 1842.		1851-52. Year ended 5th January, 1852.		1861-62. Year ended 31st March, 1862.		1871-72. Year ended 31st March, 1872.		1881-82. Year ended 31st March, 1882.		1891-92. Year ended 31st March, 1892.		1895-96. Year ended 31st March, 1896.	
	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.
Customs - - - - -	£. 23,464,000	£. —	£. 22,147,000	£. —	£. 23,643,000	£. —	£. 20,225,000	£. —	£. 19,277,000	£. —	£. 20,042,000	£. —	£. 20,965,000	£. —
Excise - - - - -	13,041,000	*1,548,000	13,461,000	†1,908,000	16,045,000	‡2,230,000	19,076,000	§4,309,000	22,799,000	§4,972,000	26,340,000	§3,949,000	27,510,000	§4,043,000
Death Duties - - - - -	—	2,132,000	—	2,286,000	—	3,574,000	—	5,213,000	—	7,056,000	—	11,054,000	—	14,103,000
Stamps - - - - -	—	5,084,000	—	4,185,000	—	4,739,000	—	3,876,000	—	4,416,000	—	5,487,000	—	7,367,000
Land Tax, House Duty (begins 1851), and Assessed Taxes (replaced by Licenses 1870).	—	4,715,000	—	3,789,000	—	3,135,000	—	2,352,000	—	2,749,000	—	2,481,000	—	2,503,000
Income Tax (begins 1842) - - - - -	—	—	—	5,440,000	—	10,471,000	—	9,328,000	—	10,005,000	—	13,853,000	—	15,947,000
Tax on Pensions and Salaries - - - - -	—	6,000	—	5,000	—	—	—	—	—	—	—	—	—	—
TOTALS - - - - -	36,505,000	13,485,000	35,608,000	17,613,000	39,688,000	24,149,000	39,301,000	25,078,000	42,076,000	28,598,000	46,382,000	36,824,000	48,475,000	43,969,000
£.	49,990,000		53,221,000		63,837,000		64,379,000		70,674,000		88,206,000		92,444,000	

* Viz., Licenses, Auctions, and Post-horse Duty.
† Viz., Game Certificates, Hackney and Stage Carriages, Licenses, and Railways.
‡ Viz., Game Certificates, Hackney and Stage Carriages, Railways, Post-horses, and Licenses.
§ Including Taxes paid to Local Taxation Accounts.

TABLE R.—Showing relative Amounts of REVENUE raised by Indirect and Direct Taxes, &c.—*continued*.

YEAR.	Amount of Revenue.		Proportions per Cent.		Proportionate Amounts contributed to each £ of Tax Revenue by		Amount per Head of Population of	
	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.
	£.	£.			s. d.	s. d.	£. s. d.	£. s. d.
1841-2	36,505,000	13,485,000	73	27	14 7	5 5	1 7 3½	- 10 1
1851-2	35,608,000	17,613,000	67	33	13 5	6 7	1 6 -	- 12 10½
1861-2	39,688,000	24,149,000	62	38	12 5	7 7	1 7 4¾	- 16 8
1871-2	39,301,000	25,078,000	61	39	12 2	7 10	1 4 11½	- 15 11
1881-2	42,076,000	28,598,000	60	40	12 -	8 -	1 4 1	- 16 4½
1891-2	46,382,000	36,824,000	56	44	11 2	8 10	1 4 6½	- 19 5¾
1895-6	48,475,000	43,960,000	52	48	10 5	9 7	1 4 9¼	1 2 5¾

NOTE.

It should be stated in conclusion, that all figures relating to taxes represent their actual produce or *Net Receipts*, as given in the detailed statements of the annual Finance Accounts and the Statistical Abstract issued every year. When taxes are examined in detail, it is necessary to take the *Net Receipts* instead of the *Exchequer Receipts*, on which the Budget is based; because Exchequer Receipts are payments into the Exchequer, "on account," of the sums collected daily under the principal heads of Revenue, and cannot be appropriated under each tax until the accounts of collectors in the different parts of the country have been made up and rendered to the Revenue Boards. As the calculations affecting the figures used by the Chancellor of the Exchequer were made before the accounts of Net Receipts for 1895-96 were rendered, such calculations relating to that year were necessarily based partly on estimate; but the difference between the estimated produce of the taxes and their actual produce, now practically ascertained, is so small that it has had no appreciable effect on the figures given in the Budget Speech.

Treasury Chambers, }
25 April 1896. }

E. W. Hamilton.



BUDGET SPEECH OF MR. CHANCELLOR OF
THE EXCHEQUER.
(EXPLANATORY MEMORANDUM.)

COPY of MEMORANDUM explaining the Basis of some of
the Figures which Mr. Chancellor of the Exchequer
used in his Budget Speech on Thursday, 16th April
1896, relating principally to the Progress of Popula-
tion, Revenue, and Expenditure.

(Mr. Hanbury.)

