"TAXATION IN ENGLAND DURING THE INDUSTRIAL REVOLUTION":
A Comment

Donald N. McCloskey

Max Hartwell's paper gives us a picture of the good old days. Having just paid my taxes, or at any rate the federal-income-tax portion of them, I am not inclined to view favorably any level of taxes other than none at all. Still, the paper portrays the closest we've come in modern times to a large-scale Good Society, namely, Britain around the middle of the nineteenth century.

We learn, or are reminded of, many useful points by the paper. The early nineteenth-century hostility to government ("Retrenchment and Reform" was the battle cry) was strong enough to drive central-government spending down to a mere 11 percent of national income by 1851, about half being payment of the government debt accumulated over a century of fighting the French. The expenditure on goods and services was as low as it had been in 1700 (table 2), before Parliament had learned fully its new role as dispenser of patronage and protector of the empire. The level of local-government expenditure (table 3) was very small in the nineteenth century. The Napoleonic War (table 6) was very big. All in all, the paper is a most useful survey.

It does not pretend to be a complete survey of what work might be done in the history of taxes during the Industrial Revolution, or even of what has been done. Let me suggest some steps toward completion. The first is to recognize that official and admitted taxes are not the whole picture. The militia and other taxes in kind are one source of underestimation, the impression of seamen being

stances in which it has been examined closely it has proven false. The best case is the American Civil War, a "Second American Revolution" that is alleged to have begun the industrialization of the United States. In fact, however, it appears to have retarded industrialization, and to have had few if any of the effects attributed to it in the works of Charles Beard and Louis Hacker. The most radical point that can be made against Hartwell's optimism is that taxes, after all, are a compulsory evil, and that the British economy of the mid-nineteenth century was thus 11 percent evil, not unlike being 11 percent pregnant.

Hartwell is not to be blamed for failing to do what he does not attempt. He does not attempt to answer in full the question of incidence, or more generally the question of the consequences of taxation. In this he follows the other recent work on taxes in the period, "Taxation in Britain and France: 1750-1810" by his colleagues at Oxford, Peter Mathias and Patrick O'Brien. They most usefully compile the statistics of British and French government expenditure. But having their eye on bigger game, they, like Hartwell, go on to make arguments about incidence, such as that taxation of the rich slowed capital accumulation or that consumption taxes fell on consumers. The arguments, however, are unsupported in Mathias and O'Brien and in Hartwell. The questions asked are counterfactuals, that is, questions about what might have been. Did war and taxation slow down the rate of industrialization? Would the economy in 1830 have been radically different had there been no public debt? Would the poor have been richer or poorer had more taxes been taxes on income? Hartwell himself has been foremost in urging historians to adopt the economist's standard of proof in such matters. Economist, analyze thyself.

It is depressing testimony to the provinciality of scholarship imposed by sensory overload in the age of the photocopier that none of this company of Oxonians refer to the one attempt to do the job right, namely, Glenn Hueckel's "War and the British Economy, 1793-1815: A General Equilibrium Analysis." The question of incidence cannot be answered completely without such a model and

*Explorations in Economic History* 10 (Summer 1973): 365-96.

CATO JOURNAL
cannot be answered partially without at least some model, however crude. It will not suffice to quote contemporary opinion and leave it at that. In his final section, for example, Hartwell gets to the matter of the incidence of taxes for war, but does not do any business; he culls opinions from Smith, Ricardo, Mill, budget speeches, and Sir Henry Parnell, but then leaves the matter of fact unresolved. Whether or not Hueckel's conclusion that land and labor were helped at the expense of capital during the Napoleonic War is believed, it does have the merit of going beyond qualitative opinions on quantitative facts.

From my own provincial point of view, his worst argument is that the substitution of an income tax for customs duties after the repeal of the Corn Laws enriched the nation: "The remarkable economic expansion of the midcentury must be attributed directly to those sensible tax policies." Now I am in favor of sensible tax policies, too. And I wish passionately to attribute to Free Trade everything laudable, including the mid-Victorian boom. But the assertion simply does not wash, historically or economically. A historian like Roy Church can point out, as he does in his book *The Great Victorian Boom* 1850-1873, that "whether free-trade policy was in a very large measure responsible for the trading boom is, in the present state of research, doubtful." An economist like Irving Kravis can point out that the experience of the past century suggests that trade is a mere handmaiden, not an engine, of economic growth. And an economic historian like me can point out that since Britain's monopoly of manufacturing at midcentury implied an optimal tariff well above zero, the move to free trade could have reduced rather than increased British national income. We do not know the incidence of Britain's tariff and therefore cannot assert boldly that dropping it was an important cause of economic growth. So, too, alas, with the other taxes during the Industrial Revolution.

Hartwell would surely join me in such expressions of doubt and in calls for further research. The beginning of true knowledge, it is said, is the admission of ignorance. Professional historians like Hartwell and me are painfully aware of our ignorance of the past. What

is mischievous, what I am sure Hartwell would not want his paper to encourage, is a confident belief that we are not ignorant. Let me repeat what I said earlier: We do not yet have sufficient historical materials to support any economic ideology. J. K. Galbraith's television series a few years back presented myths about imperialism as though they had the same status as the fact that the Indian Mutiny broke out on May 10, 1857. But Milton Friedman's series, most of which I agreed with politically and economically, had the same heavy emphasis on historical example as a method of proof and the same willingness to accept as fact what we would merely hope, without knowing, to be true about history. Lunch is necessary for the belly, history for the mind. But as there are no free lunches, there is no free history. With papers like Max Hartwell's we are beginning to collect the ingredients.