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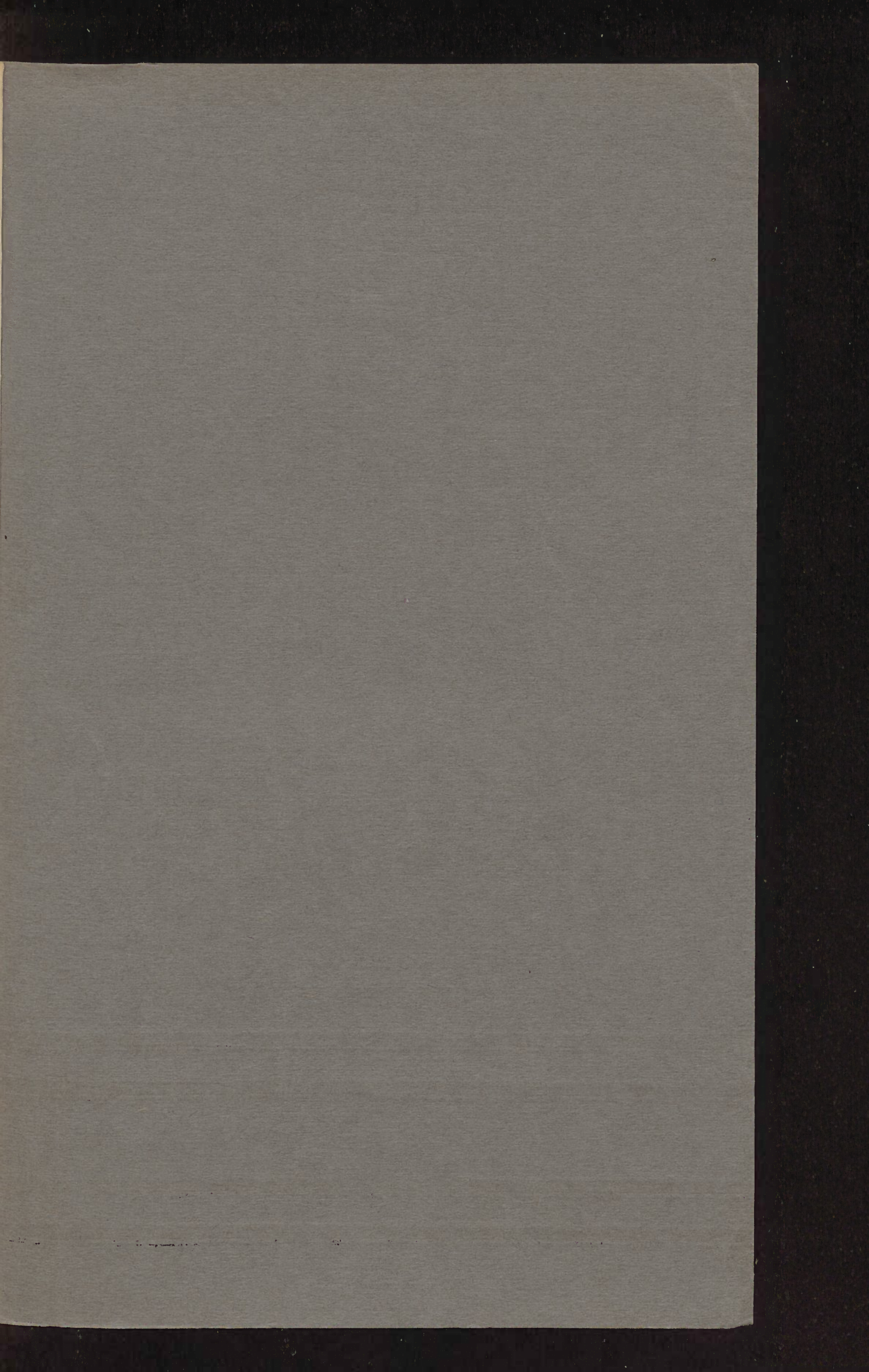
163.

NOTE

It should be stated in conclusion, that all figures relating to taxes represent
their actual produce or the Receipts as given in the detailed statements of the
annual Finance Accounts and the Statistical Abstract issued every year. When
taxes are examined in detail, it is necessary to take the Net Receipts instead of
the Gross Receipts, as which the Budget is based; because Exchequer
Receipts are the Gross Receipts, and the Exchequer Receipts are the Net Receipts.
The figures in the Budget are based on the Net Receipts, and the figures in the
Finance Accounts and the Statistical Abstract are based on the Gross Receipts.

Table II.—Showing the Amounts of Receipts raised by Indirect and Direct Taxes.

Year.	Amount of Receipts.		Proportion per Cent.		Proportion of Receipts		Amount of Receipts	
	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.	Indirect Taxes.	Direct Taxes.
1881-2	2,450,000	1,450,000	75	25	4	4	2,450,000	1,450,000
1882-3	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1883-4	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1884-5	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1885-6	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1886-7	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1887-8	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1888-9	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1889-90	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1890-1	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1891-2	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1892-3	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1893-4	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1894-5	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1895-6	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000
1896-7	2,450,000	1,450,000	67	33	4	4	2,450,000	1,450,000





